

SECURITIES AND EXCHANGE COMMISSION

FORM PRES14A

Preliminary proxy statements, special meeting

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FILER

PRUDENTIAL GOVERNMENT SECURITIES TRUST

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<TABLE>

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</TABLE>

June 1, 1995

Securities and Exchange Commission,
450 Fifth Street, N.W.,
Washington, D.C. 20549.

Re: Preliminary Proxy Materials --
Prudential Government Securities Trust
(Reg. No. 811-3264)

Dear Sirs:

The accompanying EDGAR filing on behalf of Prudential Government Securities Trust (the "Fund"), pursuant to Rule 14a-6 under the Securities Exchange Act of 1934, is a preliminary copy of the Notice of Annual and Special Meetings, Proxy Statement and forms of Proxy to be used in connection with the Fund's Annual Meeting of Shareholders to be held on June 27, 1995 and the Fund's Special Meeting of Shareholders to be held on July 19, 1995.

In addition to the election of Trustees and the ratification of independent accountants at the Annual Meeting, Shareholders will be asked at the Special Meeting to approve (i) amendments to the Fund's Distribution and Service Plans to change them from reimbursement type plans

to compensation type plans and (ii) amendments to the Fund's investment policies and restrictions recently approved by the Fund's Trustees and as described in the enclosed Proxy Statement. The proposal to change the Fund's Distribution and Service Plans is substantially the same as those included in the proxy materials filed with the Commission last year on behalf of a number of the Prudential Mutual Funds, including, but not limited to, Prudential Growth Opportunity Fund.

Pursuant to Rule 20a-1 under the Investment Company Act of 1940, a filing fee of \$125.00 has been wired by the Fund to the Commission's designated lockbox at The Mellon Bank in Pittsburgh.

The Fund anticipates that it will mail the Proxy materials to shareholders on or about June 12, 1995.

Due to the fact that the Annual Meeting of Shareholders must be held on June 27, 1995 to elect Trustees, and in order to ensure that the Proxy materials can be mailed to shareholders by no later than June 12, 1995, the Fund respectfully requests that the Commission review these Proxy materials on an expedited basis.

Should you have any questions or comments concerning the enclosed documents, please contact

Ronald Amblard of Prudential Mutual Fund Management, Inc.
(212-214-2189) or the undersigned (212-558-4940).

Very truly yours,

/s/ William G. Farrar

William G. Farrar

(Enclosures)

cc: Robert Tait, Esq.
(Securities and Exchange Commission)

S. Jane Rose, Esq.
Ronald Amblard, Esq.
(Prudential Mutual Fund Management, Inc.)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

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

Filed by the registrant

Filed by a party other than the registrant

Check the appropriate box:

Preliminary proxy statement

Definitive proxy statement

Definitive additional materials

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

PRUDENTIAL GOVERNMENT SECURITIES TRUST

(Name of Registrant as Specified in Its Charter)

PRUDENTIAL GOVERNMENT SECURITIES TRUST

(Name of Person(s) Filing Proxy Statement)

Payment of filing fee (Check the appropriate box):

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

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

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

PRELIMINARY COPY
 PRUDENTIAL GOVERNMENT SECURITIES TRUST
 ONE SEAPORT PLAZA
 NEW YORK, N.Y. 10292

 NOTICE OF ANNUAL MEETING OF SHAREHOLDERS AND
 NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

To our Shareholders:

Notice is hereby given that an Annual Meeting of Shareholders of the Prudential Government Securities Trust (the Fund or the Trust) will be held at 9:00 A.M. on June 27, 1995, at 199 Water Street, New York, New York 10292, for the following purposes and for action by the shareholders of all the Series, voting together:

1. To elect Trustees.
2. To ratify the selection by the Trustees of Price Waterhouse LLP as independent accountants for the fiscal year ending November 30, 1995.
3. To consider and act upon any other business as may properly come before the Annual Meeting or any adjournment thereof.

Notice is also hereby given that a Special Meeting of Shareholders of the Fund will be held at 9:00 A.M. on July 19, 1995, at 199 Water Street, New York, New York 10292, for the purposes and for action by the shareholders of the Series indicated in the table below, voting separately:

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Proposal No.	Shareholders Voting	Purpose
<S>	<C>	<C>
1.	All Series	To approve amended and restated Distribution and Service Plans.
2.	Money Market and Intermediate Term Series	To approve elimination of the Series' investment restriction that limits investments to those securities listed in the Series' Prospectuses under "Investment Objective and Policies."
3.	All Series	To approve elimination of the Series' investment restrictions regarding restricted and illiquid securities.
4.	Money Market and Intermediate Term Series	To approve elimination of the Series' investment restriction regarding the purchase and sale of warrants, puts, calls, straddles, spreads or combinations thereof.
5.	Intermediate Term Series	To approve modification of the Intermediate Term Series' investment restrictions to permit an increase in the borrowing capabilities of the Series.

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Proposal	Shareholders
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No.	Voting	Purpose
<S>	<C>	<C>
6.	Intermediate Term Series	To approve modification of the Intermediate Term Series' investment restrictions to clarify that the purchase and sale of certain securities are not deemed to be the purchase or sale of real estate or real estate mortgage loans.
7.	Intermediate Term Series	To approve modification of the Intermediate Term Series' investment restriction regarding purchases of securities on margin and short sales to permit certain transactions involving margin and certain short sales.
8.	Intermediate Term Series	To approve modification of the Intermediate Term Series' investment restriction regarding the purchase and sale of commodities or commodity futures contracts to permit the purchase and sale of financial futures contracts and options thereon.
9.	All Series	To consider and act upon any other business as may properly come before the Special Meeting or any adjournment thereof.

</TABLE>

Only shares of beneficial interest of the Fund of record at the close of business on May 26, 1995 are entitled to notice of and to vote at either the Annual Meeting or the Special Meeting or any adjournments thereof.

Dated: June --, 1995

S. Jane Rose
Secretary

TWO PROXIES ARE ENCLOSED FOR EACH SERIES IN WHICH YOU HOLD SHARES (ONE FOR EACH OF THE MEETINGS). WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETINGS, PLEASE SIGN AND PROMPTLY RETURN ALL OF THE ENCLOSED PROXIES IN THE ENCLOSED SELF-ADDRESSED STAMPED ENVELOPE. IN ORDER TO AVOID THE ADDITIONAL EXPENSE TO THE FUND OF FURTHER SOLICITATION, WE ASK YOUR COOPERATION IN MAILING IN BOTH OF YOUR PROXIES PROMPTLY.

PRELIMINARY COPY

PRUDENTIAL GOVERNMENT SECURITIES TRUST
ONE SEAPORT PLAZA
NEW YORK, N.Y. 10292
(800) 225-1852

PROXY STATEMENT

This proxy statement is furnished by the Board of Trustees of Prudential Government Securities Trust (the Fund or the Trust), in connection with its solicitation of proxies for use at an Annual Meeting of Shareholders (the Annual Meeting) of the Fund to be held at 9:00 A.M. on June 27, 1995, at 199 Water Street, New York, New York 10292, the Fund's principal executive office. This proxy statement is also being furnished by the Trustees of the Fund in connection with its solicitation of proxies for use at a Special Meeting of Shareholders (the Special Meeting) of the Fund to be held at 3:00 P.M. on July 19, 1995 at 199 Water Street, New York, New York 10292. The purposes of the Annual Meeting and the Special Meeting (collectively, the Meetings) and the matters to be acted upon are set forth in the accompanying Notices of Annual Meeting and Special Meeting.

The Fund's most recent Annual Report has previously been sent to shareholders and may be obtained without charge by calling (800) 225-1852 or by

writing to the Fund at One Seaport Plaza, New York, New York 10292.

The Annual Meeting is being held because of the resignation of Lawrence C. McQuade on April 28, 1995 after which fewer than a majority of the Trustees currently in office have been previously elected by shareholders. Under these circumstances, the Investment Company Act of 1940 (the Investment Company Act) requires that a meeting of shareholders be held within 60 days for the purpose of electing Trustees.

The Special Meeting is being held to consider various matters affecting one or more of the Series of the Fund, namely, the Intermediate Term Series, the Money Market Series and the U.S. Treasury Money Market Series (the Series or a Series).

If the accompanying forms of Proxy are executed properly and returned, shares represented by them will be voted at the Meetings, or any adjournments thereof, in accordance with the instructions on the Proxy. However, if no instructions are specified, shares will be voted for the election of the Trustees and for the other proposals. A Proxy may be revoked at any time prior to the time it is voted by written notice to the Secretary of the Fund, by execution of a subsequent Proxy or by attendance at the Meeting to which the Proxy relates. 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 a Meeting to permit further solicitation of proxies. Any such adjournment will require the affirmative vote of a majority of those shares present at such 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. Any questions as to an adjournment of a Meeting will be voted on by the persons named in the enclosed Proxies in the same manner that the Proxies are instructed to be voted. In the event that a Meeting is adjourned, the same procedures will apply at the later Meeting date.

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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 a Meeting for purposes of determining the existence of a quorum for the transaction of business and be deemed not cast with respect to such proposal. If no instructions are received by the broker or nominee from the shareholder with reference to routine matters, the shares represented thereby may be considered for purposes of determining the existence of a quorum for the transaction of business and will be deemed cast with respect to such proposal. Also, a properly executed and returned Proxy marked with an abstention will be considered present at a Meeting for purposes of determining the existence of a quorum for the transaction of business. However, abstentions and broker "non-votes" do not constitute a vote "for" or "against" the matter, but have the effect of a negative vote on matters which require approval by a requisite percentage of the outstanding shares.

The close of business on May 26, 1995 has been fixed as the record date for the determination of shareholders entitled to notice of, and to vote at, each Meeting. On that date, the Fund had _____ shares of beneficial interest outstanding and entitled to vote. Each share will be entitled to one vote at each Meeting. On May 26, 1995, the Intermediate Series, Money Market Series and U.S. Treasury Money Market Series had _____, _____, and _____ shares of beneficial interest outstanding and entitled to vote, respectively. With respect to the Special Meeting, only the shareholders of those Series affected by a Proposal are eligible to vote on such Proposal. It is expected that the Notices of Annual Meeting and Special Meeting, Proxy Statement and forms of Proxy will first be mailed to shareholders on or about June --, 1995.

[As of May 26, 1995, management of the Fund does not know of any person or group who owned beneficially 5% or more of any Series' outstanding shares.]

The expense of solicitation will be borne by the Fund and will include reimbursement of brokerage firms and others for expenses in forwarding proxy solicitation material to beneficial owners. The solicitation of proxies will be largely by mail. The 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 Meetings. This cost, including specified expenses, is not expected to exceed \$_____ and will be borne by the Fund. In addition, solicitation may include, without cost to the Fund, telephonic, telegraphic or oral communication by regular employees of Prudential Securities Incorporated (Prudential Securities).

Prudential Mutual Fund Management, Inc. (PMF or the Manager), One Seaport Plaza, New York, New York 10292, serves as the Fund's Manager under a management agreement dated as of May 2, 1988 (the "Management Agreement"). 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. Both PMF and PIC are indirect subsidiaries of The Prudential Insurance Company of America. Prudential Mutual Fund Distributors, Inc. (PMFD), One Seaport Plaza, New York, New York 10292, acts as the distributor of the U.S. Treasury Money Market Series and the Money Market Series. Prudential Securities, One Seaport Plaza, New York, New York 10292, acts as the distributor of the Intermediate Term Series. The Fund's transfer agent is Prudential Mutual Fund Services, Inc. (PMFS), Raritan Plaza One, Edison, New Jersey 08837. As of April 30, 1995, PMF served as the manager to 39 open-end investment companies, and as manager or administrator to 30 closed-end investment companies with aggregate assets of more than \$46 billion. The Fund has a Board of Trustees which, in addition to overseeing the actions of the Fund's Manager and Subadviser, decides upon matters of general policy.

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ANNUAL MEETING PROPOSALS

ELECTION OF TRUSTEES

(Annual Meeting Proposal No. 1)

At the Annual Meeting, five Trustees will be elected to hold office until the earlier to occur of the next meeting of shareholders at which Trustees are elected or until their terms expire in accordance with the Fund's retirement policy and until their successors are elected and qualify. The Fund's recently adopted retirement policy generally calls for the retirement of Trustees on December 31 of the year in which he or she reaches the age of 72. It is the intention of the persons named in the accompanying form of Proxy to vote for the election of Delayne Dedrick Gold, Arthur Hauspurg, Stephen P. Munn, Richard A. Redeker and Louis A. Weil, III, all of whom except Mr. Redeker are currently Trustees. Each of the nominees has consented to be named in this Proxy Statement and to serve as a Trustee if elected. Only Mrs. Gold and Mr. Hauspurg have previously been elected as Trustees by shareholders.

Mrs. Gold and Mr. Hauspurg were first elected as Trustees in 1981. Messrs. Munn and Weil were elected as Trustees on February 5 and April 30, 1991, respectively. Mr. Redeker is currently not a Trustee.

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

The Fund's By-laws provide that the Fund will not be required to hold annual meetings of shareholders if the election of Trustees is not required under 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, business experience during the past five years and other directorships	Position with Fund	Shares of Beneficial Interest in Money Market Series Owned at May 26, 1995	Shares of Beneficial Interest in Intermediate Term Series Owned at May 26, 1995	Shares of Beneficial Interest in U.S. Treasury Money Market Series Owned at May 26, 1995
<S>	<C>	<C>	<C>	<C>
Delayne Dedrick Gold (56), Marketing and Management Consultant; Director/Trustee of 24 investment companies managed by PMF.	Trustee	[0]	[0]	[0]
Arthur Hauspurg (69), Trustee and former President, Chief Executive Officer and Chairman of the Board of Consolidated Edison Company of New York, Inc.; Director of COMSAT Corp.; Director/Trustee of 5 investment companies managed by PMF.	Trustee	[0]	[525]	[0]
Stephen P. Munn (52), Chairman (since January 1994), Director and President (since 1988) and Chief Executive Officer (1988 - December 1993) of Carlisle Companies Incorporated; Director/Trustee of 5 investment companies managed by PMF.	Trustee	[0]	[587]	[0]

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Name, age, business experience during the past five years and other directorships	Position with Fund	Shares of Beneficial Interest in Money Market Series Owned at May 26, 1995	Shares of Beneficial Interest in Intermediate Term Series Owned at May 26, 1995	Shares of Beneficial Interest in U.S. Treasury Money Market Series Owned at May 26, 1995
<S>	<C>	<C>	<C>	<C>
*Richard A. Redeker (50), President, Chief Executive Officer and Director (since October 1993), Prudential Mutual Fund Management, Inc.; Director and Member of the Operating Committee (since October 1993), Prudential Securities Incorporated; Director (since October 1993) of Prudential Securities Group, Inc.; Executive Vice President, The Prudential Investment Corporation; Director (since January 1994), Prudential Mutual Fund Distributors, Inc.; Director (since January 1994), Prudential Mutual Fund Services, Inc.; formerly Senior Executive Vice President and Director of Kemper Financial Services, Inc. (September 1978 - September 1993); President and Director/Trustee of 38 investment companies managed by PMF.	President	[0]	[0]	[0]
Louis A. Weil, III (54), Publisher and Chief Executive Officer, Phoenix Newspapers, Inc. (since August 1991); Director of Central Newspapers, Inc. (since September 1991); prior thereto, Publisher of Time Magazine (May 1989 - March 1991); formerly President, Publisher & CEO of The Detroit News (February 1986 - August 1989); formerly member of the Advisory	Trustee	[2,176]	[232]	[2,174]

Board, Chase Manhattan Bank-Westchester;
 Director/Trustee of 12 investment companies
 managed by PMF.

<FN>

*Indicates "interested" Trustee, as defined in Section 2(a)(19) of the Investment Company Act, by reason of his affiliation with Prudential Securities or PMF.

</FN>

</TABLE>

The Trustees and officers of the Fund as a group owned beneficially _____ shares of the Money Market Series, _____ shares of the Intermediate Term Series and _____ shares of the U.S. Treasury Money Market Series at _____, 1995, representing less than 1% of the shares of each Series then outstanding.

The Fund pays annual compensation of \$9,000 plus actual out-of-pocket expenses to each of the Trustees not affiliated with PMF or The Prudential Investment Corporation (PIC). The Chairman of the Audit Committee receives an additional \$200 per year. During the fiscal year ended November 30, 1994, the Fund paid Trustees' fees, in the aggregate, of \$45,600 and travel and incidental expenses of approximately \$2,200.

Trustees may receive their 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 SEC

exemptive order, at the daily rate of return of the Fund (the Fund Rate). Payment of the interest so accrued is also deferred and accruals become payable at the option of the Trustee. The Fund's obligation to make payments of deferred Trustees' fees, together with interest thereon, is a general obligation of the Fund.

Pursuant to the terms of the Management Agreement with the Fund, the Manager pays all compensation of officers of the Fund as well as the fees and expenses of all Trustees of the Fund who are affiliated persons of the Manager.

The following table sets forth the aggregate compensation paid by the Fund for the fiscal year ended November 30, 1994 to the Trustees who are not affiliated with the Manager and the aggregate compensation paid to such Trustees for service on the Fund's board and that of all other funds managed by Prudential Mutual Fund Management, Inc. (Fund Complex) for the calendar year ended December 31, 1994.

Compensation Table

<TABLE>

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Name and Position	Aggregate Compensation From Fund	Pension or Retirement Benefits Accrued As Part of Fund Expenses	Estimated Annual Benefits Upon Retirement	Total Compensation From Fund and Fund Complex Paid to Trustees
<S>	<C>	<C>	<C>	<C>
Delayne Dedrick Gold-Trustee.....	\$9,200	None	N/A	\$185,000 (24) *
Arthur Hauspurg-Trustee.....	\$9,000	None	N/A	\$ 37,500 (5) *
Stephen P. Munn-Trustee.....	\$9,000	None	N/A	\$ 40,000 (6) *

<FN>

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* Indicates number of funds in Fund Complex (including the Fund) to which aggregate compensation relates.

</FN>

</TABLE>

There were four meetings of the Fund's Trustees held during the fiscal year ended November 30, 1994. The Trustees presently have an Audit Committee and a Nominating Committee. The members of the Audit and Nominating Committees are Mrs. Gold and Messrs. Hauspurg Munn and Weil. The Audit Committee met three times during the fiscal year ended November 30, 1994. The Nominating Committee met once during the fiscal year ended November 30, 1994. No Trustee attended fewer than 75% of the aggregate of the total number of meetings of the Trustees, the Audit Committee and Nominating Committee held during the fiscal year for which each such Trustee has been a member. 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 Nominating Committee makes recommendations to the Trustees with respect to candidates for election as Trustees of the Fund. The Nominating Committee does not consider nominees recommended by shareholders to fill vacancies on the Board.

The executive officers of the Fund, other than as shown above, are Robert F. Gunia, Vice President, having held such office since April 30, 1987, Eugene S. Stark, Treasurer, having held such office since February 7, 1995, Stephen M. Ungerman, Assistant Treasurer, having held office since May 2, 1995; S. Jane Rose, Secretary, having held office since October 18, 1984, and Ronald Amblard, Assistant Secretary, having held such office since September 9, 1988. Mr. Gunia is 48 years old and is currently Chief Administrative Officer, Director, Executive Vice President, Treasurer and Chief Financial Officer of PMF and a Senior Vice President of Prudential Securities. He is also Executive Vice President, Treasurer and Comptroller (since March 1991) of PMFD and Director of PMFS. Mr. Stark is 37 years old and is currently First Vice President (since January 1990) of PMF. Mr. Ungerman is 42 years old and is First Vice President of PMF (since February 1993). Prior thereto he was a Senior Tax Manager at Price Waterhouse. Ms. Rose is 49 years old and is currently a 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 of PMF (June 1987 - December 1990) and Vice President and Associate General Counsel of Prudential Securities. Mr. Amblard is 36 years old and is currently First Vice President (since January 1994) and Associate General Counsel (since January 1992) of PMF and Vice President and Associate General Counsel of Prudential Securities (since January 1992). Prior thereto, he was Assistant General Counsel (August 1988 - December 1991) and an Associate Vice President (January 1989 - December 1990) and Vice President (January 1991 - December 1993) of PMF. The executive officers of the Fund are elected annually by the Trustees.

Required Vote

Directors must be elected by a vote of a majority of the votes cast at the Annual Meeting in person or by proxy and entitled to vote thereupon, provided that a quorum is present.

THE TRUSTEES RECOMMEND THAT YOU VOTE "FOR" THIS ANNUAL MEETING PROPOSAL NO. 1.

RATIFICATION OF SELECTION OF INDEPENDENT ACCOUNTANTS

A majority of the Trustees who are not interested persons of the Fund have selected Price Waterhouse LLP as independent accountants for the Fund for the fiscal year ending November 30, 1995. The ratification of the selection of independent accountants is to be voted upon at the meeting and it is intended that the persons named in the accompanying proxy vote for Price Waterhouse LLP. No representative of Price Waterhouse LLP is expected to be present at the Annual Meeting of Shareholders.

The Trustees' policy regarding engaging independent accountants' services is that management may engage the Fund's principal independent accountants to perform any service(s) normally provided by independent accounting firms, provided that such service(s) meets any and all of the independence requirements of the American Institute of Certified Public Accountants and the Securities and Exchange Commission. In accordance with this policy, the Audit Committee reviews and approves all services provided by the independent accountants prior to their being rendered. The Trustees also 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 the votes cast at the Annual Meeting in person or by proxy and entitled to vote thereupon, provided a quorum is present, is required for ratification.

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

OTHER MATTERS
(Annual Meeting)

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

SPECIAL MEETING PROPOSALS

APPROVAL OF
AMENDED AND RESTATED DISTRIBUTION AND SERVICE PLANS
(For consideration by shareholders of Money Market Series,
Intermediate Term Series and U.S. Treasury Money Market Series
voting separately)
(Special Meeting Proposal No. 1)

On May 2, 1995, the Trustees approved an amended and restated Distribution and Service Plan for each of the Money Market Series, Intermediate Term Series and U.S. Treasury Money Market Series pursuant to Rule 12b-1 under the Investment Company Act and an amended and restated Distribution Agreement with PMFD for shares of the Money Market Series and U.S. Treasury Money Market Series and with Prudential Securities for shares of the Intermediate Term Series (the Proposed Plans and the Proposed Distribution Agreements, respectively) and recommends submission of the Proposed Plans to the shareholders of each Series for approval or disapproval at this Special Meeting of Shareholders. The Proposed Distribution Agreements do not require and are not being submitted for shareholder approval.

The Trustees previously adopted plans of distribution for each of the Series' shares pursuant to Rule 12b-1 under the Investment Company Act which were last approved by the Trustees on May 2, 1995 and were approved by shareholders on _____, 19__ (each an Existing Plan, and together, the

Existing Plans). Shareholders of each Series' shares are being asked to approve amendments to the Existing Plans that change them from reimbursement type plans to compensation type plans. The amendments do not change the maximum annual fee that may be paid to PMFD or Prudential Securities, as the case may be, under the Existing Plans, although the possibility exists that expenses incurred by PMFD and Prudential Securities and for which they are entitled to be reimbursed under the Existing Plans may be less than the fee PMFD or Prudential Securities will receive under the Proposed Plans. The amendments are being proposed to facilitate administration and accounting. The Trustees believe that the Proposed Plans are in the best interest of each Series and are reasonably likely to benefit the Series' shareholders. The copy of the Proposed Plans relating to the Money Market Series and the U.S. Treasury Money Market Series is attached hereto as Exhibit A and a copy of the Proposed Plan relating to the Intermediate Term Series is attached hereto as Exhibit B.

The Existing Plans

The purpose of each Existing Plan is to reimburse PMFD, the distributor of the Money Market Series and U.S. Treasury Money Market Series shares, and Prudential Securities, the distributor of the Intermediate Term Series shares, for providing distribution assistance to broker-dealers, including Prudential Securities and Pruco Securities Corporation, affiliated broker-dealers, and other qualified broker-dealers, if any, whose customers invest in shares of a Series and to defray the costs and expenses, including the payment of account servicing fees, of the services provided and activities undertaken to distribute each Series' shares (Distribution Activities).

Under the Existing Plan for each of the Money Market Series and the U.S. Treasury Money Market Series, the Series reimburses PMFD for expenses incurred for Distribution Activities at an annual rate of up to .125 of 1% of the Series' average daily net assets. Under the Existing Plan for the Intermediate Term Series, the Series reimburses Prudential Securities for expenses incurred for Distribution Activities at the annual rate of the lesser of (a) .25 of 1% of the aggregate sales of the Series' shares, not including shares issued in connection with reinvestment of dividends and capital gains distributions, issued on or after July 1, 1985 (the effective date of the Plan) less the aggregate net asset value of any such shares redeemed, or (b) .25 of 1% of the average daily net asset value of the shares issued after the effective date of the Plan. Amounts reimbursable under the Existing Plan for the Intermediate Term Series 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 payments under the Existing Plan. The Existing Plans for the Money Market Series and U.S. Treasury Money Market Series do not provide for carry-forward of unreimbursed amounts.

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Pursuant to the Existing Plans, the Trustees are provided with, and review, at least quarterly, a written report of the distribution expenses incurred on behalf of each Series by PMFD and/or Prudential Securities. The reports include an itemization of the distribution expenses and the purpose of such expenditures. In addition, as long as the Existing Plans remain in effect, the selection and nomination of Trustees who are not interested persons of the Fund shall be committed to the Trustees who are not interested persons of the Fund or a committee thereof.

The Existing Plans 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 Series' shares. In addition, all material amendments thereof must be approved by vote of a majority of the Trustees, 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 the Plans or any agreements related to them (the Rule 12b-1 Trustees), cast in person at a meeting called for the purpose of voting on the Plan. So long as an Existing Plan is in effect, the selection and nomination of Rule 12b-1 Trustees will be committed to the discretion of the Rule 12b-1 Trustees.

The Existing Plans provide that they shall continue from year to year, provided that such continuance is approved annually by a majority vote of the Trustees, including a majority of the Rule 12b-1 Trustees. The Existing Plans 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 shares of the Series (as defined in the Investment Company Act) on written notice to any other party to such Plan and will automatically terminate in the event of its assignment (as defined in the Investment Company Act). The Series will not be obligated to pay expenses incurred under an Existing Plan if it is terminated or not continued.

The Proposed Plans

The Proposed Plans amend the Existing Plans in one material respect. Under the Existing Plans, the Fund reimburses PMFD or Prudential Securities, as appropriate, for expenses actually incurred for Distribution Activities up to a maximum of .125 of 1% per annum of such Series' average daily net assets with respect to the Money Market Series and the U.S. Treasury Money Market Series, and up to a maximum of .25 of 1% with respect to the Intermediate Term Series. The Proposed Plans authorize each Series to pay PMFD or Prudential Securities, as the case may be, the same maximum annual fee as compensation for its Distribution Activities regardless of the expenses incurred by PMFD or Prudential Securities for Distribution Activities. In contrast to the Existing Plans, the amounts payable by each Series under the Proposed Plans would not be directly related to the expenses actually incurred by PMFD or Prudential Securities, as the case may be, for its Distribution Activities. Consequently, if PMFD's or Prudential Securities' expenses are less than its fees under a Proposed Plan, it will retain its full fees and realize a profit. However, if PMFD's or Prudential Securities' expenses exceed the fees received under a Proposed Plan, it will not be obligated to pay any additional expenses and in the case of the Intermediate Term Series Prudential Securities will no longer carry forward such amounts for reimbursement in future years.

Since inception of the Existing Plans, the amount of reimbursable expenses incurred thereunder by PMFD and Prudential Securities have equalled or exceeded the amounts reimbursed by the respective Series. As of November 30, 1994, the aggregate amount of distribution expenses incurred and not yet reimbursed by the Intermediate Term Series was \$11,346,000, which represented 4.7% of such Series' net assets.

For the fiscal years ended November 30, 1992, 1993 and 1994, with respect to the Money Market Series and the U.S. Treasury Money Market Series, PMFD received the following amounts under the Existing Plans, representing the percentages of average net assets of shares as set forth below, and spent the same amounts for Distribution Activities:

<TABLE>

<CAPTION>

Series	1992		1993		1994	
	Amount of Fee	Percentage	Amount of Fee	Percentage	Amount of Fee	Percentage
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Money Market.....	1,392,198	.125%	1,188,735	.125%	916,084	.125%
U.S. Treasury Money Market...	329,323	.125%	341,641	.125%	385,567	.125%

</TABLE>

For the fiscal years ended November 30, 1992, 1993 and 1994, Prudential Securities received \$624,800, \$676,731 and \$665,503, respectively, from the Fund with respect to the Intermediate Term Series under the Existing Plan, representing .21 of 1% of the Intermediate Term Series' average daily net assets, and spent approximately \$1,350,500, \$800,000 and \$665,500, respectively, for Distribution Activities.

Since the maximum annual fee under the Existing Plans is the same as under the Proposed Plans, PMFD and Prudential Securities would have received the same

annual fee under the Proposed Plans as they did under the Existing Plans for the fiscal years ended November 30, 1992, 1993 and 1994.

Among the major perceived benefits of compensation type plans, such as the Proposed Plans, over reimbursement type plans, such as the Existing Plans, 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 shares of a fund (or series thereof) in order to qualify for reimbursement. Although the Proposed Plans will continue to require quarterly reporting to the Trustees of the amounts accrued and paid under each 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 Plans. Thus, the accounting for the Proposed Plans would be simplified and the timing of when expenditures are to be made by the Distributor ordinarily 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 Plan will not exceed the expenses incurred by PMFD and Prudential Securities for Distribution Activities, suggest that the costs and efforts associated with a reimbursement plan are unwarranted.

In addition to the foregoing factors in considering whether to approve the Proposed Plans, the Trustees reviewed, among other things, the nature and scope of the services to be provided by PMFD and Prudential Securities, the amount of expenditures under the Existing Plans, the relationship of such expenditures to the overall cost structure of each series 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 Plans will benefit the Series and their shareholders.

If approved by shareholders, the Proposed Plans 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

Approval of Special Meeting Proposal No. 1 requires the affirmative vote of the holders of a majority of the outstanding voting securities (as defined in the Investment Company Act) of each Series, voting separately. Under the Investment Company Act, a majority of a Series' outstanding voting securities is defined as the lesser of (i) 67% of the Series' outstanding voting shares represented at a meeting at which more than 50% of the Series' outstanding voting shares are present in person or represented by proxy, or (ii) more than 50% of the Series' outstanding voting shares. If the Proposed Plans are not approved, the Existing Plans will continue in their present form.

THE TRUSTEES RECOMMEND THAT YOU VOTE "FOR" THIS SPECIAL MEETING PROPOSAL NO. 1.

APPROVAL OF ELIMINATION OF THE SERIES' INVESTMENT RESTRICTION
THAT LIMITS INVESTMENT TO THE TYPES OF SECURITIES LISTED IN THE SERIES'
PROSPECTUSES UNDER "INVESTMENT OBJECTIVE AND POLICIES"
(For consideration by shareholders of Money Market Series
and Intermediate Term Series voting separately)
(Special Meeting Proposal No. 2)

On May 2, 1995, upon the recommendation of the Series' Subadviser, the Trustees approved, subject to shareholder approval, elimination of the investment restriction limiting the Money Market Series and Intermediate Term

Series to investing only in the types of securities listed in each Series' Prospectus under "Investment Objective and Policies." This proposal, if approved, would have the effect of making the Series' investment policies (other than their investment objectives and those policies specifically designated by the Series or by law to be "fundamental") "non-fundamental" and subject to change by the Trustees without shareholder approval.

Investment Restriction No. 1 for the Money Market Series and the Intermediate Term Series, which is proposed to be eliminated, currently provides as follows:

The Trust may not:

1. As to any Series, invest in any securities other than the types of securities listed under the "Investment Objective and Policies" relating to such Series.

Subject to shareholder approval of this proposal, upon the recommendation of the Subadviser, the Trustees also approved modifications to the investment policies of the Intermediate Term Series to permit the Series (1) to reduce the percentage of its total assets which under normal circumstances would be invested in government securities to at least 65% (currently 80%); (2) to invest up to 35% of its total assets in corporate and other non-governmental/agency debt obligations, including, but not limited to, collateralized mortgage obligations, stripped mortgaged-backed securities and asset-backed securities rated at least A by Standard & Poor's Ratings Group (S&P) or Moody's Investors Services, Inc. (Moody's) or, if unrated, determined to be of comparable quality by the investment adviser; (3) to shorten its maximum weighted average maturity to 5 years (currently 10 years) and change its name to the "Short-Intermediate Term Series"; (4) to purchase and sell options on securities and financial indices; (5) to enter into short sales; and (6) to purchase and sell financial futures contracts and options thereon.

The Subadviser has not recommended nor have the Trustees approved changes in the types of securities which the Money Market Series is authorized to invest. Consequently, shareholder approval of this proposal with respect to the Money Market Series will initially have the effect (as is typical for most investment companies) of merely characterizing its investment policies, other than its investment objective and restrictions, as non-fundamental and subject to change by the Trustees without shareholder approval. Policy changes approved by the Trustees in the future will be described in the Series' Prospectus.

Approval of this Special Meeting Proposal No. 2 will permit the Trustees to approve further investments not presently described in this Proxy Statement or the Series' current Prospectuses which are consistent with the Series' investment objectives which may entail additional risks.

The Trustees believe that approval of Special Meeting Proposal No. 2 is in the best interest of the Series and its shareholders. The Subadviser has advised the Trustees that implementation of this proposal would afford the Money Market Series and the Intermediate Term Series greater investment flexibility by allowing the Subadviser to quickly respond to changing market conditions by avoiding the time and expense associated with shareholder meetings which would otherwise be required.

Set forth below is a discussion of the Intermediate Term Series' proposed use of corporate and other non-governmental/agency debt obligations. See Special Meeting Proposal No. 4 for a discussion of the Series' proposed use of options on securities and financial indices, Special Meeting Proposal No. 7 for a discussion of the Series' proposed use of short sales and Special Meeting Proposal No. 8 for a discussion of the Series' proposed use of futures contracts and options thereon.

Corporate and Other Debt Obligations

Subject to shareholder approval of this proposal, the Intermediate Term Series will be permitted to invest in corporate and other debt obligations rated at least "A" by S&P or Moody's or, if unrated, deemed to be of comparable credit quality by the Series' investment adviser. These debt securities may have adjustable or fixed rates of interest and in

certain instances may be secured by assets of the issuer. Adjustable rate

corporate debt securities may have features similar to those of adjustable rate mortgage-backed securities, but corporate debt securities, unlike mortgage-backed securities, are not subject to prepayment risk other than through contractual call provisions which generally impose a penalty for prepayment. See "Adjustable Rate Mortgage Securities" below. Fixed rate debt securities may also be subject to call provisions.

Asset and Mortgage-Backed Securities

Asset-Backed Securities

Asset-backed securities are generally created through the use of trusts and special purpose corporations that have securitized, in pass-through structures similar to the mortgage pass-through structure or in a pay-through structure, various types of assets (primarily automobile and credit card receivables and home equity loans). If this proposal is approved, the Series may invest in these and other types of asset-backed securities that may be developed in the future.

Mortgage-Backed Securities

Mortgage-backed securities are securities that directly or indirectly represent a participation in, or are secured by and payable from, mortgage loans secured by real property. There are currently three basic types of mortgage-backed securities: (i) those issued or guaranteed by the U.S. Government or one of its agencies or instrumentalities, such as Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC); (ii) those issued by private issuers that represent an interest in or are collateralized by mortgage-backed securities issued or guaranteed by the U.S. Government or one of its agencies or instrumentalities; and (iii) those issued by private issuers that represent an interest in or are collateralized by whole mortgage loans or mortgage-backed securities without a government guarantee but usually having some form of private credit enhancement.

Adjustable Rate Mortgage Securities

Adjustable rate mortgage securities (ARMs) are pass-through mortgage securities collateralized by mortgages with adjustable rather than fixed rates. ARMs eligible for inclusion in a mortgage pool generally provide for a fixed initial mortgage interest rate for either the first three, six, twelve, thirteen, thirty-six or sixty scheduled monthly payments. Thereafter, the interest rates are subject to periodic adjustment based on changes to a designated benchmark index.

ARMs contain maximum and minimum rates beyond which the mortgage interest rate may not vary over the lifetime of the security. In addition, certain ARMs provide for limitations on the maximum amount by which the mortgage interest rate may adjust for any single adjustment period. Alternatively, certain ARMs contain limitations on changes in the required monthly payment. In the event that a monthly payment is not sufficient to pay the interest accruing on an ARM, any such excess interest is added to the principal balance of the mortgage loan, which is repaid through future monthly payments. If the monthly payment for such an instrument exceeds the sum of the interest accrued at the applicable mortgage interest rate and the principal payment required at such point to amortize the outstanding principal balance over the remaining term of the loan, the excess is utilized to reduce the then outstanding principal balance of the ARM.

Private Mortgage Pass-Through Securities

Private mortgage pass-through securities are structured similarly to GNMA, FNMA and FHLMC mortgage pass-through securities (which the Series is currently authorized to invest in) and are issued by originators of and investors in mortgage loans, including depository institutions, mortgage banks, investment banks and special purpose subsidiaries of the foregoing. These securities usually are backed by a pool of conventional fixed rate or adjustable rate mortgage

loans. Since private mortgage pass-through securities typically are not guaranteed by an entity having the credit status of GNMA, FNMA and FHLMC, such securities generally are structured with one or more types of credit enhancement.

Collateralized Mortgage Obligations and Multiclass Pass-Through Securities

Collateralized mortgage obligations or "CMOs" are debt obligations collateralized by mortgage loans or mortgage pass-through securities. Typically, CMOs are collateralized by GNMA, FNMA or FHLMC Certificates, but also may be collateralized by whole loans or private mortgage pass-through securities (such collateral collectively hereinafter referred to as "Mortgage Assets"). Multiclass pass-through securities are equity interests in a trust composed of Mortgage Assets. Payments of principal and interest on the Mortgage Assets, and any reinvestment income thereon, provide the funds to pay debt service on the CMOs or make scheduled distributions on the multiclass pass-through securities. CMOs may be issued by agencies or instrumentalities of the U.S. Government, or by private originators of, or investors in, mortgage loans, including depository institutions, mortgage banks, investment banks and special purpose subsidiaries of the foregoing. The issuer of a series of CMOs may elect to be treated as a Real Estate Mortgage Investment Conduit (REMIC). All future references to CMOs shall also be deemed to include REMICs.

In a CMO, a series of bonds or certificates is issued in multiple classes. Each class of CMOs, often referred to as a "tranche," is issued at a specific fixed or floating coupon rate and has a stated maturity or final distribution date. Principal prepayments on the Mortgage Assets may cause the CMOs to be retired substantially earlier than their stated maturities or final distribution dates. Interest is paid or accrues on all classes of CMOs on a monthly, quarterly or semi-annual basis. The principal of and interest on the Mortgage Assets may be allocated among the several classes of a CMO series in a number of different ways. Generally, the purpose of the allocation of the cash flow of a CMO to the various classes is to obtain a more predictable cash flow to the individual tranches than exists with the underlying collateral of the CMO. As a general rule, the more predictable the cash flow on a CMO tranche, the lower the anticipated yield will be on that tranche at the time of issuance relative to prevailing market yields on mortgage-backed securities.

The Series may also invest in, among other things, parallel pay CMOs and Planned Amortization Class CMOs (PAC Bonds). Parallel pay CMOs are structured to provide payments of principal on each payment date to more than one class. These simultaneous payments are taken into account in calculating the stated maturity date or final distribution date of each class, which, as with other CMO structures, must be retired by its stated maturity date or final distribution date but may be retired earlier. PAC Bonds generally require payments of a specified amount of principal on each payment date. PAC Bonds always are parallel pay CMOs with the required principal payment on such securities having the highest priority after interest has been paid to all classes.

In reliance on rules and interpretations of the Securities and Exchange Commission (SEC), the Series' investments in certain qualifying CMOs and REMICs will not be subject to the Investment Company Act's limitation on acquiring interests in other investment companies.

Stripped Mortgage-Backed Securities

Stripped mortgage-backed securities or MBS strips are derivative multiclass mortgage securities. In addition to MBS strips issued by agencies or instrumentalities of the U.S. Government, the Series may purchase MBS strips issued by private originators of, or investors in, mortgage loans, including depository institutions, mortgage banks, investment banks and special purpose subsidiaries of the foregoing.

Risk Factors Relating to Investing in Asset and Mortgage-Backed Securities

Asset-backed securities present certain risks that are not presented by traditional government securities and mortgage-backed securities. Primarily, these securities do not have the benefit of a security interest in the related collateral. Credit card receivables are generally unsecured and the debtors are entitled to the protection of a number of

state and federal consumer credit laws, some of which may reduce the ability to obtain full payment. In the case of automobile receivables, the security interests in the underlying automobiles are often not transferred when the pool is created, with the resulting possibility that the collateral could be resold. In general, these types of loans are of shorter average life than mortgage loans and are less likely to have substantial prepayments.

The yield characteristics of asset-backed and mortgage-backed securities differ from traditional debt securities. Among the major differences are that the interest and principal payments are made more frequently, usually monthly, and that principal may be prepaid at any time because the underlying assets generally may be prepaid at any time. As a result, if the Series purchases such a security at a premium, a prepayment rate that is faster than expected will reduce yield to maturity, while a prepayment rate that is slower than expected will have the opposite effect of increasing yield to maturity. Alternatively, if the Series purchases these securities at a discount, faster than expected prepayments will increase, while slower than expected prepayments will reduce, yield to maturity. The Series may invest a portion of its assets in derivative mortgage-backed securities such as MBS strips which are highly sensitive to changes in prepayment and interest rates. The investment adviser will seek to manage these risks (and potential benefits) by diversifying its investments in such securities and through the proposed use of hedging and income enhancement strategies described under Special Meeting Proposals No. 4 and No. 8.

In addition, mortgage-backed securities which are secured by manufactured (mobile) homes and multi-family residential properties, such as GNMA and FNMA certificates, are subject to a higher risk of default than are other types of mortgage-backed securities. The investment adviser will seek to minimize this risk by investing in mortgage-backed securities rated at least "A" by Moody's or S&P.

Asset-backed securities, although less likely to experience the same prepayment rates as mortgage-backed securities, may respond to certain of the same factors influencing prepayments, while at other times different factors will predominate. Although the extent of prepayments on a pool of mortgage loans depends on various economic and other factors, as a general rule prepayments on fixed rate mortgage loans will increase during a period of falling interest rates and decrease during a period of rising interest rates. Accordingly, amounts available for reinvestment by the Series are likely to be greater during a period of declining interest rates and, as a result, likely to be reinvested at lower interest rates than during a period of rising interest rates. Asset and mortgage-backed securities may decrease in value as a result of increases in interest rates and may benefit less than other fixed income securities from declining interest rates because of the risk of prepayment.

Required Vote

Approval of Special Meeting Proposal No. 2 requires the affirmative vote of the holders of a majority of the outstanding voting securities of each Series, voting separately, as defined under the Investment Company Act and as described under Special Meeting Proposal No. 1. If the proposed change in investment restriction is not approved by a Series, the current limitations would remain a fundamental policy of that Series which could not be changed without the approval of a majority of the outstanding voting securities of that Series.

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

APPROVAL OF ELIMINATION OF THE SERIES' INVESTMENT
RESTRICTIONS REGARDING RESTRICTED AND ILLIQUID SECURITIES
(For consideration by shareholders of Money Market Series,
Intermediate Term Series and U.S. Treasury Money Market Series
voting separately)
(Special Meeting Proposal No. 3)

On May 2, 1995, at the request of the Series' Subadviser, the Trustees considered and recommend for shareholder approval elimination of Investment

Investment Restriction No. 10 for the U.S. Treasury Money Market Series, each of which prohibits the purchase of certain restricted and illiquid securities and replacing such investment restrictions with non-fundamental policies that may be later modified by the Trustees without shareholder approval.

Investment Restriction No.8 for the Money Market Series and the Intermediate Term Series, and Investment Restriction No.10 for the U.S. Treasury Money Market Series, which are proposed to be eliminated, currently provide as follows:

The Trust may not:

Purchase securities for which there are legal or contractual restrictions on resale (i.e., restricted securities) or invest more than 10% of its assets in securities for which there is no readily available market, except for repurchase agreements for seven days or less.

The Trustees recommend replacement of this fundamental investment restriction 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 proposed non-fundamental policy would provide as follows:

The Series may invest up to [15% (Intermediate Term Series)/10% (Money Market Series and U.S. Treasury Money Market Series)] of its net assets in illiquid securities including repurchase agreements which have a maturity of longer than seven days, securities with legal or contractual restriction 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), privately placed commercial paper and municipal lease obligations if in each case such investments 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 proposed investment policy is not expected by the Manager or the Trustees to affect the Series' liquidity.

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 Series' present restrictions on illiquid investments overly broad and unnecessarily restrictive in the view of the Series' 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

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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 Series' ability to invest in securities for which there is a readily available market and which have traditionally been considered illiquid. The markets for certain corporate bonds and notes are almost exclusively institutional. These institutional investors depend on an efficient institutional market in which the unregistered security can be readily resold. In the opinion of the Series' Manager, the fact that there are restrictions on resale to the general public is not necessarily indicative of the liquidity of such investments. If designated as liquid (under the supervision of the Trustees), these securities would be exempt from the Series' percentage limitation with respect to investment in illiquid securities.

In order to take advantage of the market for the increasingly liquid institutional trading markets, the Subadviser recommends that each Series eliminate its fundamental investment restriction regarding illiquid and restricted securities so that securities that are nonetheless liquid may be purchased without regard to the current limitations. By making the Series' policy on illiquid securities non-fundamental, the Series will be able to respond more quickly to regulatory and market developments because a shareholder vote will not be required to define what types of securities should be deemed illiquid or to change the applicable permissible percentage limitation. If this proposal is approved by shareholders, the Manager and the Subadviser, under the supervision of the 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 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). In addition, in order for commercial paper that is issued in reliance on Section 4(2) of the Securities Act to be considered liquid, (i) it must be rated in one of the two highest rating categories by at least two nationally recognized statistical rating organizations (NRSRO), or if only one NRSRO rates the securities, by that NRSRO, or, if unrated, be of comparable quality in the view of the investment adviser; and (ii) it must not be "traded flat" (i.e., without accrued interest) or in default as to principal or interest. Repurchase agreements subject to demand are deemed to have a maturity equal to the notice period. With respect to municipal lease obligations, the investment adviser will consider: (1) the willingness of the municipality to continue, annually or biannually, to appropriate funds for payment of the lease; (2) the general credit quality of the municipality and the importance to the municipality of the property covered by the lease; (3) in the case of unrated municipal lease obligations, an analysis of factors similar to that performed by nationally recognized statistical rating organizations in evaluating the credit quality of a municipal lease obligation, including (i) whether the lease can be cancelled, (ii) if applicable, what assurance there is that the assets represented by the lease can be sold, (iii) the strength of the lessee's general credit (e.g., its debt, administrative, economic and financial characteristics), (iv) the likelihood that the municipality will discontinue appropriating funding for the leased property because the property is no longer deemed essential to the operation of the municipality (e.g., the potential for an event of non-appropriation), and (v) the legal recourse in the event of failure to appropriate; and (4) any other factors unique to municipal lease obligations as determined by the investment

adviser.

The Trustees believe that approval of Special Meeting Proposal No. 3 is in the best interests of the Series and their shareholders.

Required Vote

Approval of Special Meeting Proposal No. 3 requires the affirmative vote of the holders of a majority of the outstanding voting securities of each Series, voting separately, as defined in the Investment Company Act and as

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described under Special Meeting Proposal No. 1. If the proposed change in investment restriction is not approved by a Series, the current limitations would remain a fundamental policy of that Series, which could not be changed without the approval of a majority of the outstanding voting securities of that Series.

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

APPROVAL OF ELIMINATION OF THE SERIES' INVESTMENT RESTRICTION
REGARDING THE PURCHASE AND SALE OF WARRANTS, PUTS, CALLS, STRADDLES,
SPREADS OR COMBINATIONS THEREOF

(For consideration by shareholders of Money Market Series and
Intermediate Term Series voting separately)
(Special Meeting Proposal No. 4)

On May 2, 1995, at the request of the Series' Subadviser, the Trustees considered and recommend for shareholder approval elimination of Investment Restriction No. 10 of the Money Market Series and the Intermediate Term Series, which provides that:

The Trust may not:

10. Purchase warrants, or write, purchase or sell puts, calls, straddles, spreads or combinations thereof except that the Money Market Series may purchase instruments together with the right to resell such instruments.

This restriction currently prohibits the Series' ability to enter into options transactions.

With respect to the Money Market Series, the Subadviser has expressed the concern that securities which is otherwise eligible to be purchased by the Money Market Series may be deemed to be prohibited because they are subject to put or call features and because they are not specifically excepted from Investment Restriction No. 10. Removing this restriction will alleviate such concern and afford the Series greater investment flexibility to invest in securities with put or call features that are otherwise suitable for the Series in addition to those currently described in its Prospectus. If elimination of Investment Restriction No.10 is approved by shareholders, before the Subadviser effects any options transactions (i.e., purchases or sells puts, calls, straddles, spreads or combinations thereof) on behalf of the Money Market Series, the Trustees will adopt a non-fundamental policy (i.e., a policy which may be changed by the Trustees without shareholder approval) relating to such use, including whatever limitations may be appropriate. This policy will be described in the Series' Prospectus. The Subadviser currently anticipates that it will use options only to hedge against potential changes in the value of securities which the Series may then own or acquire in the future and not for speculation.

With respect to the Intermediate Term Series, in addition to those uses set forth below, the deletion of Investment Restriction No. 10 will permit the

Series to enter into the options transactions discussed.

The Trustees believe that the approval of Special Meeting Proposal No. 4 is in the best interests of the Series and their shareholders.

Set forth below is a discussion of the Intermediate Term Series' proposed use of options on securities and financial indices. The Series expects to purchase and write (i.e., sell) put and call options on securities and financial indices that are traded on national securities exchanges or in the over-the-counter market to attempt to enhance income or to hedge the Series' portfolio. These options may be on debt securities, aggregates of debt securities, financial indices and U.S. Government securities and may be traded on national securities exchanges or over-the-counter.

Options on Securities

The purchaser of a call option has the right, for a specified period of time, to purchase the securities subject to the option at a specified price (the "exercise price" or "strike price"). By writing a call option, the Series becomes obligated

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during the term of the option, upon exercise of the option, to deliver the underlying securities or a specified amount of cash to the purchaser against receipt of the exercise price. When the Series writes a call option, the Series loses the potential for gain on the underlying securities in excess of the exercise price of the option during the period that the option is open.

The purchaser of a put option has the right, for a specified period of time, to sell the securities subject to the option to the writer of the put at the specified exercise price. By writing a put option, the Series becomes obligated during the term of the option, upon exercise of the option, to purchase the securities underlying the option at the exercise price. The Series might, therefore, be obligated to purchase the underlying securities for more than their current market price.

The writer of an option retains the amount of any premium paid for the writing of the option. The Series' maximum gain with respect to an option written is the premium. In the case of a covered call option that is not exercised, the amount of any premium may be offset or exceeded by a decline in the value of the securities underlying the call option that the Series must retain in order to maintain the "cover" on such option and, with respect to put options written, the amount of any premium may be offset or exceeded by the difference between the then current market price of the underlying security and the strike price of the put option (the price at which the Series must purchase the underlying security).

The Series may wish to protect certain portfolio securities against a decline in market value at a time when put options on those particular securities are not available for purchase. The Series may therefore purchase a put option on other carefully selected securities, the values of which the investment adviser expects will have a high degree of positive correlation to the values of such portfolio securities. If the investment adviser's judgment is correct, changes in the value of the put options should generally offset changes in the value of the portfolio securities being hedged. If the investment adviser's judgment is not correct, the value of the securities underlying the put option may decrease less than the value of the Series' investments and therefore the put option may not provide complete protection against a decline in the value of the Series' investments below the level sought to be protected by the put option.

The Series may similarly wish to hedge against appreciation in the value of debt securities that it intends to acquire at a time when call options on such securities are not available. The Series may, therefore, purchase call options on other carefully selected debt securities the values of which the investment adviser expects will have a high degree of positive correlation to the values of the debt securities that the Series intends to acquire. In such circumstances the Series will be subject to risks analogous to those summarized above in the

event that the correlation between the value of call options so purchased and the value of the securities intended to be acquired by the Series is not as close as anticipated and the value of the securities underlying the call options increases less than the value of the securities to be acquired by the Series.

The Series will write options on securities in connection with buy-and-write transactions; that is, the Series may purchase a security and concurrently write a call option against that security.

The exercise price of a call option may be below ("in-the-money"), equal to ("at-the-money") or above ("out-of-the-money") the current value of the underlying security at the time the option is written. Buy-and-write transactions using in-the-money call options may be used when it is expected that the price of the underlying security will remain flat or decline moderately during the option period. Buy-and-write transactions using at-the-money call options may be used when it is expected that the price of the underlying security will remain fixed or advance moderately during the option period. A buy-and-write transaction using an out-of-the-money call option may be used when it is expected that the premium received from writing the call option plus the appreciation in the market price of the underlying security up to the exercise price will be greater than the appreciation in the price of the underlying security alone. If the call option is exercised in such a transaction, the Series' maximum gain will be the premium received by it for writing the option, adjusted upwards or downwards by the difference between the Series' purchase price of the security and the exercise price of the option. If the option is not exercised and the price of the underlying security declines, the amount of the decline will be offset in part, or entirely, by the premium received.

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Prior to being notified of the exercise of the option, the writer of an exchange-traded option that wishes to terminate its obligation may effect a "closing purchase transaction" by buying an option of the same series as the option previously written. (Options of the same series are options on the same underlying security, having the same expiration date and the same strike price.) The effect of the purchase is that the writer's position will be cancelled by the exchange's affiliated clearing organization. Likewise, an investor who is the holder of an exchange-traded option may liquidate a position by effecting a "closing sale transaction" by selling an option of the same series as the option previously purchased. There is no guarantee that either a closing purchase or a closing sale transaction can be effected.

Exchange-traded options are issued by a clearing organization affiliated with the exchange on which the option is listed which, in effect, gives its guarantee to every exchange-traded option transaction. In contrast, over-the-counter (OTC) options are contracts between the Fund and its contra-party with no clearing organization guarantee. Thus, when the Series purchases an OTC option, it relies on the dealer from which it has purchased the OTC option to make or take delivery of the securities underlying the option. Failure by the dealer to do so would result in the loss of the premium paid by the Series as well as the loss of the expected benefit of the transaction. The Trustees of the Series will approve a list of dealers with which the Series may engage in OTC options.

When the Series writes an OTC option, it generally will be able to close out the OTC option prior to its expiration only by entering into a closing purchase transaction with the dealer to which the Series originally wrote the OTC option. While the Series will enter into OTC options only with dealers which agree to, and which are expected to be capable of, entering into closing transactions with the Series, there can be no assurance that the Series will be able to liquidate an OTC option at a favorable price at any time prior to expiration. Until the Series is able to effect a closing purchase transaction in a covered OTC call option the Series has written, it will not be able to liquidate securities used as cover until the option expires or is exercised or different cover is substituted. In the event of insolvency of the contra-party, the Series may be unable to liquidate an OTC option.

OTC options purchased by the Series will be treated as illiquid securities

subject to any applicable limitation on such securities. Similarly, the assets used to "cover" OTC options written by the Series will be treated as illiquid unless the OTC options are sold to qualified dealers who agree that the Series may repurchase any OTC options it writes for a maximum price to be calculated by a formula set forth in the option agreement. The "cover" for an OTC option written subject to this procedure would be considered illiquid only to the extent that the maximum repurchase price under the formula exceeds the intrinsic value of the option.

The Series will write only "covered" options. An option is covered if, so long as the Series is obligated under the option, it owns an offsetting position in the underlying security or maintains cash, U.S. Government securities or other liquid high-grade debt obligations with a value sufficient at all times to cover its obligations in a segregated account.

Options on Securities Indices

The Series also will purchase and write call and put options on securities indices in an attempt to hedge against market conditions affecting the value of securities that the Series owns or intends to purchase, and not for speculation. Through the writing or purchase of index options, the Series can achieve many of the same objectives as through the use of options on individual securities. Options on securities indices are similar to options on a security except that, rather than the right to take or make delivery of a security at a specified price, an option on a securities index gives the holder the right to receive, upon exercise of the option, an amount of cash if the closing level of the securities index upon which the option is based is greater than, in the case of a call, or less than, in the case of a put, the exercise price of the option. This amount of cash is equal to such difference between the closing price of the index and the exercise price of the option. The writer of the option is obligated, in return for the premium received, to make delivery of this amount. Unlike security options, all settlements are in cash and gain or loss depends upon price movements in the market generally (or in a particular industry or segment of the market), rather than upon price movements in individual securities. Price movements in securities that the Series owns or intends to purchase will probably not correlate perfectly with

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movements in the level of an index and, therefore, the Series bears the risk that a loss on an index option would not be completely offset by movements in the price of such securities.

When the Series writes an option on a securities index, it will be required to deposit with its custodian, and mark-to-market, eligible securities equal in value to 100% of the exercise price in the case of a put, or the contract value in the case of a call. In addition, where the Series writes a call option on a securities index at a time when the contract value exceeds the exercise price, the Series will segregate and mark-to-market, until the option expires or is closed out, cash or cash equivalents equal in value to such excess.

Options on a securities index involve risks similar to those risks relating to transactions in financial futures contracts described below under Special Meeting Proposal No. 8. Also, an option purchased by the Series may expire worthless, in which case the Series would lose the premium paid therefor.

Options On GNMA Certificates

Options on GNMA Certificates are not currently traded on any exchange. However, the Series may purchase and write such options should they commence trading on any exchange and may purchase or write OTC Options on GNMA Certificates.

Since the remaining principal balance of GNMA Certificates declines each month as a result of mortgage payments, the Series, as a writer of a covered GNMA call holding GNMA Certificates as "cover" to satisfy its delivery obligation in the event of assignment of an exercise notice, may find that its

GNMA Certificates no longer have a sufficient remaining principal balance for this purpose. Should this occur, the Series will enter into a closing purchase transaction or will purchase additional GNMA Certificates from the same pool (if obtainable) or replacement GNMA Certificates in the cash market in order to remain covered.

A GNMA Certificate held by the Series to cover an option position in any but the nearest expiration month may cease to represent cover for the option in the event of a decline in the GNMA coupon rate at which new pools are originated under the FHA/VA loan ceiling in effect at any given time. Should this occur, the Series will no longer be covered, and the Fund will either enter into a closing purchase transaction or replace the GNMA Certificate with a GNMA Certificate which represents cover. When the Series closes its position or replaces the GNMA Certificate, it may realize an unanticipated loss and incur transaction costs.

Risks of Options Transactions

An exchange-traded option position may be closed out only on an exchange which provides a secondary market for an option of the same series. Although the Series will generally purchase or write only those options for which there appears to be an active secondary market, there is no assurance that a liquid secondary market on an exchange will exist for any particular option at any particular time, and for some exchange-traded options, no secondary market on an exchange may exist. In such event, it might not be possible to effect closing transactions in particular options, with the result that the Series would have to exercise its exchange-traded options in order to realize any profit and may incur transactions costs in connection therewith. If the Series as a covered call option writer is unable to effect a closing purchase transaction in a secondary market, it will not be able to sell the underlying security until the option expires or it delivers the underlying security upon exercise.

Reasons for the absence of a liquid secondary market on an exchange include the following: (a) insufficient trading interest in certain options; (b) restrictions on transactions imposed by an Exchange; (c) trading halts, suspensions or other restrictions imposed with respect to particular classes or series of options or underlying securities; (d) interruption of the normal operations on an exchange; (e) inadequacy of the facilities of an exchange or the Options Clearing Corporation (OCC) to handle current trading volume; or (f) a decision by one or more exchanges to discontinue the trading of options (or a particular class or series of options), in which event the secondary market on that exchange (or in

that class or series of options) would cease to exist, although outstanding options on that exchange that had been issued by the OCC as a result of trades on that exchange would generally continue to be exercisable in accordance with their terms.

In the event of the bankruptcy of a broker through which the Series engages in options transactions, the Series could experience delays and/or losses in liquidating open positions purchased or sold through the broker and/or incur a loss of all or part of its margin deposits with the broker. Similarly, in the event of the bankruptcy of the writer of an OTC option purchased by the Series, the Series could experience a loss of all or part of the value of the option. Transactions are entered into by the Series only with brokers or financial institutions deemed creditworthy by the investment adviser.

The hours of trading for options may not conform to the hours during which the underlying securities are traded. To the extent that the options markets close before the markets for the underlying securities, significant price and rate movements can take place in the underlying markets that cannot be reflected in the options markets.

Required Vote

Approval of Special Meeting Proposal No. 4 requires the approval of a majority of the outstanding voting securities of the Money Market Series and the Intermediate Term Series, voting separately, as defined in the Investment Company Act and described under Special Meeting Proposal No. 1. If the proposed change in investment restriction is not approved by a Series, the current limitations would remain a fundamental policy of that series which could not be changed without the approval of a majority of the outstanding voting securities of that Series.

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

APPROVAL OF A CHANGE IN INVESTMENT RESTRICTIONS
TO PERMIT AN INCREASE IN THE BORROWING CAPABILITIES
OF THE INTERMEDIATE TERM SERIES
(For consideration by shareholders of Intermediate Term Series only)
(Special Meeting Proposal No. 5)

At the request of the Fund's Subadviser, the Trustees have considered and approved and recommended for shareholder approval amendments to the Intermediate Term Series' investment restrictions which would (i) increase the Series' borrowing limit to 33-1/3% of its total assets from banks and through dollar rolls and reverse repurchase agreements, (ii) permit the Series to borrow to take advantage of investment opportunities, (iii) permit the Series to pledge its assets in an amount up to 33-1/3% to secure permitted borrowings, (iv) permit the Series to purchase portfolio securities while borrowings are outstanding, and (v) clarify that neither permitted borrowings, entering into repurchase agreements, the purchase or sale of securities on a when-issued or delayed delivery basis, collateral arrangements with respect to interest rate swap transactions, reverse repurchase agreements or dollar rolls nor the purchase or sale of futures contracts are deemed to be a pledge of assets and neither such arrangements nor the purchase or sale of futures contracts nor the purchase and sale of related options, nor obligations of the Trustees pursuant to deferred compensation arrangements are deemed to be the issuance of a senior security.

Investment Restrictions No. 2, No. 3 and No. 12 currently read as follows:

The Trust may not:

2. Borrow money, except from banks for temporary or emergency purposes, including the meeting of redemption requests which might otherwise require the untimely disposition of securities; borrowing in the aggregate may not exceed 20%, and borrowing for purposes other than meeting redemptions may not exceed 5%, of the value of the Trust's total assets (including the amount borrowed), less liabilities (not including the amount borrowed) at the time the borrowing is made; investment securities will not be purchased while borrowings are outstanding.

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3. Pledge, hypothecate, mortgage or otherwise encumber its assets, except in an amount up to 10% of the value of its net assets but only to secure permitted borrowings of money.

12. Issue senior securities as defined in the Investment Company Act except insofar as the Trust may be deemed to have issued a senior security by reason of: (a) entering into any repurchase agreement; (b) permitted borrowings of money; or (c) purchasing securities on a when-issued or delayed delivery basis.

Proposed Amendment to Investment Restrictions

Investment Restrictions No. 3 and No. 12 are proposed to be deleted and Investment Restriction No. 2 is proposed to be renumbered as Investment Restriction No. 1 and amended in its entirety as follows:

The Trust may not:

1. Issue senior securities, borrow money or pledge its assets, except that the Series may borrow from banks or through dollar rolls or reverse repurchase agreements up to 33-1/3% of the value of its total assets (calculated when the loan is made) for temporary, extraordinary or emergency purposes, to take advantage of investment opportunities or for the clearance of transactions and may pledge up to 33-1/3% of the value of its total assets to secure such borrowings. For purposes of this restriction, the purchase or sale of securities on a "when-issued" or delayed delivery basis, collateral arrangements with respect to interest rate swap transactions, reverse repurchase agreements or dollar rolls or the purchase and sale of futures contracts are not deemed to be a pledge of assets and neither such arrangements nor the purchase or sale of futures contracts nor the purchase and sale of related options, nor obligations of the Series to Trustees pursuant to deferred compensation arrangements are deemed to be the issuance of a senior security.

The Intermediate Term Series may currently borrow money only from banks for temporary or emergency purposes in an amount not exceeding 20% of the value of its total assets (including the amount borrowed) less liabilities (not including the amount borrowed) at the time the borrowing is made. The Series must occasionally borrow money to fund substantial shareholder redemptions or exchange requests or for the clearance of transactions when available cash is not sufficient for these needs. Borrowings for purposes other than meeting redemptions may not exceed 5% of the value of the Series' total assets less liabilities. To date, the Series has not experienced operating difficulty under its present borrowing authority.

Borrowing to invest in securities, as proposed, would involve additional risk to the Series, since interest expenses may be greater than the income from or appreciation of the securities financed and the value of securities financed may decline below the amount borrowed. If the Series were to borrow to invest in securities, even for only temporary purposes, any investment gains made on the securities in excess of interest paid on the borrowing would cause the net asset value of the Series to rise faster than would otherwise be the case. On the other hand, if the investment performance of the additional securities purchased failed to cover their cost (including any interest accrued on the money borrowed) to the Series, the net asset value would decrease faster than would otherwise be the case. This is the speculative factor known as "leverage".

The Trustees believe that approval of Special Meeting Proposal No. 5 is in the best interests of the Series and its shareholders. The change would enhance the investment flexibility of the investment adviser by affording the Intermediate Term Series a greater capacity to satisfy net redemptions of its shares on a temporary basis, without having to resort to forced sales of portfolio securities at possibly disadvantageous prices, and to borrow money on a temporary basis for the clearance of transactions and to borrow money to take advantage of investment opportunities.

Required Vote

Approval of Special Meeting Proposal No. 5 requires the vote of a majority of the outstanding voting securities of the Intermediate Term Series as defined

in the Investment Company Act and described under Special Meeting Proposal No. 1 above. If the proposed change in investment restriction is not approved by the Series, the current limitations would remain a fundamental policy of the Series which could not be changed without the approval of a majority of the outstanding voting securities of the Series.

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

APPROVAL OF MODIFICATION OF THE INTERMEDIATE TERM SERIES'
INVESTMENT RESTRICTION TO CLARIFY THAT THE PURCHASE AND SALE OF
CERTAIN SECURITIES ARE NOT DEEMED TO BE THE PURCHASE OR SALE
OF REAL ESTATE OR REAL ESTATE MORTGAGE LOANS
(For consideration by shareholders of Intermediate Term Series only)
(Special Meeting Proposal No. 6)

On May 2, 1995, at the request of the Subadviser, the Trustees considered and recommend for shareholder approval a modification of the Intermediate Term Series' investment restriction regarding the purchase and sale of real estate or real estate mortgage loans. The Trustees recommend modification of Investment Restriction No.5 to clarify that the restriction on the purchase or sale of real estate or real estate mortgage loans does not prohibit the purchase and sale of mortgage-backed securities, securities collateralized by mortgages, securities of companies which invest or deal in real estate and publicly traded securities of real estate investment trusts.

Investment Restriction No. 5 is proposed to be renumbered as Investment Restriction No. 3 and amended as follows (additions are in italics and deletions are in brackets):

The Trust may not:

3.[5]. Purchase or sell real estate or real estate mortgage loans, except that the Series may purchase mortgage-backed securities, securities collateralized by mortgages, securities which are secured by real estate, securities of companies which invest or deal in real estate and publicly traded securities of real estate investment trusts. The Series may not purchase interests in real estate limited partnerships which are not readily marketable.

Since the Intermediate Term Series is currently authorized to purchase certain real estate related securities which are not prohibited by Investment Restriction No.5 (such as mortgage pass-through securities issued or guaranteed by the U.S. Government, its agencies or its instrumentalities), the purpose of the proposed amendment is merely to clarify that these authorized investments, in addition to the Series' proposed investment in certain non-U.S. Government mortgage-related securities discussed under Special Meeting Proposal No. 2 above, are not prohibited.

The Trustees believe that adoption of Special Meeting Proposal No. 6 is in the best interests of the Series and its shareholders.

Required Vote

Approval of Special Meeting Proposal No. 6 requires the approval of a majority of the outstanding voting securities of the Intermediate Term Series as defined in the Investment Company Act and described under Special Meeting Proposal No. 1 above. If the proposed change in investment restriction is not approved by the Series, the current limitations would remain a fundamental policy of the Series which could not be changed without the approval of a majority of the outstanding voting securities of the Series.

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

APPROVAL OF MODIFICATION OF THE INTERMEDIATE TERM SERIES'
INVESTMENT RESTRICTIONS TO PERMIT CERTAIN TRANSACTIONS
INVOLVING MARGIN AND CERTAIN SHORT SALES
(For consideration by shareholders of Intermediate Term Series only)
(Special Meeting Proposal No.7)

On May 2, 1995, at the request of the Fund's Manager and Subadviser, the Trustees considered and recommend for shareholder approval a modification of the Intermediate Term Series' fundamental investment restrictions regarding margin and short sales of securities.

Investment Restriction No. 6 of the Intermediate Term Series, which is proposed to be modified, currently provides as follows:

The Trust may not:

6. Purchase securities on margin or sell short.

The Trustees recommend replacement of this fundamental investment restriction with the following fundamental investment restrictions, which are proposed to be numbered as Investment Restrictions No. 4 and No. 5:

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

5. Make short sales of securities, or maintain a short position if, when added together, more than 25% of the value of the Series' net assets would be (i) deposited as collateral for the obligation to replace securities borrowed to effect short sales and (ii) allocated to segregated accounts in connection with short sales. Short sales "against-the-box" are not subject to this limitation.

The purpose of proposed Investment Restriction No. 4 is merely to clarify that neither short-term credits obtained by the Series as may be necessary for the clearance of transactions nor the deposit or payment by the Series of initial or variation margin in connection with options and futures contracts is considered the purchase of securities on margin. See Special Meeting Proposal No. 4 for a discussion of the Series' proposed use of options and Special Meeting Proposal No. 8 for a discussion of the Series' proposed use of futures contracts and options thereon.

The purpose of proposed Investment Restriction No. 5 is to permit the Series to enter into short sales of securities, including short sales "against-the-box" as described below.

Short sales involve sales of securities which the seller does not own in anticipation of a decline in the price of the securities that will allow the seller to "cover", or make delivery of the securities sold with securities purchased at the lower price. If the decline materializes, a profit is realized of the difference between the sales price and the lower purchase or covering price. If the price of the securities sold short increases, however, the short seller must cover with securities purchased at a higher price, and a loss, potentially limitless, will result. A short sale "against the box" occurs when the short seller owns either an equal amount of the security in which it has a short position or securities convertible into or exchangeable for, without payment of any further consideration, an equal amount of the securities of the same issuer as the securities sold short. Because the short seller actually owns the securities it has sold short in a short sale "against the box" and can cover its own position with those securities if the price goes up, the risk associated with a rise in price is hedged. A short seller must make delivery of the securities it has sold short. Because it does not own the securities (or, if the sale is "against the box", it does not wish to deliver the securities it does

the securities. To do so, the short seller must post collateral equal to the market value of the securities borrowed. If the market price rises, this deposit must be increased and vice versa. Engaging in short sales may accordingly reduce the flexibility of the Series because its assets may be committed as collateral. The short seller must also put in a segregated account (not with the broker) an amount of cash, U.S. government securities or other liquid high grade debt obligations equal to the difference between (a) the market value of the securities sold short at the time they were sold short and (b) any cash, or other liquid high grade debt obligations or U.S. government securities required to be deposited as collateral with the broker in connection with the short sale (not including the proceeds from the short sale). In addition, until the short seller replaces the borrowed security, it must daily maintain the segregated account at such level that (1) the amount deposited in it plus the amount deposited with the broker as collateral will equal the current market value of the securities sold short, and (2) the amount deposited in it plus the amount deposited with the broker as collateral will not be less than the market value of the securities at the time they were sold short. Such procedures need not be applied to short sales to the extent that they are "against the box".

Under the proposed amendment, the Series will be able to make short sales of securities or maintain a short position, provided not more than 25% of the Series' net assets (determined at the time of the short sale) would be (i) deposited as collateral for the obligation to replace securities borrowed to effect such short sales or (ii) allocated to segregated accounts in connection with such short sales. There would be no limitation on short sales "against the box." Short sales will be made primarily to defer realization of gain or loss for federal tax purposes; a gain or loss in the Series' long position will be offset by a gain or loss in its short position.

The Trustees believe that approval of Special Meeting Proposal No. 7 is in the best interests of the Series and its shareholders and would provide additional flexibility in the management of the Series' portfolio.

Required Vote

Approval of Special Meeting Proposal No. 7 requires the approval of a majority of the outstanding voting securities of the Intermediate Term Series as defined by the Investment Company Act and described under Special Meeting Proposal No. 1 above. If the proposed change in investment restriction is not approved by the shareholders of the Series, 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 Series.

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

APPROVAL OF MODIFICATION OF THE INTERMEDIATE TERM SERIES'
INVESTMENT RESTRICTION REGARDING THE PURCHASE AND SALE OF
COMMODITIES OR COMMODITY FUTURES CONTRACTS TO PERMIT THE PURCHASE
AND SALE OF FINANCIAL FUTURES CONTRACTS AND OPTIONS THEREON
(For consideration by shareholders of Intermediate Term Series only)
(Special Meeting Proposal No. 8)

At a meeting held on May 2, 1995, and at the request of the Subadviser, the Trustees considered and recommend for shareholder approval revision of the Series' fundamental investment restriction regarding the purchase and sale of commodities or commodity futures contracts. The Trustees recommend modification of Investment Restriction No. 7 for the Intermediate Term Series to permit the Series to purchase and sell financial futures contracts and options thereon.

Proposed Amendment to Investment Restrictions

Investment Restriction No. 7 for Intermediate Term Series is proposed to be

modified to read as follows and renumbered as Investment Restriction No. 5 (added language is italicized):

The Trust may not:

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5.[7.] Purchase or sell commodities or commodity futures contracts, or oil, gas, or mineral exploration or development programs, except that the Series may purchase and sell financial futures contracts and options thereon.

The Trustees believe that approval of Special Meeting Proposal No.8 is in the best interests of the Series and its shareholders because it would provide additional flexibility in the management of the Series' portfolio.

Set forth below is a discussion of the Series' proposed use of options and futures contracts and options thereon. The Series expects to purchase and sell financial futures contracts and options thereon which are traded on a commodities exchange or board of trade for certain hedging, return enhancement and risk management purposes in accordance with regulations of the Commodity Futures Trading Commission. These futures contracts and related options may be on debt securities, aggregates of debt securities, financial indices and U.S. Government securities and include futures contracts and options thereon which are linked to the London Interbank Offered Rate.

Futures Contracts

As a purchaser of a futures contract (futures contract), the Series incurs an obligation to take delivery of a specified amount of the obligation underlying the futures contract at a specified time in the future for a specified price. As a seller of a futures contract, the Series incurs an obligation to deliver the specified amount of the underlying obligation at a specified time in return for an agreed upon price. The Series may purchase futures contracts on debt securities, aggregates of debt securities, financial indices and U.S. Government securities including futures contracts or options linked to the London Interbank Offered Rate.

The Series will purchase or sell futures contracts for the purpose of hedging its portfolio (or anticipated portfolio) securities against changes in prevailing interest rates. If the investment adviser anticipates that interest rates may rise and, concomitantly, the price of the Series' portfolio securities may fall, the Series may sell a futures contract. If declining interest rates are anticipated, the Series may purchase a futures contract to protect against a potential increase in the price of securities the Series intends to purchase. Subsequently, appropriate securities may be purchased by the Series in an orderly fashion; as securities are purchased, corresponding futures positions would be terminated by offsetting sales of contracts. In addition, futures contracts will be bought or sold in order to close out a short or long position in a corresponding futures contract.

Although most futures contracts call for actual delivery or acceptance of securities, the contracts usually are closed out before the settlement date without the making or taking of delivery. A futures contract sale is closed out by effecting a futures contract purchase for the same aggregate amount of the specific type of security and the same delivery date. If the sale price exceeds the offsetting purchase price the seller would be paid the difference and would realize a gain. If the offsetting purchase price exceeds the sale price, the seller would pay the difference and would realize a loss. Similarly, a futures contract purchase is closed out by effecting a futures contract sale for the same aggregate amount of the specific type of security and the same delivery date. If the offsetting sale price exceeds the purchase price, the purchaser would realize a gain, whereas if the purchase price exceeds the offsetting sale price, the purchaser would realize a loss. There is no assurance that the Series will be able to enter into a closing transaction.

When the Series enters into a futures contract it is initially required to deposit with its custodian, in a segregated account in the name of the broker performing the transaction, an "initial margin" of cash or U.S. Government securities equal to approximately 2-3% of the contract amount. Initial margin requirements are established by the exchanges on which futures contracts trade and may, from time to time, change. In addition, brokers may establish margin deposit requirements in excess of those required by the exchanges.

Initial margin in futures transactions is different from margin in securities transactions in that initial margin does not involve the borrowing of funds by a brokers' client but is, rather, a good faith deposit on a futures contract which will be returned to the Series upon the proper termination of the futures contract. The margin deposits made are marked-to-

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market daily and the Series may be required to make subsequent deposits into the segregated account, maintained at its custodian for that purpose, of cash or U.S. Government securities, called "variation margin", in the name of the broker, which are reflective of price fluctuations in the futures contract.

Options on Futures Contracts

The Series may purchase and sell call and put options on futures contracts which are traded on an exchange and enter into closing transactions with respect to such options to terminate an existing position. An option on a futures contract gives the purchaser the right (in return for the premium paid), and the writer the obligation, to assume a position in a futures contract (a long position if the option is a call and a short position if the option is a put) at a specified exercise price at any time during the term of the option. Upon exercise of the option, the assumption of an offsetting futures position by the writer and holder of the option will be accompanied by delivery of the accumulated cash balance in the writer's futures margin account which represents the amount by which the market price of the futures contract at exercise exceeds, in the case of a call, or is less than, in the case of a put, the exercise price of the option on the futures contract.

The Series will only write "covered" put and call options on futures contracts. The Series will be considered "covered" with respect to a call option it writes on a futures contract if the Series owns the assets which are deliverable under the futures contract or an option to purchase that futures contract having a strike price equal to or less than the strike price of the "covered" option and having an expiration date not earlier than the expiration date of the "covered" option, or if it segregates and maintains with its custodian for the term of the option cash, U.S. Government securities or other liquid high-grade debt obligations equal to the fluctuating value of the optioned future. The Series will be considered "covered" with respect to a put option it writes on a futures contract if it owns an option to sell that futures contract having a strike price equal to or greater than the strike price of the "covered" option, or if it segregates and maintains with its custodian for the term of the option cash, U.S. Government securities or liquid high-grade debt obligations at all times equal in value to the exercise price of the put (less any initial margin deposited by the Series with its custodian with respect to such option). There is no limitation on the amount of the Series' assets which can be placed in the segregated account.

The Series will purchase options on futures contracts for identical purposes to those set forth above for the purchase of a futures contract (purchase of a call option or sale of a put option) and the sale of a futures contract (purchase of a put option or sale of a call option), or to close out a long or short position in futures contracts. If, for example, the investment adviser wished to protect against an increase in interest rates and the resulting negative impact on the value of a portion of its U.S. Government securities portfolio, it might purchase a put option on an interest rate futures contract, the underlying security of which correlates with the portion of the portfolio the investment adviser seeks to hedge.

The Series may sell a futures contract to protect against the decline in the value of securities held by the Series. However, it is possible that the futures market may advance and the value of securities held in the Series' portfolio may decline. If this were to occur, the Series would lose money on the futures contracts and also experience a decline in value in its portfolio securities.

If the Series purchases a futures contract to hedge against the increase in value of securities it intends to buy, and the value of such securities decreases, the Series may determine not to invest in the securities as planned and will realize a loss on the futures contract that is not offset by a reduction in the price of the securities.

If the Series maintains a short position in a futures contract, it will cover this position by holding, in a segregated account maintained at its custodian, cash, U.S. Government securities or other liquid high-grade debt obligations equal

in value (when added to any initial or variation margin on deposit) to the market value of the securities underlying the futures contract. Such a position may also be covered by owning the securities underlying the futures contract, or by holding a call option permitting the Series to purchase the same contract at a price no higher than the price at which the short position was established.

In addition, if the Series holds a long position in a futures contract, it will hold cash, U.S. Government securities or other liquid high-grade debt obligations equal to the purchase price of the contract (less the amount of initial or variation margin on deposit) in a segregated account maintained for the Series by its custodian. Alternatively, the Series could cover its long position by purchasing a put option on the same futures contract with an exercise price as high or higher than the price of the contract by the Series.

Exchanges limit the amount by which the price of a futures contract may move on any day. If the price moves equal the daily limit on successive days, then it may prove impossible to liquidate a futures position until the daily limit moves have ceased. In the event of adverse price movements, the Series would continue to be required to make daily cash payments of variation margin on open futures positions. In such situations, if the Series has insufficient cash, it may be disadvantageous to do so. In addition, the Series may be required to take or make delivery of the instruments underlying futures contracts it holds at a time when it is disadvantageous to do so. The ability to close out options and futures positions could also have an adverse impact on the Series' ability to effectively hedge its portfolio.

In the event of the bankruptcy of a broker through which the Series engages in transactions in futures or options thereon, the Series could experience delays and/or losses in liquidating open positions purchased or sold through the broker and/or incur a loss of all or part of its margin deposits with the broker. Transactions are entered into by the Series only with brokers or financial institutions deemed creditworthy by the investment adviser.

There are risks inherent in the use of futures contracts and options transactions for the purpose of hedging the Series' portfolio securities. One such risk which may arise in employing futures contracts to protect against the price volatility of portfolio securities is that the prices of securities subject to futures contracts (and thereby the futures contract prices) may correlate imperfectly with the behavior of the cash prices of the Series' portfolio securities. Another such risk is that prices of futures contracts may not move in tandem with the changes in prevailing interest rates against which the Series seeks a hedge. A correlation may also be distorted by the fact that the futures market is dominated by short-term traders seeking to profit from the difference between a contract or security price objective and their cost of borrowed funds. Such distortions are generally minor and would diminish as the contract approached maturity.

There may exist an imperfect correlation between the price movements of futures contracts purchased by the Series and the movements in the prices of the securities which are the subject of the hedge. If participants in the futures market elect to close out their contract through offsetting transactions rather than meet margin deposit requirements, distortions in the normal relationships between the debt securities and futures market could result. Price distortions could also result if investors in futures contracts elect to make or take delivery of underlying securities rather than engage in closing transactions due to the resultant reduction in the liquidity of the futures market. In addition, due to the fact that, from the point of view of speculators, the deposit requirements in the futures markets are less onerous than margin requirements in the cash market, increased participation by speculators in the futures markets could cause temporary price distortions. Due to the possibility of price distortions in the futures market and because of the imperfect correlation between movements in the prices of securities and movements in the prices of futures contracts, a correct forecast of interest rate trends by the investment adviser may still not result in a successful hedging transaction.

Compared to the purchase or sale of futures contracts, the purchase and sale of call or put options on futures contracts involves less potential risk to the Series because the maximum amount at risk is the premium paid for the options (plus transaction costs). However, there may be circumstances when the purchase of a call or put option on a futures contract would result in a loss to the Series notwithstanding that the purchase or sale of a futures contract would not result in a loss, as in the instance where there is no movement in the prices of the futures contracts or underlying U.S. Government securities.

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Limitation on the Purchase and Sale of Futures Contracts and Related Options

Pursuant to the requirements of the Commodity Exchange Act, as amended, all U.S. futures contracts and options thereon must be traded on an exchange. Since a clearing corporation effectively acts as the counterparty on every futures contract and option thereon, the counterparty risk depends on the strength of the clearing or settlement corporation associated with the exchange. Additionally, although the exchanges provide a means of closing out a position previously established, there can be no assurance that a liquid market will exist for a particular contract at a particular time. In the case of options on futures, if such a market does not exist, the Series, as the holder of an option on futures contracts, would have to exercise the option and comply with the margin requirements for the underlying futures contracts to realize any profit, and if the Series were the writer of the option, its obligation would not terminate until the option expired or the Series was assigned an exercise notice.

Required Vote

Approval of Special Meeting Proposal No. 8 requires the approval of a majority of the outstanding voting securities of the Intermediate Term Series as defined in the Investment Company Act and described under Special Meeting Proposal No. 1. If the proposed change in investment restriction is not approved by shareholders of the Intermediate Term Series, the current limitations would remain a fundamental policy which could not be changed without the approval of the outstanding voting securities of the Series and the Series would not be able to purchase and sell futures contracts and options thereon.

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

OTHER MATTERS
(Special Meeting)

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

SHAREHOLDER PROPOSALS

A shareholder's proposal intended to be presented at any subsequent meeting of the shareholders of the Fund must be received by the Fund at a reasonable time before the Trustees make the solicitation relating to such meeting, in order to be included in the Fund's Proxy Statement and form of proxy relating to such meeting.

S. JANE ROSE
Secretary

Dated: June , 1995

STOCKHOLDERS WHO DO NOT EXPECT TO BE PRESENT AT THE MEETINGS AND WHO WISH TO HAVE THEIR SHARES VOTED ARE REQUESTED TO MARK, DATE AND SIGN ALL OF THE ENCLOSED PROXIES AND RETURN THEM IN THE ENCLOSED ENVELOPE. NO POSTAGE IS REQUIRED IF MAILED IN THE UNITED STATES.

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Exhibit A

PRUDENTIAL GOVERNMENT SECURITIES TRUST
(Money Market Series)
(U.S. Treasury Money Market Series)
Distribution and Service Plan

Introduction

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

Shares of beneficial interest in the Fund are currently divided into three classes, two of which are known as the Money Market Series and the U.S. Treasury Money Market Series (the Series).

The Fund has entered into a distribution agreement (the Distribution Agreement) pursuant to which the Fund will employ the Distributor to distribute shares issued by the Series. Under the Plan, the Fund intends to pay to the Distributor, as compensation for its services, a distribution and service fee.

A majority of the Board of Directors or Trustees of the Fund, including a majority of those Directors or Trustees who are not "interested persons" of the Fund (as defined in the Investment Company Act) and who have no direct or indirect financial interest in the operation of this Plan or any agreements related to it (the Rule 12b-1 Directors or Trustees), have determined by votes cast in person at a meeting called for the purpose of voting on this Plan that there is a reasonable likelihood that adoption of this Plan will benefit the Series and its shareholders. Expenditures under this Plan by the Fund for Distribution Activities (defined below) on behalf of the Series are primarily

intended to result in the sale of shares of the Series within the meaning of paragraph (a) (2) of Rule 12b-1 promulgated under the Investment Company Act.

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

The Plan

The material aspects of the Plan are as follows:

1. Distribution Activities

The Fund shall engage the Distributor to distribute shares of the Series and to service shareholder accounts using all of the facilities of the distribution networks of Prudential Securities Incorporated (Prudential Securities) and Pruco Securities Corporation (Prusec), including sales personnel and branch office and central support systems, and also using such other qualified broker-dealers and financial institutions as the Distributor may select. Services provided and activities undertaken to distribute shares of the Series 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 not to exceed .125 of 1% per annum of the average daily net assets of the shares of the Series (service fee). The Fund shall calculate and accrue daily amounts payable by the shares of the Series hereunder and shall pay such amounts monthly or at such other intervals as the Board of Directors or Trustees may determine.

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3. Payment for Distribution Activities

The Fund shall pay to the Distributor as compensation for its services a distribution fee which, together with the service fee (described in Section 2 hereof), shall not exceed .125 of 1% per annum of the average daily net assets of the shares of the Series. The Fund shall calculate and accrue daily amounts payable by the shares of the Series hereunder and shall pay such amounts monthly or at such other intervals as the Board of Directors or Trustees may determine.

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 shares of the Series, including sales commissions and account servicing fees paid to, or on account of, account executives and indirect and overhead costs associated with Distribution Activities, including central office and branch expenses;
- (b) amounts paid to Prusec for performing services under a selected dealer agreement between Prusec and the Distributor for sale of shares of the Series, including sales commissions and account servicing fees paid to, or on account of, agents and indirect and overhead costs associated with Distribution Activities;
- (c) advertising for the Fund in various forms through any available medium, including the cost of printing and mailing Series prospectuses, statements of additional information and periodic financial reports and sales literature to persons other than current shareholders of the Series; and

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

4. Quarterly Reports; Additional Information

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

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

5. Effectiveness; Continuation

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

If approved by a vote of a majority of the outstanding voting securities of the Series, the Plan shall, unless earlier terminated in accordance with its terms, continue in full force and effect thereafter for so long as such continuance is specifically approved at least annually by a majority of the Board of Directors or Trustees of the Fund and a majority of the Rule 12b-1 Directors or Trustees by votes cast in person at a meeting called for the purpose of voting on the continuation of the Plan.

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6. Termination

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

7. Amendments

The Plan may not be amended to change the service and distribution fee 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 Series. All material amendments of the Plan shall be approved by a majority of the Board of Directors or the Trustees of the Fund and a majority of the Rule 12b-1 Directors or Trustees by votes cast in person at a meeting called for the purpose of voting on the Plan.

8. Rule 12b-1 Directors or Trustees

While the Plan is in effect, the selection and nomination of the Rule 12b-1 Directors or Trustees who are not "interested persons" of the Fund (non-interested Directors or Trustees) shall be committed to the discretion of the Rule 12b-1 Directors or Trustees.

9. Records

The Fund shall preserve copies of the Plan and any related agreements and all reports made pursuant to Section 4 hereof, for a period of not less than six years from the date of effectiveness of the Plan, such agreements or reports,

and for at least the first two years in an easily accessible place.

10. Liabilities of the Fund

The name Prudential Government Securities Trust is the designation of the Trustees under a Declaration of Trust, dated September 22, 1981, as thereafter amended, 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 as neither the Trustees, officers, agents or shareholders assume any personal liability for obligations entered into on behalf of the Fund.

Dated: _____, 19__

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Exhibit B

PRUDENTIAL GOVERNMENT SECURITIES TRUST
(Intermediate Term Series)
Distribution and Service Plan

Introduction

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

Shares of beneficial interest in the Fund are currently divided into three separate series, one of which is the Intermediate Term Series (the Series).

The Fund has entered into a distribution agreement (the Distribution Agreement) pursuant to which the Fund will employ the Distributor to distribute shares issued by the Series. Under the Plan, the Fund intends to pay to the Distributor as compensation for its services, a distribution and service fee.

A majority of the Board of Directors or Trustees of the Fund, including a majority of those Directors or Trustees who are not "interested persons" of the Fund (as defined in the Investment Company Act) and who have no direct or indirect financial interest in the operation of this Plan or any agreements related to it (the Rule 12b-1 Directors or Trustees), have determined by votes cast in person at a meeting called for the purpose of voting on this Plan that there is a reasonable likelihood that adoption of this Plan will benefit the Series and its shareholders. Expenditures under this Plan by the Fund for Distribution Activities (defined below) on behalf of the Series are primarily intended to result in the sale of shares of the Series within the meaning of paragraph (a)(2) of Rule 12b-1 promulgated under the Investment Company Act.

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

The Plan

The material aspects of the Plan are as follows:

1. Distribution Activities

The Fund shall engage the Distributor to distribute shares of the Series and to service shareholder accounts using all of the facilities of the distribution networks of Prudential Securities Incorporated (Prudential Securities) and Pruco Securities Corporation (Prusec), including sales personnel and branch office and central support systems, and also using such other qualified broker-dealers and financial institutions as the Distributor may select. Services provided and activities undertaken to distribute shares of the Series 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 which shall not exceed the lesser of (a) .25 of 1% per annum of the aggregate sales of the Series' shares, not including shares issued in connection with reinvestment of dividends and capital gains distributions from the Series, issued on or after July 1, 1985 (the effective date of the Plan) less the aggregate net asset

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value of any such shares redeemed, or (b) .25 of 1% per annum of the average daily net asset value of the Series' shares issued after the effective date of the Plan (service fee). The Fund shall calculate and accrue daily amounts payable by the shares of the Series hereunder and shall pay such amounts monthly or at such other intervals as the Board of Directors or Trustees may determine.

3. Payment for Distribution Activities

The Fund shall pay to the Distributor as compensation for its services a distribution fee which, together with the service fee (described in Section 2 hereof), shall not exceed the lesser of (a) .25 of 1% per annum of the aggregate sales of the Series' shares, not including shares issued in connection with reinvestment of dividends and capital gains distributions from the Series, issued on or after the effective date of the Plan less the aggregate net asset value of any such shares redeemed, or (b) .25 of 1% per annum of the average daily net asset value of the Series' shares issued after the effective date of the Plan. The Fund shall calculate and accrue daily amounts payable by the shares of the Series hereunder and shall pay such amounts monthly or at such other intervals as the Board of Directors or Trustees may determine.

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

4. Quarterly Reports; Additional Information

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

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

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

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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 Series.

If approved by a vote of a majority of the outstanding voting securities of the Series, the Plan shall, unless earlier terminated in accordance with its terms, continue in full force and effect thereafter for so long as such continuance is specifically approved at least annually by a majority of the Board of Directors or Trustees of the Fund and a majority of the Rule 12b-1 Directors or Trustees by votes cast in person at a meeting called for the purpose of voting on the continuation of the Plan.

6. Termination

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

7. Amendments

The Plan may not be amended to change the service and distribution fee 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 Series. All material amendments of the Plan shall be approved by a majority of the Board of Directors or the Trustees of the Fund and a majority of the Rule 12b-1 Directors or Trustees by votes cast in person at a meeting called for the purpose of voting on the Plan.

8. Rule 12b-1 Directors or Trustees

While the Plan is in effect, the selection and nomination of the Rule 12b-1 Directors or Trustees who are not "interested persons" of the Fund (non-interested Directors or Trustees) shall be committed to the discretion of the Rule 12b-1 Directors or Trustees.

9. Records

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

10. Liabilities of the Fund

The name Prudential Government Securities Trust is the designation of the Trustees under a Declaration of Trust, dated September 22, 1981, as thereafter amended, 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 as neither the Trustees, officers, agents or shareholders assume any personal liability for obligations entered into on behalf of the Fund.

Dated: _____, 19__

Prudential Government Securities Trust PROXY
(Intermediate Term Series)
One Seaport Plaza
New York, New York 10292

This Proxy is Solicited on Behalf of the Board of Trustees. The undersigned hereby appoints Eugene S. Stark, S. Jane Rose and Ronald Amblard, each with the power of substitution, and hereby authorizes each of them to represent and to vote, as designated below, all the shares of Common Stock of Prudential Government Securities Trust (Intermediate Term Series) held of record by the undersigned on May 26, 1995 at the Annual Meeting of Stockholders to be held on June 27, 1995, or any adjournment thereof.

1. ELECTION OF DIRECTORS

- FOR all nominees listed below (except as marked to the contrary below)
- WITHHOLD AUTHORITY to vote for all nominees listed below (Instruction: To withhold authority for any individual nominee strike a line through the nominee's name in the list below.)

Delayne Dedrick Gold, Arthur Hauspurg, Stephen P. Munn, Richard A. Redeker and Louis A. Weil, III

2. To ratify the selection by the Trustees of Price Waterhouse LLP as independent accountants for the fiscal year ending November 30, 1995.

RATIFY REJECT ABSTAIN

3. In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the Annual Meeting or any adjournment thereof.

(over)

(Continued from other side)

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

This proxy when properly executed will be voted in the manner directed herein by the undersigned stockholder.

If no direction is made, this proxy will be voted for Proposals 1 and 2.

Please sign exactly as name appears below. When shares are held by joint tenants, both should sign.

When signing as attorney, as executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by president or other authorized officer. If a partnership, please sign in partnership name by authorized person.

Dated: _____, 1995

Signature

Prudential Government Securities Trust PROXY
(Intermediate Term Series)
One Seaport Plaza
New York, New York 10292

This Proxy is Solicited on Behalf of the Board of Trustees. The undersigned hereby appoints Eugene S. Stark, S. Jane Rose and Ronald Amblard, each with the power of substitution, and hereby authorizes each of them to represent and to vote, as designated below, all the shares of Common Stock of Prudential Government Securities Trust, Intermediate Term Series held of record by the undersigned on May 26, 1995 at the Special Meeting of Stockholders to be held on July 19, 1995, or any adjournment thereof.

1. To approve an amended and restated Distribution and Service Plan.
 APPROVE DISAPPROVE ABSTAIN
2. To approve elimination of the Series' investment restriction that limits investments to those securities listed in the Series' Prospectus under "Investment Objective and Policies".
 APPROVE DISAPPROVE ABSTAIN
3. To approve elimination of the Series' investment restrictions regarding restricted and illiquid securities.
 APPROVE DISAPPROVE ABSTAIN
4. To approve elimination of the Series' investment restriction regarding the purchase and sale of warrants, puts, calls, straddles, spreads or combinations thereof.
 APPROVE DISAPPROVE ABSTAIN
5. To approve modification of the Series' investment restrictions to permit an increase in the borrowing capabilities of the Series.
 APPROVE DISAPPROVE ABSTAIN
6. To approve modification of the Series' investment restrictions to clarify that the purchase and sale of certain securities are not deemed to be the purchase or sale of real estate or real estate mortgage loans.
 APPROVE DISAPPROVE ABSTAIN

(over)

(Continued from other side)

7. To approve modification of the Series' investment restriction regarding purchases of securities on margin and short sales to permit certain transactions involving margin and certain short sales.
 APPROVE DISAPPROVE ABSTAIN
8. To approve modification of the Series' investment restrictions regarding the purchase and sale of commodities or commodity futures contracts to permit the purchase and sale of financial futures and options thereon.

9. In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the Special Meeting or any adjournment thereof.

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

This proxy when properly executed will be voted in the manner directed herein by the undersigned stockholder.

If no direction is made, this proxy will be voted for Proposals 1,2,3,4,5,6,7 and 8.

Please sign exactly as name appears below. When shares are held by joint tenants, both should sign.

When signing as attorney, as executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by president or other authorized officer. If a partnership, please sign in partnership name by authorized person.

Dated: _____, 1995

Signature

Signature if held jointly

Prudential Government Securities Trust PROXY
(Money Market Series)
One Seaport Plaza
New York, New York 10292

This Proxy is Solicited on Behalf of the Board of Trustees. The undersigned hereby appoints Eugene S. Stark, S. Jane Rose and Ronald Amblard, each with the power of substitution, and hereby authorizes each of them to represent and to vote, as designated below, all the shares of Common Stock of Prudential Government Securities Trust (Money Market Series) held of record by the undersigned on May 26, 1995 at the Annual Meeting of Stockholders to be held on June 27, 1995, or any adjournment thereof.

1. ELECTION OF DIRECTORS

[] FOR all nominees listed below (except as marked to the contrary below)

[] WITHHOLD AUTHORITY to vote for all nominees listed below (Instruction: To withhold authority for any individual nominee strike a line through the nominee's name in the list below.)

Delayne Dedrick Gold, Arthur Hauspurg, Stephen P. Munn, Richard A. Redeker and Louis A. Weil, III

2. To ratify the selection by the Trustees of Price Waterhouse LLP as independent accountants for the fiscal year ending November 30, 1995.

[] RATIFY [] REJECT [] ABSTAIN

3. In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the Annual Meeting or any adjournment

thereof.

(over)

(Continued from other side)

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

This proxy when properly executed will be voted in the manner directed herein by the undersigned stockholder.

If no direction is made, this proxy will be voted for Proposals 1 and 2.

Please sign exactly as name appears below. When shares are held by joint tenants, both should sign.

When signing as attorney, as executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by president or other authorized officer. If a partnership, please sign in partnership name by authorized person.

Dated: _____, 1995

Signature

Signature if held jointly

Prudential Government Securities Trust PROXY
(Money Market Series)
One Seaport Plaza
New York, New York 10292

This Proxy is Solicited on Behalf of the Board of Trustees. The undersigned hereby appoints Eugene S. Stark, S. Jane Rose and Ronald Amblard, each with the power of substitution, and hereby authorizes each of them to represent and to vote, as designated below, all the shares of Common Stock of Prudential Government Securities Trust (Money Market Series) held of record by the undersigned on May 26, 1995 at the Special Meeting of Stockholders to be held on July 19, 1995, or any adjournment thereof.

1. To approve an amended and restated Distribution and Service Plan.

[] APPROVE []DISAPPROVE [] ABSTAIN
2. To approve elimination of the Series' investment restriction that limits the Series to investing in only those securities listed in the Series' Prospectus under "Investment Objective and Policies".

[] APPROVE []DISAPPROVE [] ABSTAIN
3. To approve elimination of the Series' investment restrictions regarding restricted and illiquid securities.

[] APPROVE []DISAPPROVE [] ABSTAIN

4. To approve elimination of the Series' investment restriction regarding the purchase and sale of warrants, puts, calls, straddles, spreads or combinations thereof.

[] APPROVE []DISAPPROVE [] ABSTAIN

5. Not applicable.

(over)

(Continued from other side)

6. Not applicable.

7. Not applicable.

8. Not applicable.

9. In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the Special Meeting or any adjournment thereof.

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

This proxy when properly executed will be voted in the manner directed herein by the undersigned stockholder.

If no direction is made, this proxy will be voted for Proposals 1,2,3 and 4.

Please sign exactly as name appears below. When shares are held by joint tenants, both should sign.

When signing as attorney, as executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by president or other authorized officer. If a partnership, please sign in partnership name by authorized person.

Dated: _____, 1995

Signature

Signature if held jointly

Prudential Government Securities Trust PROXY
(U.S. Treasury Money Market Series)
One Seaport Plaza
New York, New York 10292

This Proxy is Solicited on Behalf of the Board of Trustees. The undersigned hereby appoints Eugene S. Stark, S. Jane Rose and Ronald Amblard, each with the power of substitution, and hereby authorizes each of them to represent and to vote, as designated below, all the shares of Common Stock of Prudential Government Securities Trust

(U.S. Treasury Money Market Series) held of record by the undersigned on May 26, 1995 at the Annual Meeting of Stockholders to be held on June 27, 1995, or any adjournment thereof.

1. ELECTION OF DIRECTORS

FOR all nominees listed below (except as marked to the contrary below)

WITHHOLD AUTHORITY to vote for all nominees listed below (Instruction: To withhold authority for any individual nominee strike a line through the nominee's name in the list below.)

Delayne Dedrick Gold, Arthur Hauspurg, Stephen P. Munn, Richard A. Redeker and Louis A. Weil, III

2. To ratify the selection by the Trustees of Price Waterhouse LLP as independent accountants for the fiscal year ending November 30, 1995.

RATIFY REJECT ABSTAIN

3. In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the Annual Meeting or any adjournment thereof.

(over)

(Continued from other side)

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

This proxy when properly executed will be voted in the manner directed herein by the undersigned stockholder.

If no direction is made, this proxy will be voted for Proposals 1 and 2.

Please sign exactly as name appears below. When shares are held by joint tenants, both should sign.

When signing as attorney, as executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by president or other authorized officer. If a partnership, please sign in partnership name by authorized person.

Dated: _____, 1995

Signature

Signature if held jointly

Prudential Government Securities Trust PROXY
(U.S. Treasury Money Market Series)
One Seaport Plaza
New York, New York 10292

This Proxy is Solicited on Behalf of the Board of Trustees. The undersigned hereby appoints Eugene S. Stark, S. Jane Rose and Ronald Amblard, each with the power of substitution, and hereby authorizes each of them to represent and to vote, as designated below, all the shares of Common Stock of Prudential Government Securities Trust (U.S. Treasury Money Market Series) held of record by the undersigned on May 26, 1995 at the Special Meeting of Stockholders to be held on July 19, 1995, or any adjournment thereof.

1. To approve an amended and restated Distribution and Service Plan.

APPROVE DISAPPROVE ABSTAIN

2. Not applicable.

3. To approve elimination of the Series' investment restrictions regarding restricted and illiquid securities.

APPROVE DISAPPROVE ABSTAIN

4. Not applicable.

5. Not applicable.

(over)

(Continued from other side)

6. Not applicable.

7. Not applicable.

8. Not applicable.

9. In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the Special Meeting or any adjournment thereof.

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

This proxy when properly executed will be voted in the manner directed herein by the undersigned stockholder.

If no direction is made, this proxy will be voted for Proposals 1 and 3. Please sign exactly as name appears below.

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

Dated: _____, 1995

Signature

Signature if held jointly

Prudential
Government Securities Trust
Needs
Your Proxy Vote
Before
June 27, 1995

Many stockholders think their votes are not important.

On the contrary, they are vital.

The Annual and Special Meetings on June 27 and July 19, 1995 will have to be adjourned without conducting any business if less than a majority of the eligible shares are represented.

And the Trust, at stockholders' expense, will have to continue to solicit votes until a quorum is obtained.

Your vote, then, could be critical in allowing the Trust to hold the meetings as scheduled, so please return your signed proxy cards as soon as possible.

All stockholders will benefit from your cooperation.

Thank you.

PLEASE RETURN ALL PROXY CARDS
