SECURITIES AND EXCHANGE COMMISSION

FORM 485APOS

Post-effective amendments [Rule 485(a)]

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FILER

PRUDENTIAL BACHE GOVERNMENT PLUS FUND INC	Mailing Address	Business Address
CIK:**717819**| IRS No.: **133165671** | State of Incorp.:**MD** | Fiscal Year End: **0228**	*ONE SEAPORT PLAZA*	*ONE SEAPORT PLZ*
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AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JULY 8, 1994

REGISTRATION NO. 2-82976
811-3712

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM N-1A

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933 /X/

PRE-EFFECTIVE AMENDMENT NO. / /

POST-EFFECTIVE AMENDMENT NO. 17 /X/

AND/OR

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

AMENDMENT NO. 20 /X/

(Check appropriate box or boxes)

PRUDENTIAL-BACHE GOVERNMENT PLUS FUND, INC.

(doing business as Prudential Government Plus Fund)
(Exact name of registrant as specified in charter)

ONE SEAPORT PLAZA,
NEW YORK, NEW YORK 10292
(Address of Principal Executive Offices) (Zip Code)

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

S. JANE ROSE, ESQ.
ONE SEAPORT PLAZA
NEW YORK, NEW YORK 10292
(NAME AND ADDRESS OF AGENT FOR SERVICE OF PROCESS)

APPROXIMATE DATE OF PROPOSED PUBLIC OFFERING:
AS SOON AS PRACTICABLE AFTER THE EFFECTIVE
DATE OF THE REGISTRATION STATEMENT.

IT IS PROPOSED THAT THIS FILING WILL BECOME EFFECTIVE
(CHECK APPROPRIATE BOX):

<TABLE>
<C> <S>

/ /	immediately upon filing pursuant to paragraph (b)
/X/	60 days after filing pursuant to paragraph (a)
/ /	on (date) pursuant to paragraph (b)
/ /	on (date) pursuant to paragraph (a), of Rule 485.

</TABLE>

PURSUANT TO RULE 24F-2 UNDER THE INVESTMENT COMPANY ACT OF 1940, REGISTRANT HAS PREVIOUSLY REGISTERED AN INDEFINITE NUMBER OF SHARES OF COMMON STOCK PAR VALUE $.01 PER SHARE. THE REGISTRANT HAS FILED A NOTICE UNDER SUCH RULE FOR ITS FISCAL YEAR ENDED FEBRUARY 28, 1994 ON OR ABOUT APRIL 29, 1994.

CROSS REFERENCE SHEET
(AS REQUIRED BY RULE 495)

<TABLE>
<CAPTION>

N-1A ITEM NO.	LOCATION

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PART A		
Item 1.	Cover Page..	Cover Page
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Item 3.	Condensed Financial Information...........................	Fund Expenses; Financial Highlights
Item 4.	General Description of Registrant.........................	Cover Page; How the Fund is Managed; General Information
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Item 6.	Capital Stock and Other Securities........................	Taxes, Dividends and Distributions; General Information
Item 7.	Purchase of Securities Being Offered......................	Shareholder Guide; How the Fund Values its Shares
Item 8.	Redemption or Repurchase..................................	Shareholder Guide; How the Fund Values its Shares; General Information
Item 9.	Pending Legal Proceedings.................................	Not Applicable
PART B		
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Item 12.	General Information and History...........................	General Information
Item 13.	Investment Objectives and Policies........................	Investment Objective and Policies; Investment Restrictions
Item 14.	Management of the Fund....................................	Directors and Officers; Manager; Distributor
Item 15.	Control Persons and Principal Holders of Securities.............	Not Applicable
Item 16.	Investment Advisory and Other Services..........................	Manager; Distributor; Custodian, Transfer and Dividend Disbursing Agent and Independent Accountants
Item 17.	Brokerage Allocation and Other Practices........................	Portfolio Transactions and Brokerage
Item 18.	Capital Stock and Other Securities..............................	Not Applicable
Item 19.	Purchase, Redemption and Pricing of Securities Being Offered.....	Purchase and Redemption of Fund Shares; Shareholder Investment Account
Item 20.	Tax Status..	Taxes, Dividends and Distributions
Item 21.	Underwriters..	Distributor
Item 22.	Calculation of Performance Data...........................	Performance Information
Item 23.	Financial Statements......................................	Financial Statements

</TABLE>

PART C

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

PRUDENTIAL GOVERNMENT INCOME FUND, INC.

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PROSPECTUS DATED , 1994

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Prudential Government Income Fund, Inc., (formerly, Prudential Government Plus Fund) (the Fund), is an open-end, diversified management investment company, or mutual fund, which has as its investment objective the seeking of a high current return. The Fund will seek to achieve this objective primarily by investing in U.S. Government securities, including U.S. Treasury Bills, Notes, Bonds and other debt securities issued by the U.S. Treasury, and obligations issued or guaranteed by U.S. Government agencies or instrumentalities; writing covered call options and covered put options and purchasing put and call options. In an effort to hedge against changes in interest rates and thus preserve its capital, the Fund may also engage in transactions involving futures contracts on U.S. Government securities and options on such futures. See "How the Fund Invests--Investment Objective and Policies." There is no assurance that the Fund's investment objective will be achieved. The Fund's address is One Seaport Plaza, New York, New York 10292, and its telephone number is (800) 225-1852.

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This Prospectus sets forth concisely the information about the Fund that a prospective investor ought to know before investing. Additional information about the Fund has been filed with the Securities and Exchange Commission in a Statement of Additional Information, dated , 1994, which information is incorporated herein by reference (is legally considered a part of this Prospectus) and is available without charge upon request to the Fund at the address or telephone number noted above.

- --

INVESTORS ARE ADVISED TO READ THIS PROSPECTUS AND RETAIN IT FOR FUTURE REFERENCE.

- --

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

FUND HIGHLIGHTS

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

WHAT IS PRUDENTIAL GOVERNMENT INCOME FUND, INC.?

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

WHAT IS THE FUND'S INVESTMENT OBJECTIVE?

The Fund's investment objective is to seek a high current return. The Fund seeks to achieve its objective primarily by investing in U.S. Government securities, including U.S. Treasury Bills, Notes, Bonds, and other debt securities issued by the U.S. Treasury, and obligations issued or guaranteed by U.S. Government agencies or instrumentalities. The Fund may also write covered call options and covered put options and purchase put and call options. See "How the Fund Invests--Investment Objective and Policies" at page 7.

WHAT ARE THE FUND'S SPECIAL CHARACTERISTICS AND RISKS?

The Fund may engage in short selling and use leverage, including dollar rolls and bank borrowings, which entail additional risks to the Fund. See "How the Fund Invests--Other Investment Information" at page 13. In an effort to hedge against changes in interest rates and thus preserve its capital, the Fund may purchase and sell put and call options on U.S. Government securities, may engage in transactions involving futures contracts on U.S. Government securities and options on such futures contracts and may also engage in interest rate swap transactions. See "How the Fund Invests--Other Investments and Policies" at page 8.

WHO MANAGES THE FUND?

Prudential Mutual Fund Management, Inc. (PMF or the Manager) is the Manager of the Fund and is compensated for its services at an annual rate of .50 of 1% of the Fund's average daily net assets up to $3 billion and .35 of 1% of the average daily net assets in excess of $3 billion. As of March 31, 1994, PMF served as manager or administrator to [66] investment companies, including [37] mutual funds, with aggregate assets of approximately [$49] billion. The Prudential Investment Corporation (PIC or the Subadviser) furnishes investment advisory services in connection with the management of the Fund under a Subadvisory Agreement with PMF. See "How the Fund is Managed--Manager" at page 15.

WHO DISTRIBUTES THE FUND'S SHARES?

Prudential Mutual Fund Distributors, Inc. (PMFD) acts as the Distributor of the Fund's Class A shares and is currently paid for its services at an annual rate of .15 of 1% of the average daily net assets of the Class A shares.

Prudential Securities Incorporated (Prudential Securities or PSI), a major securities underwriter and securities and commodities broker, acts as the Distributor of the Fund's Class B and Class C shares. PSI is currently paid for its services, with respect to Class B shares, at an annual rate of .825 of 1% of the average daily net assets of the Class B shares up to $3 billion, .80 of 1% of the next $1 billion of such net assets and .50 of 1% of such net assets in excess of $4 billion. PSI is currently paid for its services, with respect to Class C shares, at an annual rate of .75 of 1% of the average daily net assets of the Class C shares. See "How the Fund is Managed--Distributor" at page 16.

WHAT IS THE MINIMUM INVESTMENT?

The minimum initial investment for Class A and Class B shares is $1,000 per class and $5,000 for Class C shares. The minimum subsequent investment is $100 for all classes. There is no minimum investment requirement for certain retirement and employee savings plans or custodial accounts for the benefit of minors. For purchases made through the Automatic Savings Accumulation Plan, the minimum initial and subsequent investment is $50. See "Shareholder Guide--How to Buy Shares of the Fund" at page 21 and "Shareholder Guide--Shareholder Services" at page 28.

HOW DO I PURCHASE SHARES?

You may purchase shares of the Fund through Prudential Securities, Pruco Securities Corporation (Prusec) or directly from the Fund, through its transfer agent, Prudential Mutual Fund Services, Inc. (PMFS or the Transfer Agent) at the net asset value per share (NAV) next determined after receipt of your purchase order by the Transfer Agent or Prudential Securities plus a sales charge which may be imposed either (i) at the time of purchase (Class A shares) or (ii) on a deferred basis (Class B or Class C shares). See "How the Fund Values its Shares" at page 18 and "Shareholder Guide--How to Buy Shares of the Fund" at page 21.

WHAT ARE MY PURCHASE ALTERNATIVES?

The Fund offers three classes of shares:

- Class A Shares: Sold with an initial sales charge of up to 4% of the offering price.

- Class B Shares: Sold without an initial sales charge but are subject to a contingent deferred sales charge or CDSC (declining from 5% to zero of the lower of the amount invested or the redemption proceeds) which will be imposed on certain redemptions made within six years of purchase. Although Class B shares are subject to higher ongoing distribution-related expenses than Class A shares, Class B shares will automatically convert to Class A shares (which are subject to lower ongoing expenses) approximately seven years after purchase.

- Class C Shares: Sold without an initial sales charge and for one year after purchase, are subject to a 1% CDSC on redemptions. Like Class B shares, Class C shares are subject to higher ongoing distribution-related expenses than Class A shares but do not convert to another class.

See "Shareholder Guide--Alternative Purchase Plan" at page 22.

HOW DO I SELL MY SHARES?

You may redeem your shares at any time at the NAV next determined after Prudential Securities or the Transfer Agent receives your sell order. However, the proceeds of redemptions of Class B and Class C shares may be subject to a CDSC. See "Shareholder Guide--How To Sell Your Shares" at page 24.

HOW ARE DIVIDENDS AND DISTRIBUTIONS PAID?

The Fund expects to declare daily and pay monthly dividends of net investment income and make distributions of any net capital gains at least annually. Dividends and distributions will be automatically reinvested in additional shares of the Fund at NAV without a sales charge unless you request that they be paid to you in cash. See "Taxes, Dividends and Distributions" at page 19.

FUND EXPENSES

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SHAREHOLDER TRANSACTION EXPENSES+	CLASS A SHARES	CLASS B SHARES	CLASS C SHARES
<S>	<C>	<C>	<C>
Maximum Sales Load Imposed on Purchases (as a percentage of offering price).....	4%	None	None
Maximum Sales Load Imposed or Deferred Sales Load on Reinvested Dividends......	None	None	None
Deferred Sales Load (as a percentage of original purchase price or redemption proceeds, whichever is lower)..........	None	5% during the first year, decreasing by 1% annually to 1% the fifth and sixth years and 0% the seventh year*	1% on redemptions made within one year of purchase
Redemption Fees.........................	None	None	None
Exchange Fee............................	None	None	None

<CAPTION>

ANNUAL FUND OPERATING EXPENSES (AS A PERCENTAGE OF AVERAGE NET ASSETS)	CLASS A SHARES	CLASS B SHARES	CLASS C SHARES**

<S> <C> <C> <C>

Management Fees..........................	.50%	.50%	.50%
12b-1 Fees++.............................	.15%	.825%	.75%
Other Expenses...........................	.19%	.19%	.19%
Total Fund Operating Expenses............	.84%	1.55%	1.44%

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EXAMPLE	1 YEAR	3 YEARS	5 YEARS	10 YEARS
You would pay the following expenses on a $1,000 investment, assuming (1) 5% annual return and (2) redemption at the end of each time period:				
Class A..	$ 48	$ 66	$ 85	$ 140
Class B..	$ 65	$ 78	$ 93	$ 154
Class C**..	$ 25	$ 46	$ 79	$ 172
You would pay the following expenses on the same investment, assuming no redemption:				
Class A..	$ 48	$ 66	$ 85	$ 146
Class B..	$ 15	$ 48	$ 83	$ 154
Class C**..	$ 15	$ 46	$ 79	$ 172

The above example with respect to Class A and Class B shares is based on restated data for the Fund's fiscal year ended February 28, 1994. The above example with respect to Class C shares is based on expenses expected to be incurred if Class C shares had been in existence during the fiscal year ended February 28, 1994. THE EXAMPLE SHOULD NOT BE CONSIDERED A REPRESENTATION OF PAST OR FUTURE EXPENSES. ACTUAL EXPENSES MAY BE GREATER OR LESS THAN THOSE SHOWN.

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

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* Class B shares will automatically convert to Class A shares approximately seven years after purchase. See "Shareholder Guide--Conversion Feature--Class B Shares."

** Estimated based on expenses expected to have been incurred if Class C shares had been in existence during the fiscal year ended February 28, 1994.

+ Pursuant to rules of the National Association of Securities Dealers, Inc., the aggregate initial sales charges, deferred sales charges and asset-based sales charges on shares of the Fund may not exceed 6.25% of total gross sales, subject to certain exclusions. This 6.25% limitation is imposed on the Fund rather than on a per shareholder basis. Therefore, long-term Class B and Class C shareholders of the Fund may pay more in total sales charges than the economic equivalent of 6.25% of such shareholders' investment in such shares. See "How the Fund is Managed--Distributor."

++ Although the Class A, Class B and Class C Distribution and Service Plans provide that the Fund may pay a distribution fee of up to .30 of 1% per annum of the average daily net assets of the Class A shares, and up to 1% per annum of the average daily net assets of the Class B and Class C shares, the Distributor has agreed to limit its distribution fees with respect to Class A shares of the Fund to no more than .15 of 1% of the average daily net assets of the Class A shares, to no more than .825 of 1% of the average daily net assets of the Class B shares and to no more than .75 of 1% of the average daily net assets of the Class C shares for the fiscal year ending February 28, 1995. See "How the Fund is Managed--Distributor."

</TABLE>

FINANCIAL HIGHLIGHTS
(FOR A SHARE OUTSTANDING THROUGHOUT EACH OF THE PERIODS INDICATED)
(CLASS A SHARES)

The following financial highlights on the Class A shares has been audited by Deloitte & Touche, independent accountants, whose report thereon was unqualified. This information should be read in conjunction with the financial statements and the notes thereto, which appear in the Statement of Additional Information. The financial highlights contains selected data for a Class A share of common stock outstanding, total return, ratios to average net assets and other supplemental data for the periods indicated. The information has been determined based on data generally as provided in the financial statements. No Class C shares were outstanding during the periods indicated.

<TABLE>
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	YEARS ENDED FEBRUARY 28/29				JANUARY 22, 1990+ THROUGH FEBRUARY 28, 1990
	1994	1993	1992	1991	
<S>	<C>	<C>	<C>	<C>	<C>
PER SHARE OPERATING PERFORMANCE:					
Net asset value, beginning of period....	$ 9.40	$ 9.17	$ 9.02	$ 9.00	$ 9.17
Income from investment operations					
Net investment income..................	0.61	0.66	0.68	0.69	0.06
Net realized and unrealized gain (loss) on investment transactions............	(0.25)	0.35	0.37	0.26	(0.11)
Total from investment operations....	0.36	1.01	1.05	0.95	(0.05)
Less distributions					
Dividends from net investment income....	(0.61)	(0.66)	(0.68)	(0.69)	(0.06)
Distributions in excess of accumulated gains................................	(0.02)	--	--	--	--
Distributions from paid-in capital in excess of par.........................	--	(0.12)	(0.22)	(0.24)	(0.06)
Total distributions................	(0.63)	(0.78)	(0.90)	(0.93)	(0.12)
Net asset value, end of period.........	$ 9.13	$ 9.40	$ 9.17	$ 9.02	$ 9.00
TOTAL RETURN:#	3.90%	11.55%	12.18%	11.21%	(0.54)%
RATIOS/SUPPLEMENTAL DATA:					
Net assets, end of period (000).........	$51,673	$61,297	$33,181	$28,971	$1,961
Average net assets (000)................	$55,921	$48,812	$29,534	$23,428	$ 501
Ratios to average net assets:					
Expenses, including distribution fees..............................	0.84%	0.84%	0.86%	0.85%	0.92%*
Expenses, excluding distribution fees..............................	0.69%	0.69%	0.71%	0.70%	0.76%*
Net investment income...............	6.48%	7.17%	7.51%	7.76%	9.11%*
Portfolio turnover rate.................	80%	36%	187%	213%	329%

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* Annualized.

\+ Commencement of offering of Class A shares.

\# Total return does not consider the effects of sales loads. Total return is calculated assuming a purchase of shares on the first day and a sale on the last day of each period reported and includes reinvestment of dividends and distributions. Total returns for periods of less than a full year are not annualized.

</TABLE>

FINANCIAL HIGHLIGHTS
(FOR A SHARE OUTSTANDING THROUGHOUT EACH OF THE PERIODS INDICATED)
(CLASS B SHARES)

The following financial highlights on the Class B shares with respect to the five-year period ended February 28, 1994, has been audited by Deloitte & Touche, independent accountants, whose report thereon was unqualified. This information should be read in conjunction with the financial statements and the notes thereto, which appear in the Statement of Additional Information. The financial highlights contains selected data for a Class B share of common stock outstanding, total return, ratios to average net assets and other supplemental data for the periods indicated. This information has been determined based on data generally as provided in the financial statements. No Class C shares were outstanding during the periods indicated.

<TABLE>
<CAPTION>

	YEARS ENDED FEBRUARY 28/29							
	1994	1993	1992	1991	1990	1989***	1988	1987
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
PER SHARE OPERATING PERFORMANCE:								
Net asset value, beginning of period..........................	$ 9.40	$ 9.17	$ 9.02	$ 9.00	$ 9.09	$ 9.85	$ 10.59	$ 10.60
Income from investment operations								
Net investment income............	0.53	0.58	0.60	0.62	0.68	0.69	0.67	0.70
Net realized and unrealized gain (loss) on investment								

transactions....................	(0.25)	0.35	0.37	0.26	0.15	(0.49)	(0.40)	0.35
Total from investment operations..................	0.28	0.93	0.97	0.88	0.83	0.20	0.27	1.05
Less distributions								
Dividends from net investment income..........................	(0.53)	(0.58)	(0.60)	(0.62)	(0.68)	(0.69)	(0.67)	(0.70)
Distributions from net realized gains...........................	--	--	--	--	--	--	(0.24)	(0.36)
Distributions in excess of accumulated gains................	(.02)	--	--	--	--	--	--	--
Distributions from paid-in capital in excess of par................	--	(0.12)	(0.22)	(0.24)	(0.24)	(0.27)	(0.10)	--
Total distributions...........	(0.55)	(0.70)	(0.82)	(0.86)	(0.92)	(0.96)	(1.01)	(1.06)
Net asset value, end of period....	$ 9.13	$ 9.40	$ 9.17	$ 9.02	$ 9.00	$ 9.09	$ 9.85	$ 10.59
TOTAL RETURN:#	3.03%	10.61%	11.27%	10.35%	10.49%	2.32%	3.36%	10.30%
RATIOS/SUPPLEMENTAL DATA:								
Net assets, end of period (000)...	$2,202,555	$2,680,259	$2,724,428	$3,127,587	$3,760,003	$3,814,945	$3,995,721	$4,090,417
Average net assets (000)..........	$2,487,990	$2,870,924	$2,903,704	$3,432,948	$3,814,455	$3,984,300	$3,796,998	$3,978,186
Ratios to average net assets:								
Expenses, including distribution fees...........	1.68%	1.69%	1.71%	1.67%	1.49%	1.35%	1.60%	1.53%
Expenses, excluding distribution fees...........	0.69%	0.69%	0.71%	0.70%	0.64%	0.63%	0.65%	0.61%
Net investment income.........	5.64%	6.32%	6.66%	6.94%	7.46%	7.61%	6.88%	6.56%
Portfolio turnover rate...........	80%	36%	187%	213%	329%	278%	147%	266%

<CAPTION>

<S>	APRIL 22, 1985* THROUGH FEBRUARY 28, 1986 <C>
PER SHARE OPERATING PERFORMANCE:	
Net asset value, beginning of period..........................	$10.00
Income from investment operations	
Net investment income............	0.74+
Net realized and unrealized gain (loss) on investment transactions....................	0.84
Total from investment operations..................	1.58
Less distributions	
Dividends from net investment income..........................	(0.74)
Distributions from net realized gains...........................	(0.24)
Distributions in excess of accumulated gains................	--
Distributions from paid-in capital in excess of par................	--
Total distributions...........	(0.98)
Net asset value, end of period....	$10.60
TOTAL RETURN:#	16.55%
RATIOS/SUPPLEMENTAL DATA:	
Net assets, end of period (000)...	$3,943,495
Average net assets (000)..........	$2,876,209
Ratios to average net assets:	
Expenses, including distribution fees...........	1.48%**+
Expenses, excluding distribution fees...........	0.54%**+
Net investment income.........	8.10%**+
Portfolio turnover rate...........	245%

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* Commencement of operations.

** Annualized.

*** On July 1, 1988, Prudential Mutual Fund Management, Inc. succeeded The Prudential Insurance Company of America as investment adviser and since then has acted as manager of the Fund. See "Manager" in the Statement of Additional Information.

+ Net of expense subsidy.

Total return does not consider the effects of sales loads. Total return is calculated assuming a purchase of shares on the first day and a sale on the last day of each period reported and includes reinvestment of dividends and distributions. Total returns for periods of less than a full year are not annualized.

</TABLE>

HOW THE FUND INVESTS

INVESTMENT OBJECTIVE AND POLICIES

THE FUND'S INVESTMENT OBJECTIVE IS TO SEEK A HIGH CURRENT RETURN. HIGH CURRENT RETURN MEANS THE RETURN RECEIVED FROM INTEREST INCOME FROM U.S. GOVERNMENT AND OTHER DEBT SECURITIES AND FROM NET GAINS REALIZED FROM SALES OF PORTFOLIO SECURITIES. THE FUND MAY ALSO REALIZE INCOME FROM PREMIUMS FROM COVERED PUT AND CALL OPTIONS WRITTEN BY THE FUND ON U.S. GOVERNMENT SECURITIES AS WELL AS OPTIONS ON FUTURES CONTRACTS ON U.S. GOVERNMENT SECURITIES AND NET GAINS FROM CLOSING PURCHASE AND SALES TRANSACTIONS WITH RESPECT TO THESE OPTIONS. AT LEAST 65% OF THE TOTAL ASSETS OF THE FUND WILL BE INVESTED IN U.S. GOVERNMENT SECURITIES. THERE CAN BE NO ASSURANCE THAT THE FUND'S INVESTMENT OBJECTIVE WILL BE ACHIEVED. See "Investment Objective and Policies" in the Statement of Additional Information.

The Fund's net asset value will vary with changes in the values of the Fund's portfolio securities, which values will generally vary inversely with changes in interest rates. The writing of options on U.S. Government securities and options on futures contracts on U.S. Government securities may limit the Fund's potential for capital gains on its portfolio.

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

U.S. GOVERNMENT SECURITIES

U.S. TREASURY SECURITIES

THE FUND WILL INVEST IN U.S. TREASURY SECURITIES, INCLUDING BILLS, NOTES, BONDS AND OTHER DEBT SECURITIES ISSUED BY THE U.S. TREASURY. These instruments are direct obligations of the U.S. Government and, as such, are backed by the "full faith and credit" of the United States. They differ primarily in their interest rates, the lengths of their maturities and the dates of their issuances.

SECURITIES ISSUED OR GUARANTEED BY U.S. GOVERNMENT AGENCIES AND INSTRUMENTALITIES

THE FUND WILL INVEST IN SECURITIES ISSUED BY AGENCIES OF THE U.S. GOVERNMENT OR INSTRUMENTALITIES OF THE U.S. GOVERNMENT. These obligations, including those which are guaranteed by federal agencies or instrumentalities, may or may not be backed by the "full faith and credit" of the United States. Obligations of the Government National Mortgage Association (GNMA), the Farmers Home Administration and the Export-Import Bank are backed by the full faith and credit of the United States. In the case of securities not backed by the full faith and credit of the United States, the Fund must look principally to the agency issuing or guaranteeing the obligation for ultimate repayment and may not be able to assert a claim against the United States if the agency or instrumentality does not meet its commitments. Securities in which the Fund may invest which are not backed by the full faith and credit of the United States include obligations such as those issued by the Tennessee Valley Authority, the Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation (FHLMC) and the United States Postal Service, each of which has the right to borrow from the United States Treasury to meet its obligations, and obligations of the Federal Farm Credit Bank and the Federal Home Loan Bank, the obligations of which may only be satisfied by the individual credit of the issuing agency. GNMA, FNMA and FHLMC investments may include collateralized mortgage obligations. See "Other Investments and Policies" below.

OBLIGATIONS ISSUED OR GUARANTEED AS TO PRINCIPAL AND INTEREST BY THE UNITED STATES GOVERNMENT MAY BE ACQUIRED BY THE FUND IN THE FORM OF CUSTODIAL RECEIPTS THAT EVIDENCE OWNERSHIP OF FUTURE INTEREST PAYMENTS, PRINCIPAL PAYMENTS OR BOTH ON CERTAIN UNITED STATES TREASURY NOTES OR BONDS. Such notes and bonds are held in custody by a bank on behalf of the owners. These custodial receipts are commonly referred to as Treasury strips.

MORTGAGE-RELATED SECURITIES ISSUED BY U.S. GOVERNMENT AGENCIES AND

INSTRUMENTALITIES

THE FUND WILL INVEST IN MORTGAGE-BACKED SECURITIES, INCLUDING THOSE REPRESENTING AN UNDIVIDED OWNERSHIP INTEREST IN A POOL OF MORTGAGES, E.G., GNMA, FNMA AND FHLMC CERTIFICATES. The U.S. Government or the issuing agency guarantees the payment of interest and principal of these securities. However, the guarantees do not extend to the securities' yield or value, which are likely to vary inversely with fluctuations in interest rates, nor do the guarantees extend to the yield or value of the Fund's shares. See "Investment Objective and Policies--U.S. Government Securities--Mortgage-Related Securities Issued by U.S. Government Instrumentalities" in the Statement of Additional Information. These certificates are in most cases "pass-through" instruments, through which the holder receives a share of all interest and principal payments from the mortgages underlying the certificate, net of certain fees. Because the prepayment characteristics of the underlying mortgages vary, it is not possible to predict accurately the average life of a particular issue of pass-through certificates. Mortgage-backed securities are often subject to more rapid repayment than their stated maturity date would indicate as a result of the pass-through of prepayments of principal on the underlying mortgage obligations. During periods of declining interest rates, prepayment of mortgages underlying mortgage-backed securities can be expected to accelerate. The Fund's ability to maintain a portfolio of high-yielding mortgage-backed securities will be adversely affected to the extent that prepayments of mortgages must be reinvested in securities which have lower yields than the prepaid mortgages. Moreover, prepayments of mortgages which underlie securities purchased at a premium could result in capital losses.

THE FUND MAY ALSO INVEST IN BALLOON PAYMENT MORTGAGE-BACKED SECURITIES. A balloon payment mortgage-backed security is an amortizing mortgage security with installments of principal and interest, the last installment of which is predominantly principal.

THE FUND MAY ALSO INVEST IN MORTGAGE PASS-THROUGH SECURITIES WHERE ALL INTEREST PAYMENTS GO TO ONE CLASS OF HOLDERS (INTEREST ONLY SECURITIES OR IOS) AND ALL PRINCIPAL PAYMENTS GO TO A SECOND CLASS OF HOLDERS (PRINCIPAL ONLY SECURITIES OR POS). These securities are commonly referred to as mortgage-backed securities strips or MBS strips. The yields to maturity on IOs are very sensitive to the rate of principal payments (including prepayments) on the related underlying mortgage assets, and a rapid rate of principal payments may have a material adverse effect on yield to maturity. If the underlying mortgage assets experience greater than anticipated prepayments of principal, the Fund may not fully recoup its initial investment in these securities. Conversely, if the underlying mortgage assets experience less than anticipated prepayments of principal, the yield on POs could be materially adversely affected.

OTHER INVESTMENTS AND POLICIES

AT LEAST 65% OF THE TOTAL ASSETS OF THE FUND WILL BE INVESTED IN U.S. GOVERNMENT SECURITIES, AS DESCRIBED ABOVE. U.S. Government securities which are purchased pursuant to repurchase agreements or on a when-issued or delayed delivery basis will be treated as U.S. Government securities for purposes of this calculation. See "Repurchase Agreements" and "When-Issued and Delayed Delivery Securities" below.

UP TO 35% OF THE TOTAL ASSETS OF THE FUND MAY BE COMMITTED TO INVESTMENTS OTHER THAN U.S. GOVERNMENT SECURITIES. These investments would include the securities described in this subsection as well as purchased put and call options and purchased put options on futures contracts. See "Options Transactions" and "Transactions in Futures Contracts on U.S. Government Securities and Options Thereon" below.

THE FUND IS PERMITTED TO INVEST UP TO 20% OF ITS TOTAL ASSETS IN HIGH QUALITY MONEY MARKET INSTRUMENTS, INCLUDING COMMERCIAL PAPER OF DOMESTIC CORPORATIONS AND CERTIFICATES OF DEPOSIT, BANKERS' ACCEPTANCES AND OTHER OBLIGATIONS

OF DOMESTIC AND FOREIGN BANKS. Such obligations will, at the time of purchase, be rated within the two highest quality grades as determined by a nationally recognized statistical rating organization (such as Moody's Investors Service (Moody's) or Standard & Poor's Ratings Group (S&P)) or, if unrated, will be of equivalent quality in the judgment of the Fund's Subadviser.

THE FUND MAY INVEST IN OBLIGATIONS OF FOREIGN BANKS AND FOREIGN BRANCHES OF U.S. BANKS ONLY IF AFTER GIVING EFFECT TO SUCH INVESTMENT ALL SUCH INVESTMENTS WOULD CONSTITUTE LESS THAN 10% OF THE FUND'S TOTAL ASSETS (DETERMINED AT THE TIME OF INVESTMENT). These investments may be subject to certain risks, including future political and economic developments, the possible imposition of withholding taxes on interest income, the seizure or nationalization of foreign deposits and foreign exchange controls or other restrictions. In addition, there may be less publicly available information about a foreign bank or foreign branch of a U.S. bank than about a domestic bank and such entities may not be subject to the same accounting, auditing and financial recordkeeping standards and requirements as domestic banks.

THE FUND MAY ALSO PURCHASE OBLIGATIONS OF THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (THE WORLD BANK). Obligations of the World Bank are supported by appropriated but unpaid commitments of its member countries, including the U.S., and there is no assurance these commitments will be undertaken or met in the future.

THE FUND MAY ALSO PURCHASE COLLATERALIZED MORTGAGE OBLIGATIONS (CMOS) AND REAL ESTATE MORTGAGE INVESTMENT CONDUITS (REMICS). A CMO is a security issued by a corporation or a U.S. Government instrumentality which is backed by a portfolio of mortgages or mortgage-backed securities. The issuer's obligation to make interest and principal payments is secured by the underlying portfolio of mortgages or mortgage-backed securities. CMOs are partitioned into several classes with a ranked priority by which the classes of obligations are redeemed. The Fund may invest in privately-issued CMOs which are collateralized by mortgage-backed securities issued or guaranteed by GNMA, FHLMC or FNMA or issued by any other agency or instrumentality of the U.S. Government. The Fund may also invest in privately-issued CMOs collateralized by whole loans or private mortgage pass-through securities and balloon payment mortgage-backed securities. A REMIC may be issued by a trust, partnership, corporation, association, or a segregated pool of mortgages, or an agency of the U.S. Government and, in each case, must qualify and elect treatment as such under the Tax Reform Act of 1986. A REMIC must consist of one or more classes of "regular interests," some of which may be adjustable rate, and a single class of "residual interests." To qualify as a REMIC, substantially all the assets of the entity must be in assets directly or indirectly secured, principally by real property. The Fund does not intend to invest in residual interests and will only invest in REMICs rated AAA by S&P or Aaa by Moody's. CMOs and REMICs issued by an agency or instrumentality of the U.S. Government are considered U.S. Government securities for purposes of this Prospectus. In reliance on rules and interpretations of the Securities and Exchange Commission (SEC), the Fund's investments in certain qualifying CMOs and REMICs are not subject to the limitation of the Investment Company Act of 1940 (the Investment Company Act) on acquiring interests in other investment companies. See "Investment Objective and Policies--Collateralized Mortgage Obligations" in the Statement of Additional Information.

THE FUND MAY ALSO INVEST UP TO 20% OF ITS TOTAL ASSETS IN ASSET-BACKED SECURITIES. Through the use of trusts and special purpose subsidiaries, various types of assets, primarily home equity loans and automobile and credit card receivables, have been securitized in pass-through structures similar to mortgage pass-through structures or in a pay-through structure similar to the collateralized mortgage structure. The Fund may invest in these and other types of asset-backed securities which may be developed in the future. Asset-backed securities present certain risks that are not presented by mortgage-backed securities. Primarily, these securities do not have the benefit of the same security interest in the related collateral. Credit card receivables are generally unsecured. In connection with 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 Fund will only invest in asset-backed securities rated at least AA by S&P or Aa by Moody's.

OPTIONS TRANSACTIONS

PURCHASING OPTIONS

THE FUND MAY PURCHASE PUT AND CALL OPTIONS ON U.S. GOVERNMENT SECURITIES. The Fund may purchase a put option in an effort to protect the value of a security which it owns against a substantial decline in market value (protective puts), if the Fund's investment adviser believes that a defensive posture is warranted for a portion of the portfolio. The Fund may also purchase a put option to cover a put option it has written or to close an existing option position.

The Fund 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 Fund may therefore purchase a put option on securities other than those it wishes to protect even though it does not hold such other securities in its portfolio. While changes in the value of the put option should generally offset changes in the value of the securities being hedged, the correlation between the two values may not be as close in these transactions as in transactions in which the Fund purchases a put option on an underlying security it owns.

THE FUND MAY PURCHASE CALL OPTIONS ON DEBT SECURITIES IT INTENDS TO ACQUIRE IN ORDER TO HEDGE AGAINST AN ANTICIPATED MARKET APPRECIATION IN THE PRICE OF THE UNDERLYING SECURITIES AT LIMITED RISK AND WITH A LIMITED CASH OUTLAY. If the market price does rise as anticipated, the Fund will benefit from that rise but only to the extent that the rise exceeds the premiums paid. If the anticipated rise does not occur or if it does not exceed the premium, the Fund will bear the expense of the option premiums and transaction costs without gaining an offsetting benefit. The Fund may also purchase a call option to close an existing option position.

WRITING COVERED OPTIONS

THE FUND WRITES (I.E., SELLS) COVERED PUT AND CALL OPTIONS ON U.S. GOVERNMENT SECURITIES. When the Fund writes an option, it receives a premium which it retains whether or not the option is exercised. The Fund's principal reason for writing options is to realize, through the receipt of premiums, a greater current return than would be realized on the underlying securities alone.

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). By writing a call option, the Fund becomes obligated during the term of the option, upon exercise of the option, to sell the underlying securities to the purchaser against receipt of the exercise price. When the Fund writes a call option, the Fund loses the potential for gain on the underlying securities during the period that the option is open.

CONVERSELY, 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 A SPECIFIED EXERCISE PRICE. By writing a put option, the Fund becomes obligated during the term of the option to purchase the securities underlying the option at the exercise price, upon exercise of the option. The Fund might, therefore, be obligated to purchase the underlying securities for more than their current market price.

THE FUND MAY ALSO WRITE STRADDLES (I.E., A COMBINATION OF A CALL AND A PUT WRITTEN ON THE SAME SECURITY AT THE SAME STRIKE PRICE WHERE THE SAME ISSUE OF THE SECURITY IS CONSIDERED "COVER" FOR BOTH THE PUT AND THE CALL). In such cases, the Fund will also segregate or deposit cash, U.S. Government securities or liquid high-grade debt obligations equivalent to the amount, if any, by which the put is "in the money." It is contemplated that the Fund's use of straddles will be limited to 5% of the Fund's net assets (meaning that the securities used for cover or segregated as described above will not exceed 5% of the Fund's net assets at the time the straddle is written).

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 Fund will generally purchase or write only those exchange-traded 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. If a secondary market does not exist, it might not be possible to effect a closing transaction in a

particular option. If the Fund, as a covered call option writer, is unable to effect a closing purchase transaction, it will not be able to sell the underlying securities until the option expires or is exercised or it otherwise covers the position.

The Fund will not purchase a put or call option on U.S. Government securities if, as a result of such purchase, more than 20% of its total assets would be invested in premiums for such options and on options on futures contracts on U.S. Government securities. The Fund's ability to purchase put and call options may be limited by the Internal Revenue Code's requirements for qualification as a regulated investment company. See "Taxes, Dividends and Distributions--Listed Options and Futures" in the Statement of Additional Information.

OTHER CONSIDERATIONS

ALL OPTIONS PURCHASED OR SOLD BY THE FUND WILL BE TRADED ON A U.S. SECURITIES EXCHANGE OR WILL BE PURCHASED OR SOLD BY A PRIMARY GOVERNMENT SECURITIES DEALER RECOGNIZED BY THE FEDERAL RESERVE BANK OF NEW YORK (OTC OPTIONS). While exchange-traded options are in effect guaranteed by The Options Clearing Corporation, the Fund relies on the dealer from whom it purchases an OTC option to perform if the option is exercised. The Fund's investment adviser monitors the creditworthiness of dealers with whom the Fund enters into OTC option transactions under the general supervision of the Fund's Board of Directors. The Fund's ability to enter into options contracts may be limited by the requirements of the Internal Revenue Code of 1986, as amended (the Internal Revenue Code) for qualification as a registered investment company. See the Statement of Additional Information for additional information on options transactions.

TRANSACTIONS IN FUTURES CONTRACTS ON U.S. GOVERNMENT SECURITIES AND OPTIONS THEREON

THE FUND MAY PURCHASE AND SELL FUTURES CONTRACTS ON U.S. GOVERNMENT SECURITIES (FUTURES CONTRACTS) THAT ARE TRADED ON U.S. COMMODITY EXCHANGES. A futures contract on a U.S. Government security, other than GNMA's which are cash settled, is an agreement to purchase or sell an agreed amount of such securities at a set price for delivery on an agreed future date. The Fund may purchase a futures contract as a hedge against an anticipated decline in interest rates, and resulting increase in market price, in securities the Fund intends to acquire. The Fund may sell a futures contract as a hedge against an anticipated increase in interest rates, and resulting decline in market price, in securities the Fund owns.

THE FUND MAY ALSO PURCHASE AND WRITE (I.E., SELL) "COVERED" CALL AND PUT OPTIONS ON FUTURES CONTRACTS ON U.S. GOVERNMENT SECURITIES THAT ARE TRADED ON U.S. COMMODITY EXCHANGES. THE FUND WILL WRITE OPTIONS ON FUTURES CONTRACTS FOR HEDGING PURPOSES, AS WELL AS TO REALIZE THROUGH THE RECEIPT OF PREMIUM INCOME, A GREATER RETURN THAN WOULD BE REALIZED ON THE FUND'S PORTFOLIO SECURITIES ALONE. An option on a futures contract gives the purchaser the right, in return for the premium paid, 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 option exercise period. The writer of the option is required upon exercise to assume an offsetting futures position (a short position if the option is a call and a long position if the option is a put). Upon exercise of the option, the assumption of offsetting futures positions 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 FUND MAY ALSO FROM TIME TO TIME PURCHASE EURODOLLAR INSTRUMENTS TRADED ON THE CHICAGO MERCANTILE EXCHANGE. Eurodollar instruments are essentially U.S. dollar-denominated futures contracts or options thereon which are linked to the London Interbank Offered Rate (LIBOR). Eurodollar futures contracts enable purchasers to obtain a fixed rate for the lending of funds and sellers to obtain a fixed rate for borrowings. The Fund intends to use Eurodollar futures contracts and options thereon to hedge against changes in LIBOR, to which many interest rate swaps are linked. The use of these instruments is subject to the same limitations and risks as those applicable to the use of interest rate futures contracts and options thereon.

THE FUND MAY ALSO ENTER INTO CLOSING TRANSACTIONS WITH RESPECT TO FUTURES CONTRACTS AND OPTIONS THEREON TO TERMINATE EXISTING POSITIONS. The Fund's ability to enter into transactions in futures contracts and options thereon may be

limited by the Internal Revenue Code's requirements for qualification as a regulated investment company. In addition, the Fund may not sell futures contracts or purchase or sell related options for other than bona fide hedging purposes if immediately thereafter the sum of the amount of initial margin deposits on the Fund's existing futures and options on futures and for premiums paid for such related options would exceed 5% of the liquidation value of the Fund's total assets, after taking into account unrealized profits and unrealized losses on any such contracts the Fund has entered into; provided, however, that in the case of an option that is in-the-money at the time of purchase, the in-the-money amount may be excluded in computing such 5% limitation.

CHARACTERISTICS AND PURPOSES OF INTEREST RATE FUTURES

THE FUND WILL PURCHASE AND SELL FUTURES CONTRACTS PRIMARILY TO HEDGE ITS ACTUAL OR ANTICIPATED HOLDINGS OF U.S. GOVERNMENT SECURITIES. There is generally an inverse relationship between interest rates and bond prices. Generally, when interest rates increase, bond prices will decline; when interest rates decline, bond prices will increase. For example, if the Fund holds cash reserves or short-term debt securities at a time that interest rates are expected to decline, the Fund might purchase futures contracts as a hedge against anticipated increases in the price of the U.S. Government securities that the Fund intends to acquire (an anticipatory hedge).

CHARACTERISTICS AND PURPOSES OF OPTIONS ON FUTURES CONTRACTS ON U.S. GOVERNMENT SECURITIES

When an option on a futures contract is exercised, the writer of the option delivers the futures position as well as the accumulated 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 Fund will be required to deposit initial and variation margin with respect to options on futures contracts written by it.

The Fund will purchase put options on futures contracts primarily to hedge its portfolio of U.S. Government securities against the risk of rising interest rates, and the consequent decline in the prices of U.S. Government securities it owns. The Fund will purchase call options on futures contracts to hedge the Fund's portfolio against a possible market advance at a time when the Fund is not fully invested in U.S. Government securities (other than Treasury Bills).

The Fund also will write call options on futures contracts as a hedge against a modest decline in prices of debt securities held in the Fund's portfolio and to earn additional income. If the futures price at expiration of the option is below the exercise price, the Fund will retain the full amount of the option premium thereby partially hedging against any decline that may have occurred in the Fund's holdings of debt securities. If the futures price when the option is exercised is above the exercise price, however, the Fund will incur a loss, which may be wholly or partially offset by the increase of the value of the securities in the Fund's portfolio which were being hedged.

Writing a put option on a futures contract serves as a partial hedge against an increase in the value of debt securities the Fund intends to acquire. If the futures price at expiration of the option is above the exercise price, the Fund will retain the full amount of the option premium thereby partially hedging against any increase that may have occurred in the price of the debt securities the Fund intends to acquire. If the futures price when the option is exercised is below the exercise price, however, the Fund will incur a loss, which may be wholly or partially offset by the decrease of the price of the securities the Fund intends to acquire. The Fund will also write options on futures contracts in whole or in part to enhance its current return through the receipt of premium income.

See "Investment Objective and Policies--Futures Contracts on U.S. Government Securities" in the Statement of Additional Information.

SPECIAL RISK CONSIDERATIONS

CERTAIN RISKS ARE INHERENT IN THE FUND'S USE OF FUTURES CONTRACTS AND OPTIONS ON FUTURES. One such risk arises because the correlation between movements in the price of futures and movements in the price of debt securities that are the subject of the hedge will not be perfect. Another risk is that the movements in the price of futures or options on futures may not move inversely

with changes in interest rates. If the Fund has sold futures contracts to hedge securities held by the Fund and the value of the futures position declines more than the price of such securities increases, the Fund will realize a loss on the futures contracts which is not completely offset by the appreciation in the price of the hedged securities. Similarly, if the Fund has written a call on a futures contract and the value of the call increases by more than the increase in the value of the securities held as cover, the Fund may realize a loss on the call which is not completely offset by the appreciation in the price of the securities held as cover and the premium received for writing the call.

REPURCHASE AGREEMENTS

The Fund may on occasion enter into repurchase agreements, whereby the seller agrees to repurchase a security from the Fund at a mutually agreed-upon time and price. The repurchase date is usually within a day or two of the original purchase date although it may extend over a number of months. The resale price is in excess of the purchase price, reflecting an agreed-upon rate of return effective for the period of time the Fund's money is invested in the security. The Fund's repurchase agreements will at all times be fully collateralized in an amount at least equal to the purchase price including accrued interest earned on the underlying securities. The instruments held as collateral are valued daily, and if the value of instruments declines, the Fund will require additional collateral. If the seller defaults and the value of the collateral securing the repurchase agreement declines, the Fund may incur a loss. The Fund participates in a joint repurchase account with other investment companies managed by Prudential Mutual Fund Management, Inc. pursuant to an order of the SEC. See "Investment Objective and Policies--Repurchase Agreements" in the Statement of Additional Information.

SECURITIES LENDING

The Fund may lend its portfolio securities to brokers or dealers, banks or other recognized institutional borrowers of securities, provided that the borrower at all times maintains cash or equivalent collateral or secures a letter of credit in favor of the Fund in an amount equal to at least 100% of the market value of the securities loaned. During the time portfolio securities are on loan, the borrower will pay the Fund an amount equivalent to any dividend or interest paid on such securities and the Fund may invest the cash collateral and earn additional income, or it may receive an agreed-upon amount of interest income from the borrower. As a matter of fundamental policy, the Fund cannot lend more than 30% of the value of its total assets.

WHEN-ISSUED AND DELAYED DELIVERY SECURITIES

The Fund may purchase or sell U.S. Government securities on a when-issued or delayed delivery basis. When-issued or delayed delivery transactions arise when securities are purchased or sold by the Fund with payment and delivery taking place as much as a month or more in the future in order to secure what is considered to be an advantageous price and yield to the Fund at the time of entering into the transaction. The Fund's Custodian will maintain, in a segregated account of the Fund, cash, U.S. Government securities or other liquid high-grade debt obligations having a value equal to or greater than the Fund's purchase commitments; the Custodian will likewise segregate securities sold on a delayed delivery basis. The securities so purchased are subject to market fluctuation and no interest accrues to the purchaser during the period between purchase and settlement. At the time of delivery of the securities the value may be more or less than the purchase price and an increase in the percentage of the Fund's assets committed to the purchase of securities on a when-issued or delayed delivery basis may increase the volatility of the Fund's net asset value.

OTHER INVESTMENT INFORMATION

The Fund is permitted to use the following investment techniques, although it does not anticipate that any of them will constitute a significant component of its investment program.

ZERO COUPON BONDS

The Fund may invest up to 5% of its total assets in zero coupon U.S. Government securities. Zero coupon bonds are purchased at a discount from the face amount because the buyer receives only the right to receive a fixed payment on a certain date in the future and does not receive any periodic interest payments. The effect of owning instruments which do not make current interest payments is that a fixed yield is earned not only on the original investment but also, in effect, on all discount accretion during the life of the obligations. This implicit reinvestment of earnings at the same rate eliminates the risk of being unable to reinvest distributions at a rate as high as the implicit yield on the zero coupon bond, but at the same time eliminates the holder's ability to reinvest at higher rates in the future. For this reason, zero coupon bonds are subject to substantially greater price fluctuations during periods of changing market interest rates than are comparable securities which pay interest currently, which fluctuation increases the longer the period to maturity.

SHORT SALES AGAINST-THE-BOX

The Fund may make short sales against-the-box for the purpose of deferring realization of gain or loss for federal income tax purposes. A short sale "against-the-box" is a short sale in which the Fund owns an equal amount of the securities sold short or securities convertible into or exchangeable, without payment of any further consideration, for securities of the same issue as, and equal in amount to, the securities sold short. The Fund may engage in such short sales only to the extent that not more than 10% of the Fund's net assets (determined at the time of the short sale) are held as collateral for such sales.

BORROWING

The Fund may borrow money in an amount up to 20% of the value of its total assets (not including the amount of such borrowings) for temporary, extraordinary or emergency purposes or for the clearance of transactions. The Fund may pledge up to 20% of the value of its total assets to secure such borrowings.

ILLIQUID SECURITIES

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

The staff of the SEC has also taken the position that purchased over-the-counter options and the assets used as "cover" for written over-the-counter options are illiquid securities unless the Fund and the counterparty have provided for the Fund, at the Fund's election, 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."

When the Fund enters into interest rate swaps on other than a net basis, the entire amount of the Fund's obligations, if any, with respect to such interest rate swaps will be treated as illiquid. To the extent that the Fund enters into interest rate swaps on a net basis, the net amount of the excess, if any, of the Fund's obligations over its entitlements with respect to each interest rate swap will be treated as illiquid.

DOLLAR ROLLS

The Fund may enter into dollar rolls in which the Fund sells securities for delivery in the current month and simultaneously contracts to repurchase substantially similar (same type and coupon) securities on a specified future date from the same party. During the roll period, the Fund forgoes principal and interest paid on the securities. The Fund is compensated by the difference

between the current sales price and the forward price for the future purchase (often referred to as the "drop") as well as by the interest earned on the cash proceeds of the initial sale.

The Fund will establish a segregated account with its custodian in which it will maintain cash, U.S. Government securities or other liquid high-grade debt obligations equal in value to its obligations in respect to dollar rolls. Dollar rolls are considered borrowings by the Fund for purposes of the percentage limitations applicable to borrowings.

INTEREST RATE TRANSACTIONS

The Fund may enter into interest rate swaps. Interest rate swaps involve the exchange by the Fund with another party of their respective commitments to pay or receive interest, E.G., an exchange of floating rate payments for fixed rate payments. The Fund expects to enter into these transactions primarily to preserve a return or spread on a particular investment or portion of its portfolio or to protect against any increase in the price of securities the Fund anticipates purchasing at a later date. The Fund intends to use these transactions as a hedge and not as a speculative investment. See "Investment Objective and Policies--Interest Rate Transactions" in the Statement of Additional Information.

PORTFOLIO TURNOVER AND BROKERAGE

Based on its experience in managing similar investment products, the investment adviser expects that, under normal circumstances, if the Fund writes substantial numbers of options, and those options are exercised, the Fund's portfolio turnover rate may be as high as 250% or higher. Such a rate would significantly exceed that of a fund invested exclusively in U.S. Government securities. See "Investment Objective and Policies--Options Transactions" in the Statement of Additional Information. While the Fund will pay commissions in connection with its options and futures transactions, U.S. Government securities are generally traded on a "net" basis with dealers acting as principal for their own accounts without a stated commission. Nevertheless, high portfolio turnover may involve correspondingly greater brokerage commissions and other transaction costs, which will be borne directly by the Fund. See "Portfolio Transactions and Brokerage" in the Statement of Additional Information.

INVESTMENT RESTRICTIONS

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

HOW THE FUND IS MANAGED

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

For the fiscal year ended February 28, 1994, the total expenses as a percentage of average net assets for the Fund's Class A and Class B shares were 0.84% and 1.68%, respectively. See "Financial Highlights." No Class C shares were outstanding during the fiscal year ended February 28, 1994.

MANAGER

PRUDENTIAL MUTUAL FUND MANAGEMENT, INC. (PMF OR THE MANAGER), ONE SEAPORT PLAZA, NEW YORK, NEW YORK 10292, IS THE MANAGER OF THE FUND AND IS COMPENSATED FOR ITS SERVICES AT AN ANNUAL RATE OF .50 OF 1% OF THE FUND'S AVERAGE

DAILY NET ASSETS UP TO $3 BILLION AND .35 OF 1% OF THE AVERAGE DAILY NET ASSETS IN EXCESS OF $3 BILLION. It was incorporated in May 1987 under the laws of the State of Delaware.

For the fiscal year ended February 28, 1994, the Fund paid management fees to PMF of .50% of the Fund's average daily net assets. See "Manager" in the Statement of Additional Information.

As of March 31, 1994, PMF served as the manager to [37] open-end investment companies, constituting all of the Prudential Mutual Funds, and as manager or administrator to [28] closed-end investment companies with aggregate assets of approximately $[49] billion.

UNDER THE MANAGEMENT AGREEMENT WITH THE FUND, PMF MANAGES THE INVESTMENT OPERATIONS OF THE FUND AND ALSO ADMINISTERS THE FUND'S CORPORATE AFFAIRS. See "Manager" in the Statement of Additional Information.

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

[The current portfolio manager of the Fund is Martin Lawlor, a Managing Director of Prudential Investment Advisors, a unit of The Prudential Investment Corporation. Mr. Lawlor has responsibility for the day-to-day management of the Fund's portfolio. Mr. Lawlor has managed the Fund's portfolio since 1991 and has been employed by PIC as a portfolio manager since 1984. Mr. Lawlor also serves as the portfolio manager of The Prudential Institutional Balanced Fund.]

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

DISTRIBUTOR

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

PRUDENTIAL SECURITIES INCORPORATED (PRUDENTIAL SECURITIES OR PSI), ONE SEAPORT PLAZA, NEW YORK, NEW YORK 10292, IS A CORPORATION ORGANIZED UNDER THE LAWS OF THE STATE OF DELAWARE AND SERVES AS THE DISTRIBUTOR OF THE CLASS B AND CLASS C SHARES OF THE FUND. IT IS AN INDIRECT, WHOLLY-OWNED SUBSIDIARY OF PRUDENTIAL.

UNDER SEPARATE DISTRIBUTION AND SERVICE PLANS (THE CLASS A PLAN, THE CLASS B PLAN, AND THE CLASS C PLAN, COLLECTIVELY, THE PLANS) ADOPTED BY THE FUND UNDER RULE 12B-1 UNDER THE INVESTMENT COMPANY ACT AND SEPARATE DISTRIBUTION AGREEMENTS (THE DISTRIBUTION AGREEMENTS), PMFD AND PRUDENTIAL SECURITIES (COLLECTIVELY THE DISTRIBUTOR) INCUR THE EXPENSES OF DISTRIBUTING THE FUND'S CLASS A, CLASS B AND CLASS C SHARES. These expenses include commissions and account servicing fees paid to, or on account of, financial advisers of Prudential Securities and Pruco Securities Corporation (Prusec), an affiliated broker-dealer, commissions and account servicing fees paid to, or on account of, other broker-dealers or financial institutions (other than national banks) which have entered into agreements with the Distributor, advertising expenses, the cost of printing and mailing prospectuses to potential investors and indirect and overhead costs of Prudential Securities and Prusec associated with the sale of Fund shares, including lease, utility, communications and sales promotion expenses. The State of Texas requires that shares of the Fund may be sold in that state only by dealers or other financial institutions which are registered there as broker-dealers.

Under the Plans, the Fund is obligated to pay distribution and/or service fees to the Distributor as compensation for its distribution and service activities, not as reimbursement for specific expenses incurred. If the Distributor's expenses exceed its

distribution and service fees, the Fund will not be obligated to pay any additional expenses. If the Distributor's expenses are less than such distribution and service fees, it will retain its full fees and realize a profit.

UNDER THE CLASS A PLAN, THE FUND MAY PAY PMFD FOR ITS DISTRIBUTION-RELATED EXPENSES WITH RESPECT TO CLASS A SHARES AT AN ANNUAL RATE OF UP TO .30 OF 1% OF THE AVERAGE DAILY NET ASSETS OF THE CLASS A SHARES. The Class A Plan provides that (i) up to .25 of 1% of the average daily net assets of the Class A shares may be used to pay for personal service and/ or the maintenance of shareholder accounts (service fee) and (ii) total distribution fees (including the service fee of .25 of 1%) may not exceed .30 of 1% of the average daily net assets of the Class A shares. PMFD has agreed to limit its distribution-related fees payable under the Class A Plan to .15 of 1% of the average daily net assets of the Class A shares for the fiscal year ending February 28, 1995.

For the fiscal year ended February 28, 1994, PMFD received payments of $86,160 under the Class A Plan as reimbursement of expenses related to the distribution of Class A shares. This amount was primarily expended for payment of account servicing fees to financial advisers and other persons who sell Class A shares.

For the fiscal year ended February 28, 1994, PMFD also received approximately $405,000 in initial sales charges.

UNDER THE CLASS B PLAN, THE FUND MAY PAY PRUDENTIAL SECURITIES FOR ITS DISTRIBUTION-RELATED EXPENSES WITH RESPECT TO CLASS B SHARES AT AN ANNUAL RATE OF UP TO 1% OF THE AVERAGE DAILY NET ASSETS OF THE CLASS B SHARES UP TO $3 BILLION, .80 OF 1% OF THE NEXT $1 BILLION OF SUCH NET ASSETS AND .50 OF 1% OF SUCH NET ASSETS IN EXCESS OF $4 BILLION. The Class B Plan provides for the payment to Prudential Securities of (i) an asset-based sales charge of up to .75 of 1% of the average daily net assets of the Class B shares up to $3 billion, .55 of 1% of the next $1 billion of such net assets and .25 of 1% of such net assets in excess of $4 billion, and (ii) a service fee of up to .25 of 1% of the average daily net assets of the Class B shares. UNDER THE CLASS C PLAN, THE FUND PAYS PRUDENTIAL SECURITIES FOR ITS DISTRIBUTION-RELATED EXPENSES WITH RESPECT TO THE CLASS C SHARES AT AN ANNUAL RATE OF UP TO 1% OF AVERAGE DAILY NET ASSETS OF CLASS C SHARES. The Class C Plan provides for the payment to Prudential Securities of (i) an asset-based sales charge of up to .75 of 1% of the average daily net assets of the Class C shares, and (ii) a service fee of up to .25 of 1% of the average daily net assets of the Class C shares. The service fee is used to pay for personal service and/or the maintenance of shareholder accounts. Prudential Securities has agreed to limit its distribution-related fees payable under the Class B Plan to .825 of 1% of the average daily net assets of the Class B shares and to .75 of 1% of the average daily net assets of the Class C shares for the fiscal year ending February 28, 1995. Prudential Securities also receives contingent deferred sales charges from certain redeeming shareholders. See "Shareholder Guide--How to Sell Your Shares--Contingent Deferred Sales Charge."

For the fiscal year ended February 28, 1994, Prudential Securities incurred distribution expenses of approximately $18,628,600 under the Class B Plan and received $24,706,451 from the Fund under the Class B Plan. In addition, Prudential Securities received approximately $2,533,000 in contingent deferred sales charges from redemptions of Class B shares during this period. No Class C shares were outstanding during the fiscal year ending February 28, 1994.

For the fiscal year ended February 28, 1994, the Fund paid distribution expenses of .15% and .99% of the average net assets of the Class A and Class B shares, respectively. The Fund records all payments made under the Plans as expenses in the calculation of net investment income. No Class C shares were outstanding during the fiscal year ended February 28, 1994.

Distribution expenses attributable to the sale of shares of the Fund will be allocated to each class based upon the ratio of sales of each class to the sales of all shares of the Fund other than expenses allocable to a particular class. The distribution fee and sales charge of one class will not be used to subsidize the sale of another class.

Each Plan provides that it shall continue in effect from year to year provided that a majority of the Board of Directors of the Fund, including a majority of the Directors who are not "interested persons" of the Fund (as defined in the Investment Company Act) and who have no direct or indirect financial interest in the operation of the Plan or any agreement related to the Plan (the Rule 12b-1 Directors), vote annually to continue the Plan. Each Plan may be terminated at any time by vote of a majority of the

Rule 12b-1 Directors or of a majority of the outstanding shares of the applicable class of the Fund. The Fund will not be obligated to pay expenses incurred under any plan if it is terminated or not continued.

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

The Distributor is subject to the rules of the National Association of Securities Dealers, Inc. governing maximum sales charges. See "Distributor" in the Statement of Additional Information.

PORTFOLIO TRANSACTIONS

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

CUSTODIAN AND TRANSFER AND DIVIDEND DISBURSING AGENT

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

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

HOW THE FUND VALUES ITS SHARES

THE FUND'S NET ASSET VALUE PER SHARE OR NAV IS DETERMINED BY SUBTRACTING ITS LIABILITIES FROM THE VALUE OF ITS ASSETS AND DIVIDING THE REMAINDER BY THE NUMBER OF OUTSTANDING SHARES OF THE FUND. THE BOARD OF DIRECTORS HAS FIXED THE SPECIFIC TIME OF DAY FOR THE COMPUTATION OF THE FUND'S NAV TO BE AS OF 4:15 P .M., NEW YORK TIME.

Portfolio securities are valued based on market quotations or, if not readily available, at fair value as determined in good faith under procedures established by the Fund's Board of Directors. See "Net Asset Value" in the Statement of Additional Information.

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

Although the legal rights of each class of shares are substantially identical, the different expenses borne by each class will result in different NAVs and dividends. The NAV of Class B and Class C shares will generally be lower than the NAV of Class A shares as a result of the larger distribution-related fee to which Class B and Class C shares are subject. It is expected, however, that the NAV of the three classes will tend to converge immediately after the recording of dividends, if any, which will differ by approximately the amount of the distribution-related expense accrual differential among the classes.

HOW THE FUND CALCULATES PERFORMANCE

FROM TIME TO TIME THE FUND MAY ADVERTISE ITS "YIELD" AND "TOTAL RETURN" (INCLUDING "AVERAGE ANNUAL" TOTAL RETURN AND "AGGREGATE" TOTAL RETURN) IN ADVERTISEMENTS AND SALES LITERATURE. YIELD AND TOTAL RETURN ARE CALCULATED SEPARATELY FOR CLASS A, CLASS B AND CLASS C SHARES. These figures are based on historical earnings and are not intended to indicate future performance. The "total return" shows how much an investment in the Fund would have increased (decreased) over a specified period of time (I.E., one, five or ten years or since inception of the Fund) assuming that all distributions and dividends by the Fund were reinvested on the reinvestment dates during the period and less all recurring fees. The "aggregate" total return reflects actual performance over a stated period of time. "Average annual" total return is a hypothetical rate of return that, if achieved annually, would have produced the same aggregate total return if performance had been constant over the entire period. "Average annual" total return smooths out variations in performance and takes into account any applicable initial or contingent deferred sales charges. Neither "average annual" total return nor "aggregate" total return takes into account any federal or state income taxes which may be payable upon redemption. The "yield" refers to the income generated by an investment in the Fund over a one-month or 30-day period. This income is then "annualized" that is, the amount of income generated by the investment during that 30-day period is assumed to be generated each 30-day period for twelve periods and is shown as a percentage of the investment. The income earned on the investment is also assumed to be reinvested at the end of the sixth 30-day period. The Fund also may include comparative performance information in advertising or marketing the Fund's shares. Such performance information may include data from Lipper Analytical Services, Inc., other industry publications, business periodicals and market indices. See "Performance Information" in the Statement of Additional Information. The Fund will include performance data for each class of shares of the Fund in any advertisement or information which includes performance data of the Fund. Further performance information is contained in the Fund's annual and semi-annual reports to shareholders, which may be obtained without charge. See "Shareholder Guide--Shareholder Services--Reports to Shareholders."

TAXES, DIVIDENDS AND DISTRIBUTIONS

TAXATION OF THE FUND

THE FUND HAS ELECTED TO QUALIFY AND INTENDS TO REMAIN QUALIFIED AS A REGULATED INVESTMENT COMPANY UNDER THE INTERNAL REVENUE CODE. ACCORDINGLY, THE FUND WILL NOT BE SUBJECT TO FEDERAL INCOME TAXES ON ITS NET INVESTMENT INCOME AND CAPITAL GAINS, IF ANY, THAT IT DISTRIBUTES TO ITS SHAREHOLDERS. See "Taxes, Dividends and Distributions" in the Statement of Additional Information.

TAXATION OF SHAREHOLDERS

All dividends out of net investment income, together with distributions of short-term capital gains, will be taxable as ordinary income to the shareholder whether or not reinvested. Any net long-term capital gains (I.E., the excess of net long-term capital gains over net short-term capital losses) distributed to shareholders will be taxable as such to the shareholders, whether or not reinvested and regardless of the length of time a shareholder has owned his or her shares. The maximum long-term capital gains rate for individuals is 28%. The maximum long-term capital gains rate for corporate shareholders is currently the same as the maximum tax rate for ordinary income.

The Fund has obtained an opinion of counsel to the effect that the conversion of Class B shares into Class A shares does not constitute a taxable event for U.S. income tax purposes. However, such opinion is not binding on the Internal Revenue Service.

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

WITHHOLDING TAXES

Under the Internal Revenue Code, the Fund is required to withhold and remit to the U.S. Treasury 31% of dividends, capital gain income and redemption proceeds payable to individuals and certain noncorporate shareholders who fail to furnish correct tax identification numbers on IRS Form W-9 (or IRS Form W-8 in the case of certain foreign shareholders) with the required certifications regarding the shareholder's status under federal income tax law. Notwithstanding the foregoing, dividends of net investment income and short-term capital gains to a foreign shareholder will generally be subject to U.S. withholding tax at the rate of 30% (or lower treaty rate).

DIVIDENDS AND DISTRIBUTIONS

THE FUND EXPECTS TO DECLARE DAILY AND PAY MONTHLY DIVIDENDS OF NET INVESTMENT INCOME, IF ANY, AND MAKE DISTRIBUTIONS AT LEAST ANNUALLY OF ANY NET CAPITAL GAINS. In determining the amount of capital gains to be distributed, the amount of any capital loss carryforwards from prior years will be offset against capital gains. As of February 28, 1994, the Fund had a capital loss carryforward for federal income tax purposes of approximately $76,930,000. Accordingly, no capital gains distribution is expected to be paid to shareholders until net gains have been realized in excess of such carryforwards. Dividends paid by the Fund with respect to each class of shares, to the extent any dividends are paid, will be calculated in the same manner, at the same time, on the same day and will be in the same amount except that each class will bear its own distribution charges, generally resulting in lower dividends for Class B and Class C shares. Distributions of net capital gains, if any, will be paid in the same amount for each class of shares. See "How the Fund Values Its Shares."

Shares will begin earning daily dividends on the day following the date on which the shares are issued, the date of issuance customarily being the "settlement" date. Shares continue to earn daily dividends until they are redeemed. In the event an investor redeems all the shares in his or her account at any time during the month, all daily dividends declared to the date of redemption will be paid at the time of redemption.

DIVIDENDS AND DISTRIBUTIONS WILL BE PAID IN ADDITIONAL FUND SHARES, BASED ON THE NAV OF EACH CLASS ON THE PAYMENT AND RECORD DATE, RESPECTIVELY, OR SUCH OTHER DATE AS THE BOARD OF DIRECTORS MAY DETERMINE, UNLESS THE SHAREHOLDER ELECTS IN WRITING NOT LESS THAN FIVE BUSINESS DAYS PRIOR TO THE PAYMENT DATE TO RECEIVE SUCH DIVIDENDS AND DISTRIBUTIONS IN CASH. Such election should be submitted to Prudential Mutual Fund Services, Inc., Attention: Account Maintenance, P .O. Box 15015, New Brunswick, New Jersey 08906-5015. The Fund will notify each shareholder after the close of the Fund's taxable year of both the dollar amount and the taxable status of that year's dividends and distributions on a per share basis. To the extent that, in a given year, distributions to shareholders exceed recognized net investment income and recognized short-term and long-term capital gains for the year, shareholders will receive a return of capital in respect of such year and, in an annual statement, will be notified of the amount of any return of capital for such year. Any distributions paid shortly after a purchase by an investor will have the effect of reducing the per share net asset value of the investor's shares by the per share amount of the distributions. Such distributions, although in effect a return of invested principal, are subject to federal income taxes. Accordingly, prior to purchasing shares of the Fund, an investor should carefully consider the impact of capital gains distributions which are expected to be or have been announced. If you hold shares through Prudential Securities you should contact your financial adviser to elect to receive dividends and distributions in cash.

WHEN THE FUND GOES "EX-DIVIDEND," ITS NAV IS REDUCED BY THE AMOUNT OF THE DIVIDEND OR DISTRIBUTION. IF YOU BUY SHARES JUST PRIOR TO THE EX-DIVIDEND DATE (WHICH GENERALLY OCCURS FOUR BUSINESS DAYS PRIOR TO THE RECORD DATE) THE PRICE YOU PAY WILL INCLUDE THE DIVIDEND OR DISTRIBUTION AND A PORTION OF YOUR INVESTMENT WILL BE RETURNED TO YOU AS A TAXABLE DISTRIBUTION. YOU SHOULD, THEREFORE, CONSIDER THE TIMING OF DIVIDENDS AND DISTRIBUTIONS WHEN MAKING YOUR PURCHASES.

GENERAL INFORMATION

DESCRIPTION OF COMMON STOCK

THE FUND WAS INCORPORATED IN MARYLAND ON APRIL 8, 1983. THE FUND IS AUTHORIZED TO ISSUE TWO BILLION SHARES OF COMMON STOCK, $.01 PAR VALUE PER SHARE, DIVIDED INTO THREE CLASSES, DESIGNATED CLASS A, CLASS B AND CLASS C COMMON STOCK, EACH OF WHICH CONSISTS OF 666 2/3 MILLION AUTHORIZED SHARES. Each class of common stock represents an interest in the same assets of the Fund and is identical in all respects except that, (i) each class bears different distribution expenses, (ii) each class has exclusive voting rights with respect to its distribution and service plan (except that the Fund has agreed with the SEC in connection with the offering of a conversion feature on Class B shares to submit any amendment of the Class A Plan to both Class A and Class B shareholders), (iii) each class has a different exchange privilege and (iv) only Class B shares have a conversion feature. See "How the Fund is Managed--Distributor." The Fund has received an order from the SEC permitting the issuance and sale of multiple classes of common stock. Currently, the Fund is offering three classes, designated as Class A, Class B and Class C shares. In accordance with the Fund's Articles of Incorporation, the Board of Directors may authorize the creation of additional series of common stock and classes within such series, with such preferences, privileges, limitations and voting and dividend rights as the Board may determine.

The Board of Directors may increase or decrease the number of authorized shares. Shares of the Fund, when issued, are fully paid, nonassessable, fully transferable and redeemable at the option of the holder. Shares are also redeemable at the option of the Fund under certain circumstances as described under "Shareholder Guide--How to Sell Your Shares." Each share of each class of common stock is equal as to earnings, assets and voting privileges, except as noted above, and each class bears the expenses related to the distribution of its shares. Except for the conversion feature applicable to the Class B shares, there are no conversion, preemptive or other subscription rights. In the event of liquidation, each share of common stock of the Fund is entitled to its portion of all of the Fund's assets after all debt and expenses of the Fund have been paid. Since Class B and Class C shares generally bear higher distribution expenses than Class A shares, the liquidation proceeds to shareholders of those classes are likely to be lower than to Class A shareholders. The Fund's shares do not have cumulative voting rights for the election of Directors.

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

ADDITIONAL INFORMATION

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

SHAREHOLDER GUIDE

HOW TO BUY SHARES OF THE FUND

YOU MAY PURCHASE SHARES OF THE FUND THROUGH PRUDENTIAL SECURITIES, PRUSEC OR DIRECTLY FROM THE FUND, THROUGH ITS TRANSFER AGENT, PRUDENTIAL MUTUAL FUND SERVICES, INC. (PMFS OR THE TRANSFER AGENT), ATTENTION: INVESTMENT SERVICES, P.O. BOX 15020, NEW BRUNSWICK, NEW JERSEY 08906-5020. The minimum initial investment for Class A and Class B shares is $1,000 per class and $5,000 for Class C shares. The minimum subsequent investment is $100 for all classes. All minimum investment requirements are waived for certain retirement and employee savings plans or custodial accounts for the benefit of minors. For purchases made through the Automatic Savings Accumulation Plan, the minimum initial and subsequent investment is $50. See "Shareholder Services."

THE PURCHASE PRICE IS THE NAV NEXT DETERMINED FOLLOWING RECEIPT OF AN ORDER BY THE TRANSFER AGENT OR PRUDENTIAL SECURITIES PLUS A SALES CHARGE WHICH, AT YOUR OPTION, MAY BE IMPOSED EITHER (I) AT THE TIME OF PURCHASE (CLASS A SHARES) OR (II) ON A DEFERRED BASIS (CLASS B OR CLASS C SHARES). SEE "ALTERNATIVE PURCHASE PLAN" BELOW. SEE ALSO "HOW THE FUND VALUES ITS SHARES."

Application forms can be obtained from PMFS, Prudential Securities or Prusec. If a stock certificate is desired, it must be requested in writing for each transaction. Certificates are issued only for full shares. Shareholders who hold their shares through Prudential Securities will not receive stock certificates.

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

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

Transactions in Fund shares may be subject to postage and handling charges imposed by your dealer.

PURCHASE BY WIRE. For an initial purchase of shares of the Fund by wire, you must first telephone PMFS at (800) 225-1852 (toll-free) to receive an account number. The following information will be requested: your name, address, tax identification number, class election, dividend distribution election, amount being wired and wiring bank. Instructions should then be given by you to your bank to transfer funds by wire to State Street Bank and Trust Company, Boston, Massachusetts, Custody and Shareholder Services Division, Attention: Prudential Government Income Fund, Inc. specifying on the wire the account number assigned by PMFS and your name and identifying the sales charge alternative (Class A, Class B or Class C shares).

If you arrange for receipt by State Street of Federal Funds prior to 4:15 P .M., New York time, on a business day, you may purchase shares of the Fund as of that day.

In making a subsequent purchase order by wire, you should wire State Street directly and should be sure that the wire specifies Prudential Government Income Fund, Inc. Class A, Class B or Class C shares and your name and individual account number. It is not necessary to call PMFS to make subsequent purchase orders utilizing Federal Funds. The minimum amount which may be invested by wire is $1,000.

ALTERNATIVE PURCHASE PLAN

THE FUND OFFERS THREE CLASSES OF SHARES (CLASS A, CLASS B AND CLASS C) WHICH ALLOWS YOU TO CHOOSE THE MOST BENEFICIAL SALES CHARGE STRUCTURE FOR YOUR INDIVIDUAL CIRCUMSTANCES GIVEN THE AMOUNT OF THE PURCHASE, THE LENGTH OF TIME YOU EXPECT TO HOLD THE SHARES AND OTHER RELEVANT CIRCUMSTANCES (THE ALTERNATIVE PURCHASE PLAN).

<TABLE>
<CAPTION>

	SALES CHARGE	ANNUAL 12B-1 FEES (AS A % OF AVERAGE DAILY NET ASSETS)	OTHER INFORMATION
<S>	<C>	<C>	<C>
CLASS A	Maximum initial sales charge of 4% of the public offering price	0.30 of 1% (Currently being charged at a rate of 0.15 of 1%)	Initial sales charge waived or reduced for certain purchases
CLASS B	Maximum contingent deferred sales charge or CDSC of 5% of the lesser of the amount invested or the redemption proceeds; declines to zero after six years	1% (Currently being charged at a rate of .825 of 1%)	Shares convert to Class A shares approximately seven years after purchase
CLASS C	Maximum CDSC of 1% of the lesser of the amount invested or the redemption proceeds on redemptions made within one year of purchase	1% (Currently being charged at a rate of .75 of 1%)	Shares do not convert to another class

</TABLE>

The three classes of shares represent an interest in the same portfolio of investments of the Fund and have the same rights, except that (i) each class bears the separate expenses of its Rule 12b-1 distribution and service plan, (ii) each class has exclusive voting rights with respect to its plan (except as noted under the heading "General Information--Description of Common Stock"), and (iii) only Class B shares have a conversion feature. The three classes also have separate exchange privileges. See "How to Exchange Your Shares" below. The income attributable to each class and the dividends payable on the shares of each class will be reduced by the amount of the distribution fee of each class. Class B and Class C shares bear the expenses of a higher distribution fee which will generally cause them to have higher expense ratios and to pay lower dividends than the Class A shares.

Financial advisers and other sales agents who sell shares of the Fund will receive different compensation for selling Class A, Class B and Class C shares and will generally receive more compensation initially for selling Class A and Class B shares than for selling Class C shares.

IN SELECTING A PURCHASE ALTERNATIVE, YOU SHOULD CONSIDER, AMONG OTHER THINGS, (1) the length of time you expect to hold your investment, (2) the amount of any applicable sales charge (whether imposed at the time of purchase or redemption) and distribution-related fees, as noted above, (3) whether you qualify for any reduction or waiver of any applicable sales charge, (4) the various exchange privileges among the different classes of shares (see "How to Exchange Your Shares" below) and (5) that Class B shares automatically convert to Class A shares approximately seven years after purchase (see "Conversion Feature--Class B Shares" below).

The following is provided to assist you in determining which method of purchase best suits your individual circumstances and is based on current fees and expenses being charged to the Fund:

If you intend to hold your investment in the Fund for less than 7 years and do not qualify for a reduced sales charge on Class A shares, since Class A shares are subject to an initial sales charge of 4% and Class B shares are subject to a CDSC of 5% which declines to zero over a 6 year period, you should consider purchasing Class C shares over either Class A or Class B shares.

If you intend to hold your investment for 7 years or more and do not qualify for a reduced sales charge on Class A shares, since Class B shares convert to Class A shares approximately 7 years after purchase and because all of your money would be invested initially in the case of Class B shares, you should consider purchasing Class B shares over either Class A or Class C shares.

If you qualify for a reduced sales charge on Class A shares, it may be more advantageous for you to purchase Class A shares over either Class B or Class C shares regardless of how long you intend to hold your investment. However, unlike Class B and Class C shares, you would not have all of your money invested initially because the sales charge on Class A shares is deducted at the time of purchase.

If you do not qualify for a reduced sales charge on Class A shares and you purchase Class B or Class C shares, you would have to hold your investment for more than 5 years in the case of Class B shares and 6 years in the case of Class C shares] for the higher cumulative annual distribution-related fee on those shares to exceed the initial sales charge plus cumulative annual distribution-related fee on Class A shares. This does not take into account the time value of money, which further reduces the impact of the higher Class B or Class C distribution-related fee on the investment, fluctuations in net asset value, the effect of the return on the investment over this period of time or redemptions during which the CDSC is applicable.

ALL PURCHASES OF $1 MILLION OR MORE, EITHER AS PART OF A SINGLE INVESTMENT OR UNDER RIGHTS OF ACCUMULATION OR LETTERS OF INTENT, MUST BE FOR CLASS A SHARES. See "Reduction and Waiver of Initial Sales Charges" below.

CLASS A SHARES

The offering price of Class A shares for investors choosing the initial sales charge alternative is the next determined NAV plus a sales charge (expressed as a percentage of the offering price and of the amount invested) as shown in the following table:

<TABLE>
<CAPTION>

AMOUNT OF PURCHASE	SALES CHARGE AS PERCENTAGE OF OFFERING PRICE	SALES CHARGE AS PERCENTAGE OF AMOUNT INVESTED	DEALER CONCESSION AS PERCENTAGE OF OFFERING PRICE
<S>	<C>	<C>	<C>
$0 to $49,999	4.00%	[ ]	3.75%
$50,000 to $99,999	3.50		3.25
$100,000 to $249,999	2.75		2.50
$250,000 to $499,999	2.00		1.90
$500,000 to $999,999	1.50		1.40
$1,000,000 and above	None	None	None

</TABLE>

Selling dealers may be deemed to be underwriters, as that term is defined in the Securities Act.

REDUCTION AND WAIVER OF INITIAL SALES CHARGES. Reduced sales charges are available through Rights of Accumulation and Letters of Intent. Shares of the Fund and shares of other Prudential Mutual Funds (excluding money market funds other than those acquired pursuant to the exchange privilege) may be aggregated to determine the applicable reduction. See "Reduction and Waiver of Initial Sales Charges--Class A shares" in the Statement of Additional Information. Class A shares may be purchased at NAV, without payment of an initial sales charge, by pension, profit-sharing or other employee benefit plans qualified under Section 401 of the Internal Revenue Code and deferred compensation and annuity plans under Sections 457 and 403(b)(7) of the Internal Revenue Code (Benefit Plans), provided that the plan has existing assets of at least $1 million invested in shares of Prudential Mutual Funds (excluding money market funds other than those acquired pursuant to the exchange privilege) or 1,000 eligible employees or members. In the case of Benefit Plans whose accounts are held directly with the Transfer Agent and for which the Transfer Agent does individual account record keeping (Direct Account Benefit Plans) and Benefit Plans sponsored by PSI or its subsidiaries (PSI or Subsidiary Prototype Benefit Plans), Class A shares may be purchased at NAV by participants who are repaying loans made from such plans to the participant. Additional information concerning the reduction and waiver of initial sales charges is set forth in the Statement of Additional Information.

In addition, Class A shares may be purchased at NAV, through Prudential Securities or the Transfer Agent, by the following persons: (a) Directors and officers of the Fund and other Prudential Mutual Funds, (b) employees of Prudential Securities and PMF and their subsidiaries and members of the families of such persons who maintain an "employee related" account at Prudential Securities or the Transfer Agent, (c) employees and special agents of Prudential and its subsidiaries and all persons who have retired directly from active service with Prudential or one of its subsidiaries, (d) registered representatives and employees of dealers who have entered into a selected dealer agreement with Prudential Securities provided that purchases at

NAV are permitted by such person's employer and (e) investors who have a business relationship with a financial adviser who joined Prudential Securities from another investment firm, provided that (i) the purchase is made within 90 days of the commencement of the financial adviser's employment at Prudential Securities, (ii) the purchase is made with proceeds of a redemption of shares of any open-end, non-money market fund sponsored by the financial adviser's previous employer (other than a fund which imposes a distribution or service fee of .25 of 1% or less) on which no deferred sales load, fee or other charge was imposed on redemption and (iii) the financial adviser served as the client's broker on the previous purchases.

You must notify the Fund's Transfer Agent either directly or through Prudential Securities or Prusec at the time of purchase that you are entitled to a reduction or waiver of the sales charge. The reduction or waiver will be granted subject to confirmation of your entitlement. No initial sales charges are imposed upon Class A shares purchased upon the reinvestment of dividends and distributions.

CLASS B AND CLASS C SHARES

The offering price of Class B and Class C shares for investors choosing one of the deferred sales charge alternatives is the NAV per share next determined following receipt of an order by the Transfer Agent or Prudential Securities. Although there is no sales charge imposed at the time of purchase, redemptions of Class B and Class C shares may be subject to a CDSC. See "How to Sell Your Shares--Contingent Deferred Sales Charges."

HOW TO SELL YOUR SHARES

YOU CAN REDEEM YOUR SHARES OF THE FUND AT ANY TIME AT THE NAV PER SHARE NEXT DETERMINED AFTER THE REDEMPTION REQUEST IS RECEIVED IN PROPER FORM BY THE TRANSFER AGENT OR PRUDENTIAL SECURITIES. SEE "HOW THE FUND VALUES ITS SHARES." In certain cases, however, redemption proceeds will be reduced by the amount of any applicable contingent deferred sales charge, as described below. See "Contingent Deferred Sales Charges."

IF YOU HOLD SHARES OF THE FUND THROUGH PRUDENTIAL SECURITIES, YOU MUST REDEEM YOUR SHARES BY CONTACTING YOUR PRUDENTIAL SECURITIES FINANCIAL ADVISER. IF YOU HOLD SHARES IN NON-CERTIFICATE FORM, A WRITTEN REQUEST FOR REDEMPTION SIGNED BY YOU EXACTLY AS THE ACCOUNT IS REGISTERED IS REQUIRED. IF YOU HOLD CERTIFICATES, THE CERTIFICATES, SIGNED IN THE NAME(S) SHOWN ON THE FACE OF THE CERTIFICATES, MUST BE RECEIVED BY THE TRANSFER AGENT IN ORDER FOR THE REDEMPTION REQUEST TO BE PROCESSED. IF REDEMPTION IS REQUESTED BY A CORPORATION, PARTNERSHIP, TRUST OR FIDUCIARY, WRITTEN EVIDENCE OF AUTHORITY ACCEPTABLE TO THE TRANSFER AGENT MUST BE SUBMITTED BEFORE SUCH REQUEST WILL BE ACCEPTED. All correspondence and documents concerning redemptions should be sent to the Fund in care of its Transfer Agent, Prudential Mutual Fund Services, Inc., Attention: Redemption Services, P .O. Box 15010, New Brunswick, New Jersey 08906-5010.

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

PAYMENT FOR SHARES PRESENTED FOR REDEMPTION WILL BE MADE BY CHECK WITHIN SEVEN DAYS AFTER RECEIPT BY THE TRANSFER AGENT OF THE CERTIFICATE AND/OR WRITTEN REQUEST EXCEPT AS INDICATED BELOW. Such payment may be postponed or the right of redemption suspended at times (a) when the New York Stock Exchange is closed for other than customary weekends and holidays, (b) when trading on such Exchange is restricted, (c) when an emergency exists as a result of which disposal by the Fund of securities owned by it is not reasonably practicable or it is not reasonably practicable for the Fund fairly to determine the value of its net assets, or (d) during any other period when the SEC, by order, so permits; provided that applicable rules and regulations of the SEC shall govern as to whether the conditions prescribed in (b), (c) or (d) exist.

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

REDEMPTION IN KIND. If the Board of Directors determines that it would be detrimental to the best interests of the remaining shareholders of the Fund to make payment wholly or partly in cash, the Fund may pay the redemption price in whole or in part by a distribution in kind of securities from the investment portfolio of the Fund, in lieu of cash, in conformity with applicable rules of the SEC. Securities will be readily marketable and will be valued in the same manner as in a regular redemption. See "How the Fund Values Its Shares." If your shares are redeemed in kind, you would incur transaction costs in converting the assets into cash. The Fund, however, has elected to be governed by Rule 18f-1 under the Investment Company Act, under which the Fund is obligated to redeem shares solely in cash up to the lesser of $250,000 or 1% of the net asset value of the Fund during any 90-day period for any one shareholder.

INVOLUNTARY REDEMPTION. In order to reduce expenses of the Fund, the Board of Directors may redeem all of the shares of any shareholder, other than a shareholder which is an IRA or other tax-deferred retirement plan, whose account has a net asset value of less than $500 due to a redemption. The Fund will give such shareholders 60 days' prior written notice in which to purchase sufficient additional shares to avoid such redemption. No contingent deferred sales charge will be imposed on any involuntary redemption.

30-DAY REPURCHASE PRIVILEGE. If you redeem your shares and have not previously exercised the repurchase privilege, you may reinvest any portion or all of the proceeds of such redemption in shares of the Fund at the NAV next determined after the order is received, which must be within 30 days after the date of the redemption. No sales charge will apply to such repurchases. You will receive PRO RATA credit for any contingent deferred sales charge paid in connection with the redemption of your shares. You must notify the Fund's Transfer Agent, either directly or through Prudential Securities or Prusec, at the time the repurchase privilege is exercised that you are entitled to credit for the contingent deferred sales charge previously paid. Exercise of the repurchase privilege will generally not affect federal income tax treatment of any gain realized upon redemption. If the redemption resulted in a loss, some or all of the loss, depending on the amount reinvested, will generally not be allowed for federal income tax purposes.

CONTINGENT DEFERRED SALES CHARGES

Redemptions of Class B shares will be subject to a contingent deferred sales charge or CDSC declining from 5% to zero over a six-year period. Class C shares redeemed within one year of purchase will be subject to a 1% CDSC. The CDSC will be deducted from the redemption proceeds and reduce the amount paid to you. The CDSC will be imposed on any redemptions by you which reduces the current value of your Class B or Class C shares to an amount which is lower than the amount of all payments by you for shares during the preceding six years, in the case of Class B shares, and one year, in the case of Class C shares. A CDSC will be applied on the lesser of the original purchase price or the current value of the shares being redeemed. Increases in the value of your shares or shares purchased through reinvestment of dividends or distributions are not subject to a CDSC. The amount of any CDSC will be paid to and retained by the Distributor. See "How the Fund is Managed--Distributor" and "Waiver of the Contingent Deferred Sales Charges" below.

The amount of the CDSC, if any, will vary depending on the number of years from the time of payment for the purchase of shares until the time of redemption of such shares. Solely for purposes of determining the number of years from the time of any payment for the purchase of shares, all payments during a month will be aggregated and deemed to have been made on the last day of the month.

The following table sets forth the rates of the CDSC applicable to redemptions of Class B shares.

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YEAR SINCE PURCHASE PAYMENT MADE	CONTINGENT DEFERRED SALES CHARGE AS A PERCENTAGE OF DOLLARS INVESTED OR REDEMPTION PROCEEDS
<S>	<C>
First	5.0%
Second	4.0%
Third	3.0%
Fourth	2.0%
Fifth	1.0%
Sixth	1.0%
Seventh	None

</TABLE>

In determining whether a CDSC is applicable to a redemption, the calculation will be made in a manner that generally results in the lowest possible rate. It will be assumed that the redemption is made first of amounts representing shares acquired pursuant to the reinvestment of dividends and distributions; then of amounts representing the increase in net asset value above the total amount of payments for the purchase of Fund shares made during the preceding six years (five years for Class B shares purchased prior to January 22, 1990); then of amounts representing the cost of shares held beyond the applicable CDSC period; then of amounts representing the cost of shares acquired prior to July 1, 1985; and finally, of amounts representing the cost of shares held for the longest period of time within the applicable CDSC period.

For example, assume you purchased 100 Class B shares at $10 per share for a cost of $1,000. Subsequently, you acquired 5 additional Class B shares through dividend reinvestment. During the second year after the purchase you decided to redeem $500 of your investment. Assuming at the time of the redemption the NAV had appreciated to $12 per share, the value of the investor's Class B shares would be $1,260 (105 shares at $12 per share). The CDSC would not be applied to the value of the reinvested dividend shares and the amount which represents appreciation ($260). Therefore, $240 of the $500 redemption proceeds ($500 minus $260) would be charged at a rate of 4% (the applicable rate in the second year after purchase) for a total CDSC of $9.60.

For federal income tax purposes, the amount of the CDSC will reduce the gain or increase the loss, as the case may be, on the amount recognized on the redemption of shares.

WAIVER OF THE CONTINGENT DEFERRED SALES CHARGES--CLASS B SHARES. The CDSC will be waived in the case of a redemption following the death or disability of a shareholder or, in the case of a trust account, following the death or disability of the grantor. The waiver is available for total or partial redemptions of shares owned by a person, either individually or in joint tenancy (with rights of survivorship), at the time of death or initial determination of disability, provided that the shares were purchased prior to death or disability.

The CDSC will also be waived in the case of a total or partial redemption in connection with certain distributions made without penalty under the Internal Revenue Code from a tax-deferred retirement plan, an IRA or Section 403(b)(7) custodial account. These distributions include a lump-sum or other distribution after retirement, or for an IRA or Section 403(b) custodial account, after attaining age 59 1/2, a tax-free return of an excess contribution or plan distributions following the death or disability of the shareholder (provided that the shares were purchased prior to death or disability). The waiver does not apply in the case of a tax-free rollover or transfer of assets, other than one following a separation from service. In the case of Direct Account and PSI or Subsidiary Prototype Benefit Plans, the CDSC will be waived on redemptions which represent borrowings from such plans. Shares purchased with amounts used to repay a loan from such plans on which a CDSC was not previously deducted will thereafter be subject to a CDSC without regard to the time such amounts were previously invested. In the case of a 401(k) plan, the CDSC will also be waived upon the redemption of shares purchased with amounts used to repay loans made from the account to the participant and from which a CDSC was previously deducted.

In addition, the CDSC will be waived on redemptions of shares held by a Director of the Fund.

You must notify the Fund's Transfer Agent either directly or through Prudential Securities or Prusec, at the time of redemption, that you are entitled to waiver of the CDSC. The waiver will be granted subject to confirmation of your entitlement.

A quantity discount may apply to redemptions of Class B shares purchased prior to , 1994. See "Purchase and Redemption of Fund Shares--Quantity Discount--Class B Shares Purchased Prior to , 1994" in the Statement of Additional Information.

CONVERSION FEATURE--CLASS B SHARES

Class B shares will automatically convert to Class A shares on a quarterly basis approximately seven years after purchase. Conversions will occur during the month following each calendar quarter and will be effected at relative net asset value without the imposition of any additional sales charge. It is currently anticipated that conversions will occur on the first Friday of the month following each calendar quarter or, if not a business day, on the next Friday of the month.

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

For purposes of determining the number of Eligible Shares, if the Class B shares in your account on any conversion date are the result of multiple purchases at different net asset values per share, the number of Eligible Shares calculated as described above will generally be either more or less than the number of shares actually purchased approximately seven years before such conversion date. For example, if 100 shares were initially purchased at $10 per share (for a total of $1,000) and a second purchase of 100 shares was subsequently made at $11 per share (for a total of $1,100), 95.24 shares would convert approximately [seven] years from the initial purchase (i.e., $1,000 divided by $2,100 (47.62%) multiplied by 200 shares equals 95.24 shares). The Manager reserves the right to modify the formula for determining the number of Eligible Shares in the future as it deems appropriate on notice to shareholders.

Since annual distribution-related fees are lower for Class A shares than Class B shares, the per share net asset value of the Class A shares may be higher than that of the Class B shares at the time of conversion. Thus, although the aggregate dollar value will be the same, you may receive fewer Class A shares than Class B shares converted. See "How the Fund Values its Shares."

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

The conversion feature may be subject to the continuing availability of opinions of counsel or rulings of the Internal Revenue Service (i) that the dividends and other distributions paid on Class A, Class B, and Class C shares will not constitute "preferential dividends" under the Internal Revenue Code and (ii) that the conversion of shares does not constitute a taxable event. The conversion of Class B shares into Class A shares may be suspended if such opinions or rulings are no longer available. If conversions are suspended, Class

B shares of the Fund will continue to be subject, possibly indefinitely, to their higher annual distribution and service fee.

HOW TO EXCHANGE YOUR SHARES

AS A SHAREHOLDER OF THE FUND, YOU HAVE AN EXCHANGE PRIVILEGE WITH CERTAIN OTHER PRUDENTIAL MUTUAL FUNDS, INCLUDING ONE OR MORE SPECIFIED MONEY MARKET FUNDS, SUBJECT TO THE MINIMUM INVESTMENT REQUIREMENT OF SUCH FUNDS. CLASS A, CLASS B AND CLASS C SHARES MAY BE EXCHANGED FOR CLASS A, CLASS B AND CLASS C SHARES, RESPECTIVELY, OF ANOTHER FUND ON THE BASIS ON THE RELATIVE NAV. Any applicable CDSC payable upon the redemption of shares exchanged will be calculated from the first day of the month after the initial purchase, excluding the time shares were held in a money market fund. Class B and Class C shares may not be exchanged into money market funds other than Prudential Special Money Market Fund. For purposes of calculating the holding period applicable to the Class B conversion feature, the time period during which Class B shares were held in a money market fund will be excluded. See "Conversion Feature--Class B Shares" above. If your investment in shares of Prudential Mutual Funds (excluding money market funds other than those acquired pursuant to the exchange privilege) reach $1 million and you then hold Class B and/or Class C shares of the Fund which are free of CDSC, you will be so notified and offered the opportunity to exchange those shares for Class A shares of the Fund without the imposition of any sales charge. In the case of tax-exempt shareholders, if no response is received within 60 days of the mailing of such notice, eligible Class B and/or Class C shares will be automatically exchanged for Class A shares. All other shareholders must affirmatively elect to have their eligible Class B and/or Class C shares exchanged for Class A shares. An exchange will be treated as a redemption and purchase for tax purposes. See "Shareholder Investment Account--Exchange Privilege" in the Statement of Additional Information.

IN ORDER TO EXCHANGE SHARES BY TELEPHONE, YOU MUST AUTHORIZE THE TELEPHONE EXCHANGE PRIVILEGE ON YOUR INITIAL APPLICATION FORM OR BY WRITTEN NOTICE TO THE TRANSFER AGENT AND HOLD SHARES IN NON-CERTIFICATE FORM. Thereafter, you may call the Fund at 1 (800) 225-1852 to execute a telephone exchange of shares on weekdays, except holidays, between the hours of 8:00 A. M. and 6:00 P. M., New York time. For your protection and to prevent fraudulent exchanges, your telephone call will be recorded and you will be asked to provide your personal identification number. A written confirmation of the exchange transaction will be sent to you. NEITHER THE FUND NOR ITS AGENTS WILL BE LIABLE FOR ANY LOSS, LIABILITY OR COST WHICH RESULTS FROM ACTING UPON INSTRUCTIONS REASONABLY BELIEVED TO BE GENUINE UNDER THE FOREGOING PROCEDURES. All exchanges will be made on the basis of the relative NAV of the two funds next determined after the request is received in good order. The Exchange Privilege is available only in states where the exchange may legally be made.

IF YOU HOLD SHARES THROUGH PRUDENTIAL SECURITIES OR THROUGH A DEALER WHICH HAS ENTERED INTO A SELECTED DEALER AGREEMENT WITH THE FUND'S DISTRIBUTOR, YOU MUST EXCHANGE YOUR SHARES BY CONTACTING YOUR FINANCIAL ADVISER.

IF YOU HOLD CERTIFICATES, THE CERTIFICATES, SIGNED IN THE NAME(S) SHOWN ON THE FACE OF THE CERTIFICATES MUST BE RETURNED IN ORDER FOR THE SHARES TO BE EXCHANGED. SEE "HOW TO SELL YOUR SHARES" ABOVE.

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

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

The Exchange Privilege may be modified or terminated at any time on 60 days' notice to shareholders.

SHAREHOLDER SERVICES

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

-AUTOMATIC REINVESTMENT OF DIVIDENDS AND/OR DISTRIBUTIONS WITHOUT A SALES CHARGE. For your convenience, all dividends or distributions are automatically reinvested in full and fractional shares of the Fund at NAV without a sales charge. You may direct the Transfer Agent in writing not less than 5 full business days prior to the record date to have subsequent dividends and/or distributions sent in cash rather than reinvested. If you hold shares through Prudential Securities, you should contact your financial adviser.

-AUTOMATIC SAVINGS ACCUMULATION PLAN (ASAP). Under ASAP you may make regular purchases of the Fund's shares in amounts as little as $50 via an automatic debit to a bank account or Prudential Securities account (including a Command Account). For additional information about this service, you may contact your Prudential Securities financial adviser, Prusec registered representative or the Transfer Agent directly.

-TAX-DEFERRED RETIREMENT PLANS. Various tax-deferred retirement plans, including a 401(k) plan, self-directed individual retirement accounts and "tax-sheltered accounts" under Section 403(b)(7) of the Internal Revenue Code are available through the Distributor. These plans are for use by both self-employed individuals and corporate employers. These plans permit either self-direction of accounts by participants, or a pooled account arrangement. Information regarding the establishment of these plans, the administration, custodial fees and other details is available from Prudential Securities or the Transfer Agent. If you are considering adopting such a plan, you should consult with your own legal or tax adviser with respect to the establishment and maintenance of such a plan.

-SYSTEMATIC WITHDRAWAL PLAN. A systematic withdrawal plan is available to shareholders which provides for monthly or quarterly checks. Withdrawal of Class B and Class C shares may be subject to a CDSC. See "How to Sell Your Shares--Contingent Deferred Sales Charges."

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

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

THE PRUDENTIAL MUTUAL FUND FAMILY

Prudential Mutual Fund Management offers a broad range of mutual funds designed to meet your individual needs. We welcome you to review the investment options available through our family of funds. For more information on the Prudential Mutual Funds, including charges and expenses, contact your Prudential Securities financial adviser or Prusec registered representative or telephone the Funds at 1 (800) 225-1852 for a free prospectus. Read the prospectus carefully before you invest or send money.

TAXABLE BOND FUNDS

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

TAX-EXEMPT BOND FUNDS

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

GLOBAL FUNDS

Prudential Global Fund, Inc.
Prudential Global Genesis Fund, Inc.

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

EQUITY FUNDS

Prudential Allocation Fund
  Conservatively Managed Portfolio
  Strategy Portfolio
Prudential Equity Fund, Inc.
Prudential Equity Income Fund
Prudential Growth Opportunity Fund, Inc.
Prudential IncomeVertible-R- Fund, Inc.
Prudential Multi-Sector Fund, Inc.
Prudential Strategist Fund, Inc.
Prudential Utility Fund, Inc.
Nicholas-Applegate Fund, Inc.
  Nicholas-Applegate Growth Equity Fund

MONEY MARKET FUNDS

- - TAXABLE MONEY MARKET FUNDS
Prudential Government Securities Trust
  Money Market Series
  U.S. Treasury Money Market Series
Prudential Special Money Market Fund
  Money Market Series
Prudential MoneyMart Assets

- - TAX-FREE MONEY MARKET FUNDS
Prudential Tax Free Money Fund
Prudential California Municipal Fund
  California Money Market Series
Prudential Municipal Series Fund
  Connecticut Money Market Series
  Massachusetts Money Market Series
  New Jersey Money Market Series
  New York Money Market Series

- - COMMAND FUNDS
Command Money Fund
Command Government Securities Fund
Command Tax-Free Fund

- - INSTITUTIONAL MONEY MARKET FUNDS
Prudential Institutional Liquidity Portfolio, Inc.
  Institutional Money Market Series

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

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MF128A 4440464

CUSIP Nos.: Class A: 74430F-20-0
Class B: 74430F-10-1
Class C:

PRUDENTIAL
GOVERNMENT INCOME
FUND, INC.

- ---------------------

PRUDENTIAL GOVERNMENT INCOME FUND, INC.
STATEMENT OF ADDITIONAL INFORMATION
DATED , 1994

Prudential Government Income Fund, Inc., (the Fund), is an open-end, diversified management investment company, or mutual fund, which has as its investment objective the seeking of a high current return. The Fund will seek to achieve this objective primarily by investing in U.S. Government securities, including U.S. Treasury Bills, Notes and Bonds and other debt securities issued by the U.S. Treasury, and obligations issued or guaranteed by U.S. Government agencies or instrumentalities; writing covered call options and covered put options and purchasing put and call options. In an effort to hedge against changes in interest rates and thus preserve its capital, the Fund may also engage in transactions involving futures contracts on U.S. Government securities and options on such contracts.

The Fund's address is One Seaport Plaza, New York, New York 10292, and its telephone number is (800) 225-1852.

This Statement of Additional Information is not a prospectus and should be read in conjunction with the Fund's Prospectus, dated , 1994, a copy of which may be obtained from the Fund at One Seaport Plaza, New York, New York 10292.

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MF-123B 444079V

GENERAL INFORMATION

At a special meeting held on , 1994, shareholders approved an amendment to the Fund's Articles of Incorporation to change the Fund's name from Prudential-Bache Government Plus Fund, Inc. to Prudential Government Income Fund, Inc.

INVESTMENT OBJECTIVE AND POLICIES

The Fund's investment objective is to seek a high current return. The Fund will seek a high current return primarily from interest income from U.S. Government securities, premiums from put and call options on U.S. Government securities and net gains from closing purchase and sale transactions with respect to options on U.S. Government securities. The Fund may also realize net gains from sales of portfolio securities.

U.S. GOVERNMENT SECURITIES

MORTGAGE-RELATED SECURITIES ISSUED BY U.S. GOVERNMENT INSTRUMENTALITIES. Mortgages backing the securities purchased by the Fund include conventional thirty-year fixed rate mortgages, graduated payment mortgages, fifteen-year mortgages and adjustable rate mortgages. All of these mortgages can be used to create pass-through securities. A pass-through security is formed when mortgages are pooled together and undivided interests in the pool or pools are sold. The cash flow from the mortgages is passed through to the holders of the securities in the form of periodic payments of interest, principal and prepayments (net of a service fee). Prepayments occur when the holder of an individual mortgage prepays the remaining principal before the mortgage's scheduled maturity date. As a result of the pass-through of prepayments of principal on the underlying securities, mortgage-backed securities are often subject to more rapid prepayment of principal than their stated maturity would indicate. Because the prepayment characteristics of the underlying mortgages vary, it is not possible to predict accurately the realized yield or average life of a particular issue of pass-through certificates. Prepayment rates are important because of their effect on the yield and price of the securities. Accelerated prepayments adversely impact yields for pass-throughs purchased at a premium. The opposite is true for pass-throughs purchased at a discount.

GNMA CERTIFICATES. Certificates of the Government National Mortgage Association (GNMA Certificates) are mortgage-backed securities, which evidence an undivided interest in a pool of mortgage loans. GNMA Certificates differ from bonds in that principal is paid back monthly by the borrower over the term of the loan rather than returned in a lump sum at maturity. GNMA Certificates that the Fund purchases are the "modified pass-through" type. "Modified pass-through" GNMA Certificates entitle the holder to receive a share of all interest and principal payments paid and owed on the mortgage pool, net of fees paid to the "issuer" and GNMA, regardless of whether or not the mortgagor actually makes the payment. The GNMA Certificates will represent a PRO RATA interest in one or more pools of the following types of mortgage loans: (i) fixed-rate level payment mortgage loans; (ii) fixed-rate graduated payment mortgage loans; (iii) fixed-rate growing equity mortgage loans; (iv) fixed-rate mortgage loans secured by manufactured (mobile) homes; (v) mortgage loans on multifamily residential properties under construction; (vi) mortgage loans on completed multifamily projects; (vii) fixed-rate mortgage loans as to which escrowed funds are used to reduce the borrower's monthly payments during the early years of the mortgage loans ("buydown" mortgage loans); (viii) mortgage loans that provide for adjustments in payments based on periodic changes in interest rates or in other payment terms of the mortgage loans; and (ix) mortgage-backed serial notes. All of these mortgage loans will be FHA Loans or VA Loans and, except as otherwise specified above, will be fully-amortizing loans secured by first liens on one-to-four-family housing units.

GNMA GUARANTEE. The National Housing Act authorizes GNMA to guarantee the timely payment of principal and interest on securities backed by a pool of mortgages insured by the Federal Housing Administration (FHA) or the Farmers' Home Administration (FMHA), or guaranteed by the Veterans Administration (VA). The GNMA guarantee is backed by the full faith and credit of the United States. The GNMA is also empowered to borrow without limitation from the U.S. Treasury if necessary to make any payments required under its guarantee.

LIFE OF GNMA CERTIFICATES. The average life of a GNMA Certificate is likely to be substantially shorter than the original maturity of the mortgages underlying the securities. Prepayments of principal by mortgagors and mortgage foreclosures will usually result in the return of the greater part of principal investment long before the maturity of the mortgages in the pool. Foreclosures impose no risk to principal investment because of the GNMA guarantee, except to the extent that the Fund has purchased the certificates above par in the secondary market.

FHLMC SECURITIES. The Federal Home Loan Mortgage Corporation was created in 1970 through enactment of Title III of the Emergency Home Finance Act of 1970. Its purpose is to promote development of a nationwide secondary market in conventional residential mortgages.

The FHLMC issues two types of mortgage pass-through securities, mortgage participation certificates (PCs) and guaranteed mortgage certificates (GMCs). PCs resemble GNMA Certificates in that each PC represents a pro rata share of all interest and principal payments made and owed on the underlying pool. The FHLMC guarantees timely monthly payment of interest on PCs and the ultimate payment of principal.

GMCs also represent a PRO RATA interest in a pool of mortgages. However, these instruments pay interest semi-annually and return principal once a year in guaranteed minimum payments. The expected average life of these securities is approximately ten years.

FNMA SECURITIES. The Federal National Mortgage Association was established in 1938 to create a secondary market in mortgages insured by the FHA. FNMA issues guaranteed mortgage pass-through certificates (FNMA Certificates). FNMA Certificates resemble GNMA Certificates in that each FNMA Certificate represents a PRO RATA share of all interest and principal payments made and owed on the underlying pool. FNMA guarantees timely payment of interest on FNMA Certificates and the full return of principal. Like GNMA Certificates, FNMA Certificates are assumed to be prepaid fully in their twelfth year.

CHARACTERISTICS OF MORTGAGE-BACKED SECURITIES. The market value of mortgage securities, like other U.S. Government securities, will generally vary inversely with changes in market interest rates, declining when interest rates rise and rising when interest rates decline. However, mortgage securities, while having comparable risk of decline during periods of rising rates, usually have less potential for capital appreciation than other investments of comparable maturities due to the likelihood of increased prepayments of mortgages as interest rates decline. In addition, to the extent such mortgage securities are purchased at a premium, mortgage foreclosures and unscheduled principal prepayments generally will result in some loss of the holders' principal to the extent of the premium paid. On the other hand, if such mortgage securities are purchased at a discount, an unscheduled prepayment of principal will increase current and total returns and accelerate the recognition of income which when distributed to shareholders will be taxable as ordinary income.

COLLATERALIZED MORTGAGE OBLIGATIONS

Certain issuers of mortgage-backed obligations (CMOs), including certain CMOs that have elected to be treated as Real Estate Mortgage Investment Conduits (REMICs), are not considered investment companies pursuant to a rule recently adopted by the Securities and Exchange Commission (SEC), and the Fund may invest in the securities of such issuers without the limitations imposed by the Investment Company Act of 1940 (the Investment Company Act) on investments by the Fund in other investment companies. In addition, in reliance on an earlier SEC interpretation, the Fund's investments in certain other qualifying CMOs, which cannot or do not rely on the rule, are also not subject to the limitation of the Investment Company Act on acquiring interests in other investment companies. In order to be able to rely on the SEC's interpretation, these CMOs must be unmanaged, fixed asset issuers, that (a) invest primarily in mortgage-backed securities, (b) do not issue redeemable securities, (c) operate under general exemptive orders exempting them from all provisions of the Investment Company Act and (d) are not registered or regulated under the Investment Company Act as investment companies. To the extent that the Fund selects CMOs or REMICs that cannot rely on the Rule or do not meet the above requirements, the Fund may not invest more than 10% of its assets in all such entities and may not acquire more than 3% of the voting securities of any single such entity.

OTHER SECURITIES

The Fund will invest in foreign banks and foreign branches of U.S. banks only if after giving effect to such investments all such investments would constitute less than 10% of the Fund's total assets (determined at the time of investment). Investing in securities of foreign companies in foreign countries involves certain considerations and risks which are not typically associated with investing in U.S. Government securities and those of domestic companies. Foreign companies are not generally subject to uniform accounting, auditing and financial standards and requirements comparable to those applicable to U.S. companies. There may be less publicly available information about foreign companies and governments compared to reports and ratings published about U.S. companies. Securities of some foreign companies are less liquid and more volatile than securities of comparable U.S. companies, and brokerage commissions and other transaction costs on foreign securities exchanges are generally higher than in the United States.

OPTION WRITING AND RELATED RISKS

The Fund will write (I.E., sell) covered call or put options which are traded on registered securities exchanges (the Exchanges) and may also write such options with primary U.S. Government securities dealers recognized by the Federal Reserve Bank of New York (OTC options). A call option gives the purchaser of the option the right to buy, and the writer the obligation to sell, the underlying security at the exercise price during the option period.

Conversely, a put option gives the purchaser the right to sell, and the writer the obligation to buy, the underlying security at the exercise price during the option period.

OPTIONS TRANSACTIONS

Exchange-traded options are issued by The Options Clearing Corporation (OCC) which, in effect, gives its guarantee to every exchange-traded option transaction. In contrast, OTC options represent a contract between a U.S. Government securities dealer and the Fund with no guarantee of the OCC. Thus, when the Fund purchases an OTC option, it relies on the dealer from which it has purchased the OTC option to make or take delivery of the U.S. Government securities underlying the OTC option. Failure by the dealer to do so would result in the loss of premium paid by the Fund as well as loss of the expected benefit of the transaction.

Exchange-traded options generally have a continuous liquid market while OTC options do not. Consequently, the Fund will generally be able to realize the value of an OTC option it has purchased only by exercising it or reselling it to the issuing dealer. Similarly, when the Fund 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 Fund originally wrote the OTC option. While the Fund will enter into OTC option transactions only with dealers who will agree to and which are expected to be capable of entering into closing transactions with the Fund, there can be no assurance that the Fund will be able to liquidate an OTC option at a favorable price at any time prior to expiration. Until the Fund, as a covered OTC call option writer, is able to effect a closing purchase transaction, it will not be able to liquidate securities used as cover until the option expires, is exercised or the Fund provides substitute cover. See "How the Fund Invests--Investment Objective and Policies--Other Investment Information--Illiquid Securities" in the Prospectus. In the event of insolvency of the counter party, the Fund may be unable to liquidate an OTC option. With respect to options written by the Fund, the inability to enter into a closing transaction may result in material losses to the Fund. This requirement may impair the Fund's ability to sell a portfolio security at a time when such a sale might be advantageous.

The principal reason for writing options on a securities portfolio is to attempt to realize, through the receipt of premiums, a greater return than would be realized on the underlying securities alone. In return for the premium, the covered call option writer has given up the opportunity for profit from a price increase in the underlying security above the exercise price so long as the option remains open, but retains the risk of loss should the price of the security decline. Conversely, the put option writer gains a profit, in the form of the premium, so long as the price of the underlying security remains above the exercise price, but assumes an obligation to purchase the underlying security from the buyer of the put option at the exercise price, even though the security may fall below the exercise price, at any time during the option period. If an option expires, the writer realizes a gain in the amount of the premium. Such a gain may, in the case of a covered call option, be offset by a decline in the market value of the underlying security during the option period. If a call option is exercised, the writer realizes a gain or loss from the sale of the underlying security. If a put option is exercised, the writer must fulfill its obligation to purchase the underlying security at the exercise price, which will usually exceed the market value of the underlying security at that time.

So long as the obligation of the writer continues, the writer may be assigned an exercise notice by the broker-dealer through whom the option was sold. The exercise notice would require the writer to deliver, in the case of a call, or take delivery of, in the case of a put, the underlying security against payment of the exercise price. This obligation terminates upon expiration of the option, or at such earlier time that the writer effects a closing purchase transaction by purchasing an option covering the same underlying security and having the same exercise price and expiration date (of the same series) as the one previously sold. Once an option has been exercised, the writer may not execute a closing purchase transaction. To secure the obligation to deliver the underlying security in the case of a call option, the writer of the option is required to pledge for the benefit of the broker the underlying security or other assets in accordance with the rules of the OCC, an institution created to interpose itself between buyers and sellers of options. Technically, the OCC assumes the other side of every purchase and sale transaction on an Exchange and, by doing so, guarantees the transaction.

The Fund writes only "covered" options. This means that, so long as the Fund is obligated as the writer of a call option, it will (a) own the underlying securities subject to the option, except that, in the case of call options on U.S. Treasury Bills, the Fund might own U.S. Treasury Bills of a different series from those underlying the call option, but with a principal amount and value corresponding to the option contract amount and a maturity date no later than that of the securities deliverable under the call option or (b) deposit and maintain with its Custodian in a segregated account cash, U.S. Government securities or other liquid, high-grade debt obligations having a value at least equal to the fluctuating market value of the securities underlying the call. The Fund will be considered "covered" with respect to a put option it writes if, so long as it is obligated as the writer of a put option, it will (a) deposit and maintain with its Custodian in a segregated account cash, U.S. Government securities or other liquid high-grade debt obligations having a value equal to or greater than the exercise price of the option, or (b) own a put option on the same security with an exercise price the same or higher than the exercise price of the put option sold or, if lower, deposit and maintain the differential in cash, U.S. Government securities or other liquid high-grade debt obligations in a segregated account with its Custodian.

To the extent that a secondary market is available on the Exchanges, the covered option writer may close out options it has written prior to the assignment of an exercise notice by purchasing, in a closing purchase transaction, an option of the same series as the option previously written. If the cost of such a closing purchase, plus transaction costs, is greater than the premium received upon writing the original option, the writer will incur a loss in the transaction.

Because the Fund can write only covered options, it may at times be unable to write additional options unless it sells a portion of its portfolio holdings to obtain new debt securities or other cover against which it can write options. If the Fund writes a substantial number of options, its portfolio turnover will be higher than if it did not do so. Portfolio turnover will increase to the extent that options written by the Fund are exercised. Because the exercise of such options depends on changes in the price of the underlying securities, the Fund's portfolio turnover rate cannot be accurately predicted. The Fund's turnover rate for the fiscal years ended February 29, 1993 and February 28, 1994 was 36% and 80%, respectively.

SPECIAL CONSIDERATIONS APPLICABLE TO OPTIONS

ON TREASURY BONDS AND NOTES. Because trading interest in Treasury Bonds and Notes tends to center on the most recently auctioned issues, the Exchanges will not indefinitely continue to introduce new series of options with expirations to replace expiring options on particular issues. Instead, the expirations introduced at the commencement of options trading on a particular issue will be allowed to run their course, with the possible addition of a limited number of new expirations as the original ones expire. Options trading on each series of Bonds or Notes will thus be phased out as new options are listed on the more recent issues, and a full range of expiration dates will not ordinarily be available for every series on which options are traded.

ON TREASURY BILLS. Because the availability of deliverable Treasury Bills changes from week to week, writers of Treasury Bill call options cannot provide in advance for their potential exercise settlement obligations by acquiring and holding the underlying security. However, if the Fund holds a long position in Treasury Bills with a principal amount corresponding to the option contract size, the Fund may be hedged from a risk standpoint. In addition, the Fund will maintain in a segregated account with its Custodian, Treasury Bills maturing no later than those which would be deliverable in the event of an assignment of an exercise notice to ensure that it can meet its open option obligations.

ON GNMA CERTIFICATES. Options on GNMA Certificates are not currently traded on any Exchange. However, the Fund intends to purchase and write such options should they commence trading on any Exchange.

Since the remaining principal balance of GNMA Certificates declines each month as a result of mortgage payments, the Fund, 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 Fund 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 Fund 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 Fund 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 Fund closes its position or replaces the GNMA Certificate, it may realize an unanticipated loss and incur transaction costs.

RISKS PERTAINING TO THE SECONDARY MARKET. An option position may be closed out only on an Exchange which provides a secondary market for an option of the same series. Although the Fund 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 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 Fund would have to exercise its options in order to realize any profit and may incur transaction costs in connection therewith. If the Fund 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 or 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 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.

The hours of trading for options on U.S. Government securities may not conform to the hours during which the underlying securities are traded. To the extent that the option 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 option markets.

FUTURES CONTRACTS ON U.S. GOVERNMENT SECURITIES

CHARACTERISTICS AND PURPOSE OF INTEREST RATE FUTURES. The Fund purchases and sells U.S. Exchange-traded interest-rate futures. Currently, there are futures contracts based on U.S. Treasury Bonds, U.S. Treasury Notes, three-month U.S. Treasury Bills and GNMA certificates. A clearing corporation associated with the commodities exchange on which a futures contract trades assumes responsibility for the completion of transactions and guarantees that futures contracts will be performed. Although futures contracts call for actual delivery or acceptance of debt securities, in most cases the contracts are closed out before the settlement date without the making or taking of delivery.

CHARACTERISTICS. The Fund neither pays nor receives money upon the purchase or sale of a futures contract. Instead, when the Fund enters into a futures contract, it will initially be required to deposit with its Custodian for the benefit of the broker (the futures commission merchant) an amount of "initial margin" of cash or U.S. Treasury Bills, currently equal to approximately 1 1/2 to 2% of the contract amount for futures on Treasury Bonds and Notes and approximately 1/10 of 1% of the contract amount for futures on Treasury Bills. Initial margin in futures transactions is different from margin in securities transactions in that futures contract initial margin does not involve the borrowing of funds by the customer to finance the transactions. Rather, initial margin is in the nature of a good faith deposit on the contract which is returned to the Fund upon termination of the futures contract, assuming all contractual obligations have been satisfied. Subsequent payments, called variation margin, to and from the futures commission merchant are made on a daily basis as the market price of the futures contract fluctuates. This process is known as "marking to market." At any time prior to expiration of the futures contract, the Fund may elect to close the position by taking an offsetting position which will operate to terminate the Fund's position in the futures contract. While interest rate futures contracts provide for the delivery and acceptance of securities, most futures contracts are terminated by entering into offsetting transactions.

Successful use of futures contracts by the Fund is also subject to the ability of the Fund's investment adviser to predict correctly movements in the direction of interest rates and other factors affecting markets for securities. For example, if the Fund has hedged against the possibility of an increase in interest rates which would adversely affect the price of securities in its portfolio and price of such securities increases instead, the Fund will lose part or all of the benefit of the increased value of its securities because it will have offsetting losses in its futures positions. In addition, in such situations, if the Fund has insufficient cash to meet daily variation margin requirements, it may have to sell securities to meet such requirements. Such sales of securities may be, but will not necessarily be, at increased prices which reflect the rising market. The Fund may have to sell securities at a time when it is disadvantageous to do so.

The hours of trading futures contracts on U.S. Government securities may not conform to the hours during which the Fund may trade such securities. To the extent that the futures markets close before or after the U.S. Government securities markets, significant variations can occur in one market that cannot be reflected in the other market.

OPTIONS ON FUTURES CONTRACTS

CHARACTERISTICS. An option on a futures contract gives the purchaser the right, but not 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 option exercise period. The writer of the option is required upon exercise to assume an offsetting futures position (a short position if the option is a call and a long position if the option is a put). Upon exercise of the option, the assumption of offsetting futures positions 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. Currently, options can be purchased or written with respect to futures contracts on GNMA's, U.S. Treasury Bonds and U.S. Treasury Notes on The Chicago Board of Trade and U.S. Treasury Bills on the International Monetary Market at the Chicago Mercantile Exchange.

The holder or writer of an option may terminate its position by selling or purchasing an option of the same series. There is no guarantee that such closing transactions can be effected.

The Fund will be considered "covered" with respect to a call option it writes on a futures contract if it (a) owns a long position in the underlying futures contract or the security underlying the futures contract, (b) owns a security which is deliverable under the futures contract or (c) owns a separate call option to purchase the same futures contract at a price no higher than the exercise price of the call option written by the Fund or, if higher, the Fund deposits and maintains the differential in cash, U.S. Government securities or other liquid high-grade debt obligations in a segregated account with its Custodian. The Fund is considered "covered" with respect to a put option it writes on a futures contract if it (a) segregates and maintains with its Custodian 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 related margin deposited), or (b) owns a put option on the same futures contract with an exercise price as high or higher than the price of the contract held by the Fund or, if lower, the Fund deposits and maintains the differential in cash, U.S. Government securities or other liquid, high-grade debt obligations in a segregated account with its Custodian. There is no limitation on the amount of the Fund's assets which can be placed in the segregated account.

The Fund will be required to deposit initial and maintenance margin with respect to put and call options on futures contracts written by it pursuant to the Fund's futures commissions merchants' requirements similar to those applicable to futures contracts, described above.

The skills needed to trade futures contracts and options thereon are different than those needed to select U.S. Government securities. The Fund's investment adviser has experience in managing other securities portfolios which uses similar options and futures strategies as the Fund.

REPURCHASE AGREEMENTS

The Fund's repurchase agreements will be collateralized by U.S. Government obligations. The Fund will enter into repurchase transactions only with parties meeting creditworthiness standards approved by the Fund's Board of Directors. The Fund's investment adviser will monitor the creditworthiness of such parties, under the general supervision of the Board of Directors. In the event of a default or bankruptcy by a seller, the Fund will promptly seek to liquidate the collateral. To the extent that the proceeds from any sale of such collateral upon a default in the obligation to repurchase are less than the repurchase price, the Fund will suffer a loss.

The Fund participates in a joint repurchase account with other investment companies managed by Prudential Mutual Fund Management, Inc. (PMF) pursuant to an order of the SEC. On a daily basis, any uninvested cash balances of the Fund may be aggregated with such of other investment companies and invested in one or more repurchase agreements. Each fund participates in the income earned or accrued in the joint account based on the percentage of its investment.

INTEREST RATE TRANSACTIONS

The Fund may enter into interest rate swaps, on either an asset-based or liability-based basis, depending on whether it is hedging its assets or its liabilities. Under normal circumstances, the Fund will enter into interest rate swaps on a net basis, *I.E.*, the two payment streams netted out, with the Fund receiving or paying, as the case may be, only the net amount of the two payments. The net amount of the excess, if any, of the Fund's obligations over its entitlements with respect to each interest rate swap will be accrued on a daily basis and an amount of cash or liquid, high-grade debt securities having an aggregate net asset value at least equal to the accrued excess will be maintained in a segregated account by a custodian that satisfies the requirements of the Investment Company Act. To the extent that the Fund enters into interest rate swaps on other than a net basis, the amount maintained in a segregated account will be the full amount of the Fund's obligations, if any, with respect to such interest rate swaps, accrued on a daily basis. Inasmuch as segregated accounts are established for these hedging transactions the investment adviser and the Fund believe such obligations do not constitute senior securities. If there is a default by the other party to such a transaction, the Fund will have contractual remedies pursuant to the agreement related to the transaction. The swap market has grown substantially in recent years with a large number of banks and investment banking firms acting both as principals and as agents utilizing standardized swap documentation. As a result, the swap market has become relatively liquid. The Fund will enter into interest rate swaps only with parties meeting creditworthiness standards approved by the Fund's Board of Directors. The investment adviser will monitor the creditworthiness of such parties under the supervision of the Board of Directors.

The use of interest rate swaps is a highly speculative activity which involves investment techniques and risks different from those associated with ordinary portfolio securities transactions. If the investment advisor is incorrect in its forecast of market values, interest rates and other applicable factors, the investment performance of the Fund would diminish compared to what it would have been if this investment technique was never used.

The Fund may only enter into interest rate swaps to hedge its portfolio. Interest rate swaps do not involve the delivery of securities or other underlying assets or principal. Accordingly, the risk of loss with respect to interest rate swaps is limited to the net amount of interest payments that the Fund is contractually obligated to make. If the other party to an interest rate swap defaults, the Fund's risk of loss consists of the net amount of interest payments that the Fund is contractually entitled to receive. Since interest rate swaps are individually negotiated, the Fund expects to achieve an acceptable degree of correlation between its rights to receive interest on its portfolio securities and its rights and obligations to receive and pay interest pursuant to interest rate swaps.

ILLIQUID SECURITIES

The Fund may invest up to 15% of its net assets in illiquid securities. Illiquid securities include repurchase agreements which have a maturity of longer than seven days, and securities that are illiquid by virtue of the absence of a readily available market or legal or contractual restrictions on resale. Historically, illiquid securities have included securities subject to contractual or legal restrictions on resale because they have not been registered under the Securities Act of 1933, as amended (Securities Act), securities which are otherwise not readily marketable and repurchase agreements having a maturity of longer than seven days. Securities which have not been registered under the Securities Act are referred to as private placements or restricted securities and are purchased directly from the issuer or in the secondary market. Mutual funds do not typically hold a significant amount of these restricted or other illiquid securities because of the potential for delays on resale and uncertainty in valuation. Limitations on resale may have an adverse effect on the marketability of portfolio securities and a mutual fund might be unable to dispose of restricted or other illiquid securities promptly or at reasonable prices and might thereby experience difficulty satisfying redemptions within seven days. A mutual fund might also have to register such restricted securities in order to dispose of them resulting in additional expense and delay. Adverse market conditions could impede such a public offering of securities.

In recent years, however, a large institutional market has developed for certain securities that are not registered under the Securities Act including repurchase agreements, commercial paper, foreign securities, municipal securities and corporate bonds and notes. Institutional investors depend on an efficient institutional market in which the unregistered security can be readily resold or on an issuer's ability to honor a demand for repayment. The fact that there are contractual or legal restrictions on resale to the general public or to certain institutions may not be indicative of the liquidity of such investments.

Rule 144A of the Securities Act allows for a broader institutional trading market for securities otherwise subject to restriction on resale to the general public. Rule 144A establishes a "safe harbor" from the registration requirements of the Securities Act for resales of certain securities to qualified institutional buyers. The Adviser anticipates that the market for certain

restricted securities such as institutional commercial paper, convertible securities and foreign securities will expand further as a result of this regulation and the development of automated systems for the trading, clearance and settlement of unregistered securities of domestic and foreign issuers, such as the PORTAL System sponsored by the NASD.

Restricted securities eligible for resale pursuant to Rule 144A under the

Securities Act are not deemed to be illiquid. The Adviser will monitor the liquidity of such restricted securities subject to the supervision of the Directors. In reaching liquidity decisions, the investment adviser 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). Repurchase agreements subject to demand are deemed to have a maturity equal to the notice period.

INVESTMENT RESTRICTIONS

The following restrictions are fundamental policies. Fundamental policies are those which cannot be changed without the approval of the holders of a majority of the Fund's outstanding voting securities.

The Fund may not:

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

2. Make short sales of securities or maintain a short position, except short sales "against the box."

3. Issue senior securities, borrow money or pledge its assets except that the Fund may borrow up to 20% of the value of its total assets (calculated when the loan is made) for temporary, extraordinary or emergency purposes or for the clearance of transactions. The Fund may pledge up to 20% of the value of its total assets to secure such borrowings. For purposes of this restriction, the purchase 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 roll transactions or the writing of options on debt securities or on interest rate futures contracts or other financial futures contracts are not deemed to be a pledge of assets and neither such arrangements, nor the purchase or sale of interest rate futures contracts or other financial futures contracts or the purchase or sale of related options, nor obligations of the Fund to Directors pursuant to deferred compensation arrangements are deemed to be the issuance of a senior security.

4. Purchase any security (other than obligations of the U.S. Government, its agencies, or instrumentalities) if as a result: (i) with respect to 75% of the Fund's total assets, more than 5% of the Fund's total assets (determined at the time of investment) would then be invested in securities of a single issuer, or (ii) 25% or more of the Fund's total assets (determined at the time of investment) would be invested in a single industry.

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

6. Purchase any security if as a result the Fund would then have more than 5% of its total assets (determined at the time of investment) invested in securities of companies (including predecessors) less than three years old, except that the Fund may invest in the securities of any U.S. Government agency or instrumentality, and in any security guaranteed by such an agency or instrumentality.

7. Buy or sell commodities or commodity contracts or real estate or interests in real estate, except it may purchase and sell securities which are secured by real estate, securities of companies which invest or deal in real estate, interest rate futures contracts and other financial futures contracts and options thereon.

8. Act as underwriter except to the extent that, in connection with the disposition of portfolio securities, it may be deemed to be an underwriter under certain federal securities laws.

9. Make investments for the purpose of exercising control or management.

10. Invest in securities of other registered investment companies, except by purchases in the open market involving only customary brokerage commissions and as a result of which not more than 5% of its total assets (determined at the time of investment) would be invested in such securities, or except as part of a merger, consolidation or other acquisition.

11. Invest in interests in oil, gas or other mineral exploration or development programs.

12. Make loans, except through (i) repurchase agreements and (ii) loans of

portfolio securities (limited to 30% of the Fund's total assets).

13. Purchase warrants if as a result the Fund would then have more than 5% of its total assets (determined at the time of investment) invested in warrants.

14. Write, purchase or sell puts, calls or combinations thereof, or purchase or sell futures contracts or related options, except that the Fund may write put and call options on U.S. Government securities, purchase put and call options on U.S. Government securities and purchase or sell interest rate futures contracts and other financial futures contracts and related options.

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

In order to comply with certain state "blue sky" restrictions, the Fund will not as a matter of operating policy:

1. Invest in oil, gas and mineral leases.

2. Purchase or sell real estate or interests in real estate, including real estate limited partnerships, but excluding securities which are secured by real estate and the securities of companies which invest in real estate which are readily marketable.

3. Purchase warrants if as a result the Fund would then have more than 5% of its net assets (determined at the time of investment) invested in warrants. Warrants will be valued at the lower of cost or market and investment in warrants which are not listed on the New York Stock Exchange or American Stock Exchange will be limited to 2% of the Fund's net assets (determined at the time of investment). For the purpose of this limitation, warrants acquired in units or attached to securities are deemed to be without value.

4. Purchase securities of any one issuer if, to the knowledge of the Fund, any officer or director of the Fund or the Manager or Subadviser owns more than 1/2 of 1% of the outstanding securities of such issuer, and such officers and directors who own more than 1/2 of 1% own in the aggregate more than 5% of the outstanding securities of such issuer.

DIRECTORS AND OFFICERS

<TABLE>
<CAPTION>

NAME AND ADDRESS	POSITION WITH THE FUND	PRINCIPAL OCCUPATIONS DURING PAST FIVE YEARS
<S>	<C>	<C>
Edward D. Beach c/o Prudential Mutual Fund Management, Inc. One Seaport Plaza New York, NY	Director	President and Director of BMC Fund, Inc., prior thereto, Vice Chairman of Broyhill Furniture Industries, Inc.; Certified Public Accountant; Secretary and Treasurer of Broyhill Family Foundation, Inc.; President, Treasurer and Director of First Financial Fund, Inc. and The High Yield Plus Fund, Inc. Director of The Global Government Plus Fund, Inc. and The Global Yield Fund, Inc.,
Delayne Dedrick Gold c/o Prudential Mutual Fund Management, Inc. One Seaport Plaza New York, NY	Director	Marketing and Management Consultant.

</TABLE>

<TABLE>
<CAPTION>

NAME AND ADDRESS	POSITION WITH THE FUND	PRINCIPAL OCCUPATIONS DURING PAST FIVE YEARS
<S>	<C>	<C>
*Harry A. Jacobs, Jr. One Seaport Plaza New York, NY	Director	Senior Director (since January 1986) of Prudential Securities; formerly Interim Chairman and Chief Executive Officer of PMF (June-September 1993); Chairman of the Board of Prudential Securities (1982-1985) and Chairman of the Board and Chief Executive Officer of Bache Group Inc. (1977-1982); Director of the Center for National Policy, The First Australia Fund, Inc., The First Australia Prime Income Fund, Inc., The Global Government Plus Fund, Inc. and The Global Yield Fund, Inc.; Trustee of The Trudeau Institute.
*Lawrence C. McQuade One Seaport Plaza	Director and President	Vice Chairman of PMF (since 1988); Managing Director, Investment Banking, Prudential Securities (1988-1991); Director of Quixote

New York, NY		Corporation (since February 1992) and BUNZL, P.L.C. (since June 1991); formerly Director of Crazy Eddie Inc. (1987-1990) Kaiser Tech., Ltd., and Kaiser Aluminum and Chemical Corp. (March 1987-November 1988); President and Director of The High Yield Income Fund, Inc., The Global Government Plus Fund, Inc. and The Global Yield Fund, Inc.
Thomas T. Mooney c/o Prudential Mutual Fund Management, Inc. One Seaport Plaza New York, NY	Director	President of the Greater Rochester Metro Chamber of Commerce; former Rochester City Manager; Trustee of Center for Governmental Research, Inc.; Director of Blue Cross of Rochester, Monroe County Water Authority, Rochester Jobs, Inc., Northeast-Midwest Institute, Executive Service Corps of Rochester, Monroe County Industrial Development Corporation, First Financial Fund, Inc., The Global Government Plus Fund, Inc., The Global Yield Fund, Inc. and The High Yield Plus Fund, Inc.
Thomas H. O'Brien c/o Prudential Mutual Fund Management, Inc. One Seaport Plaza New York, NY	Director	President, O'Brien Associates (financial and management consultants) (since April 1984); formerly President of Jamaica Water Securities Corp. (holding company) (February 1989-August 1990); Director (September 1987-April 1991), Chairman and Chief Executive Officer (September 1987-February 1989) of Jamaica Water Supply Company; Director of Yankee Energy System, Inc. and Ridgewood Savings Bank; formerly Director of TransCanada Pipelines U.S.A. Ltd. (1984-June 1989) and Winthrop University Hospital (November 1976-June 1988); Trustee of Hofstra University.
Thomas A. Owens, Jr. c/o Prudential Mutual Fund Management, Inc. One Seaport Plaza New York, NY	Director	Consultant.

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<S> <C>
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*   "Interested" director as defined in the Investment Company Act of 1940.
</TABLE>

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<CAPTION>

NAME AND ADDRESS	POSITION WITH THE FUND	PRINCIPAL OCCUPATIONS DURING PAST FIVE YEARS
Richard A. Redeker One Seaport Plaza New York, NY	Director,	President, Chief Executive Officer and Director (since October 1993), PMF; Executive Vice President, Director and Member of the Operating Committee (since October 1993), Prudential Securities; Director (since October 1993) of Prudential Securities Group, Inc. (PSG); formerly Senior Executive Vice President and Director of Kemper Financial Services, Inc. (September 1978-September 1993); Director of The Global Yield Fund, Inc., The Global Government Plus Fund, Inc. and the High Yield Income Fund, Inc.
<S> <C>		<C>
Stanley E. Shirk c/o Prudential Mutual fund Management, Inc. One Seaport Plaza New York, NY	Director	Certified Public Accountant and a former Senior Partner of the accounting firm of KPMG Peat Marwick; former Management and Accounting Consultant for the Association of Bank Holding Companies, Washington, D.C. and the Bank Administration Institute, Chicago, IL; Director of The High Yield Income Fund, Inc.
David W. Drasnin 39 Public Square, Suite 500 Wilkes-Barre, PA	Vice President	Vice President and Branch Manager of Prudential Securities.
Robert F. Gunia One Seaport Plaza New York, NY	Vice President	Director (since January 1989), Chief Administrative Officer (since July 1990), and Executive Vice President, Treasurer and Chief Financial Officer (since June 1987) of PMF; Senior Vice President (since March 1987) of Prudential Securities; Vice President and Director of The Asia Pacific Fund, Inc. (since May 1989).
Susan C. Cote One Seaport Plaza New York, NY	Treasurer and Principal Accounting Officer	Senior Vice President (since January 1989) and First Vice President (June 1987-December 1988) of PMF; Senior Vice President (since January 1992) and Vice President (January 1986-December 1991) of Prudential Securities.
S. Jane Rose One Seaport Plaza New York, NY	Secretary	Senior Vice President (since January 1991), Senior Counsel (since June 1987) and First Vice President (June 1987-December 1990) of PMF; Senior Vice President and Senior Counsel of Prudential Securities (since July 1992); formerly Vice President and Associate General Counsel of Prudential Securities.
Domenick Pugliese One Seaport Plaza New York, NY	Assistant Secretary	Vice President (since July 1992) and Associate General Counsel (since March 1992) of PMF; Vice President and Associate General Counsel of Prudential Securities (since July 1992); prior thereto, associated with the law firm of Battle Fowler.

</TABLE>

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

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

The Fund pays each of its Directors who is not an affiliated person of the Manager annual compensation of $8,000, in addition to certain out-of-pocket expenses. Mr. Beach receives his Director's fee pursuant to a deferred fee agreement with the Fund. Under the terms of the agreement, the Fund accrues daily the amount of such Director's fee which accrue interest at a rate equivalent to the prevailing rate applicable to 90-day U.S. Treasury Bills at the beginning of each calendar quarter or at the daily

rate of the Fund. Payment of the interest so accrued is also deferred and accruals become payable at the option of the Director. The Fund's obligation to make payments of deferred Director's fees, together with interest thereon, is a general obligation of the Fund.

As of June 17, 1994, the Directors and officers of the Fund, as a group, owned less than 1% of the outstanding shares of the Fund.

As of June 17, 1994, Prudential Securities was the record holder for other beneficial owners of 1,944,113 Class A shares (or 36.4% of the outstanding Class A shares) and 138,174,050 Class B shares (or 62.7% of the outstanding Class B shares) of the Fund. In the event of any meetings of shareholders, Prudential Securities will forward, or cause the forwarding of, proxy materials to the beneficial owners for which it is the record holder.

MANAGER

The manager of the Fund is Prudential Mutual Fund Management, Inc. (PMF or the Manager), One Seaport Plaza, New York, New York 10292. PMF serves as manager to all of the other investment companies that, together with the Fund, comprise the "Prudential Mutual Funds." See "How the Fund is Managed" in the Prospectus. As of March 31, 1994, PMF managed and/or administered open-end and closed-end management investment companies with assets of approximately [$49] billion. According to the Investment Company Institute, as of December 31, 1993, the Prudential Mutual Funds were the 12th largest family of mutual funds in the United States.

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

For its services, PMF receives, pursuant to the Management Agreement, a fee at an annual rate of .50 of 1% of the average daily net assets of the Fund up to $3 billion and .35 of 1% of the average daily net assets of the Fund in excess of $3 billion. The fee is computed daily and payable monthly. The Management Agreement also provides that, in the event the expenses of the Fund (including the fees of PMF, but excluding interest, taxes, brokerage commissions, distribution fees and litigation and indemnification expenses and other extraordinary expenses not incurred in the ordinary course of the Fund's business) for any fiscal year exceed the lowest applicable annual expense limitation established and enforced pursuant to the statutes or regulations of any jurisdiction in which the Fund's shares are qualified for offer and sale, the compensation due to PMF will be reduced by the amount of such excess. Reductions in excess of the total compensation payable to PMF will be paid by PMF to the Fund. No such reductions were required during the fiscal year ended February 28, 1994. Currently, the Fund believes that the most restrictive expense limitation of state securities commissions is 2 1/2% of the Fund's average daily net assets up to $30 million, 2% of the next $70 million of such assets and 1 1/2% of such assets in excess of $100 million.

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

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

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

(c) the costs and expenses payable to The Prudential Investment Corporation (PIC) pursuant to the subadvisory agreement between PMF and PIC (the Subadvisory Agreement).

Under the terms of the Management Agreement, the Fund is responsible for the payment of the following expenses: (a) the fees payable to the Manager, (b) the fees and expenses of Directors who are not affiliated persons of the Manager or the Fund's investment adviser, (c) the fees and certain expenses of the Custodian and Transfer and Dividend Disbursing Agent, including the cost of providing records to the Manager in connection with its obligation of maintaining required records of the Fund and of

pricing the Fund's shares, (d) the charges and expenses of legal counsel and independent accountants for the Fund, (e) brokerage commissions and any issue or transfer taxes chargeable to the Fund in connection with its securities transactions, (f) all taxes and corporate fees payable by the Fund to governmental agencies, (g) the fees of any trade associations of which the Fund may be a member, (h) the cost of stock certificates representing shares of the Fund, (i) the cost of fidelity and liability insurance, (j) the fees and expenses involved in registering and maintaining registration of the Fund and of its shares with the SEC, registering the Fund and qualifying its shares under state securities laws, including the preparation and printing of the Fund's registration statements and prospectuses for such purposes, (k) allocable communications expenses with respect to investor services and all expenses of shareholders' and Directors' meetings and of preparing, printing and mailing reports, proxy statements and prospectuses to shareholders in the amount necessary for distribution to the shareholders, (l) litigation and indemnification expenses and other extraordinary expenses not incurred in the ordinary course of the Fund's business and (m) distribution fees.

The Management Agreement provides that PMF will not be liable for any error of judgment or for any loss suffered by the Fund in connection with the matters to which the Management Agreement relates, except a loss resulting from willful misfeasance, bad faith, gross negligence or reckless disregard of duty. The Management Agreement provides that it will terminate automatically if assigned, and that it may be terminated without penalty by either party upon not more than 60 days' nor less than 30 days' written notice. The Management Agreement will continue in effect for a period of more than two years from the date of execution only so long as such continuance is specifically approved at least annually in conformity with the Investment Company Act. The Management Agreement was last approved by the Board of Directors, including a majority of the Directors who are not interested persons of the Fund and who have no direct or indirect financial interest in the Management Agreement, on April 14, 1994 and by the shareholders of the Fund on March 30, 1988.

For the fiscal years ended February 28, 1994, February 28, 1993 and February 29, 1992, the Fund paid management fees to PMF of $12,719,555, $13,588,678 and $14,666,187, respectively.

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

The Subadvisory Agreement was last approved by the Board of Directors, including a majority of the Directors who are not interested persons of the Fund and who have no direct or indirect financial interest in the Subadvisory Agreement, on April 14, 1994, and by shareholders of the Fund on March 30, 1988.

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

The Manager and the Subadviser (The Prudential Investment Corporation) are indirect subsidiaries of The Prudential which, as of December 31, 1993, was the largest insurance company in North America. Prudential has been engaged in the insurance business since 1875. In July 1993, INSTITUTIONAL INVESTOR ranked The Prudential the third largest institutional money manager of the 300 largest money management organizations in the United States as of December 31, 1992.

DISTRIBUTOR

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

Pursuant to separate Plans of Distribution (the Class A Plan, the Class B Plan and the Class C Plan, collectively, the Plans) adopted by the Fund under Rule 12b-1 under the Investment Company Act and separate distribution agreements (the Distribution Agreements), PMFD and Prudential Securities (collectively the Distributor) incur the expenses of distributing the Fund's Class A, Class B and Class C shares. See "How the Fund is Managed--Distributor" in the Prospectus.

On April 15, 1993, the Board of Directors, including a majority of the Directors who are not interested persons of the Fund and who have no direct or indirect financial interest in the operation of the Class A Plan or Class B Plan or in any agreement related to either Plan (the Rule 12b-1 Directors), at a meeting called for the purpose of voting on each Plan, approved the continuance of the Plans and Distribution Agreements and approved modifications of the Fund's Class A and Class B Plans and Distribution Agreements to conform them with recent amendments to the National Association of Securities Dealers, Inc. (NASD) maximum sales charge rule described below. As so modified, the Class A Plan provides that (i) up to .25 of 1% of the average daily net assets of the Class A shares may be used to pay for personal service and the maintenance of shareholder accounts (service fee) and (ii) total distribution fees (including the service fee of .25 of 1%) may not exceed .30 of 1%. As so modified, the Class B Plan provides that (i) up to .25 of 1% of the average daily net assets of the Class B shares may be paid as a service fee and (ii) up to .75 of 1% (not including the service fee) may be used as reimbursement for distribution-related expenses with respect to the Class B shares (asset-based sales charge). On May 3, 1993, the Board of Directors, including a majority of the Rule 12b-1 Directors, at a meeting called for the purpose of voting on each Plan, adopted a plan of distribution for the Class C shares of the Fund and approved further amendments to the plans of distribution for the Fund's Class A and Class B shares changing them from reimbursement type plans to compensation type plans. The Plans were last approved by the Board of Directors, including a majority of the Rule 12b-1 Directors, on April 14, 1994. The Class A Plan, as amended, was approved by Class A and Class B shareholders, and the Class B Plan, as amended, was approved by Class B shareholders on , 1994. The Class C Plan was approved by the sole shareholder of Class C shares on , 1994.

CLASS A PLAN. For the fiscal year ended February 28, 1994, PMFD received payments of $86,160 under the Class A Plan as reimbursement of expenses related to the distribution of Class A shares. This amount was primarily expended for payment of account servicing fees to financial advisers and other persons who sell Class A shares. For the fiscal year ended February 28, 1994, PMFD also received approximately $405,000 in initial sales charges.

CLASS B PLAN. For the fiscal year ended February 28, 1994, Prudential Securities received $24,706,451 from the Fund under the Class B Plan and spent approximately $18,628,600 in distributing the Class B shares of the Fund. It is estimated that of the latter amount, approximately $64,200 (0.3%) was spent on printing and mailing of prospectuses to other than current shareholders, $5,196,400 (27.9%) on interest and carrying costs, $4,676,600 (25.1%) on compensation to Pruco Securities Corporation, an affiliated broker-dealer, for commissions to its financial advisers and other expenses, including an allocation on account of overhead and other branch office distribution-related expenses incurred by it for distribution of Fund shares; and $8,691,400 (46.7%) on the aggregate of (i) payment of commissions and account servicing fees to financial advisers ($5,551,100 or 29.8%), and (ii) an allocation on account of overhead and other branch office distribution-related expenses ($3,140,300 or 16.9%). The term "overhead and other branch office distribution-related expenses" represents (a) the expenses of operating branch offices of Prusec and Prudential Securities in connection with the sale of Fund shares, including lease costs, the salaries and employee benefits of operations and sales support personnel, utility costs, communications costs and the costs of stationery and supplies, (b) the costs of client sales seminars, (c) expenses of mutual fund sales coordinators to promote the sale of Fund shares and (d) other incidental expenses relating to branch promotion of Fund sales.

Prudential Securities also receives the proceeds of contingent deferred sales charges paid by investors upon certain redemptions of Class B shares. See "Shareholder Guide--How to Sell Your Shares--Contingent Deferred Sales Charges" in the Prospectus. For the fiscal year ended February 28, 1994, Prudential

Securities received approximately $2,533,000 in contingent deferred sales charges.

CLASS C PLAN. Prudential Securities receives the proceeds of contingent deferred sales charges paid by investors upon certain redemptions of Class C shares. See "Shareholder Guide -- How to Sell Your Shares -- Contingent Deferred Sales Charges" in the Prospectus. Prior to the date of this Statement of Additional Information, no distribution expenses were incurred under the Class C Plan.

The Class A, Class B and Class C Plans continue in effect from year to year, provided that each such continuance is approved at least annually by a vote of the Board of Directors, including a majority vote of the Rule 12b-1 Directors, cast in person at a meeting called for the purpose of voting on such continuance. The Plans may each be terminated at any time, without penalty, by the vote of a majority of the Rule 12b-1 Directors or by the vote of the holders of a majority of the outstanding shares of the applicable class on not more than 30 days' written notice to any other party to the Plans. The Plans may not be amended to increase materially the amounts to be spent for the services described therein without approval by the shareholders of the applicable class (by both Class A and Class B shareholders, voting separately, in the case of material amendments to the Class A

Plan), and all material amendments are required to be approved by the Board of Directors in the manner described above. Each Plan will automatically terminate in the event of its assignment. The Fund will not be contractually obligated to pay expenses incurred under any Plan if it is terminated or not continued.

Pursuant to each Plan, the Board of Directors will review at least quarterly a written report of the distribution expenses incurred on behalf of each class of shares of Fund by the Distributor. The report will include an itemization of the distribution expenses and the purposes of such expenditures. In addition, as long as the Plans remain in effect, the selection and nomination of the Rule 12b-1 Directors shall be committed to the Rule 12b-1 Directors.

Pursuant to each Distribution Agreement, the Fund has agreed to indemnify PMFD and Prudential Securities to the extent permitted by applicable law against certain liabilities under the Securities Act of 1933, as amended. Each Distribution Agreement was last approved by the Board of Directors, including a majority of the Rule 12b-1 Directors, on April 14, 1994.

NASD MAXIMUM SALES CHARGE RULE. Pursuant to rules of the NASD, the Distributor is required to limit aggregate initial sales charges, deferred sales charges and asset-based sales charges to 6.25% of total gross sales of each class of shares. In the case of Class B shares, interest charges on unreimbursed distribution expenses equal to the prime rate plus one percent per annum may be added to the 6.25% limitation. Sales from the reinvestment of dividends and distributions are not included in the calculation of the 6.25% limitation. The annual asset-based sales charge on shares of the Fund may not exceed .75 of 1% per class. The 6.25% limitation applies to the Fund rather than on a per shareholder basis. If aggregate sales charges were to exceed 6.25% of total gross sales of shares of any class, all sales charges on shares of that class would be suspended.

PORTFOLIO TRANSACTIONS AND BROKERAGE

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

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

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

In placing orders for portfolio securities of the Fund, the Manager is required to give primary consideration to obtaining the most favorable price and efficient execution. Within the framework of this policy, the Manager will consider the research and investment services provided by brokers, dealers or futures commission merchants who effect or are parties to portfolio transactions of the Fund, the Manager or the Manager's other clients. Such research and investment services are those which brokerage houses customarily provide to institutional investors and include statistical and economic data and research reports on particular companies and industries. Such services are used by the Manager in connection with all of its investment activities, and some of such services obtained in connection with the execution of transactions for the Fund may be used in managing other investment accounts. Conversely, brokers, dealers or futures commission merchants furnishing such services may be selected for the execution of transactions of such other accounts, whose aggregate assets are far larger than the Fund's, and the services furnished by such brokers, dealers or futures commission merchants may be used by the Manager in providing investment management for the Fund. Commission rates are established pursuant to negotiations with the broker, dealer or

futures commission merchant based on the quality and quantity of execution services provided by the broker or futures commission merchant in the light of generally prevailing rates. The Manager's policy is to pay higher commissions to brokers and futures commission merchants, other than Prudential Securities, for particular transactions than might be charged if a different broker had been selected, on occasions when, in the Manager's opinion, this policy furthers the objective of obtaining
best price and execution. In addition, the Manager is authorized to pay higher commissions on brokerage transactions for the Fund to brokers and futures commission merchants other than Prudential Securities in order to secure research and investment services described above, subject to review by the Fund's Board of Directors from time to time as to the extent and continuation of this practice. The allocation of orders among brokers and futures commission merchants and the commission rates paid are reviewed periodically by the Fund's Board of Directors.

Subject to the above considerations, Prudential Securities may act as a broker or futures commission merchant for the Fund. In order for Prudential Securities (or any affiliate) to effect any portfolio transactions for the Fund, the commissions, fees or other remuneration received by Prudential Securities (or any affiliate) must be reasonable and fair compared to the commissions, fees or other remuneration paid to other such brokers or futures commission merchants in connection with comparable transactions involving similar securities or futures contracts being purchased or sold on an exchange or board of trade during a comparable period of time. This standard would allow Prudential Securities (or any affiliate) to receive no more than the remuneration which would be expected to be received by an unaffiliated broker or futures commission merchant in a commensurate arms-length transaction. Furthermore, the Board of Directors of the Fund, including a majority of the Rule 12b-1 Directors, has adopted procedures which are reasonably designed to provide that any commissions, fees or other remuneration paid to Prudential Securities (or any affiliate) are consistent with the foregoing standard. In accordance with Section 11(a) under the Securities Exchange Act of 1934, Prudential Securities may not retain compensation for effecting transactions on a national securities exchange for the Fund unless the Fund has expressly authorized the retention of such compensation. Prudential Securities must furnish to the Fund at least annually a statement setting forth the total amount of all compensation retained by Prudential Securities from transactions effected for the Fund during the applicable period. Brokerage and futures transactions with Prudential Securities (or any affiliate) are also subject to such fiduciary standards as may be imposed upon Prudential Securities (or such affiliate) by applicable law.

During the fiscal years ended February 28, 1994, February 28, 1993 and February 29, 1992, and the Fund paid no brokerage commissions to Prudential Securities.

PURCHASE AND REDEMPTION OF FUND SHARES

Shares of the Fund may be purchased at a price equal to the next determined net asset value per share plus a sales charge which, at the election of the investor, may be imposed either (i) at the time of purchase (Class A shares), or (ii) on a deferred basis (Class B or Class C shares). See "Shareholder Guide--How to Buy Shares of the Fund" in the Prospectus.

Each class of shares represents an interest in the same portfolio of investments of the Fund and has the same rights, except that (i) each class bears the separate expenses of its Rule 12b-1 distribution and service plan, (ii) each class has exclusive voting rights with respect to its plan, (except that the Fund has agreed with the SEC in connection with the offering of a conversion feature on Class B shares to submit any amendment of the Class A distribution and service plan to both Class A and Class B shareholders) and (iii) only Class B shares have a conversion feature. See "Distributor." Each class also has separate exchange privileges. See "Shareholder Account--Exchange Privilege."

SPECIMEN PRICE MAKE-UP

Under the current distribution arrangements between the Fund and the Distributor, Class A shares are sold at a maximum sales charge of 4% and Class B* and Class C* shares are sold at net asset value. Using the Fund's net asset value at February 28, 1994, the maximum offering price of the Fund's shares is as follows:

CLASS A	
Net asset value and redemption price per Class A share..................	$ 9.13
Maximum sales charge (4% of offering price)............................	.43
Offering price to public...	$ 9.56
CLASS B	
Net asset value, offering price and redemption price per Class B share*..	$ 9.13
CLASS C	
Net asset value, offering price and redemption price per Class C share*..	9.13

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* Class B and Class C shares are subject to a contingent deferred sales charge on certain redemptions. See "Shareholder Guide--How to Sell Your Shares--Contingent Deferred Sales Charges" in the Prospectus.

REDUCTION AND WAIVER OF INITIAL SALES CHARGES--CLASS A SHARES

COMBINED PURCHASE AND CUMULATIVE PURCHASE PRIVILEGE. If an investor or eligible group of related investors purchases Class A shares of the Fund concurrently with Class A shares of other Prudential Mutual Funds, the purchases may be combined to take advantage of the reduced sales charges applicable to larger purchases. See the table of breakpoints under "Shareholder Guide--Alternative Purchase Plan" in the Prospectus.

An eligible group of related Fund investors includes any combination of the following:

(a) an individual;

(b) the individual's spouse, their children and their parents;

(c) the individual's and spouse's Individual Retirement Account (IRA);

(d) any company controlled by the individual (a person, entity or group that holds 25% or more of the outstanding voting securities of a corporation will be deemed to control the corporation, and a partnership will be deemed to be controlled by each of its general partners);

(e) a trust created by the individual, the beneficiaries of which are the individual, his or her spouse, parents or children;

(f) a Uniform Gifts to Minors Act/Uniform Transfers to Minors Act account created by the individual or the individual's spouse; and

(g) one or more employee benefit plans of a company controlled by an individual.

[In addition, an eligible group of related Fund investors may include an employer (or group of related employers) and one or more qualified retirement plans of such employer or employers (an employer controlling, controlled by or under common control with another employer is deemed related to that employer).]

The Distributor must be notified at the time of purchase that the investor is entitled to a reduced sales charge. The reduced sales charge will be granted subject to confirmation of the investors holdings. The Combined Purchase and Cumulative Purchase Privilege does not apply to individual participants in the retirement and group plans described above under "Retirement and Group Plans."

RIGHTS OF ACCUMULATION. Reduced sales charges are also available through Rights of Accumulation, under which an investor or an eligible group of related investors, as described above under "Combined Purchase and Cumulative Purchase Privilege," may aggregate the value of their existing holdings of the shares of the Fund and shares of other Prudential Mutual Funds (excluding money market funds other than those acquired pursuant to the exchange privilege) to determine the reduced sales charge. However, the value of shares held directly with the Transfer Agent and through Prudential Securities will not be aggregated to determine the reduced sales charge. All shares must be held either directly with the Transfer Agent or through Prudential Securities. The value of existing holdings for purposes of determining the reduced sales charge is calculated using the

maximum offering or price (net asset value plus maximum sales charge) as of the previous business day. See "How the Fund Values Its Shares" in the Prospectus. The Distributor must be notified at the time of purchase that the investor is entitled to a reduced sales charge. The reduced sales charges will be granted subject to confirmation of the investor's holdings. Rights of accumulation are not available to individual participants in any retirement or group plans.

LETTERS OF INTENT. Reduced sales charges are available to investors or an eligible group of related investors who enter into a written Letter of Intent providing for the purchase, within a thirteen-month period, of shares of the Fund and shares of other Prudential Mutual Funds. All shares of the Fund and shares of other Prudential Mutual Funds (excluding money market funds other than those acquired pursuant to the exchange privilege) which were previously purchased and are still owned are also included in determining the applicable reduction. However, the value of shares held directly with the Transfer Agent and through Prudential Securities will not be aggregated to determine the reduced sales charge. All shares must be held either directly with the Transfer Agent or through Prudential Securities. Letters of Intent are not available to individual participants in any retirement or group plans.

A Letter of Intent permits a purchaser to establish a total investment goal to be achieved by any number of investments over a thirteen-month period. Each investment made during the period will receive the reduced sales charge applicable to the amount represented by the goal, as if it were a single investment. Escrowed Class A shares totaling 5% of the dollar amount of the Letter of Intent will be held by the Transfer Agent in the name of the purchaser. The effective date of a Letter of Intent may be back-dated up to 90 days, in order that any investments made during this 90-day period, valued at the purchaser's cost, can be applied to the fulfillment of the Letter of Intent goal.

The Letter of Intent does not obligate the investor to purchase, nor the Fund to sell, the indicated amount. In the event the Letter of Intent goal is not achieved within the thirteen-month period, the purchaser is required to pay the difference between the sales charge otherwise applicable to the purchases made during this period and sales charges actually paid. Such payment may be made directly to the Distributor or, if not paid, the Distributor will liquidate sufficient escrowed shares to obtain such difference. If the goal is exceeded in an amount which qualifies for a lower sales charge, a price adjustment is made by refunding to the purchaser the amount of excess sales charge, if any, paid during the thirteen-month period. Investors electing to purchase Class A shares of the Fund pursuant to a Letter of Intent should carefully read such Letter of Intent.

QUANTITY DISCOUNT--CLASS B SHARES PURCHASED PRIOR TO   , 1994

The CDSC is reduced on redemptions of Class B shares of the Fund purchased prior to   , 1994 if immediately after a purchase of such shares, the aggregate cost of all Class B shares of the Fund owned by you in a single account exceeded $500,000. For example, if you purchased $100,000 of Class B shares of the Fund and the following year purchase an additional $450,000 of Class B shares with the result that the aggregate cost of your Class B shares of the Fund following the second purchase was $550,000, the quantity discount would be available for the second purchase of $450,000 but not for the first purchase of $100,000. the quantity discount will be imposed at the following rates depending on whether the aggregate value exceeded $500,000 or $1 million:

<TABLE>
<CAPTION>

	CONTINGENT DEFERRED SALES CHARGE AS A PERCENTAGE OF DOLLARS INVESTED OR REDEMPTION PROCEEDS	
YEAR SINCE PURCHASE PAYMENT MADE	$500,001 TO $1 MILLION	OVER $1 MILLION

First............................	3.0%	2.0%
Second...........................	2.0%	1.0%
Third............................	1.0%	0%
Fourth and thereafter............	0%	0%

You must notify the Fund's Transfer Agent either directly or through Prudential Securities or Prusec, at the time of redemption, that you are entitled to the reduced CDSC. The reduced CDSC will be granted subject to confirmation of your holdings.

SHAREHOLDER INVESTMENT ACCOUNT

Upon the initial purchase of Fund shares, a Shareholder Investment Account is established for each investor under which the shares are held for the investor by the Transfer Agent. If a stock certificate is desired, it must be requested in writing for each

transaction. Certificates are issued only for full shares and may be redeposited in the Account at any time. There is no charge to the investor for issuance of a certificate. Whenever a transaction takes place in the Shareholder Investment Account, the shareholder will be mailed a statement showing the transaction and the status of the Account. The Fund makes available to the shareholders the following privileges and plans.

AUTOMATIC REINVESTMENT OF DIVIDENDS AND/OR DISTRIBUTIONS

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

EXCHANGE PRIVILEGE

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

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

CLASS A. Shareholders of the Fund may exchange their Class A shares for Class A shares of certain other Prudential Mutual Funds, and Prudential Government Securities Trust (Intermediate Term Series) and shares of the money market funds specified below. No fee or sales load will be imposed upon the exchange. Shareholders of money market funds who acquired such shares upon exchange of Class A shares may use the Exchange Privilege only to acquire Class A shares of the Prudential Mutual Funds participating in the Exchange Privilege.

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

- Prudential California Municipal Fund
  - (California Money Market Series)
- Prudential Government Securities Trust
  - (Money Market Series)
  - (U.S. Treasury Money Market Series)
- Prudential Municipal Series Fund
  - (Connecticut Money Market Series)
  - (Massachusetts Money Market Series)
  - (New Jersey Money Market Series)
  - (New York Money Market Series)
- Prudential MoneyMart Assets
- Prudential Tax-Free Money Fund

CLASS B AND CLASS C. Shareholders of the Fund may exchange their Class B and Class C shares for Class B and Class C shares, respectively, of certain other Prudential Mutual Funds and shares of Prudential Special Money Market Fund, a money market fund. No CDSC will be payable upon such exchange, but a CDSC may be payable upon the redemption of Class B and Class C shares acquired as a result of the exchange. The applicable sales charge will be that imposed by the fund in which shares were initially purchased and the purchase date will be deemed to be the first day of the month after initial purchase, rather than the date of the exchange.

Class B and Class C shares of the Fund may also be exchanged for shares of Prudential Special Money Market Fund without imposition of any CDSC at the time of exchange. Upon subsequent redemption from such money market fund or after re-exchange into the Fund, such shares will be subject to the CDSC calculated excluding the time such shares were held in the money market fund. In order to minimize the period of time in which shares are subject to a CDSC, shares exchanged out of the money market fund will be exchanged on the basis of their remaining holding periods, with the longest remaining holding periods being transferred first. [In measuring the time period shares are held in a money market fund and "tolled" for purposes of calculating the CDSC holding period, exchanges are deemed to have been made on the last day of the month.] Thus, if shares are exchanged into the Fund from a money market fund during the month (and are held in the Fund at the end of the month), the entire month will be included in the CDSC holding period. Conversely, if shares are exchanged into a money market fund prior to the last day of the month (and are held in the money market fund on the last day of the month), the entire month will be excluded from the CDSC holding period. For purposes of calculating the seven year holding period applicable to the Class B conversion feature, the time period during which Class B shares were held in a money market fund will be excluded.

At any time after acquiring shares of other funds participating in the Class B or Class C exchange privilege, a shareholder may again exchange those shares (and any reinvested dividends and distributions) for Class B or Class C shares of the Fund, respectively, without subjecting such shares to any CDSC. Shares of any fund participating in the Class B or Class C exchange privilege that were acquired through reinvestment of dividends or distributions may be exchanged for Class B or Class C shares of other funds, respectively, without being subject to any CDSC.

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

DOLLAR COST AVERAGING

Dollar cost averaging is a method of accumulating shares by investing a fixed amount of dollars in shares at set intervals. An investor buys more shares when the price is low and fewer shares when the price is high. The average cost per share is lower than it would be if a constant number of shares were bought at set intervals.

Dollar cost averaging may be used, for example, to plan for retirement to save for a major expenditure, such as the purchase of a home, or to finance a college education. The cost of a year's education at a four-year college today averages around $14,000 at a private college and around $4,800 at a public university. Assuming these costs increase at a rate of 7% a year, as has been projected, for the freshman class of 2007, the cost of four years at a private college could reach $163,000 and over $97,000 at a public university.(1)

The following chart shows how much you would need in monthly investments to achieve specified lump sums to finance your investment goals.(2)

<TABLE>
<CAPTION>

PERIOD OF MONTHLY INVESTMENTS:	$100,000	$150,000	$200,000	$250,000
<S>	<C>	<C>	<C>	<C>
25 Years..	$ 110	$ 165	$ 220	$ 275
20 Years..	176	264	352	440
15 Years..	296	444	592	740
10 Years..	555	833	1,110	1,388
5 Years..	1,371	2,057	2,742	3,428

See "Automatic Savings Accumulation Plan."
<FN>
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(1) Source information concerning the costs of education at public universities is available from The College Board Annual Survey of Colleges, 1992. Information about the costs of private colleges is from the Digest of Education Statistics,

1992; The National Center for Educational Statistics; and the U.S. Department of Education. Average costs for private institutions include tuition, fees, room and board.

(2) The chart assumes an effective rate of return of 8% (assuming monthly compounding). This example is for illustrative purposes only and is not intended to reflect the performance of an investment in shares of the Fund. The investment return and principal value of an investment will fluctuate so that an investor's shares when redeemed may be worth more or less than their original cost.
</TABLE>

AUTOMATIC SAVINGS ACCUMULATION PLAN (ASAP)

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

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

SYSTEMATIC WITHDRAWAL PLAN

A systematic withdrawal plan is available to shareholders through Prudential Securities or the Transfer Agent. Such withdrawal plan provides for monthly or quarterly checks in any amount, except as provided below, up to the value of the shares in the shareholder's account. Withdrawals of Class B or Class C shares may be subject to a CDSC. See "Shareholders Guide-- How to Sell Your Shares--Contingent Deferred Sales Charges" in the Prospectus.

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

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

Withdrawal payments should not be considered as dividends, yield or income. If periodic withdrawals continuously exceed reinvested dividends and distributions, the shareholder's original investment will be correspondingly reduced and ultimately exhausted.

Furthermore, each withdrawal constitutes a redemption of shares, and any gain or loss realized must be recognized for federal income tax purposes. In addition, withdrawals made concurrently with purchases of additional shares are inadvisable because of the sales charges applicable to (i) the purchase of Class A shares and (ii) the withdrawal of Class B and Class C shares. Each shareholder should consult his or her own tax adviser with regard to the tax consequences of the systematic withdrawal plan, particularly if used in connection with a retirement plan.

TAX-DEFERRED RETIREMENT PLANS

Various tax-deferred retirement plans, including a 401(k) plan, self-directed individual retirement accounts and "tax-sheltered accounts" under Section 403(b)(7) of the Internal Revenue Code are available through the Distributor. These plans are for use by both self-employed individuals and corporate employers. These plans permit either self-direction of accounts by participants, or a pooled account arrangement. Information regarding the establishment of these plans, the administration, custodial fees and other details are available from Prudential Securities or the Transfer Agent.

Investors who are considering the adoption of such a plan should consult with their own legal counsel or tax adviser with respect to the establishment and maintenance of any such plan.

TAX-DEFERRED RETIREMENT ACCOUNTS

INDIVIDUAL RETIREMENT ACCOUNTS. An individual retirement account (IRA) permits the deferral of federal income tax on income earned in the account until the earnings are withdrawn. The following chart represents a comparison of the earnings in a personal savings account with those in an IRA, assuming a $2,000 annual contribution, an 8% rate of return and a 39.6% federal income tax bracket and shows how much more retirement income can accumulate within an IRA as opposed to a taxable individual savings account.

<TABLE>
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TAX-DEFERRED COMPOUNDING(1)

CONTRIBUTIONS MADE OVER:	PERSONAL SAVINGS	IRA
<S>	<C>	<C>
10 years...........	$ 26,165	$ 31,291
15 years...........	44,675	58,649
20 years...........	68,109	98,846
25 years...........	97,780	157,909
30 years...........	135,346	244,692

<FN>

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(1) The chart is for illustrative purposes only and does not represent the performance of the Fund or any specific investment. It shows taxable versus tax-deferred compounding for the periods and on the terms indicated. Earnings in the IRA account will be subject to tax when withdrawn from the account.
</TABLE>

NET ASSET VALUE

The net asset value per share is the net worth of the Fund (assets, including securities at value, minus liabilities) divided by the number of shares outstanding. Net asset value is calculated separately for each class. The Fund computes its net asset value at 4:15 P.M., New York time, on each day the New York Stock Exchange is open for trading except on days on which no orders to purchase, sell or redeem Fund shares have been received or on days on which changes in the value of the Fund's portfolio investments do not affect net asset value.

Under the Investment Company Act, the Board of Directors is responsible for determining in good faith the fair value of securities of the Fund. In accordance with procedures adopted by the Board of Directors, the value of each U.S. Government security for which quotations are available will be based on the valuation provided by an independent pricing service. Pricing services consider such factors as security prices, yields, maturities, call features, ratings and developments relating to specific securities in arriving at securities valuations. Options on U.S. Government securities are valued at their last sale price as of the close of options trading on the applicable exchanges. If there is no sale on the applicable options exchange on a given day, options are valued at the average of the quoted bid and asked prices as of the close of the applicable exchange. Futures contracts are marked to market daily, and options thereon are valued at their last sale price, as of the close of the applicable commodities exchanges.

The Fund may compute its net asset value as of any time permitted pursuant to any exemption, order or statement of the Securities and Exchange Commission or its staff.

The net asset value of Class B and Class C shares will generally be lower than the net asset value of Class A shares as a result of the larger distribution-related fee to which Class B and Class C shares are subject. It is expected, however, that the net asset value per share of each class will tend to converge immediately after the recording of dividends which will differ by approximately the amount of the distribution expense accrual differential among the classes.

TAXES, DIVIDENDS AND DISTRIBUTIONS

GENERAL. The Fund has elected to qualify and intends to remain qualified as a regulated investment company under Subchapter M of the Internal Revenue Code for each taxable year. Accordingly, the Fund must, among other things, (a) derive at least 90% of its gross income (without offset for losses from the sale or other disposition of securities or foreign currencies) from dividends, interest, proceeds from loans of securities and gains from the sale or other disposition of securities or foreign currencies or other income, including, but not limited to, gains derived from options and futures on such securities or foreign currencies; (b) derive less than 30% of its gross income from gains (without offset for losses) from the sale or other disposition of securities or options thereon held less than three months; and (c) diversify its holdings so that, at the end of each fiscal quarter, (i) 50% of the market value of the Fund's assets is represented by cash, U.S. Government securities and other securities limited, in respect of any one issuer, to an amount not greater than 5% of the Fund's assets and no more than 10% of the outstanding voting securities of any such issuer, and (ii) not more than 25% of the value of its assets is invested in the securities of any one issuer (other than U.S. Government securities). These requirements may limit the Fund's ability to engage in transactions involving options on securities, interest rate futures and options thereon.

The Fund has received a private letter ruling from the Internal Revenue Service (IRS) to the effect that the Fund's investments in options on U.S. Government securities, in interest rate futures contracts and in options thereon will be treated as "securities" for purposes of the foregoing requirements for qualification under Subchapter M of the Internal Revenue Code.

As a regulated investment company, the Fund will not be subject to federal income tax on its net investment income and capital gains, if any, that it distributes to its shareholders, provided that it distributes at least 90% of its net investment income and short-term capital gains earned in each year. Distributions of net investment income and net short-term capital gains will be taxable to the shareholder at ordinary income rates regardless of whether the shareholder receives such distributions in additional shares or in cash. Distributions of net long-term capital gains, if any, are taxable as long-term capital gains regardless of how long the investor has held his or her Fund shares. However, if a shareholder holds shares in the Fund for not more than six months, then any loss recognized on the sale of such shares will be treated as long-term capital loss to the extent of any distribution on the shares which was treated as long-term capital gain. Shareholders will be notified annually by the Fund as to the federal tax status of distributions made by the Fund. A 4% nondeductible excise tax will be imposed on the Fund to the extent the Fund does not meet certain distribution requirements by the end of each calendar year. Distributions may be subject to additional state and local taxes. See "Taxes, Dividends and Distributions" in the Prospectus.

Although the Fund does not receive interest payments on zero-coupon bonds in cash, it is required to accrue interest on such bonds for tax purposes. Accordingly, in order to meet the requirement that it distribute at least 90% of its net investment income and net short term gains earned in each taxable year, the Fund may have to liquidate securities or borrow money. To date, the Fund has not engaged in borrowing or liquidated securities solely or primarily for the purpose of meeting income distribution requirements attributable to investments in zero coupon bonds.

The Fund has a capital loss carryforward for federal income tax purposes as of February 28, 1994 of approximately $76,930,000, of which $34,965,000 expires in 1998 and $41,965,000 expires in 1999.

Any loss realized on a sale, redemption or exchange of shares of the Fund by a shareholder will be disallowed to the extent the shares are replaced within a 61-day period (beginning 30 days before the disposition of shares). Shares purchased pursuant to the reinvestment of a dividend or distribution will constitute a replacement of shares.

A shareholder who acquires shares of the Fund and sells or otherwise disposes of such shares within 90 days of acquisition may not be allowed to include certain sales charges incurred in acquiring such shares for purposes of calculating gain or loss realized upon a sale or exchange of shares of the Fund.

The per share dividends on Class B and Class C shares will be lower than the per share dividends on Class A shares as a result of the higher distribution-related fee applicable to the Class B and Class C shares. The per share distributions of net capital gains, if any, will be paid in the same amount for Class A, Class B and Class C shares. See "Net Asset Value."

LISTED OPTIONS AND FUTURES. Exchange-traded futures contracts, listed options on futures contracts and listed options on U.S. Government securities constitute "Section 1256 contracts" under the Internal Revenue Code. Section 1256 contracts are required to be "marked-to-market" at the end of the Fund's tax year; that is, treated as having been sold at market value. Sixty percent of any gain or loss recognized as a result of such "deemed sales" will be treated as long-term capital gain or loss and the remainder will be treated as short-term capital gain or loss. The Fund has received a private letter ruling from the IRS to the effect that a "deemed sale" of a security held for less than three months at the end of a tax year will not result in gain from the sale of securities held for less than three months for purposes of determining qualification of the Fund as a regulated investment company. To the extent that the Section 1256 contracts are considered to be part of a "designated hedge" with U.S. Government securities, pursuant to regulations to be promulgated under the Internal Revenue Code, the increases or decreases in the value of the Section 1256 contract would be netted with the increases or decreases in the U.S. Government securities for the purpose of determining gains from securities held for less than three months.

If the Fund holds a U.S. Government security which is offset by a Section 1256 contract, the Fund is considered to hold a "mixed straddle". The Fund may elect whether to make a straddle-by-straddle identification of mixed straddles. By electing to identify its mixed straddles, the Fund can avoid the application of certain rules which could, in some circumstances, cause deferral or disallowance of losses, the change of long-term capital gains into short-term capital gains, or the change of short-term capital losses into long-term capital losses. Nevertheless, the Fund would be subject to the following rules.

If the Fund owns a U.S. Government security and acquires an offsetting Section 1256 contract in a transaction which the Fund elects to identify as a mixed straddle, the acquisition of the offsetting position will result in recognition of the unrealized gain or loss on the U.S. Government security. This gain or loss will be long-term or short-term depending on the holding period of the security at the time the mixed straddle is entered into. This recognition of unrealized gain or loss will be taken into account in determining the amount of income available for the Fund's quarterly distributions, and can result in an amount which is greater or less than the Fund's net realized gains being available for such distributions. If an amount which is less than the Fund's net realized gains is available for distribution, the Fund may elect to distribute more than such available amount, up to the full amount of such net realized gains.

The rules for determining whether gain or loss upon exercise, expiration or termination of an identified mixed straddle will be treated as long-term, short-term, or sixty percent long-term and forty percent short-term are complex. In general, which treatment applies will depend upon the order of disposition of the Section 1256 and the non-Section 1256 positions of a straddle and whether all or fewer than all of such positions are disposed of on any day.

If the Fund does not elect to identify a mixed straddle, no recognition of gain or loss on the U.S. Government securities in the Fund's portfolio will result when the mixed straddle is entered into. However, any losses realized on the straddle will be governed by a number of tax rules which might, under certain circumstances, defer or disallow the losses in whole or in part, change long-term gains into short-term gains, or change short-term losses into long-term losses. A deferral or disallowance of recognition of a realized loss may result in the Fund being required to distribute an amount greater than the Fund's net realized gains.

The Fund may also elect under Section 1256(d) of the Internal Revenue Code that the provisions of Section 1256 will not apply. In the case of such an election, the taxation of options on U.S. Government securities and the taxation of futures will be governed by provisions of the Internal Revenue Code dealing with taxation of capital assets generally.

OTC OPTIONS. Non-listed options on U.S. Government securities (OTC options) are not Section 1256 contracts. If an OTC option written by the Fund on U.S. Government securities expires, the amount of the premium will be treated as short-term capital gain. If the option is terminated through a closing purchase transaction, the Fund will generally recognize a short-term capital gain or loss, depending on whether the premium income is greater or less than the amount paid by the Fund in the closing transaction. If U.S. Government securities are delivered by the Fund upon exercise of a written call option, or sold to the Fund upon exercise of a written put option, the premium received when the option was written will be treated as an addition to the proceeds received in the case of the call option, or a decrease in the cost basis of the security received in the case of a put option. The gain or loss realized on the exercise of a written call option will be long-term or short-term depending upon the holding period of the U.S. Government security delivered.

The premium paid for a purchased put or call option is a capital expenditure, and loss will be realized on the expiration, and gain or loss will be realized upon the sale of, a put or call option. The characterization of the gain or loss as short-term or long-term will depend upon the holding period of the option. If U.S. Government securities are purchased by the Fund upon exercise of a purchased call option, or delivered by the Fund upon exercise of a purchased put option, the premium paid when the option was purchased will be treated as an addition to the basis of the securities purchased in the case of a call option, or as a decrease in the proceeds received for the securities delivered in the case of a put option.

Losses realized on straddles which include a purchased put option, can, under certain circumstances, be subject to a number of tax rules which might defer or disallow the losses in whole or in part, change long-term gains into short-term gains, or change short-term losses into long-term losses. As noted above, a deferral or disallowance of recognition of realized loss can result in the Fund being required to distribute an amount greater than the Fund's net realized gains.

PENNSYLVANIA PERSONAL PROPERTY TAX. The Fund has obtained a written letter of determination from the Pennsylvania Department of Revenue that the Fund is subject to the Pennsylvania foreign franchise and corporate net income tax. Accordingly, it is expected that Fund shares will be exempt from Pennsylvania personal property taxes. The Fund anticipates that it will continue such business activities but reserves the right to suspend them at any time, resulting in the termination of the exemption.

PERFORMANCE INFORMATION

YIELD. The Fund may from time to time advertise its yield as calculated over a 30-day period. Yield is calculated separately for Class A, Class B and Class C shares. The yield will be computed by dividing the Fund's net investment income per share earned during this 30-day period by the net asset value per share on the last day of this period.

$$\text{YIELD} = 2\left[\left(\frac{a-b}{cd}+1\right)^6 - 1\right]$$

Where:
- a = dividends and interest earned during the period.
- b = expenses accrued for the period (net of reimbursements).
- c = the average daily number of shares outstanding during the period that were entitled to receive dividends.
- d = the maximum offering price per share on the last day of the period.

The yield for the 30-day period ended February 28, 1994 for the Fund's Class A and Class B shares was 5.45% and 4.94%, respectively. During this period, no Class C shares were outstanding.

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

AVERAGE ANNUAL TOTAL RETURN. The Fund may also advertise its average annual total return. Average annual total return is determined separately for Class A, Class B and Class C shares. See "How the Fund Calculates Performance" in the Prospectus.

Average annual Total Return is computed according to the following formula:

$$P(1+T)^n = ERV$$

Where:
- P = a hypothetical initial payment of $1000.
- T = average annual total return.
- n = number of years.
- ERV = ending redeemable value of a hypothetical $1000 payment made at the beginning of the 1, 5 or 10 year periods at the end of the 1, 5 or 10 year periods (or fractional portion thereof).

Average annual return takes into account any applicable initial or contingent deferred sales charges but does not take into account any federal or state income taxes that may be payable upon redemption.

The average annual total return for Class A shares for the one year and four year and one month periods ended on February 28, 1994 was 3.90%, and 9.25%, respectively. The average annual total return with respect to the Class B shares of the Fund for the one, five and eight and three quarter year periods ended February 28, 1994 was 3.03%, 8.88% and 8.62%, respectively. During these periods, no Class C shares were outstanding.

AGGREGATE TOTAL RETURN. The Fund may also advertise its aggregate total return. Aggregate total return is determined separately for Class A, Class B and Class C shares. See "How the Fund Calculates Performance" in the Prospectus.

Aggregate total return represents the cumulative change in the value of an investment in the Fund and is computed by the following formula:

$$\frac{ERV - P}{P}$$

Where:
- P = a hypothetical initial payment of $1000.
- ERV = ending redeemable value of a hypothetical $1000 payment made at the beginning of the 1, 5 or 10 year periods at the end of the 1, 5 or 10 year periods (or fractional portion thereof).

Aggregate total return does not take into account any federal or state income taxes that may be payable upon redemption or any applicable initial or contingent deferred sales charges.

The aggregate total return for Class A shares for the one year and four year and one month periods ended February 28, 1994 was 3.90% and 43.79%, respectively. The aggregate total return for Class B shares for the one, five and eight and three quarter year periods ended February 28, 1994 was 3.03%, 53.02%, and 108.07%, respectively. During these periods, no Class C shares were outstanding.

From time to time, the performance of the Fund may be measured against various indices. Set forth below is a chart which compares the performance of different types of investments over the long-term and the rate of inflation.(1)

[CHART]

(1) Source: Ibbotson Associates, "Stocks, Bonds, Bills and Inflation--1993 Yearbook", (annually updates the work of Roger G. Ibbotson and Rex A. Sinquefield). Common stock returns are based on the Standard & Poor's 500 Stock Index, a market-weighted, unmanaged index of 500 common stocks in a variety of industry sectors. It is a commonly used indicator of broad stock price movements. This chart is for illustrative purposes only, and is not intended to represent the performance of any particular investment or fund.

CUSTODIAN, TRANSFER AND DIVIDEND DISBURSING AGENT, AND INDEPENDENT ACCOUNTANTS

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

Prudential Mutual Fund Services, Inc. (PMFS), Raritan Plaza One, Edison, New Jersey 08837, serves as the Transfer and Dividend Disbursing Agent of the Fund. It is a wholly-owned subsidiary of PMF. PMFS provides customary transfer agency services to the Fund, including the handling of shareholder communications, the processing of shareholder transactions, the maintenance of shareholder account records, payment of dividends and distributions, and related functions. For these services, PMFS receives an annual fee per shareholder account, a new account set-up fee for each manually-established account and a

monthly inactive zero balance account fee per shareholder account. PMFS is also reimbursed for its out-of-pocket expenses, including but not limited to postage, stationery, printing, allocable communications expenses and other costs. For the fiscal year ended February 28, 1994, the Fund incurred fees of approximately $2,348,000 for the services of PMFS.

Deloitte & Touche, 1633 Broadway, New York, New York 10019, serves as the Fund's independent accountants and in that capacity audits the Fund's annual financial statements.

PRUDENTIAL GOVERNMENT PLUS FUND Portfolio of Investments
February 28, 1994

<TABLE>
<CAPTION>

Principal Amount (000)	Description	Value (Note 1)
<C>	<S>	<C>
	LONG-TERM INVESTMENTS--99.6%	
	U. S. Government Agency Mortgage Pass-Throughs--48.4%	
	Federal Home Loan Mortgage Corp.,	
$12,700	7.00%, 4/15/17 (CMO).........	$ 13,065,125
14,450	8.50%, 2/1/05 - 4/1/20.......	15,146,730
6,011	11.50%, 10/1/19.............	6,679,254
	Federal National Mortgage Assoc.,	
69,420	6.00%, 2/1/99 - 8/1/13.......	69,029,057
97,147	6.50%, 8/1/98 - 3/1/24.......	96,477,702
163,119	7.00%, 12/1/99 - 3/1/24......	163,760,147
35,019	7.50%, 2/1/22 - 3/1/24.......	35,939,718
3,630	8.375%, 6/25/06, (CMO*)......	3,629,535
31,325	11.00%, 11/1/20.............	35,162,398
	Government National Mortgage Assoc.,	
20,396	5.00%, 1/20/24 (ARM).........	20,585,653
24,856	6.50%, 1/15/23 - 3/1/24......	24,172,523
9,949	7.00%, 3/15/22 - 11/15/23....	9,964,780
14,335	7.25%, 11/15/04 - 7/15/23....	14,500,434
72,781	7.50%, 3/15/01 - 1/15/24.....	74,995,416

39,670	8.00%, 2/15/23 - 1/15/24.....	41,602,900
119,522	8.50%, 7/15/08 - 12/15/22....	126,733,325
170,080	9.00%, 12/15/13 - 2/15/22....	182,110,019
92,961	9.50%, 5/15/09 - 12/15/21....	100,917,297
28,572	11.50%, 1/15/13 - 5/15/19....	32,929,088
	Government National Mortgage Assoc. II,	
12,333	9.00%, 8/20/17 - 8/20/21.....	13,027,068
9,898	9.50%, 5/20/18 - 8/20/21.....	10,541,275

	Total U.S. Government Agency	
	Mortgage Pass-Throughs	
	(cost $1,080,694,100)......	1,090,969,444

	U.S. Government Obligations--42.6%	
	United States Treasury Bonds,	
10,000	7.125%, 2/15/23.............	10,437,500
25,000	8.50%, 2/15/20..............	29,996,000
55,000	8.875%, 8/15/17.............	68,045,450
50,000	9.00%, 11/15/18.............	62,828,000
25,000	10.375%, 11/15/12...........	33,515,500
	United)States Treasury Bonds--(cont'd.	
$150,000	10.75%, 8/15/05.............	$ 203,226,000
200,000(dag)	11.25%, 2/15/15.............	299,594,000
	United States Treasury Notes,	
32,000#	3.875%, 9/30/95.............	31,699,840
125,000	6.00%, 11/30/97.............	127,832,500
40,000	7.00%, 4/15/99..............	42,400,000
13,000	7.875%, 8/15/01.............	14,434,030
33,250	8.25%, 7/15/98..............	36,767,185

	Total U.S. Government	
	Obligations	
	(cost $923,794,449)........	960,776,005

	Asset-Backed Securities--6.1%	
	Discover Credit Card Trust,	
10,000	Series 1991-F, 7.85%,	
	11/21/00...................	10,721,800
	Sears Credit Card Trust,	
50,000	Series 1991-B, 8.60%,	
	5/15/98....................	53,468,500
	Standard Credit Card Trust,	
47,000	Series 1991-1A, 8.50%,	
	8/7/97.....................	50,333,710
20,000	Series 1991-3A, 8.875%,	
	7/7/98.....................	22,150,000

	Total Asset-Backed Securities	
	(cost $130,254,043)........	136,674,010

	U.S. Government Agency Stripped	
	Securities--1.3%	
	Federal Home Loan Mortgage Corp.,	
60,000	Zero Coupon, 11/29/19........	9,150,000
	Federal National Mortgage	
	Assoc.,	
30,000	Zero Coupon, 7/5/14..........	6,759,300
50,000	Zero Coupon, 10/9/19.........	7,672,000
9,512	Strip Trust 137 Class	
	2,(I/O*)...................	1,938,092
9,620	Strip Trust 142 Class	
	2,(I/O*)...................	1,911,912
5,702	Trust 1991 139 Class	
	PS,(I/O*)..................	384,856
14,365	Trust 1991 169 Class	
	PL,(I/O*)..................	1,436,523
9,155	Trust 1991 G-37 Class	
	C,(I/O*)...................	640,852
7,367	Trust 1992-70 Class M,	
	(I/O*).....................	1,123,407

	Total U.S. Government Agency	
	Stripped Securities	
	(cost $45,959,868).........	31,016,942

</TABLE>

PRUDENTIAL GOVERNMENT PLUS FUND

<TABLE>
<CAPTION>

Principal Amount (000)	Description	Value (Note 1)
	U.S. Government Stripped Securities--0.8%	
	United States Treasury Strips,	
$ 5,000	Zero Coupon, 8/15/10.........	$ 1,593,750
15,000	Zero Coupon, 2/15/11.........	4,601,250
50,000	Zero Coupon, 8/15/14.........	11,737,000
	Total U.S. Government Stripped Securities (cost $17,393,098).........	17,932,000
	Adjustable Rate Mortgage Pass-Throughs--0.4%	
	Ryland Mortgage Securities Corporation,	
8,074	Mortgage Participation Securities, Series 1993-3 Class A-3, 7.35315%, 3/25/14 (cost $8,235,018)...............	8,346,036
	Total long-term investments (cost $2,206,330,576)......	2,245,714,437
	SHORT-TERM INVESTMENTS--1.2%	
	Commercial Paper--1.2%	
	Fuji Bank, Ltd.,	
15,400	3.50%, 3/1/94...............	15,400,000
	USl Capital Corporation,	
11,760	3.55%, 3/1/94...............	11,760,000
	Total Commercial Paper (cost $27,160,000).........	27,160,000
	Total Investments--100.8% (cost $2,233,490,576; Note 4).........................	2,272,874,437
	Liabilities in excess of other assets--(0.8%)............	(18,646,578)
	Net Assets--100%............	$2,254,227,859

</TABLE>

- ---------------
ARM--Adjustable Rate Mortgage Security.
CMO--Collateralized Mortgage Obligations.
I/O--Interest Only.
 * R.E.M.I.C.--Real Estate Mortgage Investment Conduit.
 (dag) Portion of securities on loan; see Note 4.
 # Includes $24,765,500 of market value segregated for interest rate swap.

 See Notes to Financial Statements.

PRUDENTIAL GOVERNMENT PLUS FUND
Statement of Assets and Liabilities

<TABLE>
<CAPTION>

Assets	February 28, 1994
Investments, at value (cost $2,233,490,576)...	$2,272,874,437
Cash..	9,605,382
Collateral for securities loaned, at value (Note 4).....................................	255,641,000
Receivable for investments sold...	27,629,173
Interest receivable...	19,549,204
Receivable for Fund shares sold...	2,385,419
Prepaid expenses and other assets...	72,545
Total assets..	2,587,757,160
Liabilities	
Payable upon return of securities loaned..	255,641,000

Payable for investments purchased	59,226,560
Payable for Fund shares reacquired	12,558,202
Accrued expenses	2,508,747
Distribution fee payable	1,567,069
Management fee payable	912,836
Unrealized depreciation on interest rate swap	709,355
Dividends payable	405,532
Total liabilities	333,529,301
Net Assets	$2,254,227,859
Net assets were comprised of:	
Common stock, at par	$ 2,469,703
Paid-in capital in excess of par	2,292,521,784
	2,294,991,487
Accumulated net realized losses on investments	(79,438,134)
Net unrealized appreciation on investments	38,674,506
Net assets at February 28, 1994	$2,254,227,859
Class A:	
Net asset value and redemption price per share ($51,673,180 (div) 5,659,948 shares of common stock issued and outstanding)	$9.13
Maximum sales charge (4.5% of offering price)	.43
Maximum offering price to public	$9.56
Class B:	
Net asset value, offering price and redemption price per share ($2,202,554,679 (div) 241,310,340 shares of common stock issued and outstanding)	$9.13

</TABLE>

See Notes to Financial Statements.

PRUDENTIAL GOVERNMENT PLUS FUND
Statement of Operations

<TABLE>
<CAPTION>

Net Investment Income	Year Ended February 28, 1994
<S>	<C>
Income	
Interest (net of swap interest expense of $1,701,085)	$ 186,263,429
Income from securities loaned	149,782
	186,413,211
Expenses	
Distribution fee--Class A	86,160
Distribution fee--Class B	24,706,451
Management fee	12,719,555
Transfer agent's fees and expenses	3,015,000
Custodian's fees and expenses	945,000
Franchise taxes	575,000
Reports to shareholders	110,000
Insurance expense	84,000
Audit fee	65,000
Registration fees	60,000
Directors' fees	48,000
Legal fees	25,000
Miscellaneous	22,693
Total expenses	42,461,859
Net investment income	143,951,352
Realized and Unrealized Gain (Loss) on Investments	
Net realized gain (loss):	

Investment transactions..........	75,825,651
Financial futures contract transactions.....................	(1,963,469)
	73,862,182
Net change in unrealized appreciation/depreciation:	
Investments......................	(139,378,195)
Financial futures contracts.......	1,904,625
Interest rate swap...............	(91,855)
	(137,565,425)
Net loss on investments............	(63,703,243)
Net Increase in Net Assets Resulting from Operations..........	$ 80,248,109

</TABLE>

PRUDENTIAL GOVERNMENT PLUS FUND
Statement of Changes in Net Assets

<TABLE>
<CAPTION>

Increase (Decrease) in Net Assets	Year Ended February 28, 1994	1993
<S>	<C>	<C>
Operations		
Net investment income.............	$ 143,951,352	$ 172,237,474
Net realized gain on investment transactions......	73,862,182	11,549,799
Net change in unrealized appreciation on investments.......	(137,565,425)	90,857,686
Net increase in net assets resulting from operations	80,248,109	274,644,959
Dividends and distributions (Note 1)		
Dividends to shareholders from net investment income		
Class A..........	(3,625,302)	(3,345,358)
Class B..........	(140,326,050)	(168,892,116)
	(143,951,352)	(172,237,474)
Distributions to shareholders in excess of accumulated gains		
Class A..........	(132,529)	--
Class B..........	(5,651,138)	--
	(5,783,667)	--
Distributions to shareholders from paid-in capital in excess of par		
Class A..........	--	(584,384)
Class B..........	--	(34,644,947)
	--	(35,229,331)
Fund share transactions (Note 5)		
Net proceeds from shares subscribed........	238,679,715	442,653,683
Net asset value of shares issued to shareholders in reinvestment of dividends and distributions.....	83,988,251	112,659,073
Cost of shares reacquired.........	(740,509,270)	(638,544,074)

Decrease in net assets from Fund share transactions......	(417,841,304)	(83,231,318)
Total decrease........	(487,328,214)	(16,053,164)
Net Assets		
Beginning of year.....	2,741,556,073	2,757,609,237
End of year..........	$2,254,227,859	$2,741,556,073

</TABLE>

See Notes to Financial Statements. See Notes to Financial Statements.

PRUDENTIAL GOVERNMENT PLUS FUND
Notes to Financial Statements

Prudential Government Plus Fund (the ``Fund'') is registered under the Investment Company Act of 1940 as a diversified, open-end management investment company. Investment operations commenced on April 22, 1985.

The investment objective of the Fund is to seek a high current return, primarily through investment in U.S. Government securities and obligations issued or guaranteed by U.S. Government agencies or instrumentalities. The ability of issuers of debt securities, other than those issued or guaranteed by the U.S. Government, held by the Fund to meet their obligations may be affected by economic developments in a specific industry or region.

Note 1. Accounting Policies

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

Security Valuation: The Fund values portfolio securities on the basis of current market quotations provided by dealers or by a pricing service approved by the Board of Directors, which uses information such as quotations from dealers, market transactions in comparable securities, various relationships between securities and calculations on yield to maturity in determining values. Options and financial futures contracts listed on exchanges are valued at their closing price on the applicable exchange. When market quotations are not readily available, a security is valued at fair value as determined in good faith by or under the direction of the Board of Directors.

Short-term securities which mature in more than 60 days are valued at current market quotations. Short-term securities which mature in 60 days or less are valued at amortized cost.

In connection with repurchase agreement transactions, the Fund's custodian takes possession of the underlying collateral securities, the value of which exceeds the principal amount of the repurchase transaction, including accrued interest. To the extent that any repurchase transaction exceeds one business day, the value of the collateral is marked-to-market on a daily basis to ensure the adequacy of the collateral. If the seller defaults and the value of the collateral declines or if bankruptcy proceedings are commenced with respect to the seller of the security, realization of the collateral by the Fund may be delayed or limited.

Financial Futures Contracts: A financial futures contract is an agreement to purchase (long) or sell (short) an agreed amount of debt securities at a set price for delivery on a future date. Upon entering into a financial futures contract, the Fund is required to pledge to the broker an amount of cash and/or other assets equal to a certain percentage of the contract amount. This amount is known as the ``initial margin.'' Subsequent payments, known as ``variation margin'', are made or received by the Fund each day, depending on the daily fluctuations in the value of the underlying security. Such variation margin is recorded for financial statement purposes on a daily basis as unrealized gain or loss. The Fund invests in financial futures contracts solely for the purpose of hedging its existing portfolio securities or securities the Fund intends to purchase against fluctuations in value caused by changes in prevailing market interest rates. Should interest rates move unexpectedly, the Fund may not achieve the anticipated benefits of the financial futures contracts and may realize a loss. The use of futures transactions involves the risk of imperfect correlation in movements in the price of futures contracts, interest rates and the underlying hedged assets. As of February 28, 1994, the Fund did not have any open financial futures contracts.

Interest Rate Swap: An interest rate swap is an agreement between two parties in which each party commits to make periodic interest payments to the other based on a notional principal amount for a specified time period, e.g., an exchange of floating rate payments for fixed rate payments. Interest rate swaps only involve the accrual and exchange of interest payments between the parties and do not involve the exchange or payment of the contracted notional principal amount.

During the term of the swap, changes in the value of the swap are recognized as unrealized gains or losses by ``marking-to-market'' to reflect the market value of the swap. When the swap is terminated, the Fund will record a realized gain or loss equal to the difference, if any, between the proceeds from (or cost of) the closing transaction and the Fund's basis in the contract.

The Fund is exposed to credit loss in the event of non-performance by the other party to the interest rate swap. However, the Fund does not anticipate non-performance by any counterparty.

Securities Lending: The Fund may lend its U.S. Government securities to broker-dealers or government securities dealers. The loans are secured by collateral at least equal at all times to the market value of the securities loaned. The Fund may bear the risk of delay in recovery of, or even loss

of rights in, the securities loaned should the borrower of the securities fail financially. The Fund receives compensation for lending its securities in the form of fees or it retains a portion of interest on the investment of any cash received as collateral. The Fund also continues to receive interest on the securities loaned and any gain or loss in the market price of the securities loaned that may occur during the term of the loan will be for the account of the Fund.

Securities Transactions and Investment Income: Securities transactions are recorded on the trade date. Realized gains or losses on sales of securities are calculated on the identified cost basis. Interest income is recorded on the accrual basis. Net investment income (other than distribution fees) and unrealized and realized gains or losses are allocated daily to each class of shares based upon the relative proportion of net assets of each class at the beginning of the day.

Dividends and Distributions: The Fund declares daily and pays monthly dividends from net investment income. The Fund will distribute at least annually any net capital gains in excess of loss carryforwards. Dividends and distributions are recorded on the ex-dividend date.

Income distributions and capital gain distributions are determined in accordance with income tax regulations which may differ from generally accepted accounting principles. These differences were primarily due to distributions in excess of capital gains.

Federal Income Taxes: It is the Fund's policy to continue to meet the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its taxable net income to its shareholders. Therefore, no federal income tax provision is required.

Reclassification of Capital Accounts: Effective March 1, 1993, the Fund began accounting and reporting for distributions to shareholders in accordance with AICPA Statement of Position 93-2: Determination, Disclosure, and Financial Statement Presentation of Income, Capital Gain, and Return of Capital Distributions by Investment Companies. As a result of this statement, the Fund changed the classification of distributions to shareholders to better disclose the differences between financial statement amounts and distributions determined in accordance with income tax regulations. The effect of adopting this statement on amounts previously reported was to increase paid-in capital by $50,139,714 and increase accumulated net realized losses on investments by $50,139,714. During the year ended February 28, 1994, the Fund reclassified $5,783,667 by reducing accumulated net realized losses on investments and reducing paid-in capital in excess of par. Net investment income, net realized gains and net assets were not affected by this change.

Note 2. Agreements

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

The management fee paid PMF is computed daily and payable monthly, at an annual rate of .50 of 1% of the Fund's average daily net assets up to $3 billion and .35 of 1% of the average daily net assets of the Fund in excess of $3 billion.

The Fund has distribution agreements with Prudential Mutual Fund Distributors, Inc. (``PMFD''), who acts as the distributor of the Class A shares of the Fund and Prudential Securities Incorporated (``PSI''), who acts as distributor of the Class B shares of the Fund (collectively the ``Distributors''). To reimburse the Distributors for their expenses incurred in distributing and servicing the Fund's Class A and B shares, the Fund, pursuant to plans of distribution, pays the Distributors a reimbursement, accrued daily and payable monthly.

Pursuant to the Class A Plan, the Fund reimburses PMFD for its expenses with respect to Class A shares, at an annual rate of up to .30 of 1% of the average daily net assets of the Class A shares. Such expenses under the Class A Plan were .15 of 1% of the average daily net assets of the Class A shares for the year ended February 28, 1994. PMFD pays various broker-dealers, including PSI and Pruco Securities Corporation (``Prusec''), affiliated broker-dealers, for account servicing fees and other expenses incurred by such broker-dealers.

Pursuant to the Class B Plan, the Fund reimburses PSI for its distribution-related expenses with respect to Class B shares at an annual rate of up to 1% of the average daily net assets up to $3 billion, .80 of 1% of the next $1 billion of such net assets and .50 of 1% over $4 billion of the average daily net assets of the Class B shares. Such expenses under Class B Plan were charged at an effective rate of 1% of average daily net assets through January 31, 1994. Beginning February 1, 1994 the effective rate was reduced to .90 of 1% of the average daily net assets of the Class B shares.

The Class B distribution expenses include commission credits for payments of commissions and account servicing fees to financial advisers and an allocation for overhead and

other distribution-related expenses, interest and/or carrying charges, the cost of printing and mailing prospectuses to potential investors and of advertising incurred in connection with the distribution of shares.

The Distributors recover the distribution expenses and service fees incurred through the receipt of reimbursement payments from the Fund under the Plans and the receipt of initial sales charges (Class A only) and contingent deferred sales charges (Class B only) from shareholders.

PMFD has advised the Fund that it has received approximately $405,000 in front-end sales charges resulting from sales of Class A shares during the year ended February 28, 1994. From these fees, PMFD paid such sales charges to dealers which in turn paid commissions to salespersons.

With respect to the Class B Plan, at any given time the amount of expenses incurred by PSI in distributing the Fund's shares and not recovered through the imposition of contingent deferred sales charges in connection with certain redemptions of shares may exceed the total reimbursement made by the Fund pursuant to the Class B Plan. For the year ended February 28, 1994, PSI advised the Fund that it received approximately $2,533,000 in contingent deferred sales charges imposed upon redemptions by certain shareholders. PSI, as distributor, has also advised the Fund that at February 28, 1994, the amount of distribution expenses incurred by PSI and not yet reimbursed by the Fund or recovered through contingent deferred sales charges approximated $147,003,000. This amount may be recovered through future payments under the Class B Plan or contingent deferred sales charges.

In the event of termination or noncontinuation of the Class B Plan, the Fund would not be contractually obligated to pay PSI, as distributor, for any expenses not previously reimbursed or recovered through contingent deferred sales charges.

PMFD is a wholly-owned subsidiary of PMF; PSI, PMF and PIC are indirect, wholly-owned subsidiaries of The Prudential Insurance Company of America.

Note 3. Other Transactions With Affiliates

Prudential Mutual Fund Services, Inc. (``PMFS''), a wholly-owned subsidiary of PMF, serves as the Fund's transfer agent. During the year ended February 28, 1994, the Fund incurred fees of approximately $2,348,000 for the services of PMFS. As of February 28, 1994, approximately $184,000 of such fees were due to PMFS. Transfer agent fees and expenses in the Statement of Operations also include certain out of pocket expenses paid to non-affiliates.

Note 4. Portfolio Securities

Purchases and sales of investment securities, other than short-term investments, for the year ended February 28, 1994, were $2,156,643,118 and $1,985,244,278, respectively.

The Fund entered into an interest rate swap on October 2, 1992 with a notional principal amount of $25 million. Under the terms of the swap, the Fund receives interest at a floating rate (6-month LIBOR, currently 3.375%), which is reset semi-annually, and pays interest at a fixed rate of 6.56%. The notional principal amount is also reset semi-annually in accordance with a prescribed formula. The notional principal amount as of February 28, 1994 was $26,846,855. Net receipts or payments of such amounts are exchanged semi-annually. The swap is scheduled to terminate on October 2, 2001.

As of February 28, 1994, the Fund had securities on loan with an aggregate market value of $248,634,096. As of such date, the collateral held for securities loaned was as follows: U.S. Treasury Notes in the principal amount of $252,170,000, 3.875% - 6.375%, due 2/28/95 - 8/15/02; aggregate market value--$255,641,000.

The federal income tax cost basis of the Fund's investments, at February 28, 1994 was approximately $2,233,502,295 and, accordingly, net unrealized appreciation for federal income tax purposes was $39,372,142 (gross unrealized appreciation--$75,247,115; gross unrealized depreciation--$35,874,973).

The Fund had a capital loss carryforward as of February 28, 1994 of approximately $76,930,000 of which $34,965,000 expires in 1998 and $41,965,000 expires in 1999. Such carryforward amount is after realization of approximately $76,930,000 in net taxable gains recognized during the fiscal year ended February 28, 1994. Accordingly, no capital gains distribution is expected to be paid to shareholders until net gains have been realized in excess of such amounts.

Note 5. Capital

The Fund offers both Class A

and Class B shares. Class A shares are sold with a front-end sales charge of up to 4.5%. Class B shares are sold with a contingent deferred sales charge which declines from 5% to zero depending on the period of time the shares are held. Both classes of shares have equal rights as to earnings, assets and voting privileges except that each class bears different distribution expenses and has exclusive voting rights with respect to its distribution plan.

There are 2 billion shares of common stock, $.01 par value per share, divided into two classes, designated Class A

and B common stock, each of which consists of one billion authorized shares.

Transactions in shares of common stock were as follows:

Class A	Shares	Amount
Year ended February 28, 1994:		
Shares sold....................	2,311,175	$ 21,702,798
Shares issued in reinvestment of dividends and distributions................	284,558	2,664,856
Shares reacquired.............	(3,453,736)	(32,339,525)
Net decrease in shares outstanding..................	(858,003)	$ (7,971,871)
Year ended February 28, 1993:		
Shares sold....................	6,211,527	$ 57,328,040
Shares issued in reinvestment of dividends and distributions................	307,151	2,831,942
Shares reacquired.............	(3,618,973)	(33,157,621)
Net increase in shares outstanding..................	2,899,705	$ 27,002,361

Class B	Shares	Amount
Year ended February 28, 1994:		
Shares sold....................	23,072,579	$ 216,976,917
Shares issued in reinvestment of dividends and distributions................	8,684,229	81,323,395
Shares reacquired.............	(75,476,876)	(708,169,745)
Net decrease in shares outstanding..................	(43,720,068)	$(409,869,433)
Year ended February 28, 1993:		
Shares sold....................	41,708,714	$ 385,325,643
Shares issued in reinvestment of dividends and distributions................	11,918,614	109,827,131
Shares reacquired.............	(65,674,072)	(605,386,453)
Net decrease in shares outstanding..................	(12,046,744)	$(110,233,679)

PRUDENTIAL GOVERNMENT PLUS FUND
Financial Highlights

Class A		Class B
	January 22,	

	Years Ended February 28/29, 1994	1993	1992	1991	1990@ Through February 28, 1990	Years Ended February 28/29, 1994	1993	1992	1991	1990
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
PER SHARE OPERATING PERFORMANCE:										
Net asset value, beginning of period...	$ 9.40	$ 9.17	$ 9.02	$ 9.00	$ 9.17	$ 9.40	$ 9.17	$ 9.02	$ 9.00	$ 9.09
Income from investment operations										
Net investment income...	0.61	0.66	0.68	0.69	0.06	0.53	0.58	0.60	0.62	0.68
Net realized and unrealized gain (loss) on investment transactions...	(0.25)	0.35	0.37	0.26	(0.11)	(0.25)	0.35	0.37	0.26	0.15
Total from investment operations...	0.36	1.01	1.05	0.95	(0.05)	0.28	0.93	0.97	0.88	0.83
Less distributions										
Dividends from net investment income...	(0.61)	(0.66)	(0.68)	(0.69)	(0.06)	(0.53)	(0.58)	(0.60)	(0.62)	(0.68)
Distributions in excess of accumulated gains...	(0.02)	--	--	--	--	(0.02)	--	--	--	--
Distributions from paid-in capital in excess of par.....	--	(0.12)	(0.22)	(0.24)	(0.06)	--	(0.12)	(0.22)	(0.24)	(0.24)
Total distributions...	(0.63)	(0.78)	(0.90)	(0.93)	(0.12)	(0.55)	(0.70)	(0.82)	(0.86)	(0.92)
Net asset value, end of period...	$ 9.13	$ 9.40	$ 9.17	$ 9.02	$ 9.00	$ 9.13	$ 9.40	$ 9.17	$ 9.02	$ 9.00
TOTAL RETURN#:...	3.90%	11.55%	12.18%	11.21%	(0.54)%	3.03%	10.61%	11.27%	10.35%	10.49%
RATIOS/SUPPLEMENTAL DATA:										
Net assets, end of period (000)...	$51,673	$61,297	$33,181	$28,971	$1,961	$2,202,555	$2,680,259	$2,724,428	$3,127,587	$3,760,003
Average net assets (000)...	$55,921	$46,812	$29,534	$23,428	$ 501	$2,487,990	$2,670,924	$2,903,704	$3,432,948	$3,814,455
Ratios to average net assets:										
Expenses, including distribution										

fees...	0.84%	0.84%	0.86%	0.85%	0.92%*	1.68%	1.69%	1.71%	1.67%	1.49%
Expenses, excluding distribution fees...	0.69%	0.69%	0.71%	0.70%	0.76%*	0.69%	0.69%	0.71%	0.70%	0.64%
Net investment income...	6.48%	7.17%	7.51%	7.76%	9.11%*	5.64%	6.32%	6.66%	6.94%	7.46%
Portfolio turnover rate....	80%	36%	187%	213%	329%	80%	36%	187%	213%	329%

<FN>
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@ Commencement of offering of Class A shares.
* Annualized.
# Total return does not consider the effects of sales loads. Total return is calculated assuming a purchase of shares on the first day and a sale on the last day of each period reported and includes reinvestment of dividends and distributions. Total returns for periods of less than a full year are not annualized.

</TABLE>

See Notes to Financial Statements.

INDEPENDENT AUDITORS' REPORT

The Shareholders and Board of Directors
Prudential Government Plus Fund

We have audited the accompanying statement of assets and liabilities of Prudential Government Plus Fund, including the portfolio of investments, as of February 28, 1994, the related statements of operations for the year then ended and of changes in net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of the securities owned as of February 28, 1994 by correspondence with the custodian and brokers; where replies were not received from brokers, we performed other auditing procedures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements and financial highlights present fairly, in all material respects, the financial position of Prudential Government Plus Fund as of February 28, 1994, the results of its operations, the changes in its net assets and the financial highlights for the respective stated periods in conformity with generally accepted accounting principles.

Deloitte & Touche
New York, New York
April 14, 1994

PART C

OTHER INFORMATION

ITEM 24. FINANCIAL STATEMENTS AND EXHIBITS.

(A) FINANCIAL STATEMENTS:

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

Financial Highlights.

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

Portfolio of Investments at February 28, 1994.

Statement of Assets and Liabilities at February 28, 1994.

Statement of Operations for the year ended February 28, 1994.

Statement of Changes in Net Assets for the years ended February 29, 1993 and February 28, 1994.

Notes to Financial Statements. (Part B)

Financial Highlights with respect to the five-year period ended February 28, 1994.

Independent Auditors' Report.

(B) EXHIBITS:

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1.	(a) Articles of Incorporation of Registrant, incorporated by reference to Exhibit No. 1(a) to Registration Statement on Form N-1 (File No. 2-82976).
	(b) Articles of Amendment filed January 3, 1985 with the State Department of Assessments and Taxation of Maryland, incorporated by reference to Exhibit No. 1(b) to Post-Effective Amendment No. 2 to Registration Statement on Form N-1A (File No. 2-82976).
	(c) Amendment to Articles of Incorporation of Registrant filed March 7, 1986 with the State Department of Assessments and Taxation of Maryland, incorporated by reference to Exhibit No. 1(c) to Post-Effective Amendment No. 4 to Registration Statement on Form N-1A (File No. 2-82976).
	(d) Amendments to Articles of Incorporation of the Registrant filed on January 17, 1990, incorporated by reference to Exhibit 1(d) to Post-Effective Amendment No. 10 to Registration Statement on Form N-1A (File No. 2-82976).
	(e) Form of Amended and Restated Articles of Incorporation, incorporated by reference to Exhibit 1(e) to Post-Effective Amendment No. 15 to Registration Statement on Form N-1A (File No. 2-82976) filed via EDGAR.
2.	Amended and Restated By-laws of the Registrant, incorporated by reference to Exhibit 2 to Post-Effective Amendment No. 15 to Registration Statement on Form N-1A (File No. 2-82976) filed via EDGAR.
3.	Not applicable.
4.	Instruments defining rights of holders of securities being offered, incorporated by reference to Exhibit 4 to Post-Effective Amendment No. 15 to Registration Statement on Form N-1A (File No. 2-82976) filed via EDGAR.

</TABLE>

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5.	(a) Management Agreement between the Registrant and Prudential Mutual Fund Management, Inc, incorporated by reference to Exhibit No. 5(b) to Post-Effective Amendment No. 6 to Registration Statement on Form N-1A (File No. 2-82976).
	(b) Subadvisory Agreement between Prudential Mutual Fund Management, Inc. and The Prudential Investment Corporation, incorporated by reference to Exhibit No. 5(b) to Post-Effective Amendment No. 6 to Registration Statement on Form N-1A (File No. 2-82976).
6.	(a)(i) Distribution Agreement with respect to Class A shares between the Registrant and Prudential Mutual Fund Distributors Inc, dated July 1, 1993, incorporated by reference to Exhibit 6(a)(i) to Post-Effective Amendment No. 15 to Registration Statement on Form N-1A (File No. 2-82976) filed via EDGAR. (ii) Form of Distribution and Service Agreement for Class A shares, incorporated by reference to Exhibit 6(a)(ii) to Post-Effective Amendment No. 15 to Registration Statement on Form N-1A (File No. 2-82976) filed via EDGAR. (b)(i) Distribution Agreement with respect to Class B shares between the Registrant and Prudential Securities Inc, dated July 1, 1993, incorporated by reference to Exhibit 6(b)(i) to Post-Effective Amendment No. 15 to Registration Statement on Form N-1A (File No.

2-82976) filed via EDGAR.
(ii) Form of Distribution and Service Agreement for Class B shares, incorporated by reference to Exhibit 6(b)(ii) to Post-Effective Amendment No. 15 to Registration Statement on Form N-1A (File No. 2-82976) filed via EDGAR.
(c) Form of Distribution and Service Agreement for Class C shares, incorporated by reference to Exhibit 6(c) to Post-Effective Amendment No. 15 to Registration Statement on Form N-1A (File No. 2-82976) filed via EDGAR.
(d) Dealer Agreement between Prudential-Bache Securities Inc. and dealer or dealers to be determined, incorporated by reference to Exhibit No. 6(b) to Post-Effective Amendment No. 2 to Registration Statement on Form N-1A (File No. 2-82976).

7. Not Applicable.

8. (a) Custodian Agreement between the Registrant and State Street Bank and Trust Company, incorporated by reference to Exhibit No. 8(a) to Post-Effective Amendment No. 2 to Registration Statement on Form N-1A (File No. 2-82976).

(b) Special Custody Agreement among the Registrant, State Street Bank and Trust Company, and Goldman, Sachs & Co., incorporated by reference to Exhibit No. 8(b) to Post-Effective Amendment No. 2 to Registration Statement on Form N-1A (File No. 2-82976).

(c) Customer Agreement between the Registrant and Goldman, Sachs & Co., incorporated by reference to Exhibit No. 8(c) to Post-Effective Amendment No. 2 to the Registration Statement on Form N-1A (File No. 2-82976).

(d) Revised Custodian Agreement between the Registrant and State Street Bank and Trust Company, incorporated by reference to Exhibit No. 8(d) to Post-Effective Amendment No. 11 to Registration Statement on Form N-1A (File No. 2-82976).

9. Transfer Agency Agreement between the Registrant and Prudential Mutual Fund Services, Inc., incorporated by reference to Exhibit No. 9 to Post-Effective Amendment No. 6 to Registration Statement on Form N-1A (File No. 2-82976).

</TABLE>

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10. Opinion and Consent of Counsel, incorporated by reference to Exhibit 10 to Post-Effective Amendment No. 15 to Registration Statement on Form N-1A (File No. 2-82976) filed via EDGAR.

11. Consent of Independent Accountants.*

12. Not Applicable.

13. Purchase Agreement, incorporated by reference to Exhibit No. 13 to Post-Effective Amendment No. 2 to Registration Statement on Form N-1A (File No. 2-82976).

14. Not Applicable.

15. (a)(i) Amended and Restated Distribution and Service Plan for Class A shares dated July 1, 1993, incorporated by reference to Exhibit 15(a)(i) to Post-Effective Amendment No. 15 to Registration Statement on Form N-1A (File No. 2-82976) filed via EDGAR.
(ii) Form of Distribution and Service Plan for Class A shares, incorporated by reference to Exhibit 15(a)(ii) to Post-Effective Amendment No. 15 to Registration Statement on Form N-1A (File No. 2-82976) filed via EDGAR.
(b)(i) Amended and Restated Distribution and Service Plan for Class B shares dated July 1, 1993, incorporated by reference to Exhibit 15(b)(i) to Post-Effective Amendment No. 15 to Registration Statement on Form N-1A (File No. 2-82976) filed via EDGAR.
(ii) Form of Distribution and Service Plan for Class B shares, incorporated by reference to Exhibit 15(b)(ii) to Post-Effective Amendment No. 15 to Registration Statement on Form N-1A (File No. 2-82976) filed via EDGAR.
(c) Form of Distribution and Service Plan for Class C shares, incorporated by reference to Exhibit 15(c) to Post-Effective Amendment No. 15 to Registration Statement on Form N-1A (File No. 2-82976) filed via EDGAR.

16. (a) Schedule of computation of performance (Class A), incorporated by reference to Exhibit 16(a) of Post-Effective Amendment No. 10 to the Registration Statement on Form N-1A (File No. 2-82976).

(b) Schedule of computation of performance (Class B), incorporated by reference to Exhibit 16(a) of Post-Effective Amendment No. 10 to the Registration Statement on Form N-1A (File No. 2-82976).

</TABLE>

Other Exhibits

Power of Attorney for:

Lawrence C. McQuade**
Edward D. Beach**
Delayne D. Gold**
Harry A. Jacobs, Jr.**
Thomas T. Mooney**
Thomas H. O'Brien**
Thomas A. Owens, Jr.**
Stanley E. Shirk**

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*Filed herewith.
**Incorporated by reference to Post-Effective Amendment No. 7 to Registration Statement on Form N-1A (File No. 2-82976).

ITEM 25. PERSONS CONTROLLED BY OR UNDER COMMON CONTROL WITH REGISTRANT.

None.

ITEM 26. NUMBER OF HOLDERS OF SECURITIES.

As of June 17, 1994 there were 9,227 and 137,652 record holders of Class A and Class B shares of common stock, respectively, $.01 par value per share, of the Registrant.

ITEM 27. INDEMNIFICATION.

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

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

The Registrant intends to purchase an insurance policy insuring its officers and directors against liabilities, and certain costs of defending claims against such officers and directors, to the extent such officers and directors are not found to have committed conduct constituting willful misfeasance, bad faith, gross negligence or reckless disregard in the performance of their duties. The insurance policy also insures the Registrant against the cost of indemnification payments to officers and directors under certain circumstances.

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

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

ITEM 28. BUSINESS AND OTHER CONNECTIONS OF INVESTMENT ADVISER.

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

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

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

NAME AND ADDRESS	POSITION WITH PMF	PRINCIPAL OCCUPATIONS
Brendan D. Boyle	Executive Vice President, Director of Marketing	Executive Vice President, PMF; Senior Vice President, Prudential Securities Incorporated (Prudential Securities)
John D. Brookmeyer, Jr. Two Gateway Center Newark, NJ 07102	Director	Senior Vice President, The Prudential Insurance Company of America (Prudential)
Susan C. Cote	Senior Vice President	Senior Vice President, PMF; Senior Vice President, Prudential Securities
Fred A. Fiandaca Raritan Plaza One Edison, NJ 08847	Executive Vice President, Chief Operating Officer and Director	Executive Vice President, Chief Operating Officer and Director, PMF; Chief Executive Officer and Director, Prudential Mutual Fund Services, Inc.
Stephen P. Fisher	Senior Vice President	Senior Vice President, PMF; Senior Vice President, Prudential Securities
Frank W. Giordano	Executive Vice President, General Counsel and Secretary	Executive Vice President, General Counsel and Secretary, PMF; Senior Vice President, Prudential Securities
Robert F. Gunia	Executive Vice President, Chief Financial and Administrative Officer, Treasurer and Director	Executive Vice President, Chief Financial and Administrative Officer, Treasurer and Director, PMF; Senior Vice President, Prudential Securities
Eugene B. Heimberg Prudential Plaza Newark, NJ 07101	Director	Senior Vice President, Prudential; President, Director and Chief Investment Officer, PIC
Lawrence C. McQuade	Vice Chairman	Vice Chairman, PMF
Leland B. Paton	Director	Executive Vice President, Director and Member of the Operating Committee, Prudential Securities; Director, Prudential Securities Group, Inc. (PSG)

NAME AND ADDRESS	POSITION WITH PMF	PRINCIPAL OCCUPATIONS
Richard A. Redeker	President, Chief Executive Officer and Director	President, Chief Executive Officer and Director, PMF; Executive Vice President, Director and Member of Operating Committee, Prudential Securities; Director, PSG
S. Jane Rose	Senior Vice President, Senior Counsel and Assistant Secretary	Senior Vice President, Senior Counsel and Assistant Secretary, PMF; Senior Vice President and Senior Counsel, Prudential Securities
Donald G. Southwell 213 Washington Street Newark, NJ 07102	Director	Senior Vice President, Prudential; Director, PSG

(b) Prudential Investment Corporation (PIC)

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

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

<TABLE>
<CAPTION>

NAME AND ADDRESS	POSITION WITH PIC	PRINCIPAL OCCUPATIONS
<S>	<C>	<C>
Martin A. Berkowitz	Senior Vice President Chief Financial Officer and Chief Compliance Officer	Senior Vice President, Chief Financial Officer and Chief Compliance Officer, PIC; Vice President, Prudential
William M. Bethke Two Gateway Center Newark, NJ 07102	Senior Vice President	Senior Vice President, Prudential; Senior Vice President, PIC
John D. Brookmeyer, Jr. Two Gateway Center Newark, NJ 07102	Senior Vice President	Senior Vice President, Prudential; Senior Vice President, PIC
Eugene B. Heimberg	President, Director and Chief Investment Officer	Senior Vice President, Prudential; President, Director and Chief Investment Officer, PIC
Garnett L. Keith, Jr.	Director	Vice Chairman and Director, Prudential; Director, PIC
William P. Link Four Gateway Center Newark, NJ 07102	Senior Vice President	Executive Vice President, Prudential; Senior Vice President, PIC
James W. Stevens Four Gateway Center Newark, NJ 07102	Executive Vice President	Executive Vice President, Prudential; Director, PSG
Robert C. Winters	Director	Chairman of the Board and Chief Executive Officer, Prudential; Director, PIC; Chairman of the Board and Director, PSG
Claude J. Zinngrabe, Jr.	Executive Vice President	Executive Vice President, PIC; Vice President, Prudential

</TABLE>

ITEM 29. PRINCIPAL UNDERWRITERS.

Prudential Securities is distributor for Prudential Government Securities Trust (Intermediate Term Series) The Target Portfolio Trust, for Class D shares of Prudential Municipal Series Fund (Florida Series) and for Class B shares of Prudential Adjustable Rate Securities Fund, Inc., The BlackRock Government Income Trust, Prudential California Municipal Fund (California Income Series and California Series), Prudential Equity Fund, Inc., Prudential Equity Income Fund, Prudential FlexiFund, Prudential Global Fund, Inc., Prudential-Bache Global Genesis Fund, Inc. (d/b/a Prudential Global Genesis Fund), Prudential-Bache Global Natural Resources Fund, Inc. (d/b/a Prudential Global Natural Resources Fund),Prudential-Bache GNMA Fund, Inc. (d/b/a Prudential GNMA Fund), Prudential-Bache Government Plus Fund, Inc. (d/b/a Prudential Government Plus Fund), Prudential Growth Fund, Inc., Prudential-Bache Growth Opportunity Fund, Inc. (d/b/a Prudential Growth Opportunity Fund), Prudential-Bache High Yield Fund, Inc. (d/b/a Prudential High Yield Fund), Prudential IncomeVertible(R) Fund, Inc., Prudential Intermediate Global Income Fund, Inc., Prudential Multi-Sector Fund, Inc., Prudential Municipal Bond Fund, Prudential Municipal Series Fund (except Connecticut Money Market Series, Massachusetts Money Market Series, New York Money Market Series, New Jersey Money Market Series and Florida Series), Prudential-Bache National Municipals Fund, Inc. (d/b/a Prudential National Municipals Fund), Prudential Pacific Growth Fund, Inc., Prudential Short-Term Global Income Fund, Inc., Prudential-Bache Structured Maturity Fund (d/b/a Prudential Structured Maturity Fund), Prudential U.S. Government Fund, Prudential-Bache Utility Fund, Inc. (d/b/a Prudential Utility Fund), Global Utility Fund, Inc. and Nicholas-Applegate Fund, Inc. (Nicholas-Applegate Growth Equity Fund). Prudential Securities is also a depositor for the following unit investment trusts:

The Corporate Income Fund
Corporate Investment Trust Fund
Equity Income Fund
Government Securities Income Fund
International Bond Fund

Municipal Investment Trust
Prudential Equity Trust Shares
National Equity Trust
Prudential Unit Trusts
Government Securities Equity Trust
National Municipal Trust

(ii) Prudential Mutual Fund Distributors, Inc.

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

Series, Georgia Series, Maryland Series, Massachusetts Series, Michigan Series, Minnesota Series, New Jersey Series, North Carolina Series, Ohio Series and Pennsylvania Series), Prudential-Bache National Municipals Fund, Inc. (d/b/a Prudential National Municipals Fund), Prudential Pacific Growth Fund, Inc., Prudential Short-Term Global Income Fund, Inc., Prudential-Bache Structured Maturity Fund (d/b/a Prudential Structured Maturity Fund), Prudential U.S. Government Fund and Prudential-Bache Utility Fund, Inc. (d/b/a Prudential Utility Fund), Global Utility Fund, Inc., and Nicholas-Applegate Fund, Inc. (Nicholas-Applegate Growth Equity Fund).

(b)(i) Information concerning the directors and officers of Prudential Securities Incorporated is set forth below.

NAME(1)	POSITIONS AND OFFICES WITH UNDERWRITER	POSITIONS AND OFFICES WITH REGISTRANT
Alan D. Hogan......................	Executive Vice President, Chief Administrative Officer and Director	None
Howard A. Knight...................	Executive Vice President, Director, Corporate Strategy and New Business Development	None
George A. Murray...................	Executive Vice President and Director	None
John P. Murray.....................	Executive Vice President and Director of Risk Management	None
Leland B. Paton....................	Executive Vice President and Director	None
Richard A. Redeker.................	Director	Director
Hardwick Simmons...................	Chief Executive Officer, President and Director	None
Lee B. Spencer, Jr.................	General Counsel, Executive Vice President and Director	None

(ii) Prudential Mutual Fund Distributors, Inc.

Joanne Accurso-Soto................	Vice President	None
Dennis Annarumma...................	Vice President, Assistant Treasurer and Assistant Comptroller	None
Phyllis J. Berman..................	Vice President	None
Fred A. Fiandaca .... Raritan Plaza One Edison, NJ 08847	President, Chief Executive Officer and Director	None

Stephen P. Fisher..................	Vice President	None
Frank W. Giordano..................	Executive Vice President, General Counsel, Secretary and Director	None
Robert F. Gunia....................	Executive Vice President, Director, Treasurer and Comptroller	Vice President
Andrew J. Varley...................	Vice President	None
Anita L. Whelan....................	Vice President and Assistant Secretary	None

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

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

ITEM 30. LOCATION OF ACCOUNTS AND RECORDS.

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

Edison, New Jersey. Documents required by Rules 31a-1(b)(5), (6), (7), (9), (10) and (11) and 31a-1(f) will be kept at 751 Broad Street, documents required by Rules 31a-1(b)(4) and (11) and 31a-1(d) at One Seaport Plaza and the remaining accounts, books and other documents required by such other pertinent provisions of Section 31(a) and the Rules promulgated thereunder will be kept by State Street Bank and Trust Company and Prudential Mutual Fund Services, Inc.

ITEM 31. MANAGEMENT SERVICES.

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

ITEM 32. UNDERTAKINGS.

Registrant makes the following undertaking:

(a) To furnish each person to whom a prospectus is delivered with a copy of the Fund's latest annual report upon request and without charge.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933 and the Investment Company Act of 1940, the Registrant certifies that it has duly caused this Post-Effective Amendment to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, and State of New York, on the 8th day of July, 1994.

PRUDENTIAL-BACHE GOVERNMENT PLUS FUND, INC.
(DOING BUSINESS AS PRUDENTIAL GOVERNMENT PLUS FUND)

/s/ Lawrence C. McQuade

(LAWRENCE C. MCQUADE, PRESIDENT)

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

<TABLE>
<CAPTION>

SIGNATURE	TITLE	DATE
<S>	<C>	<C>
/s/ Lawrence C. McQuade LAWRENCE C. MCQUADE	President and Director	July 8, 1994
/s/ Edward D. Beach EDWARD D. BEACH	Director	July 8, 1994

/s/ Delayne D. Gold - ------------------------------------ DELAYNE D. GOLD	Director	July 8, 1994
/s/ Harry A. Jacobs, Jr. - ------------------------------------ HARRY A. JACOBS, JR.	Director	July 8, 1994
/s/ Thomas T. Mooney - ------------------------------------ THOMAS T. MOONEY	Director	July 8, 1994
/s/ Thomas H. O'Brien - ------------------------------------ THOMAS H. O'BRIEN	Director	July 8, 1994
/s/ Thomas A. Owens, Jr. - ------------------------------------ THOMAS A. OWENS, JR.	Director	July 8, 1994
/s/ Richard A. Redeker - ------------------------------------ RICHARD A. REDEKER	Director	July 8, 1994
/s/ Stanley E. Shirk - ------------------------------------ STANLEY E. SHIRK	Director	July 8, 1994
/s/ Susan C. Cote - ------------------------------------ SUSAN C. COTE	Principal Financial and Accounting Officer	July 8, 1994

</TABLE>

EXHIBIT INDEX

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<S>	<C>
1.	(a) Articles of Incorporation of Registrant, incorporated by reference to Exhibit No. 1(a) to Registration Statement on Form N-1 (File No. 2-82976). (b) Articles of Amendment filed January 3, 1985 with the State Department of Assessments and Taxation of Maryland, incorporated by reference to Exhibit No. 1(b) to Post-Effective Amendment No. 2 to Registration Statement on Form N-1A (File No. 2-82976). (c) Amendment to Articles of Incorporation of Registrant filed March 7, 1986 with the State Department of Assessments and Taxation of Maryland, incorporated by reference to Exhibit No. 1(c) to Post-Effective Amendment No. 4 to Registration Statement on Form N-1A (File No. 2-82976). (d) Amendments to Articles of Incorporation of the Registrant filed on January 17, 1990, incorporated by reference to Exhibit 1(d) to Post-Effective Amendment No. 10 to Registration Statement on Form N-1A (File No. 2-82976). (e) Form of Amended and Restated Articles of Incorporation, incorporated by reference to Exhibit 1(e) to Post-Effective Amendment No. 15 to Registration Statement on Form N-1A (File No. 2-82976) filed via EDGAR.
2.	Amended and Restated By-laws of the Registrant, incorporated by reference to Exhibit 2 to Post-Effective Amendment No. 15 to Registration Statement on Form N-1A (File No. 2-82976) filed via EDGAR.
3.	Not applicable.
4.	Instruments defining rights of holders of securities being offered, incorporated by reference to Exhibit 4 to Post-Effective Amendment No. 15 to Registration Statement on Form N-1A (File No. 2-82976) filed via EDGAR.
5.	(a) Management Agreement between the Registrant and Prudential Mutual Fund Management, Inc, incorporated by reference to Exhibit No. 5(b) to Post-Effective Amendment No. 6 to Registration Statement on Form N-1A (File No. 2-82976). (b) Subadvisory Agreement between Prudential Mutual Fund Management, Inc. and The Prudential Investment Corporation, incorporated by reference to Exhibit No. 5(b) to Post-Effective Amendment No. 6 to Registration Statement on Form N-1A (File No. 2-82976).
6.	(a)(i) Distribution Agreement with respect to Class A shares between

the Registrant and Prudential Mutual Fund Distributors Inc, dated July 1, 1993, incorporated by reference to Exhibit 6(a)(i) to Post-Effective Amendment No. 15 to Registration Statement on Form N-1A (File No. 2-82976) filed via EDGAR.
(ii) Form of Distribution and Service Agreement for Class A shares, incorporated by reference to Exhibit 6(a)(ii) to Post-Effective Amendment No. 15 to Registration Statement on Form N-1A (File No. 2-82976) filed via EDGAR.
(b)(i) Distribution Agreement with respect to Class B shares between the Registrant and Prudential Securities Inc, dated July 1, 1993, incorporated by reference to Exhibit 6(b)(i) to Post-Effective Amendment No. 15 to Registration Statement on Form N-1A (File No. 2-82976) filed via EDGAR.
(ii) Form of Distribution and Service Agreement for Class B shares, incorporated by reference to Exhibit 6(b)(ii) to Post-Effective Amendment No. 15 to Registration Statement on Form N-1A (File No. 2-82976) filed via EDGAR.
(c) Form of Distribution and Service Agreement for Class C shares, incorporated by reference to Exhibit 6(c) to Post-Effective Amendment No. 15 to Registration Statement on Form N-1A (File No. 2-82976) filed via EDGAR.
(d) Dealer Agreement between Prudential-Bache Securities Inc. and dealer or dealers to be determined, incorporated by reference to Exhibit No. 6(b) to Post-Effective Amendment No. 2 to Registration Statement on Form N-1A (File No. 2-82976).

7. Not Applicable.

8. (a) Custodian Agreement between the Registrant and State Street Bank and Trust Company, incorporated by reference to Exhibit No. 8(a) to Post-Effective Amendment No. 2 to Registration Statement on Form N-1A (File No. 2-82976).

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(b) Special Custody Agreement among the Registrant, State Street Bank and Trust Company, and Goldman, Sachs & Co., incorporated by reference to Exhibit No. 8(b) to Post-Effective Amendment No. 2 to Registration Statement on Form N-1A (File No. 2-82976).

(c) Customer Agreement between the Registrant and Goldman, Sachs & Co., incorporated by reference to Exhibit No. 8(c) to Post-Effective Amendment No. 2 to the Registration Statement on Form N-1A (File No. 2-82976).

(d) Revised Custodian Agreement between the Registrant and State Street Bank and Trust Company, incorporated by reference to Exhibit No. 8(d) to Post-Effective Amendment No. 11 to Registration Statement on Form N-1A (File No. 2-82976).

9. Transfer Agency Agreement between the Registrant and Prudential Mutual Fund Services, Inc., incorporated by reference to Exhibit No. 9 to Post-Effective Amendment No. 6 to Registration Statement on Form N-1A (File No. 2-82976).

10. Opinion and Consent of Counsel, incorporated by reference to Exhibit 10 to Post-Effective Amendment No. 15 to Registration Statement on Form N-1A (File No. 2-82976) filed via EDGAR.
11. Consent of Independent Accountants.*

12. Not Applicable.

13. Purchase Agreement, incorporated by reference to Exhibit No. 13 to Post-Effective Amendment No. 2 to Registration Statement on Form N-1A (File No. 2-82976).

14. Not Applicable.

15. (a)(i) Amended and Restated Distribution and Service Plan for Class A shares dated July 1, 1993, incorporated by reference to Exhibit 15(a)(i) to Post-Effective Amendment No. 15 to Registration Statement on Form N-1A (File No. 2-82976) filed via EDGAR.
(ii) Form of Distribution and Service Plan for Class A shares, incorporated by reference to Exhibit 15(a)(ii) to Post-Effective Amendment No. 15 to Registration Statement on Form N-1A (File No. 2-82976) filed via EDGAR.
(b)(i) Amended and Restated Distribution and Service Plan for Class B shares dated July 1, 1993, incorporated by reference to Exhibit 15(b)(i) to Post-Effective Amendment No. 15 to Registration Statement on Form N-1A (File No. 2-82976) filed via EDGAR.
(ii) Form of Distribution and Service Plan for Class B shares, incorporated by reference to Exhibit 15(b)(ii) to Post-Effective

Amendment No. 15 to Registration Statement on Form N-1A (File No. 2-82976) filed via EDGAR.

(c) Form of Distribution and Service Plan for Class C shares, incorporated by reference to Exhibit 15(c) to Post-Effective Amendment No. 15 to Registration Statement on Form N-1A (File No. 2-82976) filed via EDGAR.

16. (a) Schedule of computation of performance (Class A), incorporated by reference to Exhibit 16(a) of Post-Effective Amendment No. 10 to the Registration Statement on Form N-1A (File No. 2-82976).

(b) Schedule of computation of performance (Class B), incorporated by reference to Exhibit 16(a) of Post-Effective Amendment No. 10 to the Registration Statement on Form N-1A (File No. 2-82976).

</TABLE>

Other Exhibits

Power of Attorney for:

Lawrence C. McQuade**
Edward D. Beach**
Delayne D. Gold**
Harry A. Jacobs, Jr.**
Thomas T. Mooney**
Thomas H. O'Brien**
Thomas A. Owens, Jr.**
Stanley E. Shirk**

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*Filed herewith.

**Incorporated by reference to Post-Effective Amendment No. 7 to Registration Statement on Form N-1A (File No. 2-82976).

EXHIBIT 11

CONSENT OF INDEPENDENT AUDITORS

We consent to the use in Post-Effective Amendment No. 17 to Registration Statement No. 2-82976 of Prudential-Bache Government Plus Fund, Inc. of our report dated April 14, 1994, appearing in the Statement of Additional Information, which is a part of such Registration Statement, and to the references to us under the headings "Financial Highlights" in the Prospectus, which is a part of such Registration Statement, and "Custodian, Transfer and Dividend Disbursing Agent and Independent Accountants" in the Statement of Additional Information.

Deloitte & Touche
New York, New York
July 6, 1994