We no longer offer certain of our variable annuity products and are not required to update the annuity prospectuses for such products. We maintain on this site, for your reference, the most recent annuity prospectuses for these products. These annuity prospectuses are not an offer, or a solicitation of an offer, to sell the annuity contracts described therein. Investors in these annuity products continue to receive certain updated information annually (e.g., fund annual and semi-annual reports and fund prospectuses).

For more information about your annuity, please reference your quarterly statements, call the Annuity Service Center at 888-778-2888 or contact your Financial Professional.

"This notice is not part of the accompanying prospectus"

Note: The portfolio prospectus(es) for this product can be found in the subaccount section of the prospectus page.

Prudential

VARIABLE INVESTMENT PLAN®

This prospectus describes an individual variable annuity contract offered by The Prudential Insurance Company of America and the Prudential Individual Variable Contract Account (Prudential, We or Us).

The Variable Investment Plan offers a wide variety of investment choices, including a fixed interest rate option, a real estate variable investment option and variable investment options that invest in the following underlying mutual fund portfolios managed by Prudential Investments LLC, an indirect wholly-owned subsidiary of Prudential Financial, Inc., under a manager-of-managers approach:

Conservative Balanced Portfolio
Diversified Bond Portfolio
Equity Portfolio
Flexible Managed Portfolio
Global Portfolio
Government Income Portfolio
High Yield Bond Portfolio
Jennison Portfolio
Money Market Portfolio
Natural Resources Portfolio
Prudential Value Portfolio
Small Capitalization Stock Portfolio
Stock Index Portfolio

ORD97111

May 2, 2005

Please read this prospectus before purchasing a Variable Investment Plan contract, and keep it for future reference.

Prudential offers several different annuities which your representative may be authorized to offer to you. Each annuity has different features and benefits that may be appropriate for you based on your financial situation, your age and how you intend to use the annuity. The different features and benefits include variations in death benefit protection and the ability to access your annuity's contract value. The fees and charges under the annuity contract and the compensation paid to your representative may also be different among each annuity. If you are purchasing the contract as a replacement for existing variable annuity or variable life coverage, you should consider, among other things, any surrender or penalty charges you may incur when replacing your existing coverage.

The current prospectuses for the underlying mutual funds and the real estate investment option contain important information about the investment options. When you invest in a variable investment option that is funded by a mutual fund or real estate investment option, you should read the prospectus and keep it for future reference.

To learn more about the Variable Investment Plan, you can request a copy of the Statement of Additional Information (SAI) dated May 2, 2005. The SAI has been filed with the Securities and Exchange Commission (SEC) and is legally a part of this prospectus. Prudential also files other reports with the SEC. All of these filings can be reviewed and copied at the SEC's offices, and can be obtained from the SEC's Public Reference Room, 450 5th Street N.W., Washington, D.C. 20549-0102. (See SEC file number 2-80897.) You may obtain information on the operation of the Public Reference Room by calling the SEC at (202) 942-8090. The SEC also maintains a Web site (http://www.sec.gov) that contains the Variable Investment Plan SAI, material incorporated by reference, and other information regarding registrants that file electronically with the SEC. The Table of Contents of the SAI is set forth in Section 9 of this prospectus. For a free copy of the SAI, call us at (888) PRU-2888 or write to us at Prudential Annuity Service Center, P.O. Box 7960, Philadelphia, PA 19176.

The Variable Investment Plan contract provides a bonus credit for purchase payments made during the first three contract years. Certain charges under the Variable Investment Plan are higher than those under variable annuities that do not offer a bonus. If you withdraw a purchase payment within eight contract anniversaries after you made the payment, you will forfeit the associated bonus, but you will have been subject to those higher charges.

The SEC has not determined that this contract is a good investment, nor has the SEC determined that this prospectus is complete or accurate. It is a criminal offense to state otherwise.

Investment in a variable annuity is subject to risk, including the possible loss of your money. An investment in the Variable Investment Plan is not a bank deposit and is not insured by the Federal Deposit Insurance Corporation or any other government agency.

Variable Investment Plan is a registered mark of Prudential.

Prudential Variable Investment Plan
Prudential Qualified Variable Investment Plan

Supplement Dated December 5, 2005
To
Prospectuses Dated May 2, 2005

We are issuing this supplement to describe changes made with respect to certain portfolios of The Prudential Series Fund, Inc. (Series Fund). The Board of Directors of the Series Fund has approved the following sub-adviser changes to be effective as of December 5, 2005:

The Prudential Series Fund, Inc. – Sub-adviser Changes

- Prudential Equity Portfolio. GE Asset Management, Incorporated has been removed as sub-adviser to a portion of the portfolio. Salomon Brothers Asset Management, Inc. (an existing co-subadviser to the Portfolio) has assumed responsibility for the assets previously managed by GE Asset Management, Incorporated. Jennison Associates LLC will continue to manage a portion of the portfolio.
- Prudential Global Portfolio. LSV Asset Management, Marsico Capital Management, LLC, T. Rowe Price Associates, Inc. and William Blair & Company, LLC have replaced Jennison Associates LLC as sub-advisers to the portfolio. Each new sub-adviser is responsible for managing a portion of the portfolio.

At the end of 2005, the Prudential Series Fund, Inc. will convert from a Maryland corporation to a Delaware statutory trust. The Fund is making that conversion for tax-related reasons. As a Delaware statutory trust, the Prudential Series Fund will drop "Inc." from its name. We amend the references in each prospectus to the Prudential Series Fund's name accordingly.

This supplement should be read and retained with the current prospectus for your annuity contract. If you would like another copy of a current prospectus or a statement of additional information, please contact us at (888) PRU-2888. This supplement is intended to update information in the May 2, 2005 prospectus for the variable annuity you own, and is not intended to be a prospectus or offer for any other variable annuity referenced here that you do not own.

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Variable Investment Plan Variable Annuity

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GLOSSARY

We have tried to make this prospectus as easy to read and understand as possible. By the nature of the contract, however, certain technical words or terms are unavoidable. We have identified the following as some of these words or terms.

Accumulation Phase. The period that begins with the contract date (which we define below) and ends when you start receiving income payments, or earlier if the contract is terminated through a full withdrawal or payment of a death benefit.

Annuitant. The person whose life determines how long the contract lasts and the amount of income payments that we will pay. If the annuitant dies before the annuity date, the co-annuitant (if any) becomes the annuitant if the contract's requirements for changing the annuity date are met. If, upon the death of the annuitant, there is no surviving *eligible* co-annuitant, and the owner is not the annuitant, the owner becomes the annuitant.

Annuity Date. The date when income payments are scheduled to begin. You must have our permission to change the annuity date. If the co-annuitant becomes the annuitant due to the death of the annuitant, and the co-annuitant is older than the annuitant, then the annuity date will be based on the age of the co-annuitant, provided that the contract's requirements for changing the annuity date are met (e.g., the co-annuitant cannot be older than a specified age). If the co-annuitant is younger than the annuitant, then the annuity date will remain unchanged.

Beneficiary. The person(s) or entity you have chosen to receive a death benefit.

Bonus. The additional 1% of your purchase payments that we add to the value of your contract. This amount is based on the purchase payments you make during the first three years you own the contract. This bonus payment is discretionary in later years. Payment of the bonus amount may be limited to $1,000 each contract year. This amount is referred to in your contract as an "additional amount."

Business Day. A day on which the New York Stock Exchange is open for business. Our business day generally ends at 4:00 p.m. Eastern time.

Cash Value. This is the total value of your contract minus any applicable charges or fees.

Co-Annuitant. The person shown on the contract data pages who becomes the annuitant (if eligible) upon the death of the annuitant if the contract's requirements for changing the annuity date are met. No co-annuitant may be designated if the owner is a non-natural person.

Contract Date. The date we accept your initial purchase payment and all necessary paperwork in good order at the Prudential Annuity Service Center. Contract anniversaries are measured from the contract date. A contract year begins on the contract date or on a contract anniversary.

Contract Owner, Owner, or You. The person entitled to the ownership rights under the contract.

Contract Value. This is the total value of your contract, equal to the sum of the values of your investment in each investment option you have chosen. Your contract value will go up or down based on the performance of the investment options you choose.

Death Benefit. If a death benefit is payable, the beneficiary you designate will receive, depending on the age of the annuitant at death, either the contract value or the total purchase payments, reduced proportionally by withdrawals.

Fixed Interest Rate Option. An investment option that offers a fixed rate of interest for a one year period.

Good Order. An instruction received at the Prudential Annuity Service Center, utilizing such forms, signatures and dating as we require, which is sufficiently clear that we do not need to exercise any discretion to follow such instructions.

Income Options. Options under the contract that define the frequency and duration of income payments. In your contract, we also refer to these as payout or annuity options.

Income Phase. The period during which you receive income payments under the contract.

Mutual Fund Investment Option. When you choose a mutual fund investment option, we purchase shares of the mutual fund portfolio associated with that option. We hold these shares in the Separate Account. The division of the Separate Account is referred to in your contract as a subaccount.

Prudential Annuity Service Center. For general correspondence: P.O. Box 7960, Philadelphia, PA 19176. For express overnight mail: 2101 Welsh Road, Dresher, PA 19025. The phone number is (888) PRU-2888. Prudential's Web site is www.prudential.com.

Purchase Payments. The amount of money you pay us to purchase the contract. Generally, you can make additional purchase payments at any time during the accumulation phase.

Real Property Account. One of your variable investment options. It is a separate account established by Prudential to invest, through a partnership, in income-producing real property.

Separate Account. Purchase payments allocated to the mutual fund investment options are held by us in a separate account called the Prudential Individual Variable Contract Account. The separate account is set apart from all of the general assets of Prudential.

Statement of Additional Information. A document containing certain additional information about the Variable Investment Plan variable annuity. We have filed the Statement of Additional Information with the Securities and Exchange Commission and it is legally a part of this prospectus. To learn how to obtain a copy of the Statement of Additional Information, see the front cover of this prospectus.

Tax Deferral. This is a way to increase your assets without currently being taxed. Generally, you do not pay taxes on your contract earnings until you take money out of your contract.

Variable Investment Options. The mutual fund investment options and the Real Property Account.

Variable Investment Plan Variable Annuity

SUMMARY

For a more complete discussion of the following topics, see the corresponding section in the prospectus.

1. WHAT IS THE VARIABLE INVESTMENT PLAN VARIABLE ANNUITY?

The Variable Investment Plan variable annuity is a contract between you, as the owner, and us, the insurance company (Prudential, we or us). The contract allows you to invest on a tax-deferred basis in variable investment options which are associated with portfolios of The Prudential Series Fund, Inc. (Series Fund). There is another variable investment option called the Variable Contract Real Property Account (Real Property Account) and there is also a fixed interest rate option. The contract is intended for retirement savings or other long-term investment purposes and provides for a death benefit and guaranteed income options.

The variable investment options available under the contract offer the opportunity for a favorable return. However, this is NOT guaranteed. It is possible, due to market changes, that your investments may decrease in value, including the Prudential Series Fund Money Market Portfolio variable investment option.

The fixed interest rate option offers a guaranteed interest rate. While your money is allocated to this option, your principal amount will not decrease and we guarantee that your money will earn at least a minimum interest rate annually.

You may make up to 4 free transfers each contract year among the investment options. Certain restrictions apply to transfers involving the fixed interest rate option and the Real Property Account.

The contract, like all deferred annuity contracts, has two phases: the accumulation phase and the income phase. During the accumulation phase, earnings grow on a tax-deferred basis and are taxed as income when you make a withdrawal. The income phase starts when you begin receiving regular payments from your contract.

The amount of money you are able to accumulate in your contract during the accumulation phase will help determine the amount you will receive during the income phase. Other factors will affect the amount of your payments such as age, gender, and the payout option you select.

We may amend the contract as permitted by law. For example, we may add new features to the contract. Subject to applicable law, we determine whether or not to make such contract amendments available to contracts that already have been issued.

Free Look. If you change your mind about owning the Variable Investment Plan contract, **you may cancel your contract within 10 days after receiving it** (or whatever time period is required by applicable law).

Other Contracts. This prospectus describes the Variable Investment Plan contract which is currently offered for sale. There are earlier versions of the contract that Prudential no longer offers. These earlier versions have certain different features that are referred to throughout this prospectus. Owners of previously offered contracts can find further information in the SAI.

2. WHAT INVESTMENT OPTIONS CAN I CHOOSE?

You can invest your money in any of the following variable investment options:

THE PRUDENTIAL SERIES FUND, INC.

The Prudential Series Fund, Inc. is a mutual fund made up of the following available portfolios. You may choose one or more of these portfolios as variable investment options.

Conservative Balanced Portfolio
Diversified Bond Portfolio
Equity Portfolio
Flexible Managed Portfolio
Global Portfolio
Government Income Portfolio
High Yield Bond Portfolio
Jennison Portfolio
Money Market Portfolio
Natural Resources Portfolio
Prudential Value Portfolio
Small Capitalization Stock Portfolio
Stock Index Portfolio

THE PRUDENTIAL VARIABLE CONTRACT REAL PROPERTY ACCOUNT

The Real Property Account is a separate account established by Prudential, which, through a partnership, invests primarily in income-producing real property.

Depending upon market conditions, you may earn or lose money in any of these investment options. The value of your contract will fluctuate depending upon the performance of the underlying mutual fund portfolios and the Real Property Account used by the variable investment options that you choose. Accumulation unit values for the subaccounts corresponding to the Series Fund appear at the end of this prospectus.

You may also invest your money in the fixed interest rate option.

3. WHAT KIND OF PAYMENTS WILL I RECEIVE DURING THE INCOME PHASE? (ANNUITIZATION)

If you want to receive regular income from your annuity, you can choose one of several options, including guaranteed payments for the annuitant's lifetime. Generally, once you begin receiving regular payments, you may not be able to change your payment plan without receiving our prior consent.

4. WHAT IS THE 1% BONUS?

We will add to your account an additional 1% of your purchase payments during the first three years of your contract. Payment of the bonus amount may be limited to $1,000 each contract year. After three contract years the additional 1% may be added at our discretion. Also, the 1% will be recaptured if you make a withdrawal within eight contract anniversaries after the purchase payment is made.

Prudential and its affiliated insurance company subsidiaries, through separate prospectuses, sell individual variable annuities that do not provide a bonus. In deciding whether to buy a Variable Investment Plan contract, you should compare the costs and other features of those contracts (or of other variable annuity contracts made available by your agent) with the costs under the Variable Investment Plan contract. In particular, you should be aware that certain of the charges under the Variable Investment Plan contract are higher than those under variable annuities that do not offer a bonus. We impose these higher charges to recoup our costs associated with the granting of bonus payments. Under certain scenarios, you could find yourself in a disadvantageous position for having bought a Variable Investment Plan contract, as opposed to another variable annuity. For example, if you withdraw a purchase payment under the Variable Investment Plan contract within eight contract anniversaries after you made the payment, you will forfeit the associated bonus, but you will have been subject to those higher charges nonetheless. Accordingly, you should be prepared to keep your purchase payments invested for at least the eight contract anniversary period in order to take full economic advantage of the bonus payments you have received.

5. HOW CAN I PURCHASE A VARIABLE INVESTMENT PLAN VARIABLE ANNUITY CONTRACT?

You can purchase this contract, under most circumstances, with a minimum initial purchase payment of $1,000. You must get our prior approval for purchase payments of $1 million or more, unless we are prohibited under applicable state law from insisting on such prior approval. Generally, you can make additional purchase payments of $100 or more at any time during the accumulation phase of the contract. Your representative can help you fill out the proper forms.

6. WHAT ARE THE EXPENSES ASSOCIATED WITH THE VARIABLE INVESTMENT PLAN VARIABLE ANNUITY CONTRACT?

The contract has insurance features and investment features, both of which have related costs and charges. Each year (or upon full surrender) we deduct a contract maintenance charge if your contract value is less than $10,000. This charge is currently no more than $30. We do not impose the contract maintenance charge if your contract value is $10,000 or more. For insurance and administrative costs, we also deduct an annual charge based on the average daily value of all assets allocated to the variable investment options. The daily cost is equivalent to an annual charge of 1.20%. This charge is not assessed against amounts allocated to the fixed interest rate investment option.

There are a few states/jurisdictions that assess a premium tax on us when you begin receiving regular income payments from your annuity. In those states, we deduct a charge designed to approximate this tax, which can range from 0–3.5% of your contract value.

There are also expenses associated with the mutual funds. For 2004, the fees of these funds ranged on an annual basis from 0.38% to 0.84% of fund assets. The expenses of the Real Property Account investment option, which include a 1.25% management fee are substantially higher. See the Real Property Account prospectus for further information.

During the accumulation phase, if you withdraw money less than eight years after making a purchase payment, you may have to pay a withdrawal charge on all or part of the withdrawal. This charge ranges from 1–8%.

7. HOW CAN I ACCESS MY MONEY?

You may withdraw money at any time during the accumulation phase. Each contract year you may withdraw your contract earnings plus up to 10% of your contract value (calculated as of the date of the first withdrawal made in that contract year), without charge. Withdrawals in excess of earnings plus 10% of your purchase payments may be subject to a withdrawal charge. This charge initially is 8% but decreases 1% each contract anniversary, from the date that each purchase payment was made. After the eighth contract anniversary, there is no charge for a withdrawal for that purchase payment. You may, however, be subject to income tax and, if you make a withdrawal prior to age 59½, an additional tax penalty as well.

8. WHAT ARE THE TAX CONSIDERATIONS ASSOCIATED WITH THE VARIABLE INVESTMENT PLAN VARIABLE ANNUITY CONTRACT?

Your earnings are generally not taxed until withdrawn. If you withdraw money during the accumulation phase, the tax laws treat the withdrawal as a withdrawal of earnings, which are taxed as ordinary income. If you are younger than age 59½ when you take money out, you may be charged a 10% federal tax penalty on the earnings in addition to ordinary taxation. A portion of the payments you receive during the income phase is considered a partial return of your original investment and therefore will not be taxable as income.

9. OTHER INFORMATION

This contract is issued by The Prudential Insurance Company of America (Prudential) and sold by registered representatives of affiliated and unaffiliated broker/dealers.

Variable Investment Plan Variable Annuity

SUMMARY OF CONTRACT EXPENSES

The purpose of this summary is to help you to understand the costs you will pay for the Variable Investment Plan variable annuity contract. The following tables describe the fees and expenses that you will pay when buying, owning, and surrendering the contract. The first table describes the fees and expenses that you will pay at the time that you buy the contract, surrender the contract, or transfer cash value between investment options. State premium taxes may also be deducted.

For more detailed information, including additional information about current and maximum charges, see Section 6, *"What Are The Expenses Associated With The Variable Investment Plan Variable Annuity Contract?"* The Series Fund and Real Property Account prospectuses contain detailed information about those investment options.

Contract Owner Transaction Expenses	Number of Contract Anniversaries Since the Date of Each Purchase Payment
Withdrawal Charge[1]:	0 . . . . 8% plus return of 1% bonus
	1 . . . . 7% plus return of 1% bonus
	2 . . . . 6% plus return of 1% bonus
	3 . . . . 5% plus return of 1% bonus
	4 . . . . 4% plus return of 1% bonus
	5 . . . . 3% plus return of 1% bonus
	6 . . . . 2% plus return of 1% bonus
	7 . . . . 1% plus return of 1% bonus
	8 . . . . 0%
Charge For Premium Tax Imposed On Us By Certain States/Jurisdictions:	Up to 3.5% of contract value

The next table describes the fees and expenses that you will pay periodically during the time that you own the contract, not including underlying mutual fund fees and expenses.

Maximum Annual Contract Fee and Full Withdrawal Fee[2]:	. . . . . . $30.00

Separate Account Annual Expenses

As a percentage of the average account value in the variable investment options.

Mortality and Expense Risks:	. . . . 1.20%

1 Withdrawal charges are imposed only on purchase payments. In addition, during any contract year you may withdraw up to 10% of the total contract value (calculated as of the date of the first withdrawal made in that contract year) without charge. There is no withdrawal charge on any withdrawals made under the *Critical Care Access Option* (see Section 6). Withdrawal charges are also waived when a death benefit is paid.

2 This fee is only imposed if your contract value is less than $10,000 at the time this fee is calculated.

Variable Investment Plan Variable Annuity

Total Annual Mutual Fund Operating Expenses

The next item shows the minimum and maximum total operating expenses (expenses that are deducted from variable investment options, including management fees, distribution and/or service fees, and other expenses) charged by the underlying mutual funds or Real Property Account that you may pay periodically during the time that you own the contract. More detail concerning each variable investment option's fees and expenses is contained in the underlying Series Fund and Real Property Account prospectuses. The minimum and maximum total operating expenses depicted below are based on historical fund expenses for the year ended December 31, 2004. Mutual fund expenses are not fixed or guaranteed by the Prudential Variable Investment Plan contract, and may vary from year to year.

	MINIMUM	*MAXIMUM*
Total Annual Mutual Fund Operating Expenses*	0.38%	0.84%

* The Real Property Account is a distinct variable investment option, but is not a registered mutual fund. The Total Annual Operating Expenses for the Real Property Account are 9.72%

Variable Investment Plan Variable Annuity

EXPENSE EXAMPLES

These Examples are intended to help you compare the cost of investing in the contract with the cost of investing in other variable annuity contracts. These costs include contract owner transaction expenses, contract fees, separate account annual expenses, and underlying mutual fund fees and expenses.

The Examples assume that you invest $10,000 in the contract for the time periods indicated. The Examples also assume that your investment has a 5% return each year and assume the maximum fees and expenses of any of the variable investment options. Although your actual costs may be higher or lower, based on these assumptions, your costs would be as indicated in the tables that follow.

Example 1 – If You Withdraw Your Assets

Example 1 assumes that:

- you invest $10,000 in the Variable Investment Plan;
- you allocate all of your assets to the variable investment option having the maximum total operating expenses;
- you withdraw all your assets at the end of the time period indicated;
- your investment has a 5% return each year; and
- the underlying mutual fund's total operating expenses remain the same each year.

Example 2 – If You Do Not Withdraw Your Assets

Example 2 assumes that:

- you invest $10,000 in the Variable Investment Plan;
- you allocate all of your assets to the variable investment option having the maximum total operating expenses;
- you **do not withdraw** any of your assets at the end of the time period indicated;
- your investment has a 5% return each year; and
- the underlying mutual fund's total operating expenses remain the same each year.

BASE DEATH BENEFIT

EXAMPLE 1: *IF YOU WITHDRAW YOUR ASSETS*				***EXAMPLE 2:*** *IF YOU DO NOT WITHDRAW YOUR ASSETS*			
1 YR	***3 YRS***	***5 YRS***	***10 YRS***	***1 YR***	***3 YRS***	***5 YRS***	***10 YRS***
$936	$1,208	$1,506	$2,465	$216	$668	$1,146	$2,465

These examples should not be considered a representation of past or future expenses. Actual expenses may be greater or less than those shown.

Notes for Expense Examples:

Variable Investment Plan Variable Annuity

The values shown in the 10 year column are the same for Example 1 and Example 2. This is because after 10 years, we would no longer deduct withdrawal charges when you make a withdrawal, or when you begin the income phase of your contract.

The examples use an average annual contract maintenance charge, which we calculated based on our estimate of the total contract fees we expect to collect in 2005. Based on these estimates, the contract maintenance charge is included as an annual charge of 0.093% of contract value. Your actual fees will vary based on the amount of your contract and your specific allocation among the investment options.

Premium taxes are not reflected in these examples. We deduct a charge to approximate premium taxes that may be imposed on us in your state. This charge is generally deducted from the amount applied to an annuity payout option. A table of accumulation unit values appears at the end of Section 9 of this prospectus.

Variable Investment Plan Variable Annuity

1. What is the Variable Investment Plan Variable Annuity?

The Variable Investment Plan Variable Annuity is a contract between you, the owner, and us, the insurance company, The Prudential Insurance Company of America (Prudential, We or Us).

Under our contract or agreement, in exchange for your payment to us, we promise to pay you a guaranteed income stream that can begin anytime on or after the third contract anniversary. Your annuity is in the accumulation phase until you decide to begin receiving annuity payments. The date you begin receiving annuity payments is the annuity date. On the annuity date, your contract switches to the income phase.

This annuity contract benefits from tax deferral. Tax deferral means that you are not taxed on earnings or appreciation on the assets in your contract until you withdraw money from your contract.

The Variable Investment Plan is a variable annuity contract. During the accumulation phase, you can allocate your assets among the variable investment options as well as a guaranteed fixed interest rate option. If you select a variable investment option, the amount of money you are able to accumulate in your contract during the accumulation phase depends upon the investment performance of the variable investment option(s) you have selected. Because the options fluctuate in value depending upon market conditions, your contract value can either increase or decrease. This is important, since the amount of the annuity payments you receive during the income phase depends upon the value of your contract at the time you begin receiving payments.

As mentioned above, the Variable Investment Plan also contains a guaranteed fixed interest rate option. This option offers an interest rate that is guaranteed by us for one year and will be at least 3% per year.

As the owner of the contract, you have all of the decision-making rights under the contract. You will also be the annuitant unless you designate someone else. The annuitant is the person whose life is used to determine how much and how long (if applicable) the annuity payments will continue once the annuity phase begins. On or after the annuity date, the annuitant may not be changed.

Beneficiary

The beneficiary is the person(s) or entity you designate to receive any death benefit. The beneficiary is named at the time the contract is issued, unless you change it at a later date. Unless an irrevocable beneficiary has been named, you can change the beneficiary at any time before the annuitant or last surviving annuitant dies by making a written request to us.

Death Benefit

If the annuitant dies during the accumulation phase, we will, upon receiving appropriate proof of death and any other needed documentation in good order (proof of death), pay a death benefit to the designated beneficiary. We require proof of death to be submitted promptly. There are several death benefit payment options.

This is how the amount of the death benefit is calculated:

If the annuitant dies during the accumulation phase before age 65, the amount of the death benefit will be the greater of (a) the current value of the contract as of the date we receive proof of death, or (b) the total of all purchase payments plus any bonus credited by Prudential, reduced proportionally by withdrawals.

If the annuitant is age 65 or older, the amount of the death benefit will be the current value of the contract as of the date we receive proof of death.

Here is an example of how the death benefit is calculated:

Suppose a contract owner had made purchase payments and was credited a bonus totaling $100,000 but, due to unfortunate investment results, the contract value had decreased to $80,000. If the annuitant is younger than age 65, the death benefit would still be $100,000. This amount, however, is reduced proportionally when you make a withdrawal from the contract. If the contract owner had withdrawn 50% of the remaining $80,000, the death benefit would also be reduced by 50%. Since the death benefit had been $100,000, it would now be $50,000. As stated above, after age 65, the death benefit amount is simply the current value of the contract.

Different rules may apply when co-annuitants are named. There are tax requirements that apply to distributions made as a result of an annuitant's death. See Section 8, "*What Are The Tax Considerations Associated With The Variable Investment Plan Variable Annuity Contract?*" and the Statement of Additional Information (SAI) for details.

If the annuitant dies during the income phase, the death benefit, if any, is determined by the type of annuity payment option you select.

Short Term Cancellation Right or "Free Look"

If you change your mind about owning the Variable Investment Plan, you may cancel your contract within 10 days after receiving it (or whatever period is required by applicable law). You can request a refund by returning the contract either to the representative who sold it to you, or to the Prudential Annuity Service Center at the address shown on the first page of this prospectus. The amount of your refund will be determined by applicable state law.

To the extent dictated by law, we will include in your refund the amount of any fees and charges that we deducted.

Other Contracts

This prospectus describes the Variable Investment Plan contract which is currently being offered for sale. There are earlier versions of the contract that Prudential no longer offers. These earlier versions have some different features which include differences in:

- payout options;
- sales charges on withdrawals; and
- naming of an annuitant.

If you are an owner of a contract that is no longer offered for sale, you can find further information regarding contract differences throughout this prospectus and in the SAI.

2. What Investment Options Can I Choose?

The contract gives you the choice of allocating your purchase payments to any of the variable investment options or a fixed interest rate option. There is a separate prospectus for The Prudential Series Fund, Inc. and for the Real Property Account. **You should read The Prudential Series Fund, Inc. and/or Real Property Account prospectuses before you decide to allocate your assets to these variable investment options.**

Variable Investment Options

<u>The Prudential Series Fund, Inc.</u>

Listed below are The Prudential Series Fund, Inc. (Series Fund) portfolios which are available as variable investment options. Each portfolio has a different investment objective.

- Conservative Balanced Portfolio
- Diversified Bond Portfolio
- Equity Portfolio
- Flexible Managed Portfolio (invests in a mix of equities, debt, and money market instruments)
- Global Portfolio
- Government Income Portfolio
- High Yield Bond Portfolio
- Jennison Portfolio (invests primarily in equity securities of major, established corporations)
- Money Market Portfolio
- Natural Resources Portfolio
- Prudential Value Portfolio
- Small Capitalization Stock Portfolio
- Stock Index Portfolio

The Series Fund is managed by Prudential Investments LLC (PI), an indirect wholly-owned subsidiary of Prudential Financial, Inc. (Prudential Financial), through subadvisers that PI employs by using a "manager-of-managers" approach.

The subadvisers, which have day-to-day responsibility for managing the portfolios, are subject to the oversight of PI using a manager-of-managers approach. Under the manager-of-managers approach, PI has the ability to assign subadvisers to manage specific portions of a portfolio, and the portion managed by a subadviser may vary from 0% to 100% of the portfolio's assets. The subadvisers that manage some or all of a Series Fund portfolio are listed below.

Jennison Associates LLC (Jennison), also an indirect wholly-owned subsidiary of Prudential Financial, serves as the sole subadviser to the Global, Jennison, Natural Resources and Prudential Value Portfolios. Jennison also serves as subadviser to a portion of the Equity Portfolio.

Prudential Investment Management, Inc. (PIM), also an indirect wholly-owned subsidiary of Prudential Financial, serves as sole subadviser to the Diversified Bond, Government Income, High Yield Bond and Money Market Portfolios. PIM also serves as subadviser to a portion of each of the Conservative Balanced and Flexible Managed Portfolios.

Quantitative Management Associates LLC (QMA), a wholly owned subsidiary of PIM, serves as the sole subadviser to the Small Capitalization Stock and Stock Index Portfolios. QMA also serves as subadviser to a portion of each of the Conservative Balanced and Flexible Managed Portfolios.

GE Asset Management Incorporated and Salomon Brothers Asset Management Inc. each manage a portion of the Equity Portfolio.

A fund or portfolio may have a similar name or an investment objective and investment policies resembling those of a mutual fund managed by the same investment adviser that is sold directly to the public. Despite such similarities, there can be no assurance that the investment performance of any such fund or portfolio will resemble that of the publicly available mutual fund.

As detailed in the Series Fund prospectus, although the Prudential Series Fund Money Market Portfolio is designed to be a stable investment option, it is possible to lose money in that portfolio. For example, when prevailing short-term interest rates are very low, the yield on the Money Market Portfolio may be so low that, when separate account and contract charges are deducted, you experience a negative return.

<u>The Prudential Variable Contract Real Property Account</u>

The Real Property Account, through a general partnership formed by Prudential and two of its subsidiaries, invests primarily in income-producing real property such as office buildings, shopping centers, agricultural land and other real estate related investments. The partnership is managed by Prudential, for which Prudential charges the partnership a daily fee of 1.25% per year of the average daily gross assets of the partnership.

An affiliate of each of the portfolios may compensate Prudential based upon an annual percentage of the average assets held in the portfolio by Prudential under the contracts. These percentages may vary by fund and/or portfolio, and reflect administrative and/or support services we provide. Currently, Prudential receives 0.05% annually for providing those services.

In addition, the investment adviser, subadviser or distributor of the underlying portfolios may also compensate us by providing reimbursement or paying directly for, among other things, marketing and/or administrative services and/or other services they provide in connection with the contract. These services may include, but are not limited to: co-sponsoring various meetings and seminars attended by broker/dealer firms' registered representatives and creating marketing material discussing the contract and the available options.

Fixed Interest Rate Option

We also offer a fixed interest rate option. When you select this option, your payment will earn interest at the established rate for a one-year period. This rate will be at least 3%. A new interest rate period is established every time you allocate or transfer money into the fixed interest rate option. You may have money allocated in more than one interest rate period at the same time. This could result in your money earning interest at different rates and each interest rate period maturing at a different time.

Payments allocated to the fixed interest rate option become part of Prudential's general assets.

Transfers Among Options

We allow you to transfer money among the mutual fund investment options, and from the mutual fund investment options to the fixed interest rate option and the Real Property Account, but we have the contractual right to limit you to as few as four such transfers each contract year. If we decide to impose this four-transfer limit, we will notify you in advance. We currently impose a different yearly limitation on the manner in which we will accept your transfer requests. Specifically, once you have made 20 transfers among the subaccounts during a contract year, we will accept any additional transfer request during that year only if the request is submitted to us in writing with an original signature and otherwise is in good order. For purposes of this transfer restriction, we (i) do not view a facsimile transmission as a "writing", (ii) will treat multiple transfer requests submitted on the same business day as a single transfer, and (iii) do not count any transfer that involves one of our systematic programs, such as dollar cost averaging.

Frequent transfers involving the mutual fund investment options in response to short-term fluctuations in markets, sometimes called "market timing," can affect a portfolio manager's ability to manage an underlying mutual fund's investments. Frequent transfers may cause the fund to hold more cash than otherwise necessary, disrupt management strategies, increase transactions costs, or affect performance. For those reasons, the contract was not designed for persons who make programmed, large, or frequent transfers. Although our transfer restrictions are designed to prevent excessive transfers, they are not capable of preventing every potential occurrence of excessive transfer activity. The minimum transfer amount is $300. You will need to get our consent if you want to make a transfer that is less than $300 or if making a transfer would reduce the value of the variable option to less than $300. Your transfer request may be made by telephone, electronically or otherwise in paper form to the Prudential Annuity Service Center. We have procedures in place to confirm that instructions received by telephone are genuine. We will not be liable for following unauthorized telephone instructions that we reasonably believed to be genuine. Your transfer request will take effect at the end of the business day on which it was received in good order by us, or by certain entities that we have specifically designated. Our business day generally closes at 4:00 p.m. Eastern time. Our business day may close earlier, for example if regular trading on the New York Stock Exchange closes early. Transfer requests received after the close of the business day will take effect at the end of the next business day.

You can make transfers out of the fixed interest rate and the Real Property Account options only during the 30-day period following your contract anniversary date.

The maximum amount you may transfer from the fixed interest rate option is limited to the greater of:

- 25% of the amount allocated to the fixed interest rate option; or
- $2,000.

The maximum amount you may transfer from the Real Property Account is limited to the greater of:

- 50% of the amount allocated to the Real Property Account; or
- $10,000.

Dollar Cost Averaging

The Dollar Cost Averaging (DCA) feature allows you to systematically transfer a percentage amount out of the money market variable investment option and into any other variable investment option(s). You can transfer money to more than one variable investment option. The investment option used for the transfers is designated as the DCA account. You may choose to have these automatic transfers from the DCA account made monthly. By investing amounts on a regular basis instead of investing the total amount at one time, dollar cost averaging may decrease the effect of market fluctuation on the investment of your purchase payment. Of course, dollar cost averaging cannot ensure a profit or protect against a loss in declining markets.

When you establish your DCA account with your first purchase payment, you must allocate a minimum of either $2,000 or 10% of your purchase payment, whichever is greater, to your DCA account. If you establish your DCA account at a later time, a minimum of $2,000 is required.

Once established, your first transfer out of the account must be at least 3% of your DCA account. The minimum amount you can transfer into any one investment option is $20. Transfers will continue automatically until the entire amount in your DCA account has been transferred or until you tell us to discontinue the transfers. You can allocate subsequent purchase payments to re-open the DCA account at any time.

Your transfers will occur on the same date each month as your DCA start date, provided that the New York Stock Exchange is open on that date. If the New York Stock Exchange is not open on a particular transfer date, the transfer will take effect on the next business day. If processing the transfer on the next business day would result in the transaction occurring in the subsequent calendar year, then we will process the transaction on the preceding business day.

Any dollar cost averaging transfers you make are not counted toward the maximum number of transfers you are allowed each year. This feature is available only during the contract accumulation phase.

Scheduled Transactions

Scheduled transactions include transfers under dollar cost averaging, systematic withdrawals, minimum distributions or annuity payments. Scheduled transactions are processed and valued as of the date they are scheduled, unless the scheduled day is not a business day. In that case, the transaction will be processed and valued on the next business day, unless the next business day falls in the subsequent calendar year, in which case the transaction will be processed and valued on the prior business day.

Voting Rights

We are the legal owner of the shares in the underlying mutual funds used by the variable investment options. However, we vote these shares according to voting instructions we receive from contract owners. When a vote is required, we will mail you a proxy which is a form that you need to complete and return to us to tell us how you wish us to vote. When we receive those instructions, we will vote all of the shares we own on your behalf in accordance with those instructions. We will vote the shares for which we do not receive instructions, and any other shares that we own in our own right, in the same proportion as the shares for which we receive instructions from contract owners. We may change the way your voting instructions are calculated if it is required or permitted by federal or state regulation.

Substitution

We may substitute one or more of the underlying mutual funds used by the variable investment options. We may also cease to allow investments in existing portfolios. We would not do this without the approval of the Securities and Exchange Commission (SEC) and any necessary state insurance departments. You will be given specific notice in advance of any substitution we intend to make.

Other Changes

We may also make other changes to such things as the minimum amounts for purchases, transfers and withdrawals. However, before imposing such changes we will give you at least 90 days notice.

3. What Kind of Payments Will I Receive During the Income Phase? (Annuitization)

Payment Provisions

Under the terms of the currently offered contract, we can begin making annuity payments any time on or after the third contract anniversary (or as required by state law if different). Annuity payments must begin no later than the contract anniversary coinciding with or next following the annuitant's 90th birthday (unless we agree to another date). Different provisions and payment options apply to certain previously offered contracts. See the discussion contained in the SAI for further details.

We make the annuity options described below available at any time before the annuity date. All of the annuity options under this contract are fixed annuity options. This means that your participation in the variable investment options ends on the annuity date. At any time before your annuity date, you may ask us to change the annuity date specified in your contract to another permissible date.

As indicated above, when you decide to begin receiving annuity payments, your participation in the variable investment options ends. Generally, once you begin receiving regular payments you cannot change your payment plan. The value of your contract at that time, together with your choice of annuity option, will help determine how much your income payments will be. You should be aware that depending on how recently you made purchase payments, you may be subject to withdrawal charges and the recapture of bonus payments when you annuitize. For certain annuity options these withdrawal charges will be waived.

If an annuity option is not selected by your annuity date, the Interest Payment Option (Option 2, described below) will automatically be selected, unless prohibited by applicable law. Application of contract value to Option 2 will generally be taxed as a surrender of the contract.

Option 1. Life Annuity With 120 Payments (10 Years) Certain Option

Under this option, we will make annuity payments monthly, quarterly, semiannually or annually as long as the annuitant is alive. If the annuitant dies before we have made 10 years worth of payments, we will pay the beneficiary in one lump sum the present value of the annuity payments scheduled to have been made over the remaining portion of that 10 year period, unless we were specifically instructed that such remaining annuity payments continue to be paid to the beneficiary. The present value of the remaining certain period annuity payments is calculated by using the interest rate used to compute the amount of the original 120 payments. The interest rate used will be at least 3.5% a year.

Option 2. Interest Payment Option

Under this option, we credit interest on your contract value not yet withdrawn. We can make interest payments on a monthly, quarterly, semiannual or annual basis or allow the interest to accrue on your contract assets. If an annuity option is not selected by the annuity date, this is the option we will automatically select for you, unless prohibited by applicable law. Under this option, we will pay you interest at an effective rate of at least 3% a year. Upon the death of the annuitant, we will pay the beneficiary the remaining contract assets.

Option 3. Other Annuity Options

We currently offer a variety of other annuity options not described above. At the time annuity payments are chosen, we may make available to you any of the fixed annuity options that are offered at your annuity date.

These options are referred to in your contract as the supplemental life annuity option. Under the supplemental life annuity option, we will waive withdrawal charges that might be applicable under other annuity options. In addition, if you select Option 1 without a right of withdrawal, we will effect that option under the supplemental life annuity option, if doing so provides greater monthly payments.

4. What is the 1% Bonus?

During the first three contract years, we will add an additional 1% to every purchase payment that you make. After that, we will add the 1% bonus at our discretion. We may limit our payment of the bonus to $1,000 per contract year. The bonus payment will be allocated to your contract based on the way your purchase payment is allocated among the variable investment options and the fixed interest rate option.

The bonus amount will not be subject to the charge for premium taxes. We will, however, take the bonus payments back if you make a withdrawal of the associated purchase payment within eight contract anniversaries of the time that the purchase payment was made. The only exception would be if you annuitize your contract in a way that is not subject to a withdrawal charge or if you make a withdrawal under the Critical Care Access option.

5. How Can I Purchase a Variable Investment Plan Variable Annuity Contract?

Purchase Payments

The initial purchase payment is the amount of money you give us to purchase the contract. The minimum initial purchase payment is $1,000. You must get our approval for any initial and additional purchase payment of $1,000,000 or more, unless we are prohibited under applicable state law from insisting on such prior approval. You can make additional purchase payments of at least $100 or more at any time during the accumulation phase. Prudential currently accepts subsequent purchase payments below this $100 minimum amount. We reserve the right to again require a $100 minimum at some future date. You may purchase this contract only if the oldest of the owner, joint owner, annuitant, or co-annuitant is age 85 or younger on the contract date.

Allocation of Purchase Payments

When you purchase a contract, we will allocate your invested purchase payment among the variable investment options and the fixed interest rate option, based on the percentages you choose. The initial allocation to any investment option must be at least $300. The minimum subsequent allocation to a particular investment option must be at least 1% of your purchase payment. When you make an additional purchase payment, it will be allocated in the same way as your most recent purchase payment, unless you tell us otherwise. You may change your allocation of future invested purchase payments at any time. Contact the Prudential Annuity Service Center for details.

We generally will credit the initial purchase payment to your contract within two business days from the day on which we receive your payment in good order at the Prudential Annuity Service Center. If, however, your first payment is made without enough information for us to set up your contract, we may need to contact you to obtain the required information. If we are not able to obtain this information within five business days, we will within that five business day period either return your purchase payment or obtain your consent to continue holding it until we receive the necessary information. We will generally credit each subsequent purchase payment as of the business day we receive it in good order. Our business day generally closes at 4:00 p.m. Eastern time. Our business day may close earlier, for example if regular trading on the New York Stock Exchange closes early. Subsequent purchase payments received in good order after the close of the business day will be credited on the following business day.

At our discretion, we may give initial and subsequent purchase payments (as well as withdrawals and transfers) received in good order by certain broker/dealers prior to the close of a business day the same treatment as they would have received had they been received at the same time at the Prudential Annuity Service Center. For more detail, talk to your registered representative.

Calculating Contract Value for Series Fund Subaccounts

The value of the variable portion of your contract will go up or down depending on the investment performance of the variable investment option(s) you choose. To determine the value of your contract allocated to the variable investment options, we use a unit of measure called an accumulation unit. An accumulation unit works like a share of a mutual fund.

Every day we determine the value of an accumulation unit for each of the variable investment options. We do this by:

1. adding up the total amount of money allocated to a specific investment option;

2. subtracting from that amount insurance charges and any other charges such as taxes; and
3. dividing this amount by the number of outstanding accumulation units.

When you make a purchase payment to a variable investment option, we credit your contract with accumulation units of the subaccount or subaccounts for the investment options you choose. The number of accumulation units credited to your contract is determined by dividing the amount of the purchase payment allocated to an investment option by the unit price of the accumulation unit for that investment option. We calculate the unit price for each investment option after the New York Stock Exchange closes each day and then credit your contract. The value of the accumulation units can increase, decrease or remain the same from day to day. The Accumulation Unit Values charts at the end of Section 9 of this prospectus give you more detailed information about the accumulation units of the mutual fund investment options.

We cannot guarantee that the value of your contract will increase or that it will not fall below the amount of your total purchase payments. However, we do guarantee a minimum interest rate of 3% a year on that portion of the contract allocated to the fixed interest rate option.

6. What Are The Expenses Associated With The Variable Investment Plan Variable Annuity Contract?

There are charges and other expenses associated with the contract that reduce the return on your investment. These charges and expenses are described below.

The charges under the contracts are designed to cover, in the aggregate, our direct and indirect costs of selling, administering and providing benefits under the contracts. They are also designed, in the aggregate, to compensate us for the risks of loss we assume pursuant to the contracts. If, as we expect, the charges that we collect from the contracts exceed our total costs in connection with the contracts, we will earn a profit. Otherwise, we will incur a loss. The rates of certain of our charges have been set with reference to estimates of the amount of specific types of expenses or risks that we will incur. In most cases, this prospectus identifies such expenses or risks in the name of the charge; however, the fact that any charge bears the name of, or is designed primarily to defray a particular expense or risk does not mean that the amount we collect from that charge will never be more than the amount of such expense or risk. Nor does it mean that we may not also be compensated for such expense or risk out of any other charges we are permitted to deduct by the terms of the contract.

Insurance Charges

Each day we make a deduction for insurance charges as follows:

The mortality risk portion of the insurance charge is for assuming the risk that the annuitant(s) will live longer than expected based on our life expectancy tables. When this happens, we pay a greater number of annuity payments. We also incur the risk that the death benefit amount exceeds the contract value. The expense risk portion of the charge is for our assuming the risk that the current charges will be insufficient in the future to cover the cost of administering the contract.

The mortality and expense risk charge is equal, on an annual basis, to 1.20% of the daily value of the contract invested in the variable investment options, after expenses have been deducted. This charge is not assessed against amounts allocated to the fixed interest rate option.

If the charges under the contract are not sufficient to cover our expenses, then we will bear the loss. We do, however, expect to profit from the charges. The mortality and expense risk charge for your contract cannot be increased. Any profits made from this charge may be used by us to pay for the costs of distributing the contracts.

Withdrawal Charge

During the accumulation phase you can make withdrawals from your contract. Your withdrawal request will be processed as of the date it is received in good order at the Prudential Annuity Service Center.

When you make a withdrawal, money will be taken first from your earnings. When your earnings have been used up, then we will take the money from your purchase payments. You will not have to pay any withdrawal charge when you withdraw your earnings.

You will need to get our consent if you want to make a partial withdrawal that is less than $300 or, if by making a partial withdrawal, your contract value would be reduced to less than $300.

The withdrawal charge is for the payment of the expenses involved in selling and distributing the contracts, including sales commissions, printing of prospectuses, sales administration, preparation of sales literature and other promotional activities.

Each contract year, you can withdraw earnings plus up to 10% of your total contract value (calculated as of the date of the first withdrawal made in that contract year), without paying a withdrawal charge. This amount is referred to as the "charge-free" amount. Prior to the eighth contract anniversary following a purchase payment, if your withdrawal is more than the charge-free amount, a withdrawal charge will be applied. For this purpose, we treat purchase payments as withdrawn on a first-in, first-out basis.

The withdrawal charge varies with the number of contract anniversaries that have elapsed since each purchase payment was made. Specifically, we maintain an "age" for each purchase payment you have made, by keeping track of how many contract anniversaries have passed since the purchase payment was made. The withdrawal charge is the percentage, shown below, of the amount withdrawn.

Number of Contract Anniversaries
Since the Date of Each Purchase Payment

0	8%
1	7%
2	6%
3	5%
4	4%
5	3%
6	2%
7	1%
8	0%

If you are 81 or older when you make your purchase payment, your surrender charges for that payment will be lower.

Bonus Recapture

The bonus amount associated with a purchase payment will be recaptured if you withdraw the associated purchase payment within eight contract anniversaries after the payment was made. The bonus amount will be withdrawn in the same proportion as the purchase payments being withdrawn. This includes withdrawals made for the purpose of annuitizing if withdrawal charges would apply. If you make a withdrawal eight contract anniversaries or more after making the purchase payment that was credited with the bonus, you can withdraw all or part of your purchase payment and still retain the bonus amount.

Critical Care Access

We will allow you to withdraw money from the contract and will waive any withdrawal charge and annual contract fee, if the annuitant or the last surviving co-annuitant (if applicable) becomes confined to an eligible nursing home or hospital for a period of at least three consecutive months. You would need to provide us with proof of the confinement. If a physician has certified that the annuitant or last surviving co-annuitant is terminally ill (has six months or less to live), there will be no charge imposed for withdrawals. Critical Care Access is not available in all states.

Annual Contract Fee

During the accumulation phase, if your contract value is less than $10,000 on the contract anniversary date, we will deduct $30 per contract year (this fee may differ in certain states). This annual contract fee is used for administrative expenses and cannot be increased. The fee will be deducted proportionately from each of the investment options that you have selected. This charge will also be deducted when you surrender your contract if your contract value is less than $10,000 at that time.

Taxes Attributable to Premium

There may be federal, state and local premium based taxes applicable to your purchase payment. We are responsible for the payment of these taxes and may make a charge against the value of the contract to pay some or all of these taxes. It is our current practice not to deduct a charge for state premium taxes until annuity payments begin. In the states that impose a premium tax on us, the current rates range up to 3.5%. It is also our current practice not to deduct a charge for the federal tax associated with deferred acquisition costs paid by us that are based on premium received. However, we reserve the right to charge the contract owner in the future for any such tax associated with deferred acquisition costs and any federal, state or local income, excise, business or any other type of tax measured by the amount of premium received by us.

Company Taxes

We pay company income taxes on the taxable corporate earnings created by this separate account product. While we may consider company income taxes when pricing our products, we do not currently include such income taxes in the tax charges you pay under the contract. We will periodically review the issue of charging for these taxes and may impose a charge in the future.

In calculating our corporate income tax liability, we derive certain corporate income tax benefits associated with the investment of company assets, including separate account assets, which are treated as company assets under applicable income tax law. These benefits reduce our overall corporate income tax liability. Under current law, such benefits may include foreign tax credits and corporate dividends received deductions. We do not pass these tax benefits through to holders of the separate account annuity contracts because (i) the contract owners are not the owners of the assets generating these benefits under applicable income tax law and (ii) we do not currently include company income taxes in the tax charges you pay under the contract.

Underlying Fees for Variable Investment Options

When you allocate a purchase payment or a transfer to the mutual fund investment options, we in turn invest in shares of a corresponding underlying mutual fund. Those funds charge fees that are in addition to the contract-related fees described in this section. For 2004, the fees of these funds ranged on an annual basis from 0.38% to 0.84% of fund assets. The fee for the Real Property Account on an annual basis is 9.72% of its average daily gross assets. For additional information about these fund fees, please consult the Series Fund and Real Property Account prospectuses.

7. How Can I Access My Money?

You can access your money by:

- making a withdrawal (either partial or full); or
- choosing to receive annuity payments during the income phase.

Withdrawals During the Accumulation Phase

When you make a full withdrawal, you will receive the value of your contract minus any applicable charges and fees. We will calculate the value of your contract and charges if any, as of the date we receive your request in good order at the Prudential Annuity Service Center.

Unless you tell us otherwise, any partial withdrawal and related withdrawal charges will be made proportionately from all of the variable investment options as well as the fixed interest rate option, depending on which options you have selected. You will have to receive our consent to make a partial withdrawal if the amount is less than $300 or if, as a result of the withdrawal, the value of your contract is reduced to less than $300.

We will generally pay the withdrawal amount, less any required tax withholding, within seven days after we receive a withdrawal request in good order. We will deduct applicable charges, if any, from the assets in your contract. Specifically, we will deduct any applicable charges proportionately from all of the variable investment options as well as the fixed interest rate option.

Income taxes, tax penalties, withdrawal charges, and certain restrictions also may apply to any withdrawal you make. For a more complete explanation, see Section 8 of this prospectus.

Automated Withdrawals

We offer an automated withdrawal feature. This feature enables you to receive periodic withdrawals in monthly, quarterly, semiannual or annual intervals. We will process your withdrawals at the end of the business day at the intervals you specify. We will continue at these intervals until you tell us otherwise. You can make withdrawals from any designated investment option or proportionally from all investment options. Withdrawal charges may be deducted if the withdrawals in any contract year are more than the charge-free amount. The minimum automated withdrawal amount you can make is $300. An assignment of the contract terminates any automated withdrawal program that you had in effect.

Income taxes, tax penalties, withdrawal charges and certain restrictions may apply to automated withdrawals. For a more complete explanation, see Section 8 of this prospectus.

Suspension of Payments or Transfers

The SEC may require us to suspend or postpone payments made in connection with withdrawals or transfers for any period when:

1. The New York Stock Exchange is closed (other than customary weekend and holiday closings);
2. Trading on the New York Stock Exchange is restricted;
3. An emergency exists, as determined by the SEC, during which sales of shares of the underlying mutual funds are not feasible or we cannot reasonably value the accumulation units; or
4. The SEC, by order, so permits suspension or postponement of payments for the protection of owners.

We expect to pay the amount of any withdrawal or process any transfer made from the investment options promptly upon request. We are, however, permitted to delay payment for up to six months on withdrawals from the fixed interest rate option. If we delay payment for more than 30 days, we will pay you interest at an annualized rate of at least 3%.

8. What Are The Tax Considerations Associated With The Variable Investment Plan Variable Annuity Contract?

The discussion is general in nature and describes only federal income tax law (not state or other tax laws). It is based on current law and interpretations, which may change. It is not intended as tax advice. The discussion includes a description of certain spousal rights under the contract and under tax-qualified plans. Our administration of such spousal rights and related tax reporting accords with our understanding of the Defense of Marriage Act (which defines a "marriage" as a legal union between a man and a woman and a "spouse" as a person of the opposite sex). The information provided is not intended as tax advice. You should consult with a qualified tax advisor for complete information and advice. References to purchase payments below relate to your cost basis in your contract. Generally, your cost basis in a contract not associated with a tax-favored retirement plan is the amount you pay into your contract, or into annuities exchanged for your contract, on an after-tax basis less any withdrawals of such payments.

Contracts Owned By Individuals (Not Associated With Tax-Favored Retirement Plans)

Taxes Payable By You

We believe the contract is an annuity contract for tax purposes. Accordingly, as a general rule, you should not pay any tax until you receive money under the contract.

Generally, annuity contracts issued by the same company (and affiliates) to you during the same calendar year must be treated as one annuity contract for purposes of determining the amount subject to tax under the rules described below.

Taxes on Withdrawals and Surrender

If you make a withdrawal from your contract or surrender it before annuity payments begin, the amount you receive will be taxed as ordinary income, rather than as return of purchase payments, until all gain has been withdrawn. You will generally be taxed on any withdrawals from the contract while you are alive even if the withdrawal is paid to someone else.

If you assign or pledge all or part of your contract as collateral for a loan, the part assigned generally will be treated as a withdrawal. Also, if you elect any interest payment option that we may offer, that election will be treated, for tax purposes, as surrendering your contract.

If you transfer your contract for less than full consideration, such as by gift, you will trigger tax on any gain in the contract. This rule does not apply if you transfer the contract to your spouse or under most circumstances if you transfer the contract incident to divorce.

Taxes on Annuity Payments

A portion of each annuity payment you receive will be treated as a partial return of your purchase payments and will not be taxed. The remaining portion will be taxed as ordinary income. Generally, the nontaxable portion is determined by multiplying the annuity payment you receive by a fraction, the numerator of which is your purchase payments (less any amounts previously received tax-free) and the denominator of which is the total expected payments under the contract.

After the full amount of your purchase payments have been recovered tax-free, the full amount of the annuity payments will be taxable. If annuity payments stop due to the death of the annuitant before the full amount of your purchase payments have been recovered, a tax deduction may be allowed for the unrecovered amount.

Tax Penalty on Withdrawals and Annuity Payments

Any taxable amount you receive under your contract may be subject to a 10% tax penalty. Amounts are not subject to this tax penalty if:

- the amount is paid on or after you reach age 59½ or die;
- the amount received is attributable to your becoming disabled;
- the amount paid or received is in the form of substantially equal payments not less frequently than annually (please note that substantially equal payments must continue until the later of reaching age 59½ or 5 years. Modification of payments during that time period will generally result in retroactive application of the 10% tax penalty.); or
- the amount received is paid under an immediate annuity contract (in which annuity payments begin within one year of purchase).

Special Rules in Relation to Tax-Free Exchanges Under Section 1035

Section 1035 of the Internal Revenue Code of 1986, as amended (Code) permits certain tax-free exchanges of a life insurance, annuity or endowment contract for an annuity. If the annuity is purchased through a tax-free exchange of a life insurance, annuity or endowment contract that was purchased prior to August 14, 1982, then any purchase payments made to the original contract prior to August 14, 1982 will be treated as made to the new contract prior to that date. (See "Federal Tax Status" in the Statement of Additional Information.)

Partial surrenders may be treated in the same way as tax-free 1035 exchanges of entire contracts, therefore avoiding current taxation of any gains in the contract as well as the 10% tax penalty on pre-age 59½ withdrawals. The IRS has reserved the right to treat transactions it considers abusive as ineligible for this favorable partial 1035 exchange treatment. We do not know what transactions may be considered abusive. For example, we do not know how the IRS may view early withdrawals or annuitizations after a partial exchange. In addition, it is unclear how the IRS will treat a partial exchange from a life insurance, endowment, or annuity contract into an immediate annuity. As of the date of this prospectus, we will accept a partial 1035 exchange from a non-qualified annuity into an immediate annuity as a "tax-free" exchange for future tax reporting purposes, except to the extent that we, as a reporting and withholding agent, believe that we would be expected to deem the transaction to be abusive. However, some insurance companies may not recognize these partial surrenders as tax-free exchanges and may report them as taxable distributions to the extent of any gain distributed as well as subjecting the taxable portion of the distribution to the 10% tax penalty. We strongly urge you to discuss any transaction of this type with your tax advisor before proceeding with the transaction.

Taxes Payable by Beneficiaries

The death benefit options are subject to income tax to the extent the distribution exceeds the cost basis in the contract. The value of the death benefit, as determined under federal law, is also included in the owner's estate.

Generally, the same tax rules described above would also apply to amounts received by your beneficiary. Choosing any option other than a lump sum death benefit may defer taxes. Certain minimum distribution requirements apply upon your death, as discussed further below.

Tax consequences to the beneficiary vary among the death benefit payment options.

The death benefit payment options are: lump sum (Choice 1), payment of the entire contract value within 5 years of the date of death (Choice 2), and payment under an annuity or settlement option over the lifetime of the survivor or over a period not extending beyond the life expectancy of the surviving owner, with distribution beginning within one year of the date of death (Choice 3).

Choice 1: The beneficiary is taxed on earnings in the contract.

Choice 2: The beneficiary is taxed as amounts are withdrawn (in this case, earnings are treated as being distributed first).

Choice 3: The beneficiary is taxed on each payment (part will be treated as earnings and part as return of premiums).

Reporting and Withholding on Distributions

Taxable amounts distributed from your annuity contracts are subject to federal and state income tax reporting and withholding. In general, we will withhold federal income tax from the taxable portion of such distribution based on the type of distribution. In the case of an annuity or similar periodic payment, we will withhold as if you are a married individual with three exemptions unless you designate a different withholding status. In the case of all other distributions, we will withhold at a 10% rate. You may generally elect not to have tax withheld from your payments. An election out of withholding must be made on forms that we provide.

State income tax withholding rules vary and we will withhold based on the rules of your State of residence. Special tax rules apply to withholding for nonresident aliens, and we generally withhold income tax for non resident aliens at a 30% rate. A different withholding rate may be applicable to a nonresident alien based on the terms of an existing income tax treaty between the United States and the nonresident alien's country.

Regardless of the amount withheld by us, you are liable for payment of federal and state income tax on the taxable portion of annuity distributions. You should consult with your tax advisor regarding the payment of the correct amount of these income taxes and potential liability if you fail to pay such taxes.

Annuity Qualification

Diversification And Investor Control. In order to qualify for the tax rules applicable to annuity contracts described above, the assets underlying the variable investment options of the annuity contract must be diversified, according to certain rules. We believe these diversification rules will be met.

An additional requirement for qualification for the tax treatment described above is that we, and not you as the contract owner, must have sufficient control over the underlying assets to be treated as the owner of the underlying assets for tax purposes. While we also believe these investor control rules will be met, the Treasury Department may promulgate guidelines under which a variable annuity will not be treated as an annuity for tax purposes if persons with ownership rights have excessive control over the investments underlying such variable annuity. It is unclear whether such guidelines, if in fact promulgated, would have retroactive effect. It is also unclear what effect, if any, such guidelines may have on transfers between the investment options offered pursuant to this prospectus. We will take any action, including modifications to your annuity or the investment options, required to comply with such guidelines if promulgated.

Please refer to the Statement of Additional information for further information on these diversification and investor control issues.

Required Distributions Upon Your Death. Upon your death, certain distributions must be made under the contract. The required distributions depend on whether you die before you start taking annuity payments under the contract or after you start taking annuity payments under the contract.

If you die on or after the annuity date, the remaining portion of the interest in the contract must be distributed at least as rapidly as under the method of distribution being used as of the date of death.

If you die before the annuity date, the entire interest in the contract must be distributed within 5 years after the date of death. However, if a periodic payment option is selected by your designated beneficiary and if such payments begin within 1 year of your death, the value of the contract may be distributed over the beneficiary's life or a period not exceeding the beneficiary's life expectancy. Your designated beneficiary is the person to whom benefit rights under the contract pass by reason of death, and must be a natural person in order to elect a periodic payment option based on life expectancy or a period exceeding five years.

If the contract is payable to (or for the benefit of) your surviving spouse, that portion of the contract may be continued with your spouse as the owner.

Changes In The Contract. We reserve the right to make any changes we deem necessary to assure that the contract qualifies as an annuity contract for tax purposes. Any such changes will apply to all contract owners and you will be given notice to the extent feasible under the circumstances.

Additional Information

You should refer to the Statement of Additional Information if:

- The contract is held by a corporation or other entity instead of by an individual or as agent for an individual
- Your contract was issued in exchange for a contract containing purchase payments made before August 14, 1982.
- You transfer your contract to, or designate, a beneficiary who is either 37½ years younger than you or a grandchild.
- You purchased more than one annuity contract from the same insurer within the same calendar year (other than contracts held by tax favored plans).

Taxes Paid by Prudential

Although the separate account is registered as an investment company, it is not a separate taxpayer for purposes of the Internal Revenue Code of 1986, as amended. The earnings of the separate account are taxed as part of the operations of Prudential. No charge is currently being made against the separate account for company federal income taxes. We will periodically review the question of charging the separate account for company federal income taxes. Such a charge may be made in future years for any federal income taxes that would be attributable to the contract.

Under current law, Prudential may incur state and local taxes in addition to premium taxes in certain states. At present, these taxes are not significant and they are not charged against the contract or the separate account. If there is a material change in applicable state or local tax laws, the taxes paid by Prudential that are attributable to the separate account may result in a corresponding charge against the separate account.

9. Other Information

The Prudential Insurance Company of America

The Prudential Insurance Company of America (Prudential) is a New Jersey stock life insurance company that has been doing business since 1875. Prudential is licensed to sell life insurance and annuities in the District of Columbia, Guam, U.S. Virgin Islands, and in all states.

Prudential is an indirect wholly-owned subsidiary of Prudential Financial, Inc. (Prudential Financial), a New Jersey insurance holding company. Prudential Financial exercises significant influence over the operations and capital structure of Prudential. However, neither Prudential Financial nor any other related company has any legal responsibility to pay amounts that Prudential may owe under the contract.

The Separate Account

We have established a separate account, the Prudential Individual Variable Contract Account (separate account), to hold the assets that are associated with the variable annuity contracts. The separate account was established under New Jersey law on October 12, 1982, and is registered with the SEC under the Investment Company Act of 1940, as a unit investment trust, which is a type of investment company. The assets of the separate account are held in the name of Prudential and legally belong to us. These assets are kept separate from all of our other assets and may not be charged with liabilities arising out of any other business we may conduct. More detailed information about Prudential, including its consolidated financial statements, is provided in the Statement of Additional Information (SAI).

The Real Property Account

The Prudential Variable Contract Real Property Account (Real Property Account) is a separate account of Prudential that, through a general partnership formed by Prudential and two of its subsidiaries, invests primarily in income-producing real property such as office buildings, shopping centers, agricultural land, hotel, apartments or industrial properties. It also invests in mortgage loans and other real estate related investments.

A full description of the Real Property Account, its management, policies, and restrictions, its charges and expenses, the investment risks, the partnership's investment objectives and all other aspects of the Real Property Account's and the partnership's operations is contained in the Account's prospectus. Any contract owner considering the real estate investment option should read the Account's prospectus together with this prospectus.

Sale and Distribution of the Contract

Prudential Investment Management Services LLC (PIMS), 100 Mulberry Street, Newark, New Jersey 07102-4077, acts as the distributor of the contracts. PIMS is an indirect wholly-owned subsidiary of Prudential Financial and is a limited liability corporation organized under Delaware law in 1996. It is a registered broker/dealer under the Securities Exchange Act of 1934 (Exchange Act) and a member of the National Association of Securities Dealers, Inc. (NASD).

Commissions are paid to firms on sales of the contract according to one or more schedules. The individual representative will receive a portion of the compensation, depending on the practice of his or her firm. Commissions are generally based on a percentage of purchase payments made, up to a maximum of 6.0%. Alternative compensation schedules are available that provide a lower initial commission plus ongoing annual compensation based on all or a portion of contract value. We may also provide compensation to the distributing firm for providing ongoing service to you in relation to the contract. Commissions and other compensation paid in relation to the contract do not result in any additional charge to you or to the separate account.

In addition, in an effort to promote the sale of our products (which may include the placement of Prudential and/or the contract on a preferred or recommended company or product list and/or access to the firm's registered representatives), we or PIMS may enter into compensation arrangements with certain broker/dealer firms with respect to certain or all registered representatives of such firms under which such firms may receive separate compensation or reimbursement for, among other things, training of sales personnel and/or marketing and/or administrative services and/or other services. To the extent permitted by NASD rules and other applicable laws and regulations, PIMS may pay or allow other promotional incentives or payments in the form of cash or non-cash compensation. These arrangements may not be offered to all firms, and the terms of such arrangements may differ between firms. Further information regarding these arrangements is provided in the Statement of Additional Information which is available upon request.

You should note that firms and individual registered representatives and branch managers within some firms participating in one of these compensation arrangements might receive greater compensation for selling the contract than for selling a different annuity that is not eligible for that compensation.

Litigation

Prudential is subject to legal and regulatory actions in the ordinary course of its businesses. Pending legal and regulatory actions include proceedings relating to aspects of our businesses and operations that are specific to Prudential and proceedings that are typical of the businesses in which Prudential operates, including in both cases businesses that have either been divested or placed in wind-down status. Some of these proceedings have been brought on behalf of various alleged classes of complainants. In certain of these matters, the plaintiffs are seeking large and/or indeterminate amounts, including punitive or exemplary damages.

In 2004, Prudential Financial and certain of its subsidiaries, including Prudential, along with a number of other insurance companies, received formal requests for information from the New York State Attorney General's Office, the Securities and Exchange Commission, the Connecticut Attorney General's Office, the Massachusetts Office of the Attorney General, the Department of Labor and various state insurance departments relating to payments to insurance intermediaries and certain other practices that may be viewed as anti-competitive. We may receive additional requests from these and other regulators and governmental authorities concerning these and related subjects. We are cooperating fully with these inquiries. These matters are the subject of litigation brought by private plaintiffs, including putative class actions and shareholder derivative actions, and the California Department of Insurance.

In August 2000, plaintiffs filed a purported national class action against us in the District Court of Valencia County, New Mexico, *Azar, et al. v. Prudential Insurance*, based upon the alleged failure to adequately disclose the increased costs associated with payment of life insurance premiums on a "modal" basis, *i.e.,* more frequently than once a year. Similar actions have been filed in New Mexico against over a dozen other insurance companies. The complaint includes allegations that we should have disclosed to each policyholder who paid for coverage on a modal basis the dollar cost difference between the modal premium and the annual premium required for the policy, as well as the effective annual percentage rate of interest of such difference. Based on these allegations, plaintiffs assert statutory claims including violation of the New Mexico Unfair Practices Act, and common law claims for breach of the implied covenant of good faith and fair dealing, breach of fiduciary duty, unjust enrichment and fraudulent concealment. The complaint seeks injunctive relief, compensatory and punitive damages, both in unspecified amounts, restitution, treble damages, pre-judgment interest, costs and attorneys' fees. In March 2001, the court entered an order granting partial summary judgment to plaintiffs as to liability. In January 2003, the New Mexico Court of Appeals reversed the finding of summary judgment in favor of plaintiffs and dismissed the counts in the complaint for breach of the covenant of good faith and fair dealing and breach of fiduciary duty. The case was remanded to the trial court to determine if the alleged nondisclosures were material to plaintiffs. In November 2004, the court issued an order holding that, as to the named plaintiffs, the non-disclosure was material and reliance had been established. Plaintiffs' motion for class certification of a multi-state class is under consideration by the court.

In November 2003, an action was commenced in the United States Bankruptcy Court for the Southern District of New York, *Enron Corp. v. J.P. Morgan Securities, Inc., et al.,* against approximately 100 defendants, including Prudential and other Prudential entities, who invested in Enron's commercial paper. The complaint alleges that Enron's October 2001 prepayment of its commercial paper is a voidable preference under the bankruptcy laws, constitutes a fraudulent conveyance and that the Company received prepayment of approximately $100 million. All defendants have moved to dismiss the complaint.

In 2000, a nationwide class action, *Shane v. Humana, et al.,* was brought on behalf of provider physicians and physician groups in the United States District Court for the Southern District of Florida. The complaint alleges that the Company and other health care companies engaged in an industry-wide conspiracy to defraud physicians by failing to pay under provider agreements and by unlawfully coercing providers to enter into agreements with unfair and unreasonable terms. An amended complaint, naming additional plaintiffs, including three state medical associations, and an additional defendant, was filed in March 2001, and alleges claims of breach of contract, quantum meruit, unjust enrichment, violations of the Racketeer Influenced and Corrupt Organizations Act, or RICO, conspiracy to violate RICO, aiding and abetting RICO violations, and violations of state prompt pay statutes and the California unfair business practices statute. The amended complaint seeks compensatory and punitive damages in unspecified amounts, treble damages pursuant to RICO, and attorneys' fees. In September 2002, the District Court granted plaintiffs' motion for class certification of a nationwide class of provider physicians. In September 2004, the United States Court of Appeals for the Eleventh Circuit affirmed with respect only to the federal claims for conspiracy to violate RICO and aiding and abetting RICO violations. The trial is scheduled for September 2005.

Prudential's litigation is subject to many uncertainties, and given its complexity and scope, its outcome cannot be predicted. It is possible that the results of operations or the cash flow of Prudential in a particular quarterly or annual period could be materially affected by an ultimate unfavorable resolution of pending litigation and regulatory matters depending, in part, upon the results of operations or cash flow for such period. Management believes, however, that the ultimate outcome of all pending litigation and regulatory matters, after consideration of applicable reserves, should not have a material adverse effect on Prudential's financial position.

Assignment

In general you can assign the contract at any time during your lifetime. We will not be bound by the assignment until we receive written notice. We will not be liable for any payment or other action we take in accordance with the contract if that action occurs before we receive notice of the assignment. Under certain circumstances we must approve the assignment before it becomes effective. An assignment, like any other change in ownership, may trigger a taxable event.

If you assign the contract, that assignment will result in the termination of any automated withdrawal program that had been in affect. If the new owner wants to re-institute an automated withdrawal program, then he/she needs to submit the forms that we require, in good order.

Financial Statements

The consolidated financial statements of Prudential and its subsidiaries and the financial statements of the separate account associated with the Variable Investment Plan are included in the Statement of Additional Information.

Statement of Additional Information

Contents:

Householding

To reduce costs, we now send only a single copy of prospectuses and shareholder reports to each consenting household, in lieu of sending a copy to each contract owner that resides in the household. If you are a member of such a household, you should be aware that you can revoke your consent to householding at any time and begin to receive your own copy of prospectuses and shareholder reports, by calling (877) 778-5008.

ACCUMULATION UNIT VALUES
THE PRUDENTIAL INDIVIDUAL VARIABLE CONTRACT ACCOUNT
PRUDENTIAL'S VARIABLE INVESTMENT PLAN
(Condensed Financial Information)

SUBACCOUNTS

Money Market

	01/01/04 to 12/31/04	01/01/03 to 12/31/03	01/01/02 to 12/31/02	01/01/01 to 12/31/01	01/01/00 to 12/31/00	01/01/99 to 12/31/99	01/01/98 to 12/31/98	01/01/97 to 12/31/97	01/01/96 to 12/31/96	01/01/95 to 12/31/95
1. Accumulation unit value at beginning of period	$ 2.439	$ 2.448	$ 2.440	$ 2.372	$ 2.260	$ 2.179	$ 2.092	$ 2.008	$ 1.931	$ 1.847
2. Accumulation unit value at end of period	2.435	2.439	2.448	2.440	2.372	2.260	2.179	2.092	2.008	1.931
3. Number of accumulation units outstanding at end of period	7,446,429	10,662,732	15,845,279	16,206,998	15,094,535	19,534,818	19,160,802	16,449,578	20,966,170	21,383,688

Diversified Bond

	01/01/04 to 12/31/04	01/01/03 to 12/31/03	01/01/02 to 12/31/02	01/01/01 to 12/31/01	01/01/00 to 12/31/00	01/01/99 to 12/31/99	01/01/98 to 12/31/98	01/01/97 to 12/31/97	01/01/96 to 12/31/96	01/01/95 to 12/31/95
1. Accumulation unit value at beginning of period	$ 4.291	$ 4.040	$ 3.819	$ 3.613	$ 3.332	$ 3.397	$ 3.208	$ 2.990	$ 2.899	$ 2.430
2. Accumulation unit value at end of period	4.477	4.291	4.040	3.819	3.613	3.332	3.397	3.208	2.990	2.899
3. Number of accumulation units outstanding at end of period	6,845,253	8,347,773	9,464,772	10,256,758	10,095,327	12,088,846	14,862,088	15,781,677	17,983,051	17,350,482

Government Income

	01/01/04 to 12/31/04	01/01/03 to 12/31/03	01/01/02 to 12/31/02	01/01/01 to 12/31/01	01/01/00 to 12/31/00	01/01/99 to 12/31/99	01/01/98 to 12/31/98	01/01/97 to 12/31/97	01/01/96 to 12/31/96	01/01/95 to 12/31/95
1. Accumulation unit value at beginning of period	$ 2.601	$ 2.568	$ 2.320	$ 2.172	$ 1.949	$ 2.027	$ 1.881	$ 1.736	$ 1.719	$ 1.456
2. Accumulation unit value at end of period	2.650	2.601	2.568	2.320	2.172	1.949	2.027	1.881	1.736	1.719
3. Number of accumulation units outstanding at end of period	13,603,141	14,181,854	17,484,564	15,586,694	17,709,759	20,844,166	24,947,937	26,590,965	32,103,624	36,188,716

Conservative Balanced

	01/01/04 to 12/31/04	01/01/03 to 12/31/03	01/01/02 to 12/31/02	01/01/01 to 12/31/01	01/01/00 to 12/31/00	01/01/99 to 12/31/99	01/01/98 to 12/31/98	01/01/97 to 12/31/97	01/01/96 to 12/31/96	01/01/95 to 12/31/95
1. Accumulation unit value at beginning of period	$ 4.492	$ 3.827	$ 4.255	$ 4.394	$ 4.469	$ 4.238	$ 3.839	$ 3.424	$ 3.077	$ 2.655
2. Accumulation unit value at end of period	4.795	4.492	3.827	4.255	4.394	4.469	4.238	3.839	3.424	3.077
3. Number of accumulation units outstanding at end of period	35,367,061	42,323,125	48,707,255	60,388,542	70,918,908	86,467,189	103,465,203	117,938,119	132,264,454	133,247,386

The financial statements of the Account are in the Statement of Additional Information.

ACCUMULATION UNIT VALUES
THE PRUDENTIAL INDIVIDUAL VARIABLE CONTRACT ACCOUNT
PRUDENTIAL'S VARIABLE INVESTMENT PLAN
(Condensed Financial Information) (Continued)

SUBACCOUNTS

Flexible Managed

	01/01/04 to 12/31/04	01/01/03 to 12/31/03	01/01/02 to 12/31/02	01/01/01 to 12/31/01	01/01/00 to 12/31/00	01/01/99 to 12/31/99	01/01/98 to 12/31/98	01/01/97 to 12/31/97	01/01/96 to 12/31/96	01/01/95 to 12/31/95
1. Accumulation unit value at beginning of period	$ 5.041	$ 4.122	$ 4.780	$ 5.129	$ 5.266	$ 4.944	$ 4.540	$ 3.895	$ 3.469	$ 2.828
2. Accumulation unit value at end of period	5.516	5.041	4.122	4.780	5.129	5.266	4.944	4.540	3.895	3.469
3. Number of accumulation units outstanding at end of period	21,723,069	25,609,215	29,289,119	35,195,708	40,893,782	50,140,349	61,157,390	70,568,253	80,196,501	80,116,280

High Yield Bond

	01/01/04 to 12/31/04	01/01/03 to 12/31/03	01/01/02 to 12/31/02	01/01/01 to 12/31/01	01/01/00 to 12/31/00	01/01/99 to 12/31/99	01/01/98 to 12/31/98	01/01/97 to 12/31/97	01/01/96 to 12/31/96	01/01/95 to 12/31/95
1. Accumulation unit value at beginning of period	$ 2.554	$ 2.067	$ 2.061	$ 2.095	$ 2.302	$ 2.227	$ 2.308	$ 2.053	$ 1.865	$ 1.605
2. Accumulation unit value at end of period	2.784	2.554	2.067	2.061	2.095	2.302	2.227	2.308	2.053	1.865
3. Number of accumulation units outstanding at end of period	5,586,801	6,649,028	6,637,817	7,637,611	8,955,833	11,178,289	14,194,497	15,264,711	16,519,861	15,869,142

Stock Index

	01/01/04 to 12/31/04	01/01/03 to 12/31/03	01/01/02 to 12/31/02	01/01/01 to 12/31/01	01/01/00 to 12/31/00	01/01/99 to 12/31/99	01/01/98 to 12/31/98	01/01/97 to 12/31/97	01/01/96 to 12/31/96	01/01/95 to 12/31/95
1. Accumulation unit value at beginning of period	$ 4.389	$ 3.465	$ 4.507	$ 5.185	$ 5.768	$ 4.842	$ 3.816	$ 2.907	$ 2.401	$ 1.772
2. Accumulation unit value at end of period	4.790	4.389	3.465	4.507	5.185	5.768	4.842	3.816	2.907	2.401
3. Number of accumulation units outstanding at end of period	16,069,031	20,974,216	21,834,324	25,937,264	30,002,946	32,475,674	33,545,384	33,400,486	32,289,212	26,855,828

Prudential Value

	01/01/04 to 12/31/04	01/01/03 to 12/31/03	01/01/02 to 12/31/02	01/01/01 to 12/31/01	01/01/00 to 12/31/00	01/01/99 to 12/31/99	01/01/98 to 12/31/98	01/01/97 to 12/31/97	01/01/96 to 12/31/96	01/01/95 to 12/31/95
1. Accumulation unit value at beginning of period	$ 4.752	$ 3.755	$ 4.870	$ 5.032	$ 4.406	$ 3.963	$ 4.108	$ 3.044	$ 2.530	$ 2.104
2. Accumulation unit value at end of period	5.462	4.752	3.755	4.870	5.032	4.406	3.963	4.108	3.044	2.530
3. Number of accumulation units outstanding at end of period	10,112,613	12,355,610	14,156,239	16,762,167	18,220,983	22,411,904	28,115,406	29,188,995	29,360,348	28,317,862

Equity

	01/01/04 to 12/31/04	01/01/03 to 12/31/03	01/01/02 to 12/31/02	01/01/01 to 12/31/01	01/01/00 to 12/31/00	01/01/99 to 12/31/99	01/01/98 to 12/31/98	01/01/97 to 12/31/97	01/01/96 to 12/31/96	01/01/95 to 12/31/95
1. Accumulation unit value at beginning of period	$ 7.513	$ 5.775	$ 7.526	$ 8.574	$ 8.402	$ 7.559	$ 6.996	$ 5.680	$ 4.850	$ 3.738
2. Accumulation unit value at end of period	8.160	7.513	5.775	7.526	8.574	8.402	7.559	6.996	5.680	4.850
3. Number of accumulation units outstanding at end of period	15,540,824	6,649,028	21,404,307	25,908,247	28,706,480	34,792,596	42,333,211	47,230,540	50,992,740	48,356,691

The financial statements of the Account are in the Statement of Additional Information.

ACCUMULATION UNIT VALUES
THE PRUDENTIAL INDIVIDUAL VARIABLE CONTRACT ACCOUNT
PRUDENTIAL'S VARIABLE INVESTMENT PLAN
(Condensed Financial Information) (Continued)

SUBACCOUNTS

Global

	01/01/04 to 12/31/04	01/01/03 to 12/31/03	01/01/02 to 12/31/02	01/01/01 to 12/31/01	01/01/00 to 12/31/00	01/01/99 to 12/31/99	01/01/98 to 12/31/98	01/01/97 to 12/31/97	01/01/96 to 12/31/96	01/01/95 to 12/31/95
1. Accumulation unit value at beginning of period	$ 2.253	$ 1.701	$ 2.300	$ 2.825	$ 3.472	$ 2.370	$ 1.917	$ 1.814	$ 1.533	$ 1.339
2. Accumulation unit value at end of period	2.440	2.253	1.701	2.300	2.825	3.472	2.370	1.917	1.814	1.533
3. Number of accumulation units outstanding at end of period	8,721,081	10,940,646	11,979,741	14,477,346	17,018,949	15,572,878	16,442,502	19,189,192	21,007,801	18,445,275

Natural Resources

	01/01/04 to 12/31/04	01/01/03 to 12/31/03	01/01/02 to 12/31/02	01/01/01 to 12/31/01	01/01/00 to 12/31/00	01/01/99 to 12/31/99	01/01/98 to 12/31/98	01/01/97 to 12/31/97	01/01/96 to 12/31/96	01/01/95 to 12/31/95
1. Accumulation unit value at beginning of period	$ 5.719	$ 4.164	$ 3.544	$ 3.988	$ 2.931	$ 2.032	$ 2.481	$ 2.840	$ 2.196	$ 1.751
2. Accumulation unit value at end of period	7.074	5.719	4.164	3.544	3.988	2.931	2.032	2.481	2.840	2.196
3. Number of accumulation units outstanding at end of period	3,989,691	4,440,945	4,632,035	4,807,191	5,369,179	5,492,182	7,014,841	9,429,004	10,476,240	8,792,973

Jennison

	01/01/04 to 12/31/04	01/01/03 to 12/31/03	01/01/02 to 12/31/02	01/01/01 to 12/31/01	01/01/00 to 12/31/00	01/01/99 to 12/31/99	01/01/98 to 12/31/98	01/01/97 to 12/31/97	01/01/96 to 12/31/96	05/01/95* to 12/31/95
1. Accumulation unit value at beginning of period	$ 2.026	$ 1.574	$ 2.307	$ 2.856	$ 3.497	$ 2.489	$ 1.832	$ 1.408	$ 1.245	$ 1.009
2. Accumulation unit value at end of period	2.195	2.026	1.574	2.307	2.856	3.497	2.489	1.832	1.408	1.245
3. Number of accumulation units outstanding at end of period	17,840,266	24,289,224	27,559,278	33,874,048	40,561,838	31,896,465	20,612,417	11,790,707	8,907,930	3,331,892

Small Capitalization Stock

	01/01/04 to 12/31/04	01/01/03 to 12/31/03	01/01/02 to 12/31/02	01/01/01 to 12/31/01	01/01/00 to 12/31/00	01/01/99 to 12/31/99	01/01/98 to 12/31/98	01/01/97 to 12/31/97	01/01/96 to 12/31/96	05/01/95* to 12/31/95
1. Accumulation unit value at beginning of period	$ 2.540	$ 1.859	$ 2.212	$ 2.120	$ 1.902	$ 1.708	$ 1.742	$ 1.408	$ 1.190	$ 1.002
2. Accumulation unit value at end of period	3.063	2.540	1.859	2.212	2.120	1.902	1.708	1.742	1.408	1.190
3. Number of accumulation units outstanding at end of period	7,583,667	9,322,493	10,012,616	10,355,650	10,226,502	8,966,981	10,647,324	8,957,289	5,169,868	1,491,116

*Commencement of Business

The financial statements of the Account are in the Statement of Additional Information.

PLEASE SEND ME A STATEMENT OF ADDITIONAL INFORMATION THAT CONTAINS FURTHER DETAILS ABOUT THE PRUDENTIAL ANNUITY DESCRIBED IN PROSPECTUS ORD97111 (05/2005).

____

(print your name)

____

(address)

____

(city/state/zip code)

MAILING ADDRESS:
PRUDENTIAL ANNUITY SERVICE CENTER
P.O. BOX 7960
Philadelphia, PA 19176

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PROSPECTUS **May 1, 2005**

THE PRUDENTIAL SERIES FUND, INC.

Conservative Balanced Portfolio
Diversified Bond Portfolio
Equity Portfolio
Flexible Managed Portfolio
Global Portfolio
Government Income Portfolio
High Yield Bond Portfolio
Jennison Portfolio
Money Market Portfolio
Natural Resources Portfolio
Small Capitalization Stock Portfolio
Stock Index Portfolio
Value Portfolio

Prudential Financial

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

The Fund is an investment vehicle for life insurance companies ("Participating Insurance Companies") writing variable annuity contracts and variable life insurance policies. Shares of the Fund may also be sold directly to certain tax-deferred retirement plans. Each variable annuity contract and variable life insurance policy involves fees and expenses not described in this Prospectus. Please read the Prospectus for the variable annuity contract or variable life insurance policy for information regarding the contract or policy, including its fees and expenses.

The Fund received an order from the Securities and Exchange Commission permitting its Investment Manager, subject to approval by its Board of Directors, to change subadvisers without shareholder approval. For more information, please see this Prospectus under "How the Fund is Managed."

THE PRUDENTIAL SERIES FUND, INC.

Natural Resources Portfolio

PROSPECTUS DATED MAY 1, 2005
SUPPLEMENT DATED MAY 1, 2005

The following amends the section of the prospectus entitled "How the Fund is Managed - Portfolio Managers":

Leigh Goehring has been replaced as a portfolio manager by David A. Kiefer. Mr. Kiefer and Michael Del Balso are the portfolio managers for the Portfolio.

Jennison typically follows a team approach in the management of its portfolios, while seeking to preserve individual accountability. The teams are generally organized along product strategies (e.g., large cap growth, large cap value) and meet regularly to review portfolio holdings and discuss purchase and sales activity of all accounts in the particular product strategy. The portfolio managers for the Portfolio are supported by members of Jennison's research team, which is comprised of other research analysts and other investment professionals of Jennison. Team members provide research support and make securities recommendations and support the portfolio managers in all activities. Members of the team may change from time to time.

Mr. Kiefer generally has final authority over all aspects of the Portfolio's investment portfolio, including but not limited to, purchases and sales of individual securities, portfolio construction, risk assessment, and management of cash flows. Mr. Kiefer, CFA, is an Executive Vice President of Jennison, which he joined in September 2000. He became head of Jennison Large Cap Value Equity in January 2004, having managed diversified large capitalization portfolios since 1998 and large cap blend equity assets since 1999. He became the portfolio manager of the Jennison Utility Fund (then Prudential) in 1994 at Prudential. He joined Prudential's management training program in 1986. From 1988 to 1990, Mr. Kiefer worked at Prudential Power Funding Associates, making loans to the energy industry. He then left to attend business school, rejoining Prudential in equity asset management in 1992. Mr. Kiefer earned a B.S. from Princeton University and an M.B.A. from Harvard Business School. Mr. Del Balso joined Jennison in 1972 and is currently an Executive Vice President at Jennison. Mr. Del Balso is a graduate of Yale University and received his M.B.A. from Columbia University. He is a member of The New York Society of Security Analysts, Inc. Mr. Del Balso has managed the Portfolio since April 2004.

Table of Contents

(For more information—see back cover)

This prospectus provides information about **The Prudential Series Fund, Inc.** (the Fund), which consists of 36 separate portfolios (each, a Portfolio).

The Fund offers two classes of shares in each Portfolio: Class I and Class II. Class I shares are sold only to separate accounts of The Prudential Insurance Company of America, Pruco Life Insurance Company, and Pruco Life Insurance Company of New Jersey (collectively, Prudential) as investment options under variable life insurance and variable annuity contracts (the Contracts). (A separate account keeps the assets supporting certain insurance contracts separate from the general assets and liabilities of the insurance company.) Class II shares are offered only to separate accounts of non-Prudential insurance companies for the same types of Contracts. **Not every Portfolio is available under every Contract**. The prospectus for each Contract lists the Portfolios currently available through that Contract.

This section highlights key information about each Portfolio. Additional information follows this summary and is also provided in the Fund's Statement of Additional Information (SAI).

INVESTMENT OBJECTIVES AND PRINCIPAL STRATEGIES OF THE PORTFOLIOS

The following summarizes the investment objectives, principal strategies and principal risks for each of the Portfolios. A Portfolio may have a similar name or an investment objective and investment policies closely resembling those of a mutual fund managed by the same investment adviser that is sold directly to individual investors. Despite such similarities, there can be no assurance that the investment performance of any Portfolio will resemble that of its retail fund counterpart.

We describe each of the terms listed as principal risks in the section entitled "Principal Risks" which follows this section. While we make every effort to achieve the investment objective for each Portfolio, we can't guarantee success and it is possible that you could lose money.

Conservative Balanced Portfolio

Investment Objective: total investment return consistent with a conservatively managed diversified portfolio.

We invest in a mix of equity securities, debt obligations and money market instruments. Up to 30% of the Portfolio's total assets may be invested in foreign securities. We may invest a portion of the Portfolio's assets in high-yield/high-risk debt securities, which are riskier than high-grade securities. This Portfolio may be appropriate for an investor who wants diversification with a relatively lower risk of loss than that associated with the Flexible Managed Portfolio (see below). While we make every effort to achieve our objective, we can't guarantee success and it is possible that you could lose money.

Principal Risks:
- **company risk**
- **credit risk**
- **derivatives risk**
- **foreign investment risk**
- **high yield risk**
- **interest rate risk**
- **leveraging risk**
- **liquidity risk**
- **management risk**
- **market risk**
- **prepayment risk**

Diversified Bond Portfolio

Investment Objective: high level of income over a longer term while providing reasonable safety of capital.

We look for investments that we think will provide a high level of current income, but which are not expected to involve a substantial risk of loss of capital through default. We normally invest at least 80% of the Portfolio's investable assets (net assets plus any borrowings made for investment purposes) in high-grade debt obligations and high-quality money market investments. We may purchase securities that are issued outside the U.S. by foreign or U.S. issuers. In addition, we may invest a portion of the Portfolio's assets in high-yield/high-risk debt securities, which are riskier than high-grade securities. We may invest up to 20% of the Portfolio's total assets in debt securities issued outside the U.S. by U.S. or foreign issuers whether or not such securities are denominated in the U.S. dollar. These securities are included in the limits described above for debt obligations that may or may not be investment grade. While we make every effort to achieve our objective, we can't guarantee success and it is possible that you could lose money.

Principal Risks:

- **credit risk**
- **derivatives risk**
- **foreign investment risk**
- **high yield risk**
- **interest rate risk**
- **leveraging risk**
- **liquidity risk**
- **management risk**
- **market risk**
- **prepayment risk**

Equity Portfolio

Investment Objective: long-term growth of capital.

We normally invest at least 80% of the Portfolio's investable assets (net assets plus any borrowings made for investment purposes) in common stock of major established companies as well as smaller companies that we believe offer attractive prospects of appreciation. The Portfolio may invest up to 30% of its total assets in foreign securities. While we make every effort to achieve our objective, we can't guarantee success and it is possible that you could lose money.

Principal Risks:

- **company risk**
- **derivatives risk**
- **foreign investment risk**
- **leveraging risk**
- **management risk**
- **market risk**

Flexible Managed Portfolio

Investment Objective: high total return consistent with an aggressively managed diversified portfolio.

We invest in a mix of equity securities, debt obligations and money market instruments. The Portfolio may invest in foreign securities. A portion of the debt portion of the Portfolio may be invested in high-yield/high-risk debt securities, which are riskier than high-grade securities. This Portfolio may be appropriate for an investor who wants diversification and is willing to accept a relatively high level of loss in an effort to achieve greater appreciation. While we make every effort to achieve our objective, we can't guarantee success and it is possible that you could lose money.

Principal Risks:

- **company risk**
- **credit risk**
- **derivatives risk**
- **foreign investment risk**
- **high yield risk**
- **interest rate risk**
- **leveraging risk**
- **liquidity risk**
- **management risk**
- **market risk**
- **prepayment risk**

Global Portfolio

Investment Objective: long-term growth of capital.

We invest primarily in common stocks (and their equivalents) of foreign and U.S. companies. Generally, we invest in at least three countries, including the U.S., but we may invest up to 35% of the Portfolio's assets in companies located in any one country other than the U.S. While we make every effort to achieve our objective, we can't guarantee success and it is possible that you could lose money.

Principal Risks:
- **company risk**
- **derivatives risk**
- **foreign investment risk**
- **leveraging risk**
- **management risk**
- **market risk**

Government Income Portfolio

Investment Objective: a high level of income over the long term consistent with the preservation of capital.

We normally invest at least 80% of the Portfolio's investable assets (net assets plus any borrowings made for investment purposes) in U.S. Government securities, including intermediate and long-term U.S. Treasury securities and debt obligations issued by agencies or instrumentalities established by the U.S. Government, mortgage-related securities and collateralized mortgage obligations. The Portfolio may invest up to 20% of investable assets in other securities, including corporate debt securities. While we make every effort to achieve our objective, we can't guarantee success and it is possible that you could lose money.

Principal Risks:
- **credit risk**
- **derivatives risk**
- **foreign investment risk**
- **interest rate risk**
- **leveraging risk**
- **liquidity risk**
- **management risk**
- **market risk**
- **mortgage risk**
- **prepayment risk**

An investment in the Government Income Portfolio is not a bank deposit and is not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency.

High Yield Bond Portfolio

Investment Objective: a high total return.

We normally invest at least 80% of the Portfolio's investable assets (net assets plus any borrowings made for investment purposes) in high-yield/high-risk debt securities. Such securities have speculative characteristics and are riskier than high-grade securities. The Portfolio may invest up to 20% of its total assets in foreign debt obligations. While we make every effort to achieve our objective, we can't guarantee success and it is possible that you could lose money.

Principal Risks:
- **credit risk**
- **derivatives risk**
- **foreign investment risk**
- **high yield risk**
- **interest rate risk**
- **leveraging risk**
- **liquidity risk**
- **management risk**
- **market risk**
- **prepayment risk**

Jennison Portfolio

Investment Objective: long-term growth of capital.

We invest primarily in equity securities of major, established corporations that we believe offer above-average growth prospects. The Portfolio may invest up to 30% of its total assets in foreign securities. While we make every effort to achieve our objective, we can't guarantee success and it is possible that you could lose money.

Principal Risks:
- **company risk**
- **derivatives risk**
- **foreign investment risk**
- **leveraging risk**
- **management risk**
- **market risk**

Money Market Portfolio

Investment Objective: maximum current income consistent with the stability of capital and the maintenance of liquidity.

We invest in high-quality short-term money market instruments issued by the U.S. Government or its agencies, as well as by corporations and banks, both domestic and foreign. The Portfolio will invest only in instruments that mature in thirteen months or less, and which are denominated in U.S. dollars. While we make every effort to achieve our objective, we can't guarantee success.

Principal Risks:
- **credit risk**
- **interest rate risk**
- **management risk**

An investment in the Money Market Portfolio is not a bank deposit and is not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. Although the Portfolio seeks to maintain a net asset value of $10 per share, it is possible to lose money by investing in the Portfolio.

Natural Resources Portfolio

Investment Objective: long-term growth of capital.

We normally invest at least 80% of the Portfolio's investable assets (net assets plus any borrowings made for investment purposes) in common stocks and convertible securities of natural resource companies and securities that are related to the market value of some natural resource. The Portfolio is non-diversified. As a non-diversified Portfolio, the Natural Resources Portfolio may hold larger positions in single issuers than a diversified Portfolio. As a result, the Portfolio's performance may be tied more closely to the success or failure of a smaller group of portfolio holdings. There are additional risks associated with the Portfolio's investment in the securities of natural resource companies. The market value of these securities may be affected by numerous factors, including events occurring in nature, inflationary pressures, and international politics. Up to 30% of the Portfolio's total assets may be invested in foreign securities. While we make every effort to achieve our objective, we can't guarantee success and it is possible that you could lose money.

Principal Risks:
- **company risk**
- **credit risk**
- **derivatives risk**
- **foreign investment risk**
- **industry/sector risk**
- **interest rate risk**
- **leveraging risk**
- **management risk**
- **market risk**

Small Capitalization Stock Portfolio

Investment Objective: long-term growth of capital.

We invest primarily in equity securities of publicly-traded companies with small market capitalizations. With the price and yield performance of the Standard & Poor's Small Capitalization 600 Stock Index (the S&P SmallCap 600 Index) as our benchmark, we normally invest at least 80% of the Portfolio's investable assets (net assets plus any borrowings made for investment purposes) in all or a representative sample of the stocks in the S&P SmallCap 600 Index. The market capitalization of the companies that make up the S&P SmallCap 600 Index may change from time to time. As of February 28, 2005 the S&P SmallCap 600 Index stocks had market capitalizations of between $300 million and $1 billion.

The Portfolio is not "managed" in the traditional sense of using market and economic analyses to select stocks. Rather, the portfolio manager purchases stocks to duplicate the stocks and their weighting in the S&P SmallCap 600 Index. While we make every effort to achieve our objective, we can't guarantee success and it is possible that you could lose money.

Principal Risks:

- **company risk**
- **derivatives risk**
- **leveraging risk**
- **market risk**

Stock Index Portfolio

Investment Objective: investment results that generally correspond to the performance of publicly-traded common stocks.

With the price and yield performance of the Standard & Poor's 500 Composite Stock Price Index (S&P 500 Index) as our benchmark, we normally invest at least 80% of the Portfolio's investable assets (net assets plus any borrowings made for investment purposes) in S&P 500 stocks. The S&P 500 Index represents more than 70% of the total market value of all publicly-traded common stocks and is widely viewed as representative of publicly-traded common stocks as a whole. The Portfolio is not "managed" in the traditional sense of using market and economic analyses to select stocks. Rather, the portfolio manager purchases stocks in proportion to their weighting in the S&P 500 Index. While we make every effort to achieve our objective, we can't guarantee success and it is possible that you could lose money.

Principal Risks:

- **company risk**
- **derivatives risk**
- **market risk**

Value Portfolio

Investment Objective: capital appreciation.

We invest primarily in common stocks that we believe are undervalued — those stocks that are trading below their underlying asset value, cash generating ability and overall earnings and earnings growth. We normally invest at least 65% of the Portfolio's total assets in the common stock of companies that we believe will provide investment returns above those of the Russell 1000 Value Index and, over the long term, the Standard & Poor's 500 Composite Stock Price Index (S&P 500 Index). Most of our investments will be securities of large capitalization companies. The Portfolio may invest up to 25% of its total assets in real estate investment trusts (REITs) and up to 30% of its total assets in foreign securities. There is a risk that "value" stocks can perform differently from the market as a whole and other types of stocks and can continue to be undervalued by the markets for long periods of time. While we make every effort to achieve our objective, we can't guarantee success and it is possible that you could lose money.

Principal Risks:

- **company risk**
- **derivatives risk**
- **credit risk**
- **foreign investment risk**
- **interest rate risk**
- **leveraging risk**
- **management risk**

- **market risk**

PRINCIPAL RISKS

Although we try to invest wisely, all investments involve risk. Like any mutual fund, an investment in a Portfolio could lose value, and you could lose money. The following summarizes the principal risks of investing in the Portfolios.

Company risk. The price of the stock of a particular company can vary based on a variety of factors, such as the company's financial performance, changes in management and product trends, and the potential for takeover and acquisition. This is especially true with respect to equity securities of smaller companies, whose prices may go up and down more than equity securities of larger, more established companies. Also, since equity securities of smaller companies may not be traded as often as equity securities of larger, more established companies, it may be difficult or impossible for a Portfolio to sell securities at a desirable price. Foreign securities have additional risks, including exchange rate changes, political and economic upheaval, the relative lack of information about these companies, relatively low market liquidity and the potential lack of strict financial and accounting controls and standards.

Credit risk. Debt obligations are generally subject to the risk that the issuer may be unable to make principal and interest payments when they are due. There is also the risk that the securities could lose value because of a loss of confidence in the ability of the borrower to pay back debt. Non-investment grade debt — also known as "high-yield bonds" and "junk bonds" — have a higher risk of default and tend to be less liquid than higher-rated securities.

Derivatives risk. Derivatives are financial contracts whose value depends on, or is derived from, the value of an underlying asset, interest rate or index. The Portfolios typically use derivatives as a substitute for taking a position in the underlying asset and/or as part of a strategy designed to reduce exposure to other risks, such as interest rate or currency risk. A Portfolio may also use derivatives for leverage, in which case their use would involve leveraging risk. A Portfolio's use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments. Derivatives are subject to a number of risks described elsewhere, such as liquidity risk, interest rate risk, market risk, credit risk and management risk. They also involve the risk of mis-pricing or improper valuation and the risk that changes in the value of the derivative may not correlate perfectly with the underlying asset, rate or index. A Portfolio investing in a derivative instrument could lose more than the principal amount invested. Also, suitable derivative transactions may not be available in all circumstances.

Foreign investment risk. Investing in foreign securities generally involves more risk than investing in securities of U.S. issuers. Foreign investment risk includes the specific risks described below:

Currency risk. Changes in currency exchange rates may affect the value of foreign securities held by a Portfolio and the amount of income available for distribution. If a foreign currency grows weaker relative to the U.S. dollar, the value of securities denominated in that foreign currency generally decreases in terms of U.S. dollars. If a Portfolio does not correctly anticipate changes in exchange rates, its share price could decline as a result. In addition, certain hedging activities may cause the Portfolio to lose money and could reduce the amount of income available for distribution.

Emerging market risk. To the extent that a Portfolio invests in emerging markets to enhance overall returns, it may face higher political, information, and stock market risks. In addition, profound social changes and business practices that depart from norms in developed countries' economies have sometimes hindered the orderly growth of emerging economies and their stock markets in the past. High levels of debt may make emerging economies heavily reliant on foreign capital and vulnerable to capital flight.

Foreign market risk. Foreign markets, especially those in developing countries, tend to be more volatile than U.S. markets and are generally not subject to regulatory requirements comparable to those in the U.S. Because of differences in accounting standards and custody and settlement practices, investing in foreign securities generally involves more risk than investing in securities of U.S. issuers.

Information risk. Financial reporting standards for companies based in foreign markets usually differ from those in the United States. Since the "numbers" themselves sometimes mean different things, the sub-advisers devote much of their research effort to understanding and assessing the impact of these differences upon a company's financial conditions and prospects.

Liquidity risk. Stocks that trade less can be more difficult or more costly to buy, or to sell, than more liquid or active stocks. This liquidity risk is a factor of the trading volume of a particular stock, as well as the size and liquidity of the entire local market. On the whole, foreign exchanges are smaller and less liquid than the U.S. market. This can make buying and selling certain shares more difficult and costly. Relatively small transactions in some instances can have a disproportionately large effect on the price and supply of shares. In certain situations, it may become virtually impossible to sell a stock in an orderly fashion at a price that approaches an estimate of its value.

Political developments. Political developments may adversely affect the value of a Portfolio's foreign securities.

Political risk. Some foreign governments have limited the outflow of profits to investors abroad, extended diplomatic disputes to include trade and financial relations, and imposed high taxes on corporate profits.

Regulatory risk. Some foreign governments regulate their exchanges less stringently, and the rights of shareholders may not be as firmly established.

Growth stock risk. Investors often expect growth companies to increase their earnings at a certain rate. If these expectations are not met, investors can punish the stocks inordinately, even if earnings do increase. In addition, growth stocks typically lack the dividend yield that can cushion stock prices in market downturns.

High yield risk. Portfolios that invest in high yield securities and unrated securities of similar credit quality (commonly known as "junk bonds") may be subject to greater levels of interest rate, credit and liquidity risk than Portfolios that do not invest in such securities. High yield securities are considered predominantly speculative with respect to the issuer's continuing ability to make principal and interest payments. An economic downturn or period of rising interest rates could adversely affect the market for high yield securities and reduce a Portfolio's ability to sell its high yield securities (liquidity risk).

Industry/sector risk. Portfolios that invest in a single market sector or industry can accumulate larger positions in single issuers or an industry sector. As a result, the Portfolio's performance may be tied more directly to the success or failure of a smaller group of portfolio holdings.

Interest rate risk. Fixed income securities are subject to the risk that the securities could lose value because of interest rate changes. For example, bonds tend to decrease in value if interest rates rise. Debt obligations with longer maturities sometimes offer higher yields, but are subject to greater price shifts as a result of interest rate changes than debt obligations with shorter maturities.

Initial public offering (IPO) risk. The prices of securities purchased in initial public offerings (IPOs) can be very volatile. The effect of IPOs on the performance of a Portfolio depends on a variety of factors, including the number of IPOs the Portfolio invests in relative to the size of the Portfolio and whether and to what extent a security purchased in an IPO appreciates or depreciates in value. As a Portfolio's asset base increases, IPOs often have a diminished effect on a Portfolio's performance.

Leveraging risk. Certain transactions may give rise to a form of leverage. Such transactions may include, among others, reverse repurchase agreements, loans of portfolio securities, and the use of when-issued, delayed delivery or forward commitment contracts. The use of derivatives may also create leveraging risks. To mitigate leveraging risk, a sub-adviser can segregate liquid assets or otherwise cover the transactions that may give rise to such risk. The use of leverage may cause a Portfolio to liquidate portfolio positions when it may not be advantageous to do so to satisfy its obligations or to meet segregation requirements. Leverage, including borrowing, may cause a Portfolio to be more volatile than if the Portfolio had not been leveraged. This is because leveraging tends to exaggerate the effect of any increase or decrease in the value of a Portfolio's securities.

Liquidity risk. Liquidity risk exists when particular investments are difficult to purchase or sell. A Portfolio's investments in illiquid securities may reduce the returns of the Portfolio because it may be unable to sell the illiquid securities at an advantageous time or price. Portfolios with principal investment strategies that involve foreign securities, derivatives or securities with substantial market and/or credit risk tend to have the greatest exposure to liquidity risk.

Management risk. Actively managed investment portfolios are subject to management risk. Each sub-adviser will apply investment techniques and risk analyses in making investment decisions for the Portfolios, but there can be no guarantee that these will produce the desired results.

Market risk. Common stocks are subject to market risk stemming from factors independent of any particular security. Investment markets fluctuate. All markets go through cycles and market risk involves being on the wrong side of a cycle. Factors affecting market risk include political events, broad economic and social changes, and the mood of the investing public. You can see market risk in action during large drops in the stock market. If investor sentiment turns gloomy, the price of all stocks may decline. It may not matter that a particular company has great profits and its stock is selling at a relatively low price. If the overall market is dropping, the values of all stocks are likely to drop. Generally, the stock prices of large companies are more stable than the stock prices of smaller companies, but this is not always the case. Smaller companies often offer a smaller range of products and services than large companies. They may also have limited financial resources and may lack management depth. As a result, stocks issued by smaller companies may fluctuate in value more than the stocks of larger, more established companies.

Mortgage risk. A Portfolio that purchases mortgage related securities is subject to certain additional risks. Rising interest rates tend to extend the duration of mortgage-related securities, making them more sensitive to changes in interest rates. As a result, in a period of rising interest rates, a Portfolio that holds mortgage-related securities may exhibit additional volatility. This is known as extension risk. In addition, mortgage-related securities are subject to prepayment risk. When interest rates decline, borrowers may pay off their mortgages sooner than expected. This can reduce the returns of a Portfolio because the Portfolio will have to reinvest that money at the lower prevailing interest rates.

Portfolio turnover risk. A Portfolio's investments may be bought and sold relatively frequently. A high turnover rate may result in higher brokerage commissions and taxable capital gain distributions to a Portfolio's shareholders.

Prepayment risk. A Portfolio that purchases mortgage-related securities or asset-backed securities is subject to additional risks. The underlying mortgages or assets may be prepaid, partially or completely, generally during periods of falling interest rates, which could adversely affect yield to maturity and could require the Portfolio to reinvest in lower yielding securities.

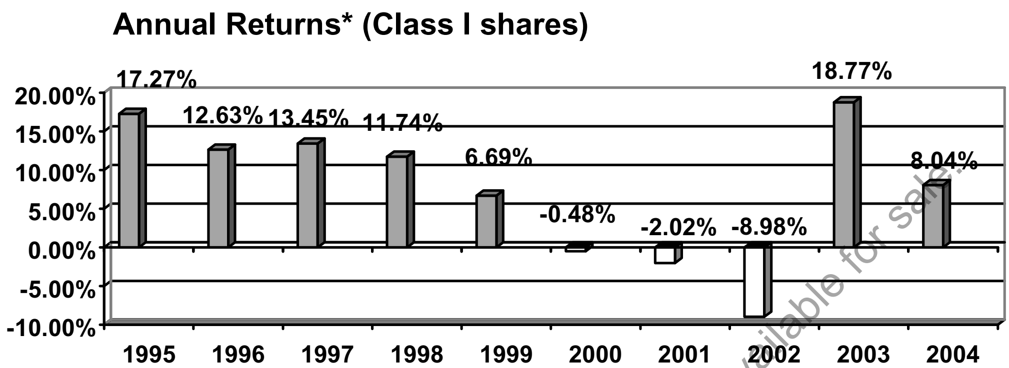
Short sale risk. A Portfolio that enters into short sales, which involves selling a security it does not own in anticipation that the security's price will decline, expose the Portfolio to the risk that it will be required to buy the security sold short (also known as "covering" the short position) at a time when the security has appreciated in value, thus resulting in a loss to the Portfolio.

Smaller company risk. The shares of smaller companies tend to trade less frequently than those of larger, more established companies, which can have an adverse effect on the pricing of these securities and on a Portfolio's ability to sell these securities. In the case of small cap technology companies, the risks associated with technology companies (see technology company risk below) are magnified.

EVALUATING PERFORMANCE

Conservative Balanced Portfolio

A number of factors — including risk — can affect how the Portfolio performs. The bar chart and table below demonstrate the risk of investing in the Portfolio by showing how returns can change from year to year and by showing how the Portfolio's average annual returns compare with a stock index and a group of similar mutual funds. Past performance does not mean that the Portfolio will achieve similar results in the future.



Best Quarter	Worst Quarter
10.14% (2nd quarter of 2003)	-8.18% (3rd quarter of 2002)

** These annual returns do not include Contract charges. If Contract charges were included, the annual returns would have been lower than those shown. See the accompanying Contract prospectus.*

Average Annual Returns* (as of 12/31/04)

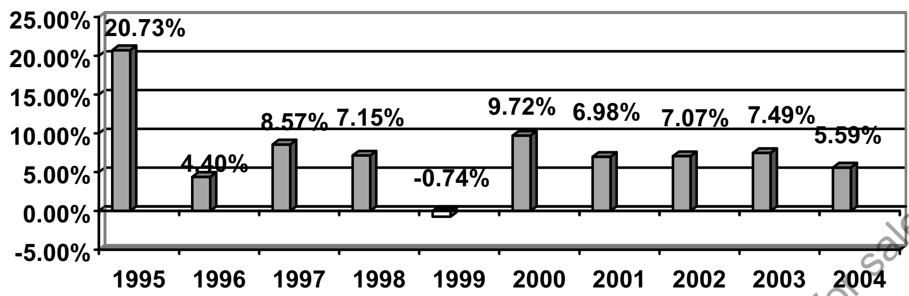
	1 Year	**5 Years**	**10 Years**
Class I Shares	**8.04%**	**2.64%**	**7.36%**
S&P 500 Index**	**10.87%**	**-2.30%**	**12.07%**
Conservative Balanced Custom Blended Index***	**7.33%**	**2.49%**	**9.84%**
Lipper Variable Insurance Products (VIP) Balanced Average****	**8.55%**	**2.96%**	**9.27%**

**The Portfolio's returns are after deduction of expenses and do not include Contract charges.*
***The Standard & Poor's 500 Composite Stock Price Index (S&P 500 Index)--an unmanaged index of 500 stocks of large U.S. companies--gives a broad look at how stock prices have performed. These returns do not include the effect of any investment management expenses. These returns would have been lower if they included the effect of these expenses.*
****The Conservative Balanced Custom Blended Index consists of the S&P 500 Index (50%), the Lehman Brothers Aggregate Bond Index (40%) and the T-Bill 3-Month Blend (10%). These returns do not include the effect of investment management expenses. These returns would have been lower if they included the effect of these expenses.*
*****The Lipper Average is calculated by Lipper Analytical Services, Inc. and reflects the return of certain portfolios underlying variable life and annuity products. The returns are net of investment fees and fund expenses but not product charges. These returns would have been lower if they included the effect of product charges.*

Diversified Bond Portfolio

A number of factors — including risk — can affect how the Portfolio performs. The bar chart and table below demonstrate the risk of investing in the Portfolio by showing how returns can change from year to year and by showing how the Portfolio's average annual returns compare with a market index and a group of similar mutual funds. Past performance does not mean that the Portfolio will achieve similar results in the future.

Annual Returns* (Class I Shares)



Best Quarter	Worst Quarter
7.32% (2nd quarter of 1995)	-2.54% (2nd quarter of 2004)

** These annual returns do not include Contract charges. If Contract charges were included, the annual returns would have been lower than those shown. See the accompanying Contract prospectus.*

Average Annual Returns* (as of 12/31/04)

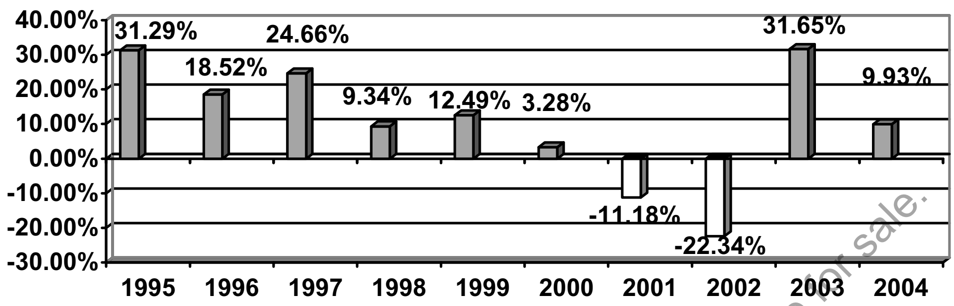
	1 Year	5 Years	10 Years
Class I Shares	**5.59%**	**7.36%**	**7.58%**
Lehman Brothers Aggregate Bond Index**	**4.34%**	**7.71%**	**7.72%**
Lipper Variable Insurance Products (VIP) Corporate Debt Funds BBB Average***	**5.18%**	**7.70%**	**7.86%**

**The Portfolio's returns are after deduction of expenses and do not include Contract charges.*
***The Lehman Brothers Aggregate Bond Index is comprised of more than 5,000 government and corporate bonds. These returns do not include the effect of any investment management expenses. These returns would have been lower if they included the effect of these expenses.*
****The Lipper Average is calculated by Lipper Analytical Services, Inc. and reflects the return of certain portfolios underlying variable life and annuity products. The returns are net of investment fees and fund expenses but not product charges. These returns would have been lower if they included the effect of product charges.*

Equity Portfolio

A number of factors — including risk — can affect how the Portfolio performs. The bar chart and table below demonstrate the risk of investing in the Portfolio by showing how returns can change from year to year and by showing how the Portfolio's average annual returns compare with a stock index and a group of similar mutual funds. Past performance does not mean that the Portfolio will achieve similar results in the future.

Annual Returns* (Class I Shares)



Best Quarter	Worst Quarter
16.81% (2nd quarter of 2003)	-17.48% (3rd quarter of 2002)

** These annual returns do not include Contract charges. If Contract charges were included, the annual returns would have been lower than those shown. See the accompanying Contract prospectus.*

Average Annual Returns* (as of 12/31/04)

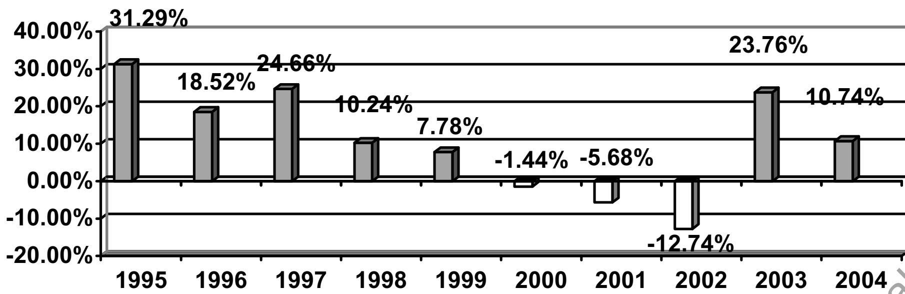
	1 Year	**5 Years**	**10 Years**	**Since Class II Inception (5/3/99)**
Class I Shares	**9.93%**	**0.61%**	**9.42%**	**11.49%**
Class II Shares	**9.51%**	**0.20%**	**N/A**	**0.06%**
S&P 500 Index**	**10.87%**	**-2.30%**	**12.07%**	**-0.21%**
Russell 1000 Index***	**11.40%**	**-1.76%**	**12.16%**	**0.35%**
Lipper Variable Insurance Products (VIP) Large Cap Core Funds Average****	**8.59%**	**-2.88%**	**9.72%**	**-0.62%**

**The Portfolio's returns are after deduction of expenses and do not include Contract charges.*
***The Standard & Poor's 500 Composite Stock Price Index (S&P 500 Index)--an unmanaged index of 500 stocks of large U.S. companies--gives a broad look at how stock prices have performed. These returns do not include the effect of any investment management expenses. These returns would have been lower if they included the effect of these expenses. The "Since Inception" return reflects the closest calendar month-end return to the inception date of the Portfolio.*
****The Russell 1000 Index consists of the 1000 largest securities in the Russell 3000 Index. The Russell 3000 Index consists of the 3000 largest companies, as determined by market capitalization. These returns do not include the effect of investment management expenses. These returns would have been lower if they included the effect of these expenses. The "Since Inception" return reflects the closest calendar month-end return to the inception date of the Portfolio.*
*****The Lipper Average is calculated by Lipper Analytical Services, Inc. and reflects the return of certain portfolios underlying variable life and annuity products. The returns are net of investment fees and fund expenses but not product charges. These returns would have been lower if they included the effect of product charges. The "Since Inception" return reflects the closest calendar month-end return to the inception date of the Portfolio.*

Flexible Managed Portfolio

A number of factors — including risk — can affect how the Portfolio performs. The bar chart and table below demonstrate the risk of investing in the Portfolio by showing how returns can change from year to year and by showing how the Portfolio's average annual returns compare with a market index and a group of similar mutual funds. Past performance does not mean that the Portfolio will achieve similar results in the future.

Annual Returns* (Class I Shares)



Best Quarter	Worst Quarter
12.31% (2nd quarter of 2003)	-11.45% (3rd quarter of 2002)

** These annual returns do not include Contract charges. If Contract charges were included, the annual returns would have been lower than those shown. See the accompanying Contract prospectus.*

Average Annual Returns* (as of 12/31/04)

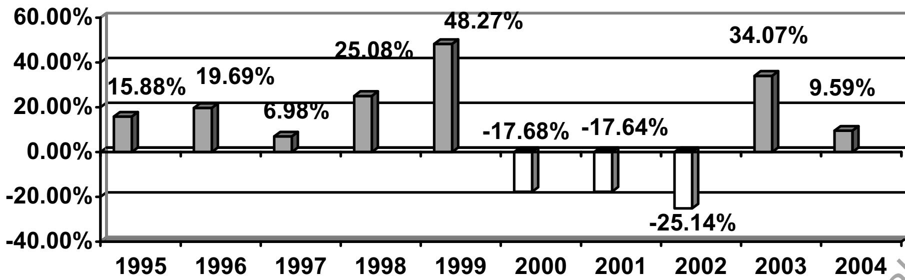
	1 Year	5 Years	10 Years
Class I Shares	10.74%	2.14%	8.19%
S&P 500 Index**	10.87%	-2.30%	12.07%
Flexible Managed Custom Blended Index***	8.14%	1.73%	10.46%
Lipper Variable Insurance Products (VIP) Flexible Portfolio Funds Average****	8.25%	3.04%	10.00%

**The Portfolio's returns are after deduction of expenses and do not include Contract charges.*
***The Standard & Poor's 500 Composite Stock Price Index (S&P 500 Index)--an unmanaged index of 500 stocks of large U.S. companies--gives a broad look at how stock prices have performed. These returns do not include the effect of any investment management expenses. These returns would have been lower if they included the effect of these expenses.*
****The Flexible Managed Custom Blended Index consists of the S&P 500 Index (60%), the Lehman Brothers Aggregate Bond Index (35%) and the T-Bill 3-Month Blend (5%). These returns do not include the effect of investment management expenses. These returns would have been lower if they included the effect of these expenses.*
*****The Lipper Average is calculated by Lipper Analytical Services, Inc. and reflects the return of certain portfolios underlying variable life and annuity products. The returns are net of investment fees and fund expenses but not product charges. These returns would have been lower if they included the effect of product charges.*

Global Portfolio

A number of factors — including risk — can affect how the Portfolio performs. The bar chart and table below demonstrate the risk of investing in the Portfolio by showing how returns can change from year to year and by showing how the Portfolio's average annual returns compare with a market index and a group of similar mutual funds. Past performance does not mean that the Portfolio will achieve similar results in the future.

Annual Returns* (Class I Shares)



Best Quarter	Worst Quarter
31.05% (4th quarter of 1999)	-21.45% (3rd quarter of 2001)

** These annual returns do not include Contract charges. If Contract charges were included, the annual returns would have been lower than those shown. See the accompanying Contract prospectus.*

Average Annual Returns* (as of 12/31/04)

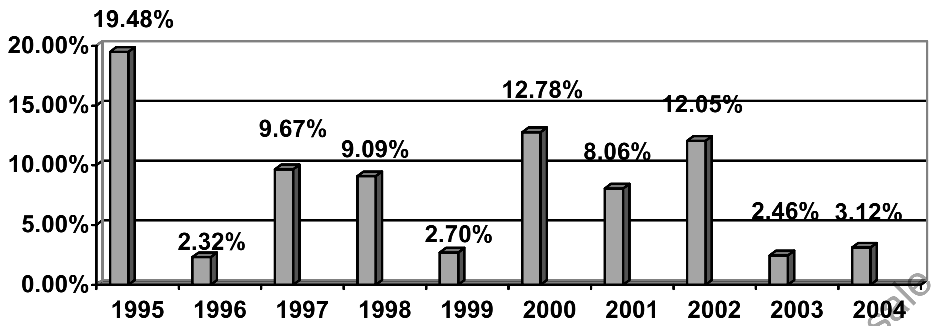
	1 Year	5 Years	10 Years
Class I Shares	**9.59%**	**-5.70%**	**7.45%**
MSCI World Index**	**14.72%**	**-2.45%**	**8.09%**
Lipper Variable Insurance Products (VIP) Global Funds Average***	**15.69%**	**-1.81%**	**9.62%**

**The Portfolio's returns are after deduction of expenses and do not include Contract charges.*
***The Morgan Stanley Capital International World Index (MSCI World Index) is a weighted index comprised of approximately 1,500 companies listed on the stock exchanges of the U.S., Europe, Canada, Australia, New Zealand and the Far East. These returns do not include the effect of any investment management expenses. These returns would have been lower if they included the effect of these expenses.*
****The Lipper Average is calculated by Lipper Analytical Services, Inc. and reflects the return of certain portfolios underlying variable life and annuity products. The returns are net of investment fees and fund expenses but not product charges. These returns would have been lower if they included the effect of product charges.*

Government Income Portfolio

A number of factors — including risk — can affect how the Portfolio performs. The bar chart and table below demonstrate the risk of investing in the Portfolio by showing how returns can change from year to year and by showing how the Portfolio's average annual returns compare with a market index and a group of similar mutual funds. Past performance does not mean that the Portfolio will achieve similar results in the future.

Annual Returns* (Class I Shares)



Best Quarter	Worst Quarter
6.72% (2nd quarter of 1995)	-2.61% (1st quarter of 1996)

** These annual returns do not include Contract charges. If Contract charges were included, the annual returns would have been lower than those shown. See the accompanying Contract prospectus.*

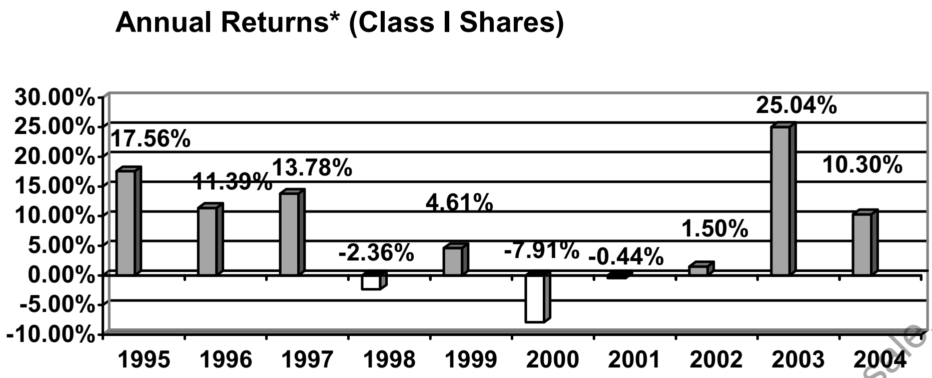
Average Annual Returns* (as of 12/31/04)

	1 Year	5 Years	10 Years
Class I Shares	**3.12%**	**7.61%**	**7.45%**
Lehman Brothers Government Bond Index**	**3.48%**	**7.48%**	**7.46%**
Lipper Variable Insurance Products (VIP) General U.S. Government Funds Average***	**3.92%**	**7.02%**	**6.88%**

**The Portfolio's returns are after deduction of expenses and do not include Contract charges.*
***The Lehman Brothers Government Bond Index is a weighted index comprised of securities issued or backed by the U.S. Government, its agencies and instrumentalities with a remaining maturity of one to 30 years. These returns do not include the effect of any investment management expenses. These returns would have been lower if they included the effect of these expenses.*
****The Lipper Average is calculated by Lipper Analytical Services, Inc. and reflects the return of certain portfolios underlying variable life and annuity products. The returns are net of investment fees and fund expenses but not product charges. These returns would have been lower if they included the effect of product charges.*

High Yield Bond Portfolio

A number of factors — including risk — can affect how the Portfolio performs. The bar chart and table below demonstrate the risk of investing in the Portfolio by showing how returns can change from year to year and by showing how the Portfolio's average annual returns compare with a market index and a group of similar mutual funds. Past performance does not mean that the Portfolio will achieve similar results in the future.



Best Quarter	Worst Quarter
8.91% (2nd quarter of 2003)	-9.50% (3rd quarter of 1998)

** These annual returns do not include Contract charges. If Contract charges were included, the annual returns would have been lower than those shown. See the accompanying Contract prospectus.*

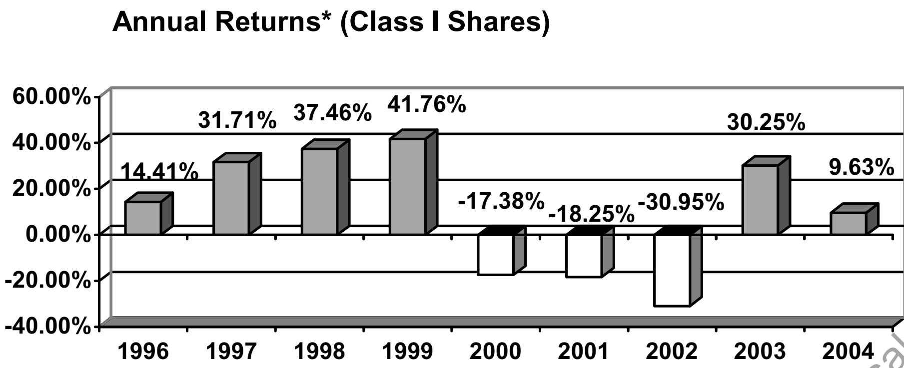
Average Annual Returns* (as of 12/31/04)

	1 Year	5 Years	10 Years
Class I Shares	**10.30%**	**5.12%**	**6.92%**
Lehman Brothers Corporate High Yield Bond Index**	**11.13%**	**6.97%**	**8.13%**
Lipper Variable Insurance Products (VIP) High Current Yield Funds Average***	**9.84%**	**4.78%**	**6.95%**

**The Portfolio's returns are after deduction of expenses and do not include Contract charges.*
***The Lehman Brothers Corporate High Yield Bond Index is made up of over 700 non-investment grade bonds. The index is an unmanaged index that includes the reinvestment of all interest but does not reflect the payment of transaction costs and advisory fees associated with an investment in the Portfolio. These returns do not include the effect of any investment management expenses. These returns would have been lower if they included the effect of these expenses.*
****The Lipper Average is calculated by Lipper Analytical Services, Inc. and reflects the return of certain portfolios underlying variable life and annuity products. The returns are net of investment fees and fund expenses but not product charges. These returns would have been lower if they included the effect of product charges.*

Jennison Portfolio

A number of factors — including risk — can affect how the Portfolio performs. The bar chart and table below demonstrate the risk of investing in the Portfolio by showing how returns can change from year to year and by showing how the Portfolio's average annual returns compare with a stock index and a group of similar mutual funds. Past performance does not mean that the Portfolio will achieve similar results in the future.



Best Quarter	Worst Quarter
29.46% (4th quarter of 1998)	-19.83% (3rd quarter of 2001)

** These annual returns do not include Contract charges. If Contract charges were included, the annual returns would have been lower than those shown. See the accompanying Contract prospectus.*

Average Annual Returns* (as of 12/31/04)

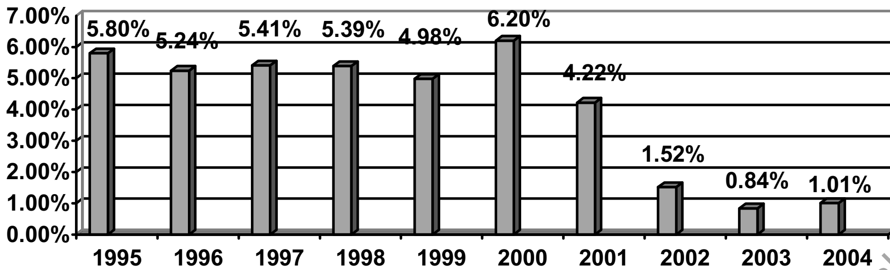
	1 Year	**5 Years**	**Since Class I Inception (4/25/95)**	**Since Class II Inception (2/10/00)**
Class I Shares	**9.63%**	**-7.81%**	**9.75%**	**N/A**
Class II Shares	**9.22%**	**N/A**	**N/A**	**-9.39%**
S&P 500 Index**	**10.87%**	**-2.30%**	**11.10%**	**-1.31%**
Russell 1000 Growth Index***	**6.30%**	**-9.29%**	**8.67%**	**-8.55%**
Lipper Variable Insurance Products (VIP) Large Cap Growth Funds Average****	**8.04%**	**-7.58%**	**8.65%**	**-7.03%**

**The Portfolio's returns are after deduction of expenses and do not include Contract charges.*
***The Standard & Poor's 500 Composite Stock Price Index (S&P 500 Index)--an unmanaged index of 500 stocks of large U.S. companies--gives a broad look at how stock prices have performed. These returns do not include the effect of any investment management expenses. These returns would have been lower if they included the effect of these expenses. The "Since Inception" return reflects the closest calendar month-end return to the inception date of the Portfolio.*
****The Russell 1000 Growth Index consists of those securities included in the Russell 1000 Index that have a greater-than-average growth orientation. These returns do not include the effect of investment management expenses. These returns would have been lower if they included the effect of these expenses. The "Since Inception" return reflects the closest calendar month-end return to the inception date of the Portfolio.*
*****The Lipper Average is calculated by Lipper Analytical Services, Inc. and reflects the return of certain portfolios underlying variable life and annuity products. The returns are net of investment fees and fund expenses but not product charges. These returns would have been lower if they included the effect of product charges. The "Since Inception" return reflects the closest calendar month-end return to the inception date of the Portfolio.*

Money Market Portfolio

A number of factors — including risk — can affect how the Portfolio performs. The bar chart and table below demonstrate the risk of investing in the Portfolio by showing how returns can change from year to year and by showing how the Portfolio's average annual returns compare with a group of similar mutual funds. Past performance does not assure that the Portfolio will achieve similar results in the future.

Annual Returns* (Class I Shares)



Best Quarter	Worst Quarter
1.59% (3rd quarter of 2000)	0.18% (4th quarter of 2003)

** These annual returns do not include Contract charges. If Contract charges were included, the annual returns would have been lower than those shown. See the accompanying Contract prospectus.*

Average Annual Returns* (as of 12/31/04)

	1 Year	**5 Years**	**10 Years**
Class I Shares	**1.01%**	**2.71%**	**4.03%**
Lipper Variable Insurance Products (VIP) Money Market Funds Average**	**0.83%**	**2.49%**	**3.82%**

**The Portfolio's returns are after deduction of expenses and do not include Contract charges.*
***The Lipper Average is calculated by Lipper Analytical Services, Inc. and reflects the return of certain portfolios underlying variable life and annuity products. The returns are net of investment fees and fund expenses but not product charges. These returns would have been lower if they included the effect of product charges.*

7-Day Yield* (as of 12/31/04)

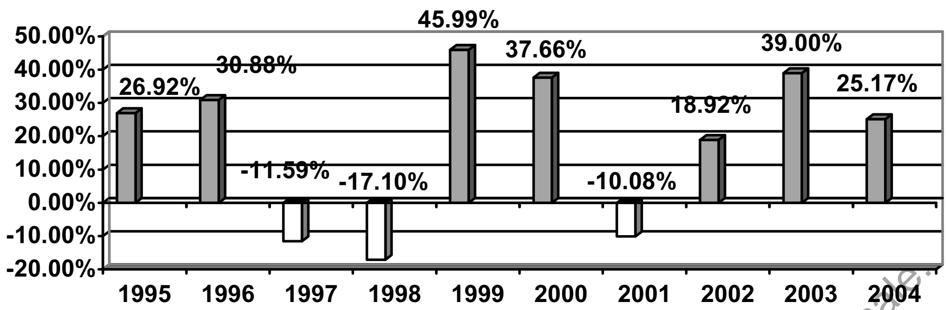
Money Market Portfolio	1.95%
Average Money Market Fund**	1.40%

**The Portfolio's yield is after deduction of expenses and does not include Contract charges.*
***Source: iMoneyNet, Inc. as of 12/28/04, based on the iMoneyNet Prime Retail Universe.*

Natural Resources Portfolio

A number of factors — including risk — can affect how the Portfolio performs. The bar chart and table below demonstrate the risk of investing in the Portfolio by showing how returns can change from year to year and by showing how the Portfolio's average annual returns compare with a market index and a group of similar mutual funds. Past performance does not mean that the Portfolio will achieve similar results in the future.

Annual Returns* (Class I Shares)



Best Quarter	Worst Quarter
24.94% (2nd quarter of 1999)	-21.60% (4th quarter of 1997)

** These annual returns do not include Contract charges. If Contract charges were included, the annual returns would have been lower than those shown. See the accompanying Contract prospectus.*

Average Annual Returns* (as of 12/31/04)

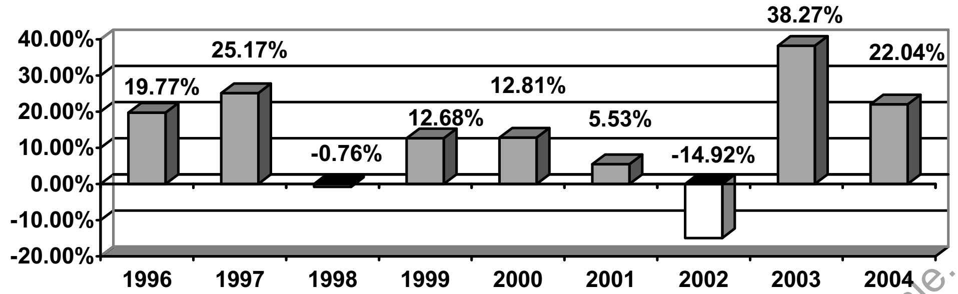
	1 Year	5 Years	10 Years
Class I Shares	**25.17%**	**20.69%**	**16.36%**
S&P 500 Index**	**10.87%**	**-2.30%**	**12.07%**
Lipper Variable Insurance Products (VIP) Natural Resources Funds Average***	**20.32%**	**12.73%**	**9.98%**

**The Portfolio's returns are after deduction of expenses and do not include Contract charges.*
***The Standard & Poor's 500 Composite Stock Price Index (S&P 500 Index)--an unmanaged index of 500 stocks of large U.S. companies--gives a broad look at how stock prices have performed. These returns do not include the effect of any investment management expenses. These returns would have been lower if they included the effect of these expenses.*
****The Lipper Average is calculated by Lipper Analytical Services, Inc. and reflects the return of certain portfolios underlying variable life and annuity products. The returns are net of investment fees and fund expenses but not product charges. These returns would have been lower if they included the effect of product charges.*

Small Capitalization Stock Portfolio

A number of factors — including risk — can affect how the Portfolio performs. The bar chart and table below demonstrate the risk of investing in the Portfolio by showing how returns can change from year to year and by showing how the Portfolio's average annual returns compare with a stock index and a group of similar mutual funds. Past performance does not mean that the Portfolio will achieve similar results in the future.

Annual Returns* (Class I Shares)



Best Quarter	Worst Quarter
20.50% (4th quarter of 2001)	-20.61% (3rd quarter of 1998)

** These annual returns do not include Contract charges. If Contract charges were included, the annual returns would have been lower than those shown. See the accompanying Contract prospectus.*

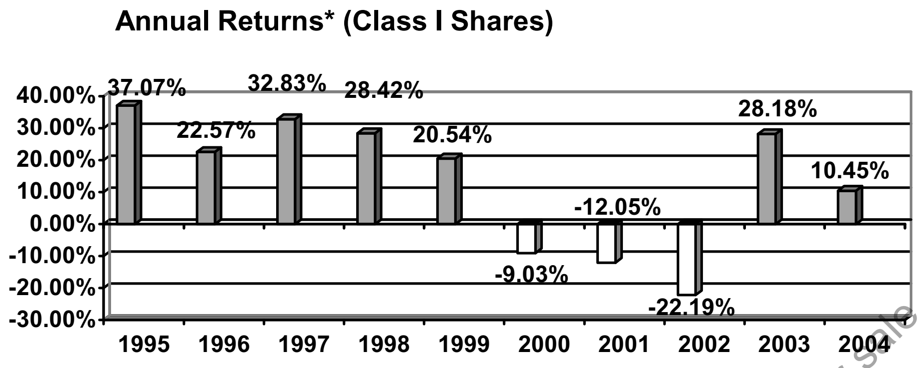
Average Annual Returns* (as of 12/31/04)

	1 Year	5 Years	Since Inception (4/25/95)
Class I Shares	**22.04%**	**11.32%**	**13.59%**
S&P SmallCap 600 Index**	**22.65%**	**11.60%**	**14.01%**
Lipper Variable Insurance Products (VIP) SmallCap Core Funds Average***	**17.47%**	**7.82%**	**12.61%**

**The Portfolio's returns are after deduction of expenses and do not include Contract charges.*
***The Standard & Poor's SmallCap 600 Index (S&P SmallCap 600 Index) is a capital-weighted index representing the aggregate market value of the common equity of 600 small company stocks. The S&P SmallCap 600 Index is an unmanaged index that includes the reinvestment of all dividends but does not reflect the payment of transaction costs and advisory fees associated with an investment in the Portfolio. These returns do not include the effect of any investment management expenses. These returns would have been lower if they included the effect of these expenses. The "Since Inception" return reflects the closest calendar month-end return to the inception date of the Portfolio.*
****The Lipper Average is calculated by Lipper Analytical Services, Inc. and reflects the return of certain portfolios underlying variable life and annuity products. The returns are net of investment fees and fund expenses but not product charges. These returns would have been lower if they included the effect of product charges. The "Since Inception" return reflects the closest calendar month-end return to the inception date of the Portfolio.*

Stock Index Portfolio

A number of factors — including risk — can affect how the Portfolio performs. The bar chart and table below demonstrate the risk of investing in the Portfolio by showing how returns can change from year to year and by showing how the Portfolio's average annual returns compare with a stock index and a group of similar mutual funds. Past performance does not mean that the Portfolio will achieve similar results in the future.



Best Quarter	Worst Quarter
21.44% (4th quarter of 1998)	-17.25% (3rd quarter of 2002)

** These annual returns do not include Contract charges. If Contract charges were included, the annual returns would have been lower than those shown. See the accompanying Contract prospectus.*

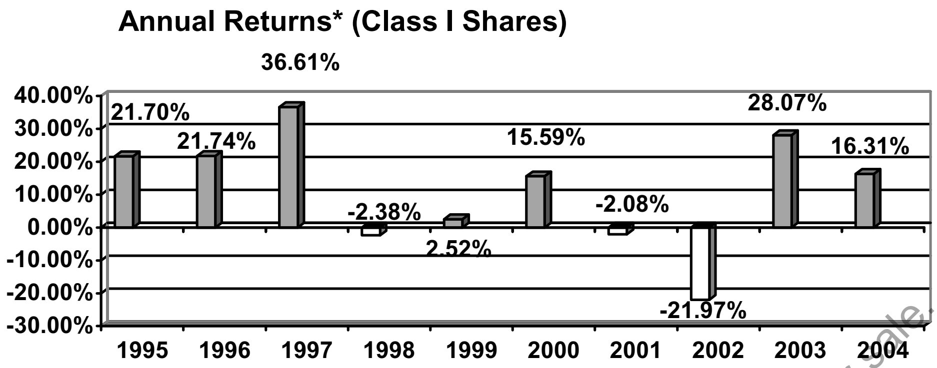
Average Annual Returns* (as of 12/31/04)

	1 Year	5 Years	10 Years
Class I Shares	**10.45%**	**-2.50%**	**11.78%**
S&P 500 Index**	**10.87%**	**-2.30%**	**12.07%**
Lipper Variable Insurance Products (VIP) S&P 500 Objective Funds Average***	**10.35%**	**-2.64%**	**11.69%**

**The Portfolio's returns are after deduction of expenses and do not include Contract charges.*
***The Standard & Poor's 500 Composite Stock Price Index (S&P 500 Index)--an unmanaged index of 500 stocks of large U.S. companies--gives a broad look at how stock prices have performed. These returns do not include the effect of any investment management expenses. These returns would have been lower if they included the effect of these expenses.*
****The Lipper Average is calculated by Lipper Analytical Services, Inc. and reflects the return of certain portfolios underlying variable life and annuity products. The returns are net of investment fees and fund expenses but not product charges. These returns would have been lower if they included the effect of product charges.*

Value Portfolio

A number of factors — including risk — can affect how the Portfolio performs. The bar chart and table below demonstrate the risk of investing in the Portfolio by showing how returns can change from year to year and by showing how the Portfolio's average annual returns compare with a stock index and a group of similar mutual funds. Past performance does not mean that the Portfolio will achieve similar results in the future.



Best Quarter	Worst Quarter
17.01% (2nd quarter of 2003)	-20.44% (3rd quarter of 2002)

** These annual returns do not include Contract charges. If Contract charges were included, the annual returns would have been lower than those shown. See the accompanying Contract prospectus.*

Average Annual Returns* (as of 12/31/04)

	1 Year	5 Years	10 Years	Since Class II Inception (5/14/01)
Class I Shares	**16.31%**	**5.64%**	**11.33%**	**N/A**
Class II Shares	**15.83%**	**N/A**	**N/A**	**2.61%**
S&P 500 Index**	**10.87%**	**-2.30%**	**12.07%**	**0.84%**
Russell 1000 Value Index***	**16.49%**	**5.27%**	**13.83%**	**5.65%**
Lipper Variable Insurance Products (VIP) Large Cap Value Funds Average****	**11.53%**	**4.00%**	**11.20%**	**2.53%**
Lipper Variable Insurance Products (VIP) Multi Cap Value Funds Average****	**14.62%**	**5.42%**	**11.18%**	**4.36%**

**The Portfolio's returns are after deduction of expenses and do not include Contract charges .*
***The Standard & Poor's 500 Composite Stock Price Index (S&P 500 Index)--an unmanaged index of 500 stocks of large U.S. companies--gives a broad look at how stock prices have performed. These returns do not include the effect of any investment management expenses. These returns would have been lower if they included the effect of these expenses. The "Since Inception" return reflects the closest calendar month-end return to the inception date of the Portfolio.*
****The Russell 1000 Value Index consists of those securities included in the Russell 1000 Index that have a less-than-average growth orientation. These returns do not include the effect of investment management expenses. These returns would have been lower if they included the effect of these expenses. The "Since Inception" return reflects the closest calendar month-end return to the inception date of the Portfolio.*
*****The Lipper Average is calculated by Lipper Analytical Services, Inc. and reflects the return of certain portfolios underlying variable life and annuity products. The returns are net of investment fees and fund expenses but not product charges. These returns would have been lower if they included the effect of product charges. The "Since Inception" return reflects the closest calendar month-end return to the inception date of the Portfolio.*

FEES AND EXPENSES OF INVESTING IN THE PORTFOLIOS

Investors incur certain fees and expenses in connection with an investment in the Fund's Portfolios. The following table shows the fees and expenses that you may incur if you invest in Class I shares of the Portfolios through a variable Contract. The table does not include Contract charges. Because Contract Charges are not included, the total fees and expenses that you will incur will be higher than the fees and expenses set forth in the following table. See the accompanying Contract prospectus for more information about Contract changes.

CLASS I SHARES
Annual Portfolio Operating Expenses
(expenses that are deducted from Portfolio assets)

	Shareholder Fees (fees paid directly from your investment)	Management Fees	Distribution (12b-1) Fees	Other Expenses	Total Annual Portfolio Operating Expenses
Conservative Balanced Portfolio	N/A	0.55%	None	.04%	.59%
Diversified Bond Portfolio	N/A	0.40%	None	.05%	.45%
Equity Portfolio	N/A	0.45%	None	.03%	.48%
Flexible Managed Portfolio	N/A	0.60%	None	.02%	.62%
Global Portfolio	N/A	0.75%	None	.09%	.84%
Government Income Portfolio	N/A	0.40%	None	.07%	.47%
High Yield Bond Portfolio	N/A	0.55%	None	.04%	.59%
Jennison Portfolio	N/A	0.60%	None	.04%	.64%
Money Market Portfolio	N/A	0.40%	None	.05%	.45%
Natural Resources Portfolio	N/A	0.45%	None	.06%	.51%
Small Capitalization Stock Portfolio	N/A	0.40%	None	.07%	.47%
Stock Index Portfolio	N/A	0.35%	None	.03%	.38%
Value Portfolio	N/A	0.40%	None	.04%	.44%

Example

The following example, which reflects the Portfolio operating expenses listed in the preceding tables, is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds. The following example does not include the effect of Contract charges. Because Contract Charges are not included, the total fees and expenses that you will incur will be higher than the example set forth in the following table. For more information about Contract charges see the accompanying Contract prospectus.

The example assumes that you invest $10,000 in shares of the Portfolios for the time periods indicated. The example also assumes that your investment has a 5% return each year and that the Portfolio's operating expenses remain the same as in the prior tables. The figures shown would be the same whether or not you sold your shares at the end of each period. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

CLASS I SHARES

	1 Year	3 Years	5 Years	10 Years
Conservative Balanced Portfolio	$ 60	$ 189	$ 329	$ 738
Diversified Bond Portfolio	46	144	252	567
Equity Portfolio	49	154	269	604
Flexible Managed Portfolio	63	199	346	774
Global Portfolio	86	268	466	1,037
Government Income Portfolio	48	151	263	591
High Yield Bond Portfolio	60	189	329	738
Jennison Portfolio	65	205	357	798
Money Market Portfolio	46	144	252	567
Natural Resources Portfolio	52	164	285	640
Small Capitalization Stock Portfolio	48	151	263	591
Stock Index Portfolio	39	122	213	480
Value Portfolio	45	141	246	555

MORE DETAILED INFORMATION ON HOW THE PORTFOLIOS INVEST

Investment Objectives and Policies

We describe each Portfolio's investment objective and policies below. We describe certain investment instruments that appear in bold lettering below in the section entitled More Detailed Information About Other Investments and Strategies Used by the Portfolios. Although we make every effort to achieve each Portfolio's objective, we can't guarantee success and it is possible that you could lose money. Unless otherwise stated, each Portfolio's investment objective is a fundamental policy that cannot be changed without shareholder approval. The Board of Directors can change investment policies that are not fundamental.

An investment in a Portfolio is not a bank deposit and is not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency.

Conservative Balanced Portfolio

The investment objective of this Portfolio is to seek **a total investment return consistent with a conservatively managed diversified portfolio.** While we make every effort to achieve our objective, we can't guarantee success and it is possible that you could lose money.

We invest in equity, debt and money market securities in order to achieve diversification. We seek to maintain a conservative blend of investments that will have strong performance in a down market and solid, but not necessarily outstanding, performance in up markets. This Portfolio may be appropriate for an investor looking for diversification with less risk than that of the Flexible Managed Portfolio, while recognizing that this reduces the chances of greater appreciation.

Under normal conditions, we will invest within the ranges shown below:

Asset Type	Minimum	Normal	Maximum
Stocks	15%	50%	75%
Debt obligations and money market securities	25%	50%	85%

The equity portion of the Portfolio is generally managed as an index fund, designed to perform similarly to the holdings of the Standard & Poor's 500 Composite Stock Price Index. For more information about the index and index investing, see the investment summary for Stock Index Portfolio included in this prospectus.

Debt securities are basically written promises to repay a debt. There are numerous types of debt securities which vary as to the terms of repayment and the commitment of other parties to honor the obligations of the issuer. Most of the securities in the debt portion of this Portfolio will be rated "investment grade." This means major rating services, like Standard & Poor's Ratings Group (S&P) or Moody's Investors Service, Inc. (Moody's), have rated the securities within one of their four highest rating categories. The Portfolio also invests in high quality money market instruments.

The Portfolio may also invest in lower-rated securities, which are riskier and are considered speculative. These securities are sometimes referred to as "junk bonds." We may also invest in instruments that are not rated, but which we believe are of comparable quality to the instruments described above. The Portfolio's investment in debt securities may include investments in mortgage-related securities.

The Portfolio may invest up to 30% of its total assets in foreign equity and debt securities that are not denominated in the U.S. dollar. Up to 20% of the Portfolio's total assets may be invested in debt securities that are issued outside the U.S. by foreign or U.S. issuers, provided the securities are denominated in U.S. dollars. For these purposes, we do not consider American Depositary Receipts **(ADRs)** as foreign securities.

We may also invest in fixed and floating rate loans (secured or unsecured) arranged through private negotiations between a corporation which is the borrower and one or more financial institutions that are the lenders. Generally, these types of investments are in the form of **loans or assignments**.

The Portfolio may invest in **asset-backed securities**. Up to 5% of the Portfolio's assets may also be invested in **collateralized debt obligations (CDOs)** and other credit-related asset-backed securities.

The Portfolio may also pursue the following types of investment strategies and/or invest in the following types of securities:

- Alternative investment strategies — including **derivatives** — to try to improve the Portfolio's returns, protect its assets or for short-term cash management.

- Purchase and sell **options** on equity securities, debt securities, stock indexes and foreign currencies
- Purchase and sell exchange-traded fund shares
- Purchase and sell stock index, interest rate, interest rate swap and foreign currency **futures contracts** and options on those contracts
- **Forward foreign currency exchange contracts**
- Purchase securities on a **when-issued or delayed delivery** basis.
- **Short sales.** No more than 25% of the Portfolio's net assets may be used as collateral or segregated for purposes of securing a short sale obligation. The Portfolio may also enter into **short sales against-the-box**.
- **Swap** agreements; including interest rate, credit default, currency exchange rate and total return swaps. The Portfolio may also invest in **options on swaps**.
- **Credit-linked securities,**, which may be linked to one or more underlying credit default swaps. No more than 5% of the Portfolio's assets may be invested in credit default swaps or credit-linked securities.
- **Repurchase Agreements**. The Portfolio may participate with certain other Portfolios of the Fund and other affiliated funds in a **joint repurchase account** under an order obtained from the SEC.
- Equity and/or debt securities issued by **Real Estate Investment Trusts (REITs)**.
- **Reverse repurchase agreements** and **dollar rolls** in the management of the fixed-income portion of the Portfolio. The Portfolio will not use more than 30% of its net assets in connection with reverse repurchase transactions and dollar rolls.

In response to adverse market conditions or when restructuring the Portfolio, we may temporarily invest up to 100% of the Portfolio's total assets in money market instruments. Investing heavily in these securities limits our ability to achieve our investment objective, but can help to preserve the value of the Portfolio's assets when the markets are unstable.

The equity Portfolio is managed by Quantitative Management Associates LLC and the fixed income and money market portions of the Portfolio are managed by Prudential Investment Management, Inc. Prior to July 1, 2004, the entire Portfolio was managed by Prudential Investment Management, Inc.

Diversified Bond Portfolio

The investment objective of this Portfolio is **a high level of income over a longer term while providing reasonable safety of capital**. While we make every effort to achieve our objective, we can't guarantee success and it is possible that you could lose money.

To achieve our objective, we normally invest at least 80% of the Portfolio's investable assets in intermediate and long term debt obligations that are rated investment grade and high quality money market instruments. The Portfolio will not change this policy unless it provides 60 days prior written notice to contract owners.

In general, the value of debt obligations moves in the opposite direction as interest rates--if a bond is purchased and then interest rates go up, newer bonds will be worth more relative to existing bonds because they will have a higher rate of interest. We will adjust the mix of the Portfolio's short-term, intermediate and long-term debt obligations in an attempt to benefit from price appreciation when interest rates go down and to incur smaller declines when interest rates go up.

Investment grade debt securities are those that major rating services, like Standard and Poor's Ratings Group (S&P) or Moody's Investor Service, Inc. (Moody's), have rated the securities within one of their four highest rating categories. The Portfolio may continue to hold a debt obligation if it is downgraded below investment grade after it is purchased or if it is no longer rated by a major rating service. We may also invest up to 20% of the Portfolio's investable assets in lower rated securities which are riskier and considered speculative. These securities are sometimes referred to as "junk bonds." We may also invest in instruments that are not rated, but which we believe are of comparable quality to the instruments described above. Debt obligations are basically written promises to repay a debt. The terms of repayment vary among the different types of debt obligations, as do the commitments of other parties to honor the obligations of the issuer of the security. The types of debt obligations in which we can invest include U.S. Government securities, **mortgage-related securities, asset-backed securities,** and corporate bonds.

The Portfolio may invest without limit in debt obligations issued or guaranteed by the U.S. Government and government-related entities. An example of a debt security that is backed by the full faith and credit of the U.S. Government is an obligation of the Government National Mortgage Association (Ginnie Mae). In addition, we may invest in U.S. Government securities issued by other government entities, like the Federal National Mortgage Association (Fannie Mae) and the Student Loan Marketing Association (Sallie Mae) which are not backed by the full faith and credit of the U.S. Government. Instead, these issuers have the right to borrow from the U.S. Treasury to meet their obligations. The Portfolio may also invest in the debt securities of other government-related entities, like the Farm Credit System, which depend entirely upon their own resources to repay their debt.

We may invest up to 20% of the Portfolio's total assets in debt securities issued outside the U.S. by U.S. or foreign issuers whether or not such securities are denominated in the U.S. dollar.

The Portfolio may also invest in **convertible debt and convertible and preferred stocks and** non-convertible preferred stock of any rating. The Portfolio will not acquire any common stock except by converting a convertible security or exercising a warrant. No more than 10% of the Portfolio's total assets will be held in common stocks, and those will usually be sold as soon as a favorable opportunity arises. The Portfolio may lend its portfolio securities to brokers, dealers and other financial institutions to earn income.

We may also invest in **loans** or **assignments** arranged through private negotiations between a corporation which is the borrower and one or more financial institutions that are the lenders.

The Portfolio may also pursue the following types of investment strategies and/or invest in the following types of securities:

- **Collateralized debt obligations (CDOs)** and other credit-related asset-backed securities. No more than 5% of the Portfolio's assets may invested in CDO's.
- Alternative investment strategies — including **derivatives** — to try to improve the Portfolio's returns, protect its assets or for short-term cash management.
- Purchase and sell **options** on debt securities and financial indexes; purchase and sell interest rate and interest rate swap **futures contracts** and options on those contracts.
- **Forward foreign currency exchange contracts;** and purchase securities on a **when-issued or delayed delivery** basis.
- **Short sales**. No more than 25% of the Portfolio's net assets may be used as collateral or segregated for purposes of securing a short sale obligation. The Portfolio may also enter into **short sales against-the-box**.
- **Swap** agreements; including interest rate, credit default, currency exchange rate and total return swaps. The Portfolio may also invest in **option swaps**.
- **Credit-linked securities**, which may be linked to one or more underlying credit default swaps.
- **Repurchase agreements**. The Portfolio may participate with certain other Portfolios of the Fund in a **joint repurchase account** under an order obtained from the SEC. The Portfolio may also invest up to 30% of its net assets in **reverse repurchase agreements** and **dollar rolls**. The Portfolio will not use more than 30% of its net assets in connection with reverse repurchase transactions and dollar rolls.

Under normal conditions, the Portfolio may invest a portion of its assets in high-quality money market instruments. In response to adverse market conditions or when restructuring the Portfolio, we may temporarily invest up to 100% of the Portfolio's assets in money market instruments. Investing heavily in these securities limits our ability to achieve our investment objective, but can help to preserve the value of the Portfolio's assets when the markets are unstable.

The Portfolio is managed by Prudential Investment Management, Inc.

Equity Portfolio

The investment objective of this Portfolio is **long term growth of capital**. While we make every effort to achieve our objective, we can't guarantee success and it is possible that you could lose money.

We normally invest at least 80% of the Portfolio's investable assets in common stock of major established companies (over $5 billion in market capitalization) as well as smaller companies. The Portfolio will not change this policy unless it provides 60 days prior written notice to contract owners.

20% of the Portfolio's investable assets may be invested in short, intermediate or long-term debt obligations, convertible and nonconvertible preferred stock and other equity-related securities. Up to 5% of these investable assets may be rated below investment grade. These securities are considered speculative and are sometimes referred to as "junk bonds."

In deciding which stocks to buy, our portfolio managers use a blend of investment styles. That is, we invest in stocks that may be undervalued given the company's earnings, assets, cash flow and dividends and also invest in companies experiencing some or all of the following: a price/ earnings ratio lower than earnings per share growth, strong market position, improving profitability and distinctive attributes such as unique marketing ability, strong research and development, new product flow, and financial strength.

Up to 30% of the Portfolio's total assets may be invested in foreign securities, including money market instruments, equity securities and debt obligations. For these purposes, we do not consider American Depositary Receipts **(ADRs)** as foreign securities.

We may also pursue the following types of investment strategies and/or invest in the following types of securities:

- Alternative investment strategies — including **derivatives** — to try to improve the Portfolio's returns, protect its assets or for short-term cash management.
- Purchase and sell **options** on equity securities, stock indexes and foreign currencies
- Purchase and sell stock index and foreign currency **futures contracts** and options on these futures contracts.
- **Forward foreign currency exchange contracts**
- Purchase securities on a **when-issued or delayed delivery** basis.
- **Short sales against-the-box**.
- **Repurchase agreements**. The Portfolio may participate with certain other Portfolios of the Fund in a **joint repurchase account** under an order obtained from the SEC.
- Equity and/or debt securities of **Real Estate Investment Trusts (REITs).**

Under normal circumstances, the Portfolio may invest a portion of its assets in money market instruments. In addition, we may temporarily invest up to 100% of the Portfolio's assets in money market instruments in response to adverse market conditions or when we are restructuring the portfolio. Investing heavily in these securities limits our ability to achieve our investment objective, but can help to preserve the Portfolio's assets when the markets are unstable.

Jennison Associates LLC is responsible for managing approximately 50% of the Portfolio's assets. GE Asset Management Inc. and Salomon Brothers Asset Management Inc are each responsible for managing approximately 25% of the Portfolio's assets.

Flexible Managed Portfolio

The investment objective of this Portfolio is to seek **a high total return consistent with an aggressively managed diversified portfolio.** While we make every effort to achieve our objective, we can't guarantee success and it is possible that you could lose money.

We invest in a mix of equity and equity-related securities, debt obligations and money market instruments. We adjust the percentage of Portfolio assets in each category depending on our expectations regarding the different markets.

We invest in equity, debt and money market securities — in order to achieve diversification in a single Portfolio. We seek to maintain a more aggressive mix of investments than the Conservative Balanced Portfolio. This Portfolio may be appropriate for an investor looking for diversification who is willing to accept a relatively high level of loss in an effort to achieve greater appreciation.

Generally, we will invest within the ranges shown below:

Asset Type	Minimum	Normal	Maximum
Stocks	25%	60%	100%
Fixed income securities	0%	40%	75%

The equity portion of the Fund is generally managed under an "enhanced index style." Under this style, the portfolio managers utilize a quantitative approach in seeking to out-perform the Standard & Poor's 500 Composite Stock Price Index and to limit the possibility of significantly under-performing that index.

The stock portion of the Portfolio will be invested in a broadly diversified portfolio of stocks generally consisting of large and mid-size companies, although it may also hold stocks of smaller companies. We will invest in companies and industries that, in our judgment, will provide either attractive long-term returns, or are desirable to hold in the Portfolio to manage risk.

Most of the securities in the fixed income portion of this Portfolio will be investment grade. However, we may also invest up to 25% of this portion of the Portfolio in debt securities rated as low as BB, Ba or lower by a major rating service at the time they are purchased. These high-yield or "junk bonds" are riskier and considered speculative. We may also invest in instruments that are not rated, but which we believe are of comparable quality to the instruments described above. The fixed income portion of the Portfolio may also include **loans and assignments** in the form of loan participations, **mortgage-related securities** and other **asset-backed securities.**

The Portfolio may also invest up to 30% of its total assets in foreign equity and debt securities that are not denominated in the U.S. dollar. In addition, up to 20% of the Portfolio's total assets may be invested in debt securities that are issued outside of the U.S. by foreign or U.S. issuers provided the securities are denominated in U.S. dollars. For these purposes, we do not consider American Depositary Receipts (**ADRs**) as foreign securities.

We may also pursue the following types of investment strategies and/or invest in the following types of securities:

- **Real Estate Investment Trusts (REITs).**

- **Collateralized debt obligations (CDOs)** and other credit-related asset-backed securities (up to 5% of the Portfolio's assets may be invested in these instruments).
- Alternative investment strategies — including **derivatives** — to try to improve the Portfolio's returns, protect its assets or for short-term cash management.
- Purchase and sell **options** on equity securities, debt securities, stock indexes, and foreign currencies.
- Purchase and sell exchange-traded fund shares.
- Purchase and sell stock index, interest rate, interest rate swap and foreign currency **futures contracts** and options on those contracts.
- **Forward foreign currency exchange contracts.**
- Purchase securities on a **when-issued or delayed delivery** basis.
- **Short sales**. No more than 25% of the Portfolio's net assets may be used as collateral or segregated for purposes of securing a short sale obligation. The Portfolio may also enter into **short sales against-the-box**.
- **Swap** agreements; including interest rate, credit default, currency exchange rate and total return swaps. The Portfolio may also invest in **option swaps**.
- **Credit-linked securities**, which may be linked to one or more underlying credit default swaps. No more than 5% of the Portfolio's assets may be invested in credit default swaps or credit-linked securities.
- **Repurchase agreements**. The Portfolio may participate with certain other Portfolios of the Fund in a **joint repurchase account** under an order obtained from the SEC. We may also invest in **reverse repurchase agreements** and **dollar rolls** in the management of the fixed-income portion of the Portfolio. The Portfolio will not use more than 30% of its net assets in connection with reverse repurchase transactions and dollar rolls.

In response to adverse market conditions or when we are restructuring the Portfolio, we may temporarily invest up to 100% of the Portfolio's assets in money market instruments. Investing heavily in these securities limits our ability to achieve our investment objective, but can help to preserve the Portfolio's assets when the markets are unstable.

The stock portion of the Portfolio is managed by Quantitative Management Associates LLC and the fixed income portion of the Portfolio is managed by Prudential Investment Management, Inc. Prior to July 1, 2004, the entire Portfolio was managed by Prudential Investment Management, Inc.

Global Portfolio

The investment objective of this Portfolio is **long-term growth of capital**. While we make every effort to achieve our objective, we can't guarantee success and it is possible that you could lose money.

We invest primarily in equity and equity-related securities of foreign and U.S. companies. When selecting stocks, we use a growth approach which means we look for companies that have above-average growth prospects. In making our stock picks, we look for companies that have had growth in earnings and sales, high returns on equity and assets or other strong financial characteristics. Often, the companies we choose have superior management, a unique market niche or a strong new product.

This Portfolio is intended to provide investors with the opportunity to invest in companies located throughout the world. Although we are not required to invest in a minimum number of countries, we intend generally to invest in at least three countries, including the U.S. However, in response to market conditions, we can invest up to 35% of the Portfolio's total assets in any one foreign country (The 35% limitation does not apply to U.S investments).

The Portfolio may also pursue the following types of investment strategies and/or invest in the following types of securities:

- Alternative investment strategies — including **derivatives** — to try to improve the Portfolio's returns, protect its assets or for short-term cash management.
- Purchase and sell **options** on equity securities, stock indexes and foreign currencies.
- Purchase and sell **futures contracts** on stock indexes, debt securities, interest rate indexes and foreign currencies and options on these futures contracts.
- **Forward foreign currency exchange contracts**.
- Purchase securities on a **when-issued or delayed delivery** basis.
- **Equity swaps**. The Portfolio may also lend its portfolio securities to brokers, dealers and other financial institutions to earn income.
- **Short sales against-the-box**.
- **Repurchase agreements**. The Portfolio may participate with certain other Portfolios of the Fund in a **joint repurchase account** under an order obtained from the SEC.
- Equity and/or debt securities issued by **Real Estate Investment Trusts (REITs).**

The Portfolio may invest up to 100% of its assets in money market instruments in response to adverse market conditions or when we are restructuring the Portfolio. Investing heavily in these securities limits our ability to achieve our investment objective, but can help to preserve the Portfolio's assets when the markets are unstable.

The Portfolio is managed by Jennison Associates LLC.

Government Income Portfolio

The investment objective of this Portfolio is **a high level of income over the longer term consistent with the preservation of capital**. While we make every effort to achieve our objective, we can't guarantee success and it is possible that you could lose money.

Normally, we invest at least 80% of the Portfolio's investable assets in U.S. Government securities, which include Treasury securities, obligations issued or guaranteed by U.S. Government agencies and instrumentalities and **mortgage-related securities** issued by U.S. Government instrumentalities. The Portfolio will not change this policy unless it provides 60 days prior written notice to contract owners.

U.S. Government securities are considered among the most creditworthy of debt securities. Because they are generally considered less risky, their yields tend to be lower than the yields from corporate debt. Like all debt securities, the values of U.S. Government securities will change as interest rates change.

The Portfolio may normally invest up to 20% of its investable assets in (i) money market instruments, (ii) asset-backed securities rated at least single A by Moody's or S&P (or if unrated, of comparable quality in our judgment) and (iii) subject to a limit of 10% of its investable assets and as long as such securities are rated at least single A by Moody's or S&P (or if unrated, of comparable quality in our judgment), foreign securities (including securities issued by foreign governments, supranational organizations or non-governmental foreign issuers such as banks or corporations) denominated in U.S. dollars or in foreign currencies which may or may not be hedged to the U.S. dollar. The Portfolio may invest up to 15% of its net assets in zero coupon bonds.

The Portfolio may also pursue the following types of investment strategies and/or invest in the following types of securities:

- Alternative investment strategies — including **derivatives** — to try to improve the Portfolio's returns, protect its assets or for short-term cash management.
- Purchase and sell **options** on debt securities and financial indexes.
- Purchase and sell domestic and foreign interest rate and interest rate swap **futures contracts** and options on these futures contracts; and purchase securities on a **when-issued or delayed delivery** basis.
- **Short sales**. No more than 25% of the Portfolio's net assets may be used as collateral or segregated for purposes of securing a short sale obligation. The Portfolio may also enter into **short sales against-the-box.**
- **Swap** agreements, including interest rate, credit-default, total return and index swaps. The Portfolio may also invest in **options on swaps**.
- **Forward foreign currency exchange contracts** and foreign currency futures contracts.
- **Repurchase agreements**. The Portfolio may participate with certain other Portfolios of the Fund in a **joint repurchase account** under an order obtained from the SEC.
- **Reverse repurchase agreements** and **dollar rolls** (the Portfolio may invest up to 30% of its assets in these instruments).

The Portfolio may invest up to 100% of its assets in money market instruments in response to adverse market conditions or when restructuring the Portfolio. Investing heavily in these securities limits our ability to achieve capital appreciation, but can help to preserve the Portfolio's assets when the markets are unstable. The Portfolio may lend its portfolio securities to brokers, dealers and other financial institutions to earn income.

The Portfolio is managed by Prudential Investment Management, Inc.

High Yield Bond Portfolio

The investment objective of this Portfolio is **a high total return**. While we make every effort to achieve our objective, we can't guarantee success and it is possible that you could lose money.

We invest primarily in high yield/high risk debt securities, which are often referred to as high yield bonds or "junk bonds." High yield bonds and junk bonds are riskier than higher rated bonds and are considered speculative. Normally, we will invest at least 80% of the Portfolio's investable assets in medium to lower rated debt securities. The Portfolio will not change this policy unless it provides 60 days prior written notice to contract owners.

Lower rated and comparable unrated securities tend to offer better yields than higher rated securities with the same maturities because the issuer's financial condition may not have been as strong as that of higher rated issuers. Changes in the perception of the creditworthiness of the issuers of lower rated securities tend to occur more frequently and in a more pronounced manner than for issuers of higher rated securities.

The Portfolio may invest up to 20% of its total assets in U.S. dollar denominated debt securities issued outside the U.S. by foreign and U.S. issuers.

The Portfolio may also pursue the following types of investment strategies and/or invest in the following types of securities:

- Common stock, debt securities and **convertible debt and preferred stock**.
- **Loans** or **assignments** arranged through private negotiations between a corporation which is the borrower and one or more financial institutions that are the lenders.
- **Asset-backed securities**.
- **Collateralized debt obligations (CDOs)** and other credit-related asset-backed securities. No more than 5% of the Portfolio's assets may be invested in CDO's.
- Alternative investment strategies — including **derivatives** — to try to improve the Portfolio's returns, protect its assets or for short-term cash management.
- Purchase and sell **options** on debt securities.
- Purchase and sell interest rate and interest rate swap **futures contracts** and options on these futures contracts.
- Purchase securities on a **when-issued or delayed delivery** basis.
- PIK bonds.
- **Short sales**. No more than 25% of the Portfolio's net assets may be used as collateral or segregated for purposes of securing a short sale obligation. The Portfolio may also enter into **short sales against-the-box**.
- **Swap** agreements; including interest rate, credit default, currency exchange rate and total return swaps. The Portfolio may also invest in **options on swaps**.
- **Credit-linked securities**, which may be linked to one or more underlying credit default swaps.
- **Repurchase agreements**. The Portfolio may participate with certain other Portfolios of the Fund in a **joint repurchase account** under an order obtained from the SEC.
- **Reverse repurchase agreements** and **dollar rolls** (up to 30 % of the Portfolio's assets may be invested in these instruments).

Under normal circumstances, the Portfolio may invest in money market instruments. In response to adverse market conditions or when we are restructuring the Portfolio, we may temporarily invest up to 100% of the Portfolio's assets in money market instruments. Investing heavily in these securities limits our ability to achieve our investment objective, but can help to preserve the Portfolio's assets when the markets are unstable.

The Portfolio is managed by Prudential Investment Management, Inc.

Jennison Portfolio

The investment objective of this Portfolio is to achieve **long-term growth of capital**. While we make every effort to achieve our objective, we can't guarantee success and it is possible that you could lose money.

We normally invest at least 65% of the Portfolio's total assets in equity-related securities of companies that exceed $1 billion in market capitalization at the time of investment and that we believe have above-average growth prospects. We may also invest in common stocks, preferred stocks and other equity-related securities of companies that are undergoing changes in management, product and/or marketing dynamics which we believe have not yet been reflected in reported earnings or recognized by investors.

We select stocks on a company- by-company basis using fundamental analysis. In making our stock picks, we look for companies that have had growth in earnings and sales, high returns on equity and assets or other strong financial characteristics. Often, the companies we choose have superior management, a unique market niche or a strong new product.

In addition to common stocks and preferred stocks, we may invest in debt securities and **mortgage-related securities**. These securities may be rated as low as Baa by Moody's or BBB by S&P (or if unrated, of comparable quality in our judgment).

The Portfolio may also invest in obligations issued or guaranteed by the U.S. Government, its agencies and instrumentalities. Up to 30% of the Portfolio's assets may be invested in foreign equity and equity-related securities. For these purposes, we do not consider American Depositary Receipts (**ADRs**) as foreign securities.

The Portfolio may also pursue the following types of investment strategies and/or invest in the following types of securities:

- Alternative investment strategies — including **derivatives** — to try to improve the Portfolio's returns, protect its assets or for short-term cash management.
- Purchase and sell **options** on equity securities, stock indexes and foreign currencies.
- Purchase and sell stock index and foreign currency **futures contracts** and options on those futures contracts.
- **Forward foreign currency exchange contracts**.
- Purchase securities on a **when-issued or delayed delivery** basis.
- **Equity swap** agreements.
- **Short sales against-the-box**.
- **Repurchase agreements**. The Portfolio may participate with certain other Portfolios of the Fund in a **joint repurchase account** under an order obtained from the SEC.
- Equity and/or debt securities issued by **Real Estate Investment Trusts (REITs).**

In response to adverse market conditions or when restructuring the Portfolio, we may invest up to 100% of the Portfolio's assets in money market instruments. Investing heavily in these securities limits our ability to achieve our investment objective, but can help to preserve the Portfolio's assets when the markets are unstable.

The Portfolio is managed by Jennison Associates LLC.

Money Market Portfolio

The investment objective of this Portfolio is to **seek the maximum current income that is consistent with stability of capital and maintenance of liquidity**. While we make every effort to achieve our objective, we can't guarantee success.

We invest in a diversified portfolio of short-term debt obligations of the U.S. Government, its agencies and instrumentalities, as well as commercial paper, asset backed securities, funding agreements, certificates of deposit, floating and variable rate demand notes, notes and other obligations issued by banks, corporations and other companies (including trust structures), and obligations issued by foreign banks, companies or foreign governments.

The net asset value for the Portfolio will ordinarily remain issued at $10 per share because dividends are declared and reinvested daily. The price of each share remains the same, but when dividends are declared the value of your investment grows.

We make investments that meet the requirements of specific rules for money market mutual funds, such as Investment Company Act of 1940 (Investment Company Act) Rule 2a-7. As such, we will not acquire any security with a remaining maturity exceeding thirteen months, and we will maintain a dollar-weighted average portfolio maturity of 90 days or less. In addition, we will comply with the diversification, quality and other requirements of Rule 2a-7. This means, generally, that the instruments that we purchase present "minimal credit risk" and are of "eligible quality." "Eligible quality" for this purpose means a security is: (1) rated in one of the two highest short-term rating categories by at least two major rating services (or if only one major rating service has rated the security, as rated by that service); or (2) if unrated, of comparable quality in our judgment. All securities that we purchase will be denominated in U.S. dollars.

Commercial paper is short-term debt obligations of banks, corporations and other borrowers. The obligations are usually issued by financially strong businesses and often include a line of credit to protect purchasers of the obligations.

An asset-backed security is a loan or note that pays interest based upon the cash flow of a pool of assets, such as mortgages, loans and credit card receivables. Funding agreements are contracts issued by insurance companies that guarantee a return of principal, plus some amount of interest. When purchased by money market funds, funding agreements will typically be short-term and will provide an adjustable rate of interest.

Certificates of deposit, time deposits and bankers' acceptances are obligations issued by or through a bank. These instruments depend upon the strength of the bank involved in the borrowing to give investors comfort that the borrowing will be repaid when promised.

We may purchase debt securities that include demand features, which allow us to demand repayment of a debt obligation before the obligation is due or "matures." This means that longer term securities can be purchased because of our expectation that we can demand repayment of the obligation at a set price within a relatively short period of time, in compliance with the rules applicable to money market mutual funds.

The Portfolio may also purchase floating rate and variable rate securities. These securities pay interest at rates that change periodically to reflect changes in market interest rates. Because these securities adjust the interest they pay, they may be beneficial when interest rates are rising because of the additional return the Portfolio will receive, and they may be detrimental when interest rates are falling because of the reduction in interest payments to the Portfolio.

The securities that we may purchase may change over time as new types of money market instruments are developed. We will purchase these new instruments, however, only if their characteristics and features follow the rules governing money market mutual funds.

We may also use alternative investment strategies including derivatives to try to improve the Portfolio's returns, protect its assets or for short-term cash management. There is no guarantee that these strategies will work, that the instruments necessary to implement these strategies will be available or that the Portfolio will not lose money.

The Portfolio may also pursue the following types of investment strategies and/or invest in the following types of securities:

- Purchase securities on a **when-issued or delayed delivery** basis.
- **Repurchase agreements**. The Portfolio may participate with certain other Portfolios of the Fund in a **joint repurchase account** under an order obtained from the SEC.
- **Reverse repurchase agreements** (the Portfolio may invest up to 10% of its net assets in these instruments).

The Portfolio is managed by Prudential Investment Management, Inc.

An investment in the Portfolio is not a bank deposit and is not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. Although the Portfolio seeks to preserve the value of an investment at $10 per share, it is possible to lose money by investing in the Portfolio.

Natural Resources Portfolio

The investment objective of this Portfolio is **long-term growth of capital**. While we make every effort to achieve our objective, we can't guarantee success and it is possible that you could lose money.

We normally invest at least 80% of the Portfolio's investable assets in common stocks and convertible securities of natural resource companies and in securities that are related to the market value of some natural resource (asset-indexed securities). The Portfolio will not change this policy unless it provides 60 days prior written notice to contract owners. Natural resource companies are companies that primarily own, explore, mine, process or otherwise develop natural resources, or supply goods and services to such companies. Natural resources generally include precious metals, such as gold, silver and platinum, ferrous and nonferrous metals, such as iron, aluminum and copper, strategic metals such as uranium and titanium, hydrocarbons such as coal and oil, timberland, undeveloped real property and agricultural commodities.

We seek securities that are attractively priced as compared to the intrinsic value of the underlying natural resource or securities of companies in a position to benefit from current or expected economic conditions.

Depending on prevailing trends, we may shift the Portfolio's focus from one natural resource to another, however, we will not invest more than 25% of the Portfolio's total assets in a single natural resource industry.

The Portfolio is a non-diversified mutual fund portfolio. This means that the Portfolio may invest a relatively high percentage of its assets in a small number of issuers. As a result, the Portfolio's performance may be more clearly tied to the success or failure of a smaller group of Portfolio holdings. There are additional risks associated with the Portfolio's investment in the securities of natural resource companies. The market value of the securities may be affected by numerous factors, including events occurring in nature, inflationary pressures, and international politics.

When acquiring asset-indexed securities, we usually will invest in obligations rated at least BBB by Moody's or Baa by S&P (or, if unrated, of comparable quality in our judgment). However, we may invest in asset-indexed securities rated as low as CC by Moody's or Ca by S&P or in unrated securities of comparable quality. These high-risk or "junk bonds" are considered speculative.

The Portfolio may also acquire asset-indexed securities issued in the form of commercial paper provided they are rated at least A-2 by S&P or P-2 by Moody's (or, if unrated, of comparable quality in our judgment).

The Portfolio may invest up to 20% of its investable assets in securities that are not asset-indexed or natural resource related. These holdings may include common stocks, convertible stock, debt securities and money market instruments. When acquiring debt securities, we usually will invest in obligations rated A or better by S&P or Moody's (or, if unrated, of comparable quality in our judgment). However, we may invest in debt securities rated as low as CC by Moody's or Ca by S&P or in unrated securities of comparable quality.

Up to 30% of the Portfolio's total assets may be invested in foreign equity and equity-related securities. For these purposes, we do not consider American Depositary Receipts (**ADRs**) as foreign securities.

The Portfolio may also pursue the following types of investment strategies and/or invest in the following types of securities:

- Alternative investment strategies — including **derivatives** — to try to improve the Portfolio's returns, protect its assets or for short-term cash management.
- Purchase and sell **options** on equity securities, stock indexes and foreign currencies.
- Purchase and sell stock index and foreign currency **futures contracts** and options on these futures contracts.
- **Forward foreign currency exchange contracts.**
- Purchase securities on a **when-issued or delayed delivery** basis.
- **Short sales against-the-box**.
- **Repurchase agreements**. The Portfolio may participate with certain other Portfolios of the Fund in a **joint repurchase account** under an order obtained from the SEC.

Under normal circumstances, the Portfolio may invest up to 20% of its investable assets in money market instruments. In response to adverse market conditions or when restructuring the Portfolio, we may invest up to 100% of the Portfolio's assets in money market instruments. Investing heavily in these securities limits our ability to achieve our investment objective, but can help to preserve the Portfolio's assets when the markets are unstable.

The Portfolio is managed by Jennison Associates LLC.

Small Capitalization Stock Portfolio

The investment objective of this Portfolio is **long-term growth of capital**. While we make every effort to achieve our objective, we can't guarantee success and it is possible that you could lose money.

We attempt to achieve the investment results of the Standard & Poor's Small Capitalization 600 Stock Index (S&P SmallCap 600 Index), a market-weighted index which consists of 600 smaller capitalization U.S. stocks. Normally we do this by investing at least 80% of the Portfolio's investable assets in all or a representative sample of the stocks in the S&P SmallCap 600 Index. The Portfolio will not change this policy unless it provides 60 days prior written notice to contract owners. Because the Portfolio seeks to achieve the performance of a stock index, the Portfolio is not "managed" in the traditional sense of using market and economic analyses to select stocks.

The market capitalization of the companies that make up the S&P SmallCap 600 Index may change from time to time — as of December 31, 2004, the S&P SmallCap 600 Index stocks had market capitalizations of between $69 million and $4.89 billion. They are selected for market size, liquidity and industry group. The S&P SmallCap 600 Index has above-average risk and may fluctuate more than the S&P 500 Index.

The Portfolio may also hold cash or cash equivalents, in which case its performance will differ from that of the Index.

We attempt to minimize these differences by using stock index **futures contracts, options** on stock indexes and options on stock index futures contracts. The Portfolio will not use these derivative securities for speculative purposes or to hedge against a decline in the value of the Portfolio's holdings.

We may also use alternative investment strategies to try to improve the Portfolio's returns or for short-term cash management. The Portfolio may lend its portfolio securities to brokers, dealers and other financial institutions to earn income. There is no guarantee that these strategies will work, that the instruments necessary to implement these strategies will be available or that the Portfolio will not lose money.

The Portfolio may also pursue the following types of investment strategies and/or invest in the following types of securities:

- Purchase and sell **options** on equity securities and stock indexes.
- Purchase and sell stock index **futures contracts** and options on those futures contracts.
- Purchase and sell exchange-traded fund shares.
- Purchase securities on a **when-issued or delayed delivery** basis.
- **Short sales** and **short sales against-the-box**. No more than 5% of the Portfolio's total assets may be used as collateral or segregated for purposes of securing a short sale obligation.

- **Repurchase agreements**. The Portfolio may participate with certain other Portfolios of the Fund in a **joint repurchase account** under an order obtained from the SEC.

The Portfolio is managed by Quantitative Management Associates LLC. Prior to July 1, 2004, the Portfolio was managed by Prudential Investment Management, Inc.

A stock's inclusion in the S&P SmallCap 600 Index in no way implies S&P's opinion as to the stock's attractiveness as an investment. The Portfolio is not sponsored, endorsed, sold or promoted by S&P. S&P makes no representations regarding the advisability of investing in the Portfolio. "Standard & Poor's," "Standard & Poor's Small Capitalization Stock Index" and "Standard & Poor's SmallCap 600" are trademarks of McGraw Hill.

Stock Index Portfolio

The investment objective of this Portfolio is to achieve **investment results that generally correspond to the performance of publicly-traded common stocks**. While we make every effort to achieve our objective, we can't guarantee success and it is possible that you could lose money.

To achieve our objective, we use the performance of the Standard & Poor's 500 Composite Stock Price Index (S&P 500 Index). Under normal conditions, we attempt to invest in all 500 stocks represented in the S&P 500 Index in proportion to their weighting in the Standard & Poor's 500 Composite Stock Price Index. The S&P 500 Index is a market- weighted index which represents more than 70% of the market value of all publicly-traded common stocks.

We will normally invest at least 80% of the Portfolio's investable assets in S&P 500 Index stocks, but we will attempt to remain as fully invested in the S&P 500 Index stocks as possible in light of cash flow into and out of the Portfolio. The Portfolio will not change this policy unless it provides 60 days prior written notice to contract owners.

To manage investments and redemptions in the Portfolio, we may temporarily hold cash or invest in high-quality money market instruments. To the extent we do so, the Portfolio's performance will differ from that of the S&P 500 Index. We attempt to minimize differences in the performance of the Portfolio and the S&P 500 Index by using stock index **futures contracts, options** on stock indexes and **options** on stock index futures contracts. The Portfolio will not use these derivative securities for speculative purposes or to hedge against a decline in the value of the Portfolio's holdings.

We may also use alternative investment strategies including derivatives to try to improve the Portfolio's returns or for short-term cash management. There is no guarantee that these strategies will work, that the instruments necessary to implement these strategies will be available or that the Portfolio will not lose money.

The Portfolio may also pursue the following types of investment strategies and/or invest in the following types of securities:

- Purchase and sell **options** on stock indexes.
- Purchase and sell stock **futures contracts** and options on those futures contracts.
- Purchase and sell exchange-traded fund shares.
- **Short sales** and **short sales against-the-box**. No more than 5% of the Portfolio's total assets may be used as collateral or segregated for purposes of securing a short sale obligation.
- **Repurchase agreements**. The Portfolio may participate with certain other Portfolios of the Fund in a **joint repurchase account** under an order obtained from the SEC.
- Equity and/or debt securities issued by **Real Estate Investment Trusts (REITs).**

The Portfolio is managed by Quantitative Management Associates LLC. Prior to July 1, 2004, the Portfolio was managed by Prudential Investment Management, Inc.

A stock's inclusion in the S&P 500 Index in no way implies S&P's opinion as to the stock's attractiveness as an investment. The portfolio is not sponsored, endorsed, sold or promoted by S&P. S&P makes no representations regarding the advisability of investing in the portfolio. "Standard & Poor's," "Standard & Poor's 500" and "500" are trademarks of McGraw Hill.

Value Portfolio

The investment objective of this Portfolio is to seek **capital appreciation**. While we make every effort to achieve our objective, we can't guarantee success and it is possible that you could lose money.

We will normally invest at least 65% of the Portfolio's total assets in equity and equity-related securities. Most of our investments will be securities of large capitalization companies. When deciding which stocks to buy, we combine a set of quantitative screens with fundamental research to invest in companies that are undervalued in the market and have identifiable catalysts that may be able to close the gap between the stock price and what we believe to be the true worth of the company. We focus on stocks that are undervalued — those stocks that are trading below their underlying asset value, cash generating ability, and overall earnings and earnings growth. We also buy equity-related securities — like bonds, corporate notes and preferred stock — that can be converted into a company's common stock or other equity security.

In deciding which stocks to buy, we use what is known as a value investment style. That is, we invest in stocks that we believe are undervalued, given the company's earnings, cash flow or asset values. We look for catalysts that will help unlock inherent value. A number of conditions can warrant the sale of an existing position, including (1) the stock has reached its price target; (2) subsequent events invalidate our investment thesis; (3) the catalysts we expected to narrow the gap between the stock price and what we believe to be the true worth of the company have passed or no longer exist; or (4) the stock price declines to below what we had thought to be the reasonable worst-case scenario.

Up to 35% of the Portfolio's total assets may be invested in other debt obligations including non-convertible preferred stock. When acquiring these types of securities, we usually invest in obligations rated A or better by Moody's or S&P. We may also invest in obligations rated as low as CC by Moody's or Ca by S&P. These securities are considered speculative and are often referred to as "junk bonds." We may also invest in instruments that are not rated, but which we believe are of comparable quality to the instruments described above.

Up to 30% of the Portfolio's total assets may be invested in foreign securities, including money market instruments, equity securities and debt obligations. For these purposes, we do not consider American Depositary Receipts (**ADRs**) as foreign securities.

The Portfolio may also pursue the following types of investment strategies and/or invest in the following types of securities:

- Alternative investment strategies — including **derivatives** — to try to improve the Portfolio's returns, protect its assets or for short-term cash management.
- **Swap** agreements, including interest rate and equity swaps.
- Purchase and sell **options** on equity securities.
- Purchase and sell exchange traded funds, stock indexes and foreign currencies.
- Purchase and sell stock index and foreign currency **futures contracts** and options on these futures contracts
- **Forward foreign currency exchange contracts.**
- Purchase securities on a **when-issued or delayed delivery** basis.
- **Short sales** and **short sales against-the-box**.
- **Repurchase agreements.** The Portfolio may participate with certain other Portfolios of the Fund in a **joint repurchase account** under an order obtained from the SEC.
- Equity and/or debt securities issued by **Real Estate Investment Trusts (REITs)**.

Under normal circumstances, the Portfolio may invest up to 35% of its total assets in high-quality money market instruments. In response to adverse market conditions or when we are restructuring the Portfolio, we may temporarily invest up to 100% of the Portfolio's assets in money market instruments. Investing heavily in these securities limits our ability to achieve our investment objective, but can help to preserve the Portfolio's assets when the markets are unstable.

The Portfolio is managed by Jennison Associates LLC.

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MORE DETAILED INFORMATION ABOUT OTHER INVESTMENTS AND STRATEGIES USED BY THE PORTFOLIOS

As indicated in the descriptions of the Portfolios above, we may invest in the following types of securities and/or use the following investment strategies to increase a Portfolio's return or protect its assets if market conditions warrant.

American Depositary Receipts (ADRs) — Certificates representing the right to receive foreign securities that have been deposited with a U.S. bank or a foreign branch of a U.S. bank.

Asset-Backed Securities — An asset-backed security is a type of pass-through instrument that pays interest based upon the cash flow of an underlying pool of assets, such as automobile loans or credit card receivables. Asset-backed securities may also be collateralized by a portfolio of corporate bonds, including junk bonds, or other securities.

Collateralized Debt Obligations (CDOs) — A CDO is a security backed by an underlying portfolio of debt obligations, typically including one or more of the following types of investments: high yield securities, investment grade securities, bank loans, futures or swaps. A CDO provides a single security that has the economic characteristics of a diversified portfolio. The cash flows generated by the collateral are used to pay interest and principal to investors.

Convertible Debt and Convertible Preferred Stock — A convertible security is a security — for example, a bond or preferred stock — that may be converted into common stock of the same or different issuer. The convertible security sets the price, quantity of shares and time period in which it may be so converted. Convertible stock is senior to a company's common stock but is usually subordinated to debt obligations of the company. Convertible securities provide a steady stream of income which is generally at a higher rate than the income on the company's common stock but lower than the rate on the company's debt obligations. At the same time, they offer — through their conversion mechanism — the chance to participate in the capital appreciation of the underlying common stock. The price of a convertible security tends to increase and decrease with the market value of the underlying common stock.

Credit Default Swaps — In a credit default swap, the Portfolio and another party agree to exchange payment of the par (or other agreed-upon) value of a referenced debt obligation in the event of a default on that debt obligation in return for a periodic stream of payments over the term of the contract provided no event of default has occurred. See also "Swaps" defined below.

Credit-Linked Securities — Credit linked securities are securities that are collateralized by one or more credit default swaps on corporate credits. The Portfolio has the right to receive periodic interest payments from the issuer of the credit-linked security at an agreed-upon interest rate, and a return of principal at the maturity date. See also "Credit Default Swaps" defined above.

Derivatives — A derivative is an investment instrument that derives its price, performance, value, or cash flow from one or more underlying securities or other interests. Derivatives involve costs and can be volatile. With derivatives, the investment adviser tries to predict whether the underlying investment — a security, market index, currency, interest rate or some other benchmark — will go up or down at some future date. We may use derivatives to try to reduce risk or to increase return consistent with a Portfolio's overall investment objective. The investment adviser will consider other factors (such as cost) in deciding whether to employ any particular strategy, or use any particular instrument. Any derivatives we use may not fully offset a Portfolio's underlying positions and this could result in losses to the Portfolio that would not otherwise have occurred.

Dollar Rolls — Dollar rolls involve the sale by the Portfolio of a security for delivery in the current month with a promise to repurchase from the buyer a substantially similar — but not necessarily the same — security at a set price and date in the future. During the "roll period," the Portfolio does not receive any principal or interest on the security. Instead, it is compensated by the difference between the current sales price and the price of the future purchase, as well as any interest earned on the cash proceeds from the original sale.

Equity Swaps — In an equity swap, the Portfolio and another party agree to exchange cash flow payments that are based on the performance of equities or an equity index. See also "Swaps" defined below.

Event-Linked Bonds — Event-linked bonds are fixed income securities for which the return of principal and payment of interest is contingent on the non-occurrence of a specific "trigger" event, such as a hurricane, earthquake, or other physical or weather-related phenomenon. If a trigger event occurs, a Portfolio may lose a portion or all of its principal invested in the bond. Event-linked bonds often provide for an extension of maturity to process and audit loss claims where a trigger event has, or possibly has, occurred. An extension of maturity may increase volatility. Event-linked bonds may also expose the Portfolio to certain unanticipated risks including credit risk, adverse regulatory or jurisdictional interpretations, and adverse tax consequences. Event-linked bonds may also be subject to liquidity risk.

Forward Foreign Currency Exchange Contracts — A foreign currency forward contract is an obligation to buy or sell a given currency on a future date at a set price. When a Portfolio enters into a contract for the purchase or sale of a security denominated in a foreign currency, or when a Portfolio anticipates the receipt in a foreign currency of dividends or interest payments on a security which it holds, the Portfolio may desire to "lock-in" the U.S. dollar price of the security or the U.S. dollar equivalent of such dividend or interest payment, as the case may be. By entering into a forward contract for a fixed amount of dollars, for the purchase or sale of the amount of foreign currency involved in the underlying transactions, the Portfolio will be able to protect itself against a possible loss resulting from an adverse change in the relationship between the U.S. dollar and the foreign currency during the period between the date on which the security is purchased or sold, or on which the dividend or interest payment is declared, and the date on which such payments are made or received. At the maturity of a forward contract, a Portfolio may either sell the security and make delivery of the foreign currency or it may retain the security and terminate its contractual obligation to deliver the foreign currency by purchasing an "offsetting" contract with the same currency trader obligating it to purchase, on the same maturity date, the same amount of the foreign currency.

Futures Contracts — A futures contract is an agreement to buy or sell a set quantity of an underlying product at a future date, or to make or receive a cash payment based on the value of a securities index. When a futures contract is entered into, each party deposits with a futures commission merchant (or in a segregated account) approximately 5% of the contract amount. This is known as the "initial margin." Every day during the futures contract, either the buyer or the futures commission merchant will make payments of "variation margin." In other words, if the value of the underlying security, index or interest rate increases, then the buyer will have to add to the margin account so that the account balance equals approximately 5% of the value of the contract on that day. The next day, the value of the underlying security, index or interest rate may decrease, in which case the borrower would receive money from the account equal to the amount by which the account balance exceeds 5% of the value of the contract on that day. A stock index futures contract is an agreement between the buyer and the seller of the contract to transfer an amount of cash equal to the daily variation margin of the contract. No physical delivery of the underlying stocks in the index is made.

Interest Rate Swaps — In an interest rate swap, the Portfolio and another party agree to exchange interest payments. For example, the Portfolio may wish to exchange a floating rate of interest for a fixed rate. We would enter into that type of a swap if we think interest rates are going down. See also "Swaps" defined below.

Joint Repurchase Account — In a joint repurchase transaction, uninvested cash balances of various Portfolios are added together and invested in one or more repurchase agreements. Each of the participating Portfolios receives a portion of the income earned in the joint account based on the percentage of its investment.

Loans and Assignments — Loans are privately negotiated between a corporate borrower and one or more financial institutions. The Portfolio acquires interests in loans directly (by way of assignment from the selling institution) or indirectly (by way of the purchase of a participation interest from the selling institution. Purchasers of loans depend primarily upon the creditworthiness of the borrower for payment of interest and repayment of principal. If scheduled interest or principal payments are not made, the value of the instrument may be adversely affected. Interests in loans are also subject to additional liquidity risks. Loans are not generally traded in organized exchange markets but are traded by banks and other institutional investors engaged in loan syndications. Consequently, the liquidity of a loan will depend on the liquidity of these trading markets at the time that the Portfolio sells the loan.

In assignments, the Portfolio will have no recourse against the selling institution, and the selling institution generally makes no representations about the underlying loan, the borrowers, the documentation or the collateral. In addition, the rights against the borrower that are acquired by the Portfolio may be more limited than those held by the assigning lender.

Mortgage-Related Securities — Mortgage-Related securities are usually pass-through instruments that pay investors a share of all interest and principal payments from an underlying pool of fixed or adjustable rate mortgages. We may invest in mortgage-related securities issued and guaranteed by the U.S. Government or its agencies like the Federal National Mortgage Association (Fannie Maes) and the Government National Mortgage Association (Ginnie Maes) and debt securities issued (but not guaranteed) by the Federal Home Loan Mortgage Company (Freddie Macs). Private mortgage-related securities that are not guaranteed by U.S. Governmental entities generally have one or more types of credit enhancement to ensure timely receipt of payments and to protect against default.

Mortgage-related securities include collateralized mortgage obligations, multi-class pass through securities and stripped mortgage-backed securities. A collateralized mortgage-backed obligation (CMO) is a security backed by an underlying portfolio of mortgages or mortgage-backed securities that may be issued or guaranteed by entities such as banks, U.S. Governmental entities or broker-dealers. A multi-class pass-through security is an equity interest in a trust composed of underlying mortgage assets.

Payments of principal and interest on the mortgage assets and any reinvestment income provide the money to pay debt service on the CMO or to make scheduled distributions on the multi-class pass-through security. A stripped mortgage-backed security (MBS strip) may be issued by U.S. Governmental entities or by private institutions. MBS strips take the pieces of a debt security (principal and interest) and break them apart. The resulting securities may be sold separately and may perform differently. MBS strips are highly sensitive to changes in prepayment and interest rates.

Options — A call option on stock is a short-term contract that gives the option purchaser or "holder" the right to acquire a particular equity security for a specified price at any time during a specified period. For this right, the option purchaser pays the option seller a certain amount of money or "premium" which is set before the option contract is entered into. The seller or "writer" of the option is obligated to deliver the particular security if the option purchaser exercises the option. A put option on stock is a similar contract. In a put option, the option purchaser has the right to sell a particular security to the option seller for a specified price at any time during a specified period. In exchange for this right, the option purchaser pays the option seller a premium. Options on debt securities are similar to stock options except that the option holder has the right to acquire or sell a debt security rather than an equity security. Options on stock indexes are similar to options on stocks, except that instead of giving the option holder the right to receive or sell a stock, it gives the holder the right to receive an amount of cash if the closing level of the stock index is greater than (in the case of a call) or less than (in the case of a put) the exercise price of the option. The amount of cash the holder will receive is determined by multiplying the difference between the index's closing price and the option's exercise price, expressed in dollars, by a specified "multiplier". Unlike stock options, stock index options are always settled in cash, and gain or loss depends on price movements in the stock market generally (or a particular market segment, depending on the index) rather than the price movement of an individual stock.

Private Investments in Public Equity (PIPEs) – A PIPE is an equity security in a private placement that are issued by issuers who have outstanding, publicly-traded equity securities of the same class. Shares in PIPEs generally are not registered with the SEC until after a certain time period from the date the private sale is completed. This restricted period can last many months. Until the public registration process is completed, PIPEs are restricted as to resale and the Fund cannot freely trade the securities. Generally, such restrictions cause the PIPEs to be illiquid during this time. PIPEs may contain provisions that the issuer will pay specified financial penalties to the holder if the issuer does not publicly register the restricted equity securities within a specified period of time, but there is no assurance that the restricted equity securities will be publicly registered, or that the registration will remain in effect.

Real Estate Investment Trusts (REITs) — A REIT is a company that manages a portfolio of real estate to earn profits for its shareholders. Some REITs acquire equity interests in real estate and then receive income from rents and capital gains when the buildings are sold. Other REITs lend money to real estate developers and receive interest income from the mortgages. Some REITs invest in both types of interests.

Repurchase Agreements — In a repurchase transaction, the Portfolio agrees to purchase certain securities and the seller agrees to repurchase the same securities at an agreed upon price on a specified date. This creates a fixed return for the Portfolio.

Reverse Repurchase Agreements — In a reverse repurchase transaction, the Portfolio sells a security it owns and agrees to buy it back at a set price and date. During the period the security is held by the other party, the Portfolio may continue to receive principal and interest payments on the security.

Short Sales — In a short sale, we sell a security we do not own to take advantage of an anticipated decline in the stock's price. The Portfolio borrows the stock for delivery and if it can buy the stock later at a lower price, a profit results.

Short Sales Against-the-Box — A short sale against-the-box means the Portfolio owns securities identical to those sold short.

Swap Options — A swap option is a contract that gives a counterparty the right (but not the obligation) to enter into a swap agreement or to shorten, extend cancel or otherwise modify an existing swap agreement at some designated future time on specified terms. See also "Options" defined above.

Swaps — Swap agreements are two party contracts entered into primarily by institutional investors for periods ranging from a few weeks to more than one year. In a standard "swap" transaction, two parties agree to exchange the returns (or differentials in rates of return) earned or realized on particular predetermined investments or instruments, which may be adjusted for an interest factor. Credit Default Swaps, Equity Swaps, Interest Rate Swaps and Total Return Swaps are four types of swap agreements.

Total Return Swaps — In a total return swap, payment (or receipt) of an index's total return is exchanged for the receipt (or payment) of a floating interest rate. See also "Swaps" defined above.

When-Issued and Delayed Delivery Securities — With when-issued or delayed delivery securities, the delivery and payment can take place a month or more after the date of the transaction. A Portfolio will make commitments for when-issued transactions only with the intention of actually acquiring the securities. A Portfolio's custodian will maintain in a segregated account, liquid assets having a value equal to or greater than such commitments. If the Portfolio chooses to dispose of the right to acquire a when-issued security prior to its acquisition, it could, as with the disposition of any other security, incur a gain or loss.

Except for the Money Market Portfolio and the Zero Coupon Bond Portfolio 2005, each Portfolio also follows certain policies when it borrows money (each Portfolio may borrow up to 5% of the value of its total assets, except that SP Large Cap Value Portfolio and SP Goldman Sachs Small Cap Value Portfolio may each borrow up to 33% of their total assets); lends its securities; and holds illiquid securities (a Portfolio may hold up to 15% of its net assets in illiquid securities, including securities with legal or contractual restrictions on resale, those without a readily available market and repurchase agreements with maturities longer than seven days). If the Portfolio were to exceed this limit, the investment adviser would take prompt action to reduce a Portfolio's holdings in illiquid securities to no more than 15% of its net assets, as required by applicable law. A Portfolio is subject to certain investment restrictions that are fundamental policies, which means they cannot be changed without shareholder approval. For more information about these restrictions, see the Statement of Additional Information (SAI).

The Money Market Portfolio also follows certain policies when it borrows money (the Portfolio may borrow up to 5% of the value of its total assets) and holds illiquid securities (the Portfolio may hold up to 10% of its net assets in illiquid securities, including securities with legal or contractual restrictions on resale, those without a readily available market and repurchase agreements with maturities longer than seven days). If the Portfolio were to exceed this limit, the investment adviser would take prompt action to reduce the Portfolio's holdings in illiquid securities to no more than 10% of its net assets, as required by applicable law. The Portfolio is subject to certain investment restrictions that are fundamental policies, which means they cannot be changed without shareholder approval. For more information about these restrictions, see the SAI.

We will consider other factors (such as cost) in deciding whether to employ any particular strategy or use any particular instrument. For more information about these strategies, see the SAI, "Investment Objectives and Policies of the Portfolios."

HOW THE FUND IS MANAGED

Board of Directors

The Board of Directors oversees the actions of the Investment Adviser, the subadvisers and the Distributor and decides on general policies. The Board also oversees the Fund's officers who conduct and supervise the daily business operations of the Fund.

Investment Adviser

Prudential Investments LLC (PI), a wholly-owned subsidiary of Prudential Financial, Inc., serves as the overall investment adviser for the Fund. PI is located at Gateway Center Three, 100 Mulberry Street, Newark, New Jersey 07102. PI and its predecessors have served as manager and administrator to investment companies since 1987. As of December 31, 2004, PI served as the investment manager to all of the Prudential U.S. and offshore investment companies, and as manager or administrator to closed-end investment companies, with aggregate assets of approximately $94 billion.

The Fund uses a "manager-of-managers" structure. Under this structure, PI is authorized to select (with approval of the Fund's independent directors) one or more subadvisers to handle the actual day-to-day investment management of each Portfolio. PI monitors each subadviser's performance through quantitative and qualitative analysis, and periodically reports to the Fund's board of directors as to whether each subadviser's agreement should be renewed, terminated or modified. PI also is responsible for allocating assets among the subadvisers if a Portfolio has more than one subadviser. In those circumstances, the allocation for each subadviser can range from 0% to 100% of a Portfolio's assets, and PI can change the allocations without board or shareholder approval. The Fund will notify contract owners of any new subadviser or any material changes to any existing subadvisory agreement.

The following chart lists the total annualized investment advisory fees paid by the Fund to PI in 2004 for each of the Fund's Portfolios.

Portfolio	Total advisory fees as % of average net assets
Conservative Balanced	0.55
Diversified Bond	0.40
Equity	0.45
Flexible Managed	0.60
Global	0.75
Government Income	0.40
High Yield Bond	0.55
Jennison	0.60
Money Market	0.40
Natural Resources	0.45
Small Capitalization Stock	0.40
Stock Index	0.35
Value	0.40

Investment Subadvisers

Each Portfolio has one or more subadvisers providing the day-to-day investment management of the Portfolio. PI pays each subadviser out of the fee that PI receives from the Fund.

Jennison Associates LLC (Jennison) serves as the subadviser for the following Portfolios:

- Global Portfolio
- Natural Resources Portfolio
- Jennison Portfolio
- Value Portfolio
- Equity Portfolio (portion)

Jennison is an indirect, wholly-owned subsidiary of Prudential Financial, Inc. As of December 31, 2004, Jennison had approximately $64 billion in assets under management for institutional and mutual fund clients. The address of Jennison is 466 Lexington Avenue, New York, New York 10017.

Prudential Investment Management, Inc. (PIM) serves as the subadviser for the following Portfolios:

- Conservative Balanced Portfolio (portion)
- Diversified Bond Portfolio
- Flexible Managed Portfolio (portion)
- Government Income Portfolio
- High Yield Bond Portfolio
- Money Market Portfolio

PIM is a wholly owned subsidiary of Prudential Financial, Inc. As of December 31, 2004, PIM had approximately $200 billion in assets under management. The address of PIM is Gateway Center Two, 100 Mulberry Street, Newark, New Jersey 07102.

Quantitative Management Associates LLC (QMA) serves as the subadviser for the following Portfolios:

- Conservative Balanced Portfolio (portion)
- Flexible Managed Portfolio (portion)
- Small Capitalization Stock Portfolio
- Stock Index Portfolio

QMA is a wholly owned indirect subsidiary of Prudential Investment Management, Inc. (PIM). As of December 31, 2004, QMA had approximately $52 billion in assets under management. The address of QMA is Gateway Center Two, 100 Mulberry Street, Newark, New Jersey 07102.

GE Asset Management Incorporated (GEAM) serves as the subadviser to approximately 25% of the Equity Portfolio. GEAM's ultimate parent is General Electric Company. As of December 31, 2004, GEAM oversees in excess of $178 billion under management. The address of GEAM is 3001 Summer Street, Stamford, Connecticut 06904.

Salomon Brothers Asset Management Inc (SaBAM) serves as a subadviser for a portion of the assets of the Equity Portfolio. SaBAM was established in 1988 and together with affiliates in London, Tokyo and Hong Kong, provides a broad range of fixed income and equity investment services to individuals and institutional clients throughout the world. SaBAM is a wholly-owned subsidiary of Citigroup, Inc. As of December 31, 2004, SaBAM managed over $79.9 billion in total assets. SaBAM's principal address is 399 Park Avenue, New York, New York 10022.

Portfolio Managers

The Statement of Additional Information (SAI) provides additional information about each Portfolio Manager's compensation, other accounts managed by each Portfolio Manager, and each Portfolio Manager's ownership of shares of the Fund's Portfolios.

Conservative Balanced Portfolio and Flexible Managed Portfolio

<u>Fixed-Income Segments</u>

Kay T. Willcox and Malcolm Dalrymple of PIM's Fixed Income Group manage the fixed income segments of the Portfolios.

Kay T. Willcox, Principal, has managed the fixed income portion of the Portfolios since 1999. She is also portfolio manager for Prudential Fixed Income's Core Fixed Income Strategy and is a mortgage portfolio manager. Formerly, Ms. Willcox managed a segment of The Prudential Insurance Company of America's proprietary portfolio and mutual fund fixed income portfolios, and handled mortgage-backed security analysis and trading. Ms. Willcox joined Prudential Financial in 1987. She has 22 years investment experience.

Malcolm Dalrymple, Principal, has managed the fixed income portion of the Portfolios with Ms. Willcox since 1999. He is also a portfolio manager for Structured and Short Maturity Strategies and is a corporate bond portfolio manager. He has specialized in corporate bonds since 1990. Earlier, he was a money markets portfolio manager. He joined Prudential Financial in 1979 as a securities lending trader and a bank analyst. Mr. Dalrymple has 21 years investment experience.

<u>Equity Segments</u>

Margaret Stumpp, John Moschberger, and Michael Lenarcic are primarily responsible for the day-to-day management of the equity portion of the Conservative Balanced Portfolio.

Margaret S. Stumpp, PhD is the Chief Investment Officer of Quantitative Management Associates (QMA). She is portfolio manager for enhanced equity index portfolios for institutional investors and mutual fund clients. Maggie is extensively involved in quantitative research in asset allocation, security selection and portfolio construction for Quantitative Management Associates. Prior to joining the firm, Maggie was employed by the AT&T Treasury department and by Price Waterhouse as a senior consultant. In both positions, she was responsible for providing expert testimony on economic and financial matters. She has published articles on finance and economics in numerous publications, including, <u>The Financial Analysts Journal</u>, <u>The Journal of Portfolio Management</u>, <u>The Journal of Investment Management</u> and Award Papers in <u>Public Utility Economics</u>. Maggie earned a BA cum laude with distinction in Economics from Boston University, and holds an AM and PhD in Economics from Brown University. She has managed the Conservative Balanced Portfolio since June of 1998.

John W. Moschberger, CFA is Managing Director for Quantitative Management Associates (QMA). He manages the Dryden Stock Index Fund and its corresponding variable life and annuity portfolio, the Prudential Series Fund - Stock Index Portfolio. John also manages both retail and institutional account portfolios benchmarked against the S&P 500, Russell 2000, Topix, MSCI EAFE, and MSCI Kokusai. He is also responsible for trading foreign and domestic equities, foreign exchange and derivative instruments. Previously, John was a research analyst with Prudential Equity Management Associates. He joined Prudential Financial in 1980. John earned a BS in Finance from the University of Delaware, and an MBA from Fairleigh Dickinson University. He has managed the Portfolio since 1998

Michael A. Lenarcic, PhD is Managing Director for Quantitative Management Associates (QMA). He manages single client accounts - including a large public employee retirement fund - and co-manages two commingled balanced portfolios. Previously, Mike was a vice president at Wilshire Associates, a leading pension consulting firm, where he was head of the Asset Allocation Division. In this capacity, he worked with plan sponsors and investment managers in the selection of appropriate investment policies. Earlier, Mike was an assistant professor at Northeastern University where he taught Finance and Economics. He earned a BA in Business Administration from Kent State University, and holds an AM and PhD in Business Economics from Harvard University. He has managed the Portfolio since 2000.

Dr. Stumpp and James Scott are primarily responsible for the day-to-day management of the equity portion of the Flexible Managed Portfolio. The background of Dr. Stumpp is discussed above. She has managed the Flexible Managed Portfolio since May of 2000.

James H. Scott, PhD is President of Quantitative Management Associates (QMA). QMA provides equity and balanced portfolios for institutional retail clients worldwide. Jim also co-heads the Quantitative Core Equity team, managing portfolios against various global, regional and country benchmarks. Prior to joining the predecessor of QMA, Jim was a professor and head of the Finance Department at Columbia University Graduate School of Business. His academic career included positions at Stanford University, University of Wisconsin-Milwaukee, and Carnegie Mellon University. During this period, Jim also served as a consultant, corporate director, mutual fund trustee, and research fellow at the Federal Reserve Bank of Cleveland. He has written numerous articles that have appeared in the Journal of Portfolio Management, the Journal of Finance, and the Financial Analysts Journal, among other publications. Jim is a cum laude graduate from Rice University where he holds a BA in Economics. He holds a Masters and PhD in Economics from Carnegie Mellon University. He serves on the Business Board of Advisors for the Tepper School of Business at Carnegie Mellon University, and is a Director of the Institute for Quantitative Research in Finance, and Chair of its Research Committee. He is also a member of the Board of Editors of the Financial Analyst Journal and of the Journal of Investment Management. He has managed the Portfolio since 2000.

Diversified Bond Portfolio

Steven Kellner, Robert Tipp, and David Bessey of the PIM Fixed Income Group are primarily responsible for the day-to-day management of the Portfolio.

Steven Kellner, CFA, is Managing Director and Head of Credit Related Strategies, including US Investment Grade Corporate Bonds, High Yield, Emerging Markets, and Bank Loans. He also is a senior portfolio manager for Investment Grade Corporate Bonds and is co-portfolio manager for Core Plus strategies. He has managed the Diversified Bond Portfolio since 1999. Previously, Mr. Kellner managed US corporate bonds for Prudential Financial's proprietary fixed income portfolios. He joined Prudential Financial in 1986 and has 19 years investment experience.

Robert Tipp, CFA, Chief Investment Strategist, has managed the Portfolio since 2003. He has supervisory responsibility for portfolio managers who manage mutual funds and institutional client accounts in the U.S. Liquidity (U.S. governments and mortgages), Money Market, Municipal Bond, and Global Bond sectors. He is also portfolio manager for asset liability strategies and a co-portfolio manager of Core Plus, Government, and global bond strategies. Previously, Mr. Tipp served as co-head of Prudential Financial's institutional fixed income business. Before joining Prudential Financial in 1991, Mr. Tipp was a Director in the Portfolio Strategies Group at First Boston Corporation. Prior to that, he was a senior analyst at the Allstate Research & Planning Center, and managed fixed income and equity derivative strategies at Wells Fargo Investment Advisors. Mr. Tipp has 21 years investment experience.

David Bessey is Managing Director and Head of the Emerging Markets team. Mr. Bessey is also co-portfolio manager for all Core Plus Fixed Income strategies and specializes in the utility and emerging markets sectors for the High Yield Team. He has managed the Diversified Bond Portfolio since 2004. From 1994 to 1999, Mr. Bessey was a senior portfolio manager for emerging markets portfolios and $US investment grade assets. Previously, he developed asset allocation strategies for insurance portfolios and managed Prudential Financial's long-term funding book. Mr. Bessey joined Prudential Financial in 1989 and has 15 years investment experience.

Equity Portfolio

Jennison typically follows a team approach in the management of its portfolios, while preserving individual accountability with respect to a particular portfolio. The teams are generally organized along product strategies (e.g., large cap growth, large cap value) and meet regularly to review the portfolio holdings and discuss purchase and sales activity of all accounts in the particular product strategy. Spiros "Sig" Segalas, Blair A. Boyer and David A. Kiefer and are the portfolio managers of the portion of the Portfolio managed by Jennison. Mr. Segalas, Mr. Boyer and Mr. Kiefer generally have final authority over all aspects of the portion of the Portfolio's investment portfolio managed by Jennison, including but not limited to, purchases and sales of individual securities, portfolio construction, risk assessment, and management of cash flows.

The portfolio managers for the portion of the Portfolio managed by Jennison are supported by members of Jennison's Large Cap Growth Equity and Large Cap Value Teams, which are comprised of other portfolio managers, research analysts and other investment professionals of Jennison. Team members provide research support and make securities recommendations and support the portfolio managers in all activities. Members of the teams may change from time to time.

Spiros Segalas was a founding member of Jennison in 1969 and is currently a Director, President and Chief Investment Officer at Jennison. He received his B.A. from Princeton University and is a member of The New York Society of Security Analysts, Inc. He has managed the portion of the Portfolio managed by Jennison since February 2005.

Blair A. Boyer is an Executive Vice President of Jennison. Mr. Boyer came to Jennison in 1993 after ten years with Arnhold & S. Bleichroeder, Inc. In January 2003, Mr. Boyer joined the growth equity team, after co-managing international equity portfolios since joining Jennison. During his tenure as an international equity portfolio manager, he managed the Jennison International Growth Fund from its inception in March 2000. Mr. Boyer managed international equity portfolios at Bleichroeder from 1989 to 1993. Prior to that, he was a research analyst and then a senior portfolio manager in the Verus Capital division at Bleichroeder. Mr. Boyer graduated from Bucknell University in 1983 with a B.A. in Economics. He received an M.B.A. in Finance from New York University in 1989. He has managed the portion of the Portfolio managed by Jennison since January 2005.

David A. Kiefer, CFA, is an Executive Vice President of Jennison, which he joined in September 2000. He joined Prudential's management training program in 1986. From 1988 to 1990, Mr. Kiefer worked at Prudential Power Funding Associates, making loans to the energy industry. He then left to attend business school, rejoining Prudential in equity asset management in 1992. Mr. Kiefer became a portfolio manager in1994 at Prudential. Mr. Kiefer earned a B.S. from Princeton University and an M.B.A. from Harvard Business School. He has managed the portion of the Portfolio managed by Jennison since August 2000.

Richard Sanderson, Senior Vice President and Director of Investment Research, Domestic Equities, for GEAM, is primarily responsible for the day-to-day management of the portion of the Portfolio advised by GEAM. Mr. Sanderson, a Chartered Financial Analyst, has 35 years of asset management experience and has been employed with GEAM for over 9 years and holds B.A. and M.B.A. degrees from the University of Michigan. He has managed the Portfolio since 1995.

Michael Kagan, a Managing Director of SaBAM, has been responsible for the day-to-day management of the portion of the Portfolio advised by SaBAM since February 2001. Mr. Kagan has been with SaBAM since 1994.

Kevin Caliendo, a Managing Director of SaBAM, has co-managed the portion of the Portfolio advised by SaBAM since November 2003. Mr. Caliendo has been with SaBAM since 2002. From 2001 to 2002, Mr. Caliendo was a Healthcare Equity Analyst and Convertible Bond Fund Portfolio Manager for SAC Capital Advisors, LLC and from 1998-2001, he was a Convertible Bond Analyst of the Healthcare sector for Wachovia Securities.

Global Portfolio

Jennison typically follows a team approach in the management of its portfolios, while preserving individual accountability with respect to a particular portfolio. The teams are generally organized along product strategies (e.g., large cap growth, large cap value) and meet regularly to review the portfolio holdings and discuss purchase and sales activity of all accounts in the particular product strategy. Daniel J. Duane and Michelle I. Picker are the portfolio managers of the Portfolio. Mr. Duane and Ms. Picker generally have final authority over all aspects of the Portfolio's investment portfolio, including but not limited to, purchases and sales of individual securities, portfolio construction, risk assessment, and management of cash flows.

The portfolio managers for the Portfolio are supported by members of Jennison's research team, which is comprised of research analysts and other investment professionals of Jennison. Team members provide research support and make securities recommendations and support the portfolio managers in all activities. Members of the team may change from time to time.

Daniel J. Duane, CFA, is an Executive Vice President of Jennison. Prior to joining Jennison in October 2000, Mr. Duane was a Managing Director within Prudential's Public Equity Unit. Mr. Duane began his money management career as a research analyst at Value Line in 1978. After six years at Value Line, he moved to TIAA-CREF where he managed a portion of their global portfolio. After TIAA-CREF, Mr. Duane spent over four years at First Investors Asset Management where he was in charge of all global equity investments. He earned a dual A.B. from Boston College, a Ph.D. from Yale University and a M.B.A. from New York University. Mr. Duane also was a Fulbright Scholar at the University of Tubingen in Germany. He has managed the Portfolio since 1990.

Michelle I. Picker, CFA, is a Vice President of Jennison. Prior to joining Jennison in October 2000, Ms. Picker was an Investment Vice President within Prudential's Public Equity Unit. She joined Prudential's global equity investment group in 1992 as a U.S. growth stock analyst. Prior to joining Prudential, Ms. Picker was an accountant and consultant at Price Waterhouse. She received her B.A. in Psychology from the University of Pennsylvania and her M.B.A. from New York University. She has managed the Portfolio since 1997.

Government Income Portfolio and Zero Coupon Bond Portfolio 2005

Robert Tipp and Richard Piccirillo of PIM's Fixed Income Group co-manage the Portfolios.

Robert Tipp, CFA, Chief Investment Strategist, has managed the Portfolio since 2003. He has supervisory responsibility for portfolio managers who manage mutual funds and institutional client accounts in the U.S. Liquidity (U.S. governments and mortgages), Money Market, Municipal Bond, and Global Bond sectors. He is also portfolio manager for asset liability strategies and a co-portfolio manager of Core Plus, Government, and global bond strategies. Previously, Mr. Tipp served as co-head of Prudential Financial's institutional fixed income business. Before joining Prudential Financial in 1991, Mr. Tipp was a Director in the Portfolio Strategies Group at First Boston Corporation. Prior to that, he was a senior analyst at the Allstate Research & Planning Center, and managed fixed income and equity derivative strategies at Wells Fargo Investment Advisors. Mr. Tipp has 21 years investment experience.

Richard Piccirillo, Vice President, has managed the Portfolio since 2003. He has specialized in mortgage-backed securities since joining Prudential Financial in 1993. Prior to that, he was a fixed income analyst with Fischer Francis Trees & Watts, and an analyst at Smith Barney. He has 14 years investment experience.

High Yield Bond Portfolio

The PIM Fixed Income High Yield Team, headed by Paul Appleby, manages the Portfolio. The Team also includes portfolio managers David Bessey, Richard Burns, Stephen Haeckel, and Michael Collins.

Paul Appleby, CFA, is Managing Director and Head of the High Yield Team. He oversees all portfolio management and trading activities for high yield portfolios, and also specializes in the cable, technology, commodities, and healthcare sectors. Previously, Mr. Appleby was Director of Credit Research and Chief Equity Strategist for Prudential Financial's proprietary portfolios. He also was a high yield credit analyst and worked in Prudential Financial's private placement group. Mr. Appleby joined Prudential Financial in 1987 and has 18 years investment experience. He has managed the Portfolio since 1999.

David Bessey is Managing Director and Head of the Emerging Markets team. Mr. Bessey is also co-portfolio manager for all Core Plus Fixed Income strategies and specializes in the utility and emerging markets sectors for the High Yield Team. From 1994 to 1999, Mr. Bessey was a senior portfolio manager for emerging markets portfolios and $US investment grade assets. Previously, he developed asset allocation strategies for insurance portfolios and managed Prudential Financial's long-term funding book. Mr. Bessey joined Prudential Financial in 1989 and has 15 years investment experience. He has managed the Portfolio since May 2003.

Richard Burns, CFA is Principal and portfolio manager on the High Yield Team. He is responsible for proprietary high yield portfolios and has specialized in the telecommunications, energy, gaming, retail, and lodging. Mr. Burns joined Prudential Financial in 1986 as a research analyst. He has managed the Portfolio since 1999 and has 22 years overall investment experience.

Stephen Haeckel is Principal and portfolio manager on the High Yield Team. He is portfolio manager for the Higher Quality High Yield Strategies and specializes in the media, industrials, homebuilders, and transportation sectors. Before joining the High Yield Team in 1999, Mr. Haeckel was credit analyst with PIM Fixed Income. He also worked in the Corporate Finance and Financial Restructuring groups, managing Prudential Financial's private investments. Mr. Haeckel served on the Board of Directors of three private companies in conjunction with the Financial Restructuring Group. He joined Prudential Financial in 1990. Previously, he was an Investment Officer at MONY Capital Management. Mr. Haeckel has managed the Portfolio since 1999 and has 17 years investment experience.

Michael J. Collins, CFA, is Principal and portfolio manager/strategist on the High Yield Team, responsible for portfolio management, strategy, and risk management. Prior to his current role, Mike was Senior Investment Strategist, covering all fixed income sectors. Previously, Mike was a credit research analyst. He also developed proprietary quantitative international interest rate and currency valuation models for our global bond unit. Mike began his career at Prudential Financial in 1986 as a software applications designer. He has managed the Portfolio since 2001 and has 12 years investments experience.

Jennison Portfolio

Jennison typically follows a team approach in the management of its portfolios, while preserving individual accountability with respect to a particular portfolio. The teams are generally organized along product strategies (e.g., large cap growth, large cap value) and meet regularly to review the portfolio holdings and discuss purchase and sales activity of all accounts in the particular product strategy. Michael A. Del Balso, Spiros Segalas and Kathleen A. McCarragher are the portfolio managers of the Portfolio.

Mr. Del Balso generally has final authority over all aspects of the Portfolio's investment portfolio, including but not limited to, purchases and sales of individual securities, portfolio construction, risk assessment, and management of cash flows.

The portfolio managers for the Portfolio are supported by members of Jennison's Large Cap Growth Equity Team, which is comprised of other portfolio managers, research analysts and other investment professionals of Jennison. Team members provide research support and make securities recommendations and support the portfolio managers in all activities. Members of the team may change from time to time.

Michael A. Del Balso joined Jennison in 1972 and is currently an Executive Vice President at Jennison. He is also Jennison's Director of Research for Growth Equity. Mr. Del Balso is a graduate of Yale University and received his M.B.A. from Columbia University. He is a member of The New York Society of Security Analysts, Inc. He has managed the Portfolio since April 2000.

Spiros Segalas was a founding member of Jennison in 1969 and is currently a Director, President and Chief Investment Officer at Jennison. He received his B.A. from Princeton University and is a member of The New York Society of Security Analysts, Inc. He has managed the Portfolio since February 1999.

Kathleen A. McCarragher joined Jennison in 1998 and is an Executive Vice President at Jennison. She is also Jennison's Head of Growth Equity. Prior to joining Jennison, she was employed at Weiss, Peck & Greer L.L.C. as a managing director and director of large cap growth equities for six years. Ms McCarragher received her B.B.A. degree from the University of Wisconsin and her M.B.A. from Harvard University. She has managed the Portfolio since February 1999.

Money Market Portfolio

The PIM Fixed Income Money Market Team, led by Joseph M. Tully, manages the Portfolio. The Team also includes portfolio managers Manolita Brasil, Robert Browne, and Douglas Spratley.

Joseph M. Tully is Managing Director and Head of the Money Market Team. He has managed the Portfolio since 1995. Mr. Tully has 19 years of experience managing short-term fixed income investments, and 21 years of total investment experience. Prior to joining Prudential Financial in 1987, he worked for Merrill Lynch Asset Management as portfolio manager and senior bank credit analyst, and was an assistant national bank examiner for the Office of the Comptroller of the Currency.

Manolita Brasil is Vice President and portfolio manager on the Money Market Team, responsible for taxable money markets funds. In addition, Ms. Brasil coordinates credit research for commercial paper and other short-term instruments. She has been managing money markets portfolios for PIM Fixed Income since 1988. Previously, she previously managed the money markets support staff. Ms. Brasil joined Prudential Financial in 1979. She has managed the Portfolio since 1996 and has 17 years of investment experience.

Robert T. Browne is Vice President and portfolio manager on the Money Market Team, responsible for taxable money markets portfolios. Before assuming his current position in 1995, he spent two years analyzing and trading currency and global bonds, and handling operations, marketing, compliance and business planning functions. Mr. Browne joined Prudential Financial in 1989. He has managed the Portfolio since 1998 and has 11 years of total investment experience.

Douglas Spratley, CFA is an Associate and portfolio manager on the Money Markets team, responsible for short-term portfolios and government repo trading. Previously, Mr. Spratley was an investment analyst for the Prudential Capital Group. He joined Prudential in 1992. Mr. Spratley has 9 years investment experience.

Natural Resources Portfolio

Jennison typically follows a team approach in the management of its portfolios, while preserving individual accountability with respect to a particular portfolio. The teams are generally organized along product strategies (e.g., large cap growth, large cap value) and meet regularly to review the portfolio holdings and discuss purchase and sales activity of all accounts in the particular product strategy. Leigh R. Goehring and Michael A. Del Balso are the portfolio managers of the Portfolio. Mr. Goehring generally has final authority over all aspects of the Portfolio's investment portfolio, including but not limited to, purchases and sales of individual securities, portfolio construction, risk assessment, and management of cash flows.

The portfolio managers for the Portfolio are supported by members of Jennison's research team, which is comprised of other research analysts and other investment professionals of Jennison. Team members provide research support and make securities recommendations and support the portfolio managers in all activities. Members of the team may change from time to time.

Leigh R. Goehring is a Vice President of Jennison. Prior to joining Jennison in September 2000, he was a Vice President of Prudential Investment Management, Inc. Before joining Prudential in 1986, Mr. Goehring managed general equity accounts in the trust department at The Bank of New York. He earned his B. A. from Hamilton College with a double major in Economics and Mathematics. He has managed the Portfolio since 1992.

Michael A. Del Balso joined Jennison in 1972 and is currently an Executive Vice President at Jennison. He is also Jennison's Director of Research for Growth Equity. Mr. Del Balso is a graduate of Yale University and received his M.B.A. from Columbia University. He is a member of The New York Society of Security Analysts, Inc. He has managed the Portfolio since April 2004.

Small Capitalization Stock Portfolio

Wai C. Chiang is Managing Director for Quantitative Management Associates (QMA), and is primarily responsible for the day-to-day management of the Portfolio. He currently manages and trades domestic equity portfolios, including index funds, quantitative core equity funds, and futures tactical asset allocation accounts on behalf of institutional and retail clients. Earlier in his career, Wai was a stock research analyst for Salomon Brothers and a research and development engineer for Westinghouse Electric Corporation. He has developed proprietary computer-based models and authored a number of Salomon and Westinghouse publications. Wai was a contributing author to Indexing For Maximum Investment Results, a book published on indexing. Wai graduated summa cum laude with a BS in Engineering from Syracuse University, and earned an MBA in Finance from the Wharton School at the University of Pennsylvania. He has managed the Portfolio since its inception in 1995.

Stock Index Portfolio

John W. Moschberger, CFA is Managing Director for Quantitative Management Associates (QMA), and is primarily responsible for the day-to-day management of the Portfolio. He manages the Dryden Stock Index Fund and its corresponding variable life and annuity portfolio, the Prudential Series Fund - Stock Index Portfolio. John also manages both retail and institutional account portfolios benchmarked against the S&P 500, Russell 2000, Topix, MSCI EAFE, and MSCI Kokusai. He is also responsible for trading foreign and domestic equities, foreign exchange and derivative instruments. Previously, John was a research analyst with Prudential Equity Management Associates. He joined Prudential Financial in 1980. John earned a BS in Finance from the University of Delaware, and an MBA from Fairleigh Dickinson University. He has managed the Portfolio since 1990

Value Portfolio

Jennison typically follows a team approach in the management of its portfolios, while preserving individual accountability with respect to a particular portfolio. The teams are generally organized along product strategies (e.g., large cap growth, large cap value) and meet regularly to review the portfolio holdings and discuss purchase and sales activity of all accounts in the particular product strategy. David A. Kiefer and Avi Z. Berg are the portfolio managers of the Portfolio. Mr. Kiefer and Mr. Berg generally have final authority over all aspects of the Portfolio's investment portfolio, including but not limited to, purchases and sales of individual securities, portfolio construction, risk assessment, and management of cash flows.

The portfolio managers for the Portfolio are supported by members of Jennison's Large Cap Value Team, which is comprised of other portfolio managers, research analysts and other investment professionals of Jennison. Team members provide research support and make securities recommendations and support the portfolio managers in all activities. Members of the team may change from time to time.

David A. Kiefer, CFA, is an Executive Vice President of Jennison, which he joined in September 2000. He joined Prudential's management training program in 1986. From 1988 to 1990, Mr. Kiefer worked at Prudential Power Funding Associates, making loans to the energy industry. He then left to attend business school, rejoining Prudential in equity asset management in 1992. Mr. Kiefer became a portfolio manager in 1994 at Prudential. Mr. Kiefer earned a B.S. from Princeton University and an M.B.A. from Harvard Business School. He has managed the Portfolio since January 2004.

Avi Z. Berg is a Vice President of Jennison, which he joined in January 2001. Prior to that, he was with Goldman Sachs Asset Management from 1997 to 2000 as an Equity Research Associate for their small and mid cap value funds. From 1995 to 1997, Mr. Berg worked in equity research at Schroder Wertheim & Co. and Fir Tree Partners. From 1991 to 1995, he was a consultant with Price Waterhouse LLP. Mr. Berg received his A.B. in Economics magna cum laude from Harvard University in 1991 and his M.B.A. in Finance and Accounting with honors and distinctions from Columbia Business School in 1997. He has managed the Portfolio since January 2004.

HOW TO BUY AND SELL SHARES OF THE FUND

The Fund offers two classes of shares in each Portfolio — Class I and Class II. Each Class participates in the same investments within a given Portfolio, but the Classes differ as far as their charges. Class I shares are sold only to separate accounts of Prudential as investment options under certain variable annuity and variable life insurance Contracts. Class II is offered only to separate accounts of non-Prudential insurance companies as investment options under certain of their Contracts. Please refer to the accompanying Contract prospectus to see which Portfolios are available through your Contract.

The way to invest in the Portfolios is through certain variable life insurance and variable annuity contracts. Together with this prospectus, you should have received a prospectus for such a Contract. You should refer to that prospectus for further information on investing in the Portfolios.

Both Class I and Class II shares of a Portfolio are sold without any sales charge at the net asset value of the Portfolio. Class II shares, however, are subject to an annual distribution or "12b-1" fee of 0.25% of the average daily net assets of Class II. Under the distribution plan adopted by the Fund for Class II shares, Class II of each Portfolio pays to Prudential Investment Management Services LLC (PIMS) a distribution or 12b-1 fee at the annual rate of 0.25% of the average daily net assets of Class II. This fee pays for distribution services for Class II shares. Because these fees are paid out of the Portfolio's assets on an ongoing basis, over time these fees will increase the cost of your investment in Class II shares and may cost you more than paying other types of sales charges. Class II shares are also subject to an administration fee of 0.15% of the average daily net assets of Class II. Class I shares do not have a distribution or administration fee.

Shares are redeemed for cash within seven days of receipt of a proper notice of redemption or sooner if required by law. There is no redemption charge. We may suspend the right to redeem shares or receive payment when the New York Stock Exchange (NYSE) is closed (other than weekends or holidays), when trading on the NYSE is restricted, or as permitted by the SEC.

Frequent Purchases or Redemptions of Fund Shares

The Fund is part of the group of investment companies advised by PI that seeks to prevent patterns of frequent purchases and redemptions of shares by its investors (the "PI funds"). Frequent purchases and redemptions may adversely affect performance and the interests of long-term investors. When an investor engages in frequent or short-term trading, the PI funds may have to sell portfolio securities to have the cash necessary to pay the redemption amounts. This can happen when it is not advantageous to sell any securities, so the PI funds' performance may be hurt. When large dollar amounts are involved, frequent trading can also make it difficult to use long-term investment strategies because the PI funds cannot predict how much cash they will have to invest. In addition, if a PI fund is forced to liquidate investments due to short-term trading activity, it may incur increased brokerage and tax costs. Similarly, the PI funds may bear increased administrative costs as a result of the asset level and investment volatility that accompanies patterns of short-term trading. Moreover, frequent or short-term trading by certain investors may cause dilution in the value of PI fund shares held by other investors. PI funds that invest in foreign securities may be particularly susceptible to frequent trading because time zone differences among international stock markets can allow an investor engaging in short-term trading to exploit fund share prices that may be based on closing prices of foreign securities established some time before the fund calculates its own share price. PI funds that invest in certain fixed income securities, such as high-yield bonds or certain asset-backed securities, may also constitute effective vehicles for an investor's frequent trading strategies.

The Boards of Directors of the PI funds, including the Fund, have adopted policies and procedures designed to discourage or prevent frequent trading by investors. The policies and procedures for the Fund are limited, however, because Prudential and other insurance companies maintain the individual contract owner accounts for investors in the Fund's Portfolios. In particular, each insurance company submits to the Fund transfer agent aggregate orders combining the transactions of many investors, and therefore the Fund and its transfer agent cannot monitor investments by individual investors. The policies and procedures require the Fund to communicate in writing to each investing insurance company that the Fund expects the insurance company to impose restrictions on transfers by contract owners. In addition, the Fund receives reports on the trading restrictions imposed by Prudential and its affiliates on variable contract owners investing in the Portfolios, and the Fund monitors the aggregate cash flows received from unaffiliated insurance companies. The Fund also employs fair value pricing procedures to deter frequent trading. Finally, the Fund and its transfer agent reserve the right to reject all or a portion of a purchase order from an investing insurance company. If a purchase order is rejected, the purchase amount will be returned to the insurance company.

Investors seeking to engage in frequent trading activities may use a variety of strategies to avoid detection and, despite the efforts of the Fund and the insurance companies to prevent such trading, there is no guarantee that the Fund or the insurance companies will be able to identify these investors or curtail their trading practices. Therefore, some Fund investors may be able to engage in frequent trading, and, if they do, the other Fund investors would bear any harm caused by that frequent trading. The Fund does not have any arrangements intended to permit trading in contravention of the policies described above.

For information about the trading limitations applicable to you, please see the prospectus for your variable contract or contact your insurance company.

Net Asset Value

Any purchase or sale of Portfolio shares is made at the net asset value, or NAV, of such shares. The price at which a purchase or redemption is made is based on the next calculation of the NAV after the order is received in good order. The NAV of each share class of each Portfolio is determined on each day the NYSE is open for trading as of the close of the exchange's regular trading session (which is generally 4:00 p.m. New York time). The NYSE is closed on most national holidays and Good Friday. The Fund does not price, and shareholders will not be able to purchase or redeem, the Fund's shares on days when the NYSE is closed but the primary markets for the Fund's foreign securities are open, even though the value of these securities may have changed. Conversely, the Fund will ordinarily price its shares, and shareholders may purchase and redeem shares, on days that the NYSE is open but foreign securities markets are closed.

The securities held by each of the Fund's portfolios are valued based upon 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. The Fund may use fair value pricing if it determines that a market quotation is not reliable based, among other things, on market conditions that occur after the quotation is derived or after the closing of the primary market on which the security is traded, but before the time that the NAV is determined. This use of fair value pricing most commonlyoccurs with securities that are primarily traded outside of the U.S. because such securities present time-zone arbitrage opportunities when events or conditions affecting the prices of specific securities or the prices of securities traded in such markets generally occur after the close of the foreign markets but prior to the time that a Portfolio determines its NAV.

The Fund may also use fair value pricing with respect to U.S. traded securities if, for example, trading in a particular security is halted and does not resume before a Portfolio calculates its NAV or the exchange on which a security is traded closes early. In addition, fair value pricing is used for securities where the pricing agent or principal market maker does not provide a valuation or methodology or provides a valuation or methodology that, in the judgment of the Manager (or Subadviser) does not represent fair value. Different valuation methods may result in differing values for the same security. The fair value of a portfolio security that a Portfolio uses to determine its NAV may differ from the security's published or quoted price. If a Portfolio needs to implement fair value pricing after the NAV publishing deadline but before shares of the Portfolio are processed, the NAV you receive or pay may differ from the published NAV price. For purposes of computing the Fund's NAV, we will value the Fund's futures contracts 15 minutes after the close of regular trading on the NYSE. Except when we fair value securities, we normally value each foreign security held by the Fund as of the close of the security's primary market.

Fair value pricing procedures are designed to result in prices for a Portfolio's securities and its NAV that are reasonable in light of the circumstances which make or have made market quotations unavailable or unreliable, and to reduce arbitrage opportunities available to short-term traders. There is no assurance, however, that fair value pricing will more accurately reflect the market value of a security than the market price of such security on that day or that it will prevent dilution of a Portfolio's NAV by short-term traders.

The NAV for each of the Portfolios other than the Money Market Portfolio is determined by a simple calculation. It's the total value of a Portfolio (assets minus liabilities) divided by the total number of shares outstanding. The NAV for the Money Market Portfolio will ordinarily remain at $10 per share. (The price of each share remains the same but you will have more shares when dividends are declared.)

To determine a Portfolio's NAV, its holdings are valued as follows:

Equity Securities for which the primary market is on an exchange (whether domestic or foreign) shall be valued at the last sale price on such exchange or market on the day of valuation or, if there was no sale on such day, at the mean between the last bid and asked prices on such day or at the last bid price on such day in the absence of an asked price. Securities included within the NASDAQ market shall be valued at the NASDAQ official closing price (NOCP) on the day of valuation, or if there was no NOCP issued, at the last sale price on such day. Securities included within the NASDAQ market for which there is no NOCP and no last sale price on the day of valuation shall be valued at the mean between the last bid and asked prices on such day or at the last bid price on such day in the absence of an asked price. Equity securities that are not sold on an exchange or NASDAQ are generally valued by an independent pricing agent or principal market maker.

A Portfolio may own securities that are primarily listed on foreign exchanges that trade on weekends or other days when the Portfolios do not price their shares. Therefore, the value of a Portfolio's assets may change on days when shareholders cannot purchase or redeem Portfolio shares.

All Short-term Debt Securities held by the Money Market Portfolio are valued at amortized cost. Short-term debt securities with remaining maturities of 12 months or less held by the Conservative Balanced and Flexible Managed Portfolios are valued on an amortized cost basis. The amortized cost valuation method is widely used by mutual funds. It means that the security is valued initially at its purchase price and then decreases in value by equal amounts each day until the security matures. It almost always results in a value that is extremely close to the actual market value. The Fund's Board of Directors has established procedures to monitor whether any material deviation between valuation and market value occurs and if so, will promptly consider what action, if any, should be taken to prevent unfair results to Contract owners.

For each Portfolio other than the Money Market Portfolio, and except as discussed above for the Conservative Balanced and Flexible Managed Portfolios, short-term debt securities, including bonds, notes, debentures and other debt securities, and money market instruments such as certificates of deposit, commercial paper, bankers' acceptances and obligations of domestic and foreign banks, with remaining maturities of more than 60 days, for which market quotations are readily available, are valued by an independent pricing agent or principal market maker (if available, otherwise a primary market dealer).

Short-term Debt Securities with remaining maturities of 60 days or less are valued at cost with interest accrued or discount amortized to the date of maturity, unless such valuation, in the judgment of PI or a subadviser, does not represent fair value.

Convertible debt securities that are traded in the over-the-counter market, including listed convertible debt securities for which the primary market is believed by PI or a subadviser to be over-the-counter, are valued at the mean between the last bid and asked prices provided by a principal market maker (if available, otherwise a primary market dealer).

Other debt securities — those that are not valued on an amortized cost basis — are valued using an independent pricing service.

Options on stock and stock indexes that are traded on a national securities exchange are valued at the last sale price on such exchange on the day of valuation or, if there was no such sale on such day, at the mean between the most recently quoted bid and asked prices on such exchange.

Futures contracts and options on futures contracts are valued at the last sale price at the close of the commodities exchange or board of trade on which they are traded. If there has been no sale that day, the securities will be valued at the mean between the most recently quoted bid and asked prices on that exchange or board of trade.

Forward currency exchange contracts are valued at the cost of covering or offsetting such contracts calculated on the day of valuation. Securities which are valued in accordance herewith in a currency other than U.S. dollars shall be converted to U.S. dollar equivalents at a rate obtained from a recognized bank, dealer or independent service on the day of valuation.

Over-the-counter (OTC) options are valued at the mean between bid and asked prices provided by a dealer (which may be the counterparty). A subadviser will monitor the market prices of the securities underlying the OTC options with a view to determining the necessity of obtaining additional bid and ask quotations from other dealers to assess the validity of the prices received from the primary pricing dealer.

Distributor

Prudential Investment Management Services LLC (PIMS) distributes the Fund's shares under a Distribution Agreement with the Fund. PIMS' principal business address is Gateway Center Three, 100 Mulberry Street, Newark, New Jersey 07102-3777. The Fund has adopted a distribution plan under Rule 12b-1 of the Investment Company Act covering Class II shares. These 12b-1 fees do not apply to Class I.

OTHER INFORMATION

Federal Income Taxes

If you own or are considering purchasing a variable contract, you should consult the prospectus for the variable contract for tax information about that variable contract. You should also consult with a qualified tax adviser for information and advice. The SAI provides information about certain tax laws applicable to the Fund.

Monitoring For Possible Conflicts

The Fund sells its shares to fund variable life insurance contracts and variable annuity contracts and is authorized to offer its shares to qualified retirement plans. Because of differences in tax treatment and other considerations, it is possible that the interest of variable life insurance contract owners, variable annuity contract owners and participants in qualified retirement plans could conflict. The Fund will monitor the situation and in the event that a material conflict did develop, the Fund would determine what action, if any, to take in response.

Disclosure of Portfolio Holdings

A description of the Fund's policies and procedures with respect to the disclosure of each Portfolio's portfolio securities is described in the Fund's Statement of Additional Information and on the Fund's website at www.prudential.com. The Fund will provide a full list of each Portfolio's portfolio holdings as of the end of the fiscal quarter on its website within 60 days after the end of its fiscal quarter. In addition, the Fund may release each Portfolio's top ten holdings, sector and country breakdowns, and largest industries on a monthly basis. Such information will be posted to the Fund's website no earlier than 15 days after the end of each month. These postings can be located at www.prudential.com.

FINANCIAL HIGHLIGHTS

The financial highlights which follow will help you evaluate the financial performance of each Portfolio available under your Contract. The **total return** in each chart represents the rate that a shareholder earned on an investment in that share class of the Portfolio, assuming reinvestment of all dividends and other distributions. The charts do not reflect any charges under any variable contract. Because Contract Charges are not included, the actual return that you will receive will be lower than the total return. The information is for Class I shares for the periods indicated, unless otherwise indicated.

The financial highlights for the year ended December 31, 2004 were part of the financial statements audited by KPMG LLP, the Fund's independent registered public accounting firm, whose reports on these financial statements were unqualified. The financial highlights for the periods presented through December 31, 2003 were part of financial statements audited by another independent registered public accounting firm .

Financial Highlights

	Conservative Balanced Portfolio				
	Year Ended December 31,				
	2004	2003	2002	2001	2000
Per Share Operating Performance:					
Net Asset Value, beginning of year	$ 14.34	$ 12.43	$ 13.69	$ 14.63	$ 15.36
Income (Loss) From Investment Operations:					
Net investment income	0.34	0.28	0.34	0.44	0.59
Net realized and unrealized gains (losses) on investments	0.78	1.99	(1.57)	(0.75)	(0.65)
Total from investment operations	1.12	2.27	(1.23)	(0.31)	(0.06)
Less Distributions:					
Dividends from net investment income	(0.28)	(0.36)	—	(0.48)	(0.56)
Distributions from net realized gains	(0.08)	—	(0.03)	(0.15)	(0.11)
Distributions in excess of net realized gains	—	—	—	—	—
Total distributions	(0.36)	(0.36)	(0.03)	(0.63)	(0.67)
Net Asset Value, end of year	$ 15.10	$ 14.34	$ 12.43	$ 13.69	$ 14.63
Total Investment Return(a)	8.04%	18.77%	(8.98)%	(2.02)%	(0.48)%
Ratios/Supplemental Data:					
Net assets, end of year (in millions)	$2,893.6	$2,895.0	$2,660.3	$3,259.7	$3,714.3
Ratios to average net assets:					
Expenses	0.59%	0.58%	0.58%	0.58%	0.60%
Net investment income	2.27%	2.02%	2.49%	3.05%	3.79%
Portfolio turnover rate	153%	248%	260%	239%	85%

(a) Total investment return is calculated assuming a purchase of shares on the first day and a sale on the last day of each year reported and includes reinvestment of dividends and distributions and does not reflect the effect of insurance contract charges.

	Diversified Bond Portfolio				
	Year Ended December 31,				
	2004	2003	2002	2001	2000
Per Share Operating Performance:					
Net Asset Value, beginning of year	$ 11.17	$ 10.82	$ 11.36	$ 11.28	$ 10.95
Income (Loss) From Investment Operations:					
Net investment income	0.52	0.45	0.57	0.67	0.77
Net realized and unrealized gains on investments	0.09	0.35	0.17	0.12	0.26
Total from investment operations	0.61	0.80	0.74	0.79	1.03
Less Dividends and Distributions:					
Dividends from net investment income	(0.50)	(0.45)	(1.27)	(0.71)	(0.70)
Distributions from net realized gains	—	—	—	—	—(b)
Tax return of capital distributions	—	—	(0.01)	—	—
Total dividends and distributions	(0.50)	(0.45)	(1.28)	(0.71)	(0.70)
Net Asset Value, end of year	$ 11.28	$ 11.17	$ 10.82	$ 11.36	$ 11.28
Total Investment Return(a)	5.59%	7.49%	7.07%	6.98%	9.72%
Ratios/Supplemental Data:					
Net assets, end of year (in millions)	$1,283.7	$1,418.0	$1,370.3	$1,400.7	$1,269.8
Ratios to average net assets:					
Expenses	0.45%	0.44%	0.44%	0.44%	0.45%
Net investment income	4.57%	4.02%	5.25%	6.35%	6.83%
Portfolio turnover rate	382%	706%	595%	257%	139%

(a) Total investment return is calculated assuming a purchase of shares on the first day and a sale on the last day of each year reported and includes reinvestment of dividends and distributions and does not reflect the effect of insurance contract charges.

(b) Less than $0.005 per share.

SEE NOTES TO FINANCIAL STATEMENTS.

Financial Highlights

	Equity Portfolio Class I Year Ended December 31,				
	2004	2003	2002	2001	2000
Per Share Operating Performance:					
Net Asset Value, beginning of year	$ 20.55	$ 15.75	$ 20.49	$ 24.50	$ 28.90
Income (Loss) From Investment Operations:					
Net investment income	0.28	0.17	0.17	0.18	0.51
Net realized and unrealized gains (losses) on investments	1.75	4.81	(4.75)	(2.83)	0.26
Total from investment operations	2.03	4.98	(4.58)	(2.65)	0.77
Less Distributions:					
Dividends from net investment income	(0.27)	(0.18)	(0.16)	(0.18)	(0.51)
Distributions in excess of net investment income	—	—	—	—	(0.02)
Distributions from net realized gains	—	—	—	(1.18)	(4.64)
Total dividends and distributions	(0.27)	(0.18)	(0.16)	(1.36)	(5.17)
Net Asset Value, end of year	$ 22.31	$ 20.55	$ 15.75	$ 20.49	$ 24.50
Total Investment Return(a)	9.93%	31.65%	(22.34)%	(11.18)%	3.28%
Ratios/Supplemental Data:					
Net assets, end of year (in millions)	$4,135.7	$4,012.3	$ 3,273.6	$ 4,615.9	$5,652.7
Ratios to average net assets:					
Expenses	0.48%	0.49%	0.48%	0.49%	0.49%
Net investment income	1.29%	0.96%	0.88%	0.84%	1.75%
Portfolio turnover rate	50%	54%	54%	153%	78%

(a) Total investment return is calculated assuming a purchase of shares on the first day and a sale on the last day of each year reported and includes reinvestment of dividends and distributions and does not reflect the effect of insurance contract charges.

	Flexible Managed Portfolio Year Ended December 31,				
	2004	2003	2002	2001	2000
Per Share Operating Performance:					
Net Asset Value, beginning of year	$ 15.19	$ 12.55	$ 14.79	$ 16.53	$ 17.64
Income (Loss) From Investment Operations:					
Net investment income	0.29	0.22	0.27	0.42	0.61
Net realized and unrealized gains (losses) on investments	1.32	2.70	(2.10)	(1.35)	(0.86)
Total from investment operations	1.61	2.92	(1.83)	(0.93)	(0.25)
Less Dividends and Distributions:					
Dividends from net investment income	(0.22)	(0.28)	(0.41)	(0.58)	(0.62)
Distributions from net realized gains	—	—	—	(0.23)	(0.24)
Total dividends and distributions	(0.22)	(0.28)	(0.41)	(0.81)	(0.86)
Net Asset Value, end of year	$ 16.58	$ 15.19	$ 12.55	$ 14.79	$ 16.53
Total Investment Return(a)	10.74%	23.76%	(12.74)%	(5.68)%	(1.44)%
Ratios/Supplemental Data:					
Net assets, end of year (in millions)	$3,883.5	$3,693.6	$3,181.0	$3,896.6	$4,463.8
Ratios to average net assets:					
Expenses	0.62%	0.62%	0.63%	0.64%	0.64%
Net investment income	1.83%	1.55%	1.92%	2.61%	3.22%
Portfolio turnover rate	150%	204%	238%	236%	132%

(a) Total investment return is calculated assuming a purchase of shares on the first day and a sale on the last day of each year reported and includes reinvestment of dividends and distributions and does not reflect the effect of insurance contract charges.

SEE NOTES TO FINANCIAL STATEMENTS.

Financial Highlights

	Global Portfolio Year Ended December 31,				
	2004	2003	2002	2001	2000
Per Share Operating Performance:					
Net Asset Value, beginning of year	$15.14	$11.35	$ 15.29	$ 23.61	$ 30.98
Income (Loss) From Investment Operations:					
Net investment income	0.11	0.10	0.07	0.09	0.07
Net realized and unrealized gains (losses) on investments	1.33	3.74	(3.87)	(3.58)	(5.30)
Total from investment operations	1.44	3.84	(3.80)	(3.49)	(5.23)
Less Dividends and Distributions:					
Dividends from net investment income	(0.15)	(0.05)	(0.14)	(0.06)	(0.07)
Distributions in excess of net investment income	—	—	—	—	(0.13)
Distributions from net realized gains	—	—	—	(4.77)	(1.94)
Total dividends and distributions	(0.15)	(0.05)	(0.14)	(4.83)	(2.14)
Net Asset Value, end of year	$16.43	$15.14	$ 11.35	$ 15.29	$ 23.61
Total Investment Return(a)	9.59%	34.07%	(25.14)%	(17.64)%	(17.68)%
Ratios/Supplemental Data:					
Net assets, end of year (in millions)	$691.1	$665.6	$ 514.9	$ 885.0	$1,182.1
Ratios to average net assets:					
Expenses	0.84%	0.87%	0.82%	0.84%	0.85%
Net investment income	0.67%	0.78%	0.47%	0.58%	0.25%
Portfolio turnover rate	128%	88%	75%	67%	95%

(a) Total investment return is calculated assuming a purchase of shares on the first day and a sale on the last day of each year reported and includes reinvestment of dividends and distributions and does not reflect the effect of insurance contract charges.

	Government Income Portfolio Year Ended December 31,				
	2004	2003	2002	2001	2000
Per Share Operating Performance:					
Net Asset Value, beginning of year	$11.92	$12.50	$12.26	$12.02	$11.55
Income (Loss) From Investment Operations:					
Net investment income	0.49	0.46	0.38	0.65	0.89
Net realized and unrealized gain (losses) on investment	(0.13)	(0.15)	1.00	0.31	0.52
Total from investment operations	0.36	0.31	1.38	0.96	1.41
Less Dividends and Distributions:					
Dividends from net investment income	(0.44)	(0.46)	(1.06)	(0.72)	(0.91)
Distributions from net realized gains	(0.19)	(0.43)	(0.08)	—	(0.03)
Total dividends and distributions	(0.63)	(0.89)	(1.14)	(0.72)	(0.94)
Net Asset Value, end of year	$11.65	$11.92	$12.50	$12.26	$12.02
Total Investment Return(a)	3.12%	2.46%	12.05%	8.06%	12.78%
Ratios/Supplemental Data:					
Net assets, end of year (in millions)	$420.2	$461.5	$484.3	$311.0	$291.5
Ratios to average net assets:					
Expenses	0.47%	0.46%	0.44%	0.47%	0.47%
Net investment income	4.07%	3.76%	4.29%	5.53%	6.03%
Portfolio turnover rate	617%	695%	508%	361%	184%

(a) Total investment return is calculated assuming a purchase of shares on the first day and a sale on the last day of each year reported and includes reinvestment of dividends and distributions and does not reflect the effect of insurance contract charges.

SEE NOTES TO FINANCIAL STATEMENTS.

Financial Highlights

	High Yield Bond Portfolio Year Ended December 31,				
	2004	2003	2002	2001	2000
Per Share Operating Performance:					
Net Asset Value, beginning of year	$ 5.29	$ 4.59	$ 5.40	$ 6.14	$ 7.52
Income (Loss) From Investment Operations:					
Net investment income	0.39	0.41	0.29	0.58	0.74
Net realized and unrealized gains (losses) on investments	0.13	0.71	(0.21)	(0.62)	(1.30)
Total from investment operations	0.52	1.12	0.08	(0.04)	(0.56)
Less Dividends:					
Dividends from net investment income	(0.39)	(0.42)	(0.89)	(0.70)	(0.82)
Net Asset Value, end of year	$ 5.42	$ 5.29	$ 4.59	$ 5.40	$ 6.14
Total Investment Return(a)	10.30%	25.04%	1.50%	(0.44)%	(7.91)%
Ratios/Supplement Data:					
Net assets, end of year (in millions)	$1,595.7	$1,466.7	$1,128.6	$655.8	$661.3
Ratios to average net assets:					
Expenses	0.59%	0.60%	0.58%	0.60%	0.60%
Net investment income	7.42%	8.11%	9.36%	10.93%	10.47%
Portfolio turnover rate	65%	93%	77%	84%	76%

(a) Total investment return is calculated assuming a purchase of shares on the first day and a sale on the last day of each year reported and includes reinvestment of dividends and distributions and does not reflect the effect of insurance contract charges.

	Jennison Portfolio Class I Year Ended December 31,				
	2004	2003	2002	2001	2000
Per Share Operating Performance:					
Net Asset Value, beginning of year	$ 16.62	$ 12.79	$ 18.57	$ 22.97	$ 32.39
Income (Loss) From Investment Operations:					
Net investment income	0.08	0.04	0.03	0.04	0.01
Net realized and unrealized gains (losses) on investments	1.52	3.83	(5.78)	(4.22)	(5.61)
Total from investment operations	1.60	3.87	(5.75)	(4.18)	(5.60)
Less Dividends and Distributions:					
Dividends from net investment income	(0.08)	(0.04)	(0.03)	(0.03)	—(b)
Distributions from net realized gains	—	—	—	(0.19)	(3.82)
Total dividends and distributions	(0.08)	(0.04)	(0.03)	(0.22)	(3.82)
Net Asset Value, end of year	$ 18.14	$ 16.62	$ 12.79	$ 18.57	$ 22.97
Total Investment Return(a)	9.63%	30.25%	(30.95)%	(18.25)%	(17.38)%
Ratios/Supplement Data:					
Net assets, end of year (in millions)	$2,044.1	$1,772.4	$1,388.8	$2,186.9	$2,892.7
Ratios to average net assets:					
Expenses	0.64%	0.64%	0.61%	0.64%	0.64%
Net investment income	0.50%	0.28%	0.21%	0.18%	0.02%
Portfolio turnover rate	74%	69%	74%	86%	89%

(a) Total investment return is calculated assuming a purchase of shares on the first day and a sale on the last day of each year reported and includes reinvestment of dividends and distributions and does not reflect the effect of insurance contract charges.

(b) Less than $0.005 per share.

SEE NOTES TO FINANCIAL STATEMENTS.

Financial Highlights

	Money Market Portfolio Year Ended December 31,				
	2004	2003	2002	2001	2000
Per Share Operating Performance:					
Net Asset Value, beginning of year	$10.00	$10.00	$ 10.00	$ 10.00	$ 10.00
Income (Loss) From Investment Operations:					
Net investment income and realized and unrealized gains	0.01	0.08	0.15	0.41	0.60
Dividend and distributions	(0.01)	(0.08)	(0.15)	(0.41)	(0.60)
Net Asset Value, end of year	$10.00	$10.00	$ 10.00	$ 10.00	$ 10.00
Total Investment Return(a)	1.01%	0.84%	1.52%	4.22%	6.20%
Ratios/Supplemental Data:					
Net assets, end of year (in millions)	$885.4	$933.7	$1,366.6	$1,501.9	$1,238.2
Ratios to average net assets:					
Expenses	0.45%	0.44%	0.43%	0.43%	0.44%
Net investment income	1.01%	0.84%	1.52%	3.86%	6.03%

(a) Total investment return is calculated assuming a purchase of shares on the first day and a sale on the last day of each year reported and includes reinvestment of dividends and distributions and does not reflect the effect of insurance contract charges.

	Natural Resources Portfolio Year Ended December 31,				
	2004	2003	2002	2001	2000
Per Share Operating Performance:					
Net Asset Value, beginning of year	$27.49	$22.35	$19.11	$ 23.59	$17.38
Income (Loss) From Investment Operations:					
Net investment income	0.19	0.25	0.09	0.43	0.13
Net realized and unrealized gains (losses) on investments	6.28	7.38	3.52	(2.89)	6.36
Total from investment operations	6.47	7.63	3.61	(2.46)	6.49
Less Dividends and Distributions:					
Dividends from net investment income	(1.00)	(0.98)	(0.12)	(0.55)	(0.16)
Distributions in excess of net investment income	—	—	—	—	(0.09)
Distributions from net realized gains	(1.08)	(1.51)	(0.25)	(1.47)	(0.03)
Total dividends and distributions	(2.08)	(2.49)	(0.37)	(2.02)	(0.28)
Net Asset Value, end of year	$31.88	$27.49	$22.35	$ 19.11	$23.59
Total Investment Return(a)	25.17%	39.00%	18.92%	(10.08)%	37.66%
Ratios/Supplemental Data:					
Net assets, end of year (in millions)	$622.6	$498.7	$379.2	$ 336.1	$393.2
Ratios to average net assets:					
Expenses	0.51%	0.51%	0.50%	0.52%	0.58%
Net investment income	0.49%	0.80%	0.47%	1.94%	0.67%
Portfolio turnover rate	24%	24%	37%	23%	30%

(a) Total investment return is calculated assuming a purchase of shares on the first day and a sale on the last day of each year reported and includes reinvestment of dividends and distributions and does not reflect the effect of insurance contract charges.

SEE NOTES TO FINANCIAL STATEMENTS.

Financial Highlights

	Small Capitalization Stock Portfolio				
	Year Ended December 31,				
	2004	2003	2002	2001	2000
Per Share Operating Performance:					
Net Asset Value, beginning of year	$17.64	$12.91	$ 15.48	$17.11	$16.25
Income (Loss) From Investment Operations:					
Net investment income	0.12	0.07	0.06	0.06	0.07
Net realized and unrealized gains (losses) on investments	3.75	4.82	(2.31)	0.67	1.81
Total from investment operations	3.87	4.89	(2.25)	0.73	1.88
Less Distributions:					
Dividends from net investment income	(0.11)	(0.07)	(0.13)	(0.08)	(0.08)
Distributions from net realized gains	(0.07)	(0.09)	(0.19)	(2.28)	(0.94)
Total distributions	(0.18)	(0.16)	(0.32)	(2.36)	(1.02)
Net Asset Value, end of year	$21.33	$17.64	$ 12.91	$15.48	$17.11
Total Investment Return(a)	22.04%	38.27%	(14.92)%	5.53%	12.81%
Ratios/Supplemental Data:					
Net assets, end of year (in millions)	$743.2	$619.9	$ 467.4	$611.1	$568.3
Ratios to average net assets:					
Expenses	0.47%	0.48%	0.46%	0.48%	0.48%
Net investment income	0.62%	0.47%	0.40%	0.52%	0.59%
Portfolio turnover rate	18%	15%	17%	23%	29%

(a) Total investment return is calculated assuming a purchase of shares on the first day and a sale on the last day of each year reported and includes reinvestment of dividends and distributions and does not reflect the effect of insurance contract charges.

	Stock Index Portfolio				
	Year Ended December 31,				
	2004	2003	2002	2001	2000
Per Share Operating Performance:					
Net Asset Value, beginning of year	$ 29.29	$ 24.09	$ 31.64	$ 38.66	$ 44.45
Income (Loss) From Investment Operations:					
Net investment income	0.50	0.36	0.37	0.36	0.36
Net realized and unrealized gains (losses) on investments	2.50	6.14	(7.34)	(5.05)	(4.37)
Total from investment operations	3.00	6.50	(6.97)	(4.69)	(4.01)
Less Dividends & Distributions:					
Dividends from net investment income	(0.49)	(0.37)	(0.36)	(0.35)	(0.37)
Distributions from net realized gains	(0.51)	(0.93)	(0.22)	(1.98)	(1.41)
Total distributions	(1.00)	(1.30)	(0.58)	(2.33)	(1.78)
Net Asset Value, end of year	$ 31.29	$ 29.29	$ 24.09	$ 31.64	$ 38.66
Total Investment Return(a)	10.45%	28.18%	(22.19)%	(12.05)%	(9.03)%
Ratios/Supplemental Data:					
Net assets, end of year (in millions)	$3,094.7	$2,940.9	$2,352.3	$3,394.1	$4,186.0
Ratios to average net assets:					
Expenses	0.38%	0.37%	0.37%	0.39%	0.39%
Net investment income	1.64%	1.42%	1.25%	1.02%	0.83%
Portfolio turnover rate	3%	2%	4%	3%	7%

(a) Total investment return is calculated assuming a purchase of shares on the first day and a sale on the last day of each year reported and includes reinvestment of dividends and distributions and does not reflect the effect of insurance contract charges.

SEE NOTES TO FINANCIAL STATEMENTS.

Financial Highlights

	Value Portfolio Class I Year Ended December 31,				
	2004	2003	2002(b)	2001	2000
Per Share Operating Performance:					
Net Asset Value, beginning of year	$ 17.36	$ 13.75	$ 17.91	$ 20.46	$ 19.52
Income (Loss) From Investment Operations:					
Net investment income	0.28	0.23	0.22	0.25	0.46
Net realized and unrealized gains (losses) on investments	2.55	3.62	(4.15)	(0.69)	2.45
Total from investment operations	2.83	3.85	(3.93)	(0.44)	2.91
Less Distributions:					
Dividends from net investment income	(0.26)	(0.24)	(0.23)	(0.30)	(0.44)
Distributions from net realized gains	—	—	—	(1.81)	(1.53)
Tax return of capital distributions	—	—(c)	—	—	—
Total distributions	(0.26)	(0.24)	(0.23)	(2.11)	(1.97)
Net asset value, end of year	$ 19.93	$ 17.36	$ 13.75	$ 17.91	$ 20.46
Total Investment Return(a)	16.31%	28.07%	(21.97)%	(2.08)%	15.59%
Ratios/Supplement Data:					
Net assets, end of year (in millions)	$1,595.6	$1,456.1	$ 1,247.0	$1,801.4	$1,975.3
Ratios to average net assets:					
Expenses	0.44%	0.44%	0.43%	0.44%	0.45%
Net investment income	1.48%	1.49%	1.39%	1.32%	2.31%
Portfolio turnover rate	52%	72%	94%	175%	85%

(a) Total investment return is calculated assuming a purchase of shares on the first day and a sale on the last day of each year reported and includes reinvestment of dividends and distributions and does not reflect the effect of insurance contract charges.

(b) Calculated based upon weighted average shares outstanding during the year.

(c) Less than .005 per share.

SEE NOTES TO FINANCIAL STATEMENTS.

Mailing Address

The Prudential Series Fund, Inc.
Gateway Center Three
100 Mulberry Street
Newark, NJ 07102

Investment Manager

Prudential Investments LLC
Gateway Center Three
100 Mulberry Street
Newark, NJ 07102

Subadvisers

Jennison Associates LLC
Prudential Investment Management, Inc.
Quantitative Management Associates LLC
GE Asset Management Incorporated
Salomon Brothers Asset Management Inc

Independent Registered Public Accounting Firm

KPMG LLP
757 Third Avenue
New York, NY 10017

Legal Counsel

Goodwin Procter LLP
901 New York Avenue, N.W.
Washington, DC 20001

Counsel to the Independent Directors

Bell, Boyd & Lloyd LLC
70 West Madison Street
Chicago, IL 60602

INVESTOR INFORMATION SERVICES:

Shareholder inquiries should be made by calling (800) 778-2255 or by writing to The Prudential Series Fund, Inc. at Gateway Center Three, 100 Mulberry Street, Newark, NJ 07102.

Additional information about the Portfolios is included in a Statement of Additional Information, which is incorporated by reference into this Prospectus. Additional information about the Portfolios' investments is available in the annual and semi-annual reports to holders of variable annuity contracts and variable life insurance policies. In the annual reports, you will find a discussion of the market conditions and investment strategies that significantly affected each Portfolio's performance during its last fiscal year. The Statement of Additional Information and additional copies of annual and semi-annual reports are available without charge by calling the above number. The Statement of Additional Information and the annual and semi-annual reports are also available without charge on the Fund's website at www.prudential.com.

Delivery of Prospectus and Other Documents to Households. To lower costs and eliminate duplicate documents sent to your address, the Fund, in accordance with applicable laws and regulations, may begin mailing only one copy of the Fund's prospectus, prospectus supplements, annual and semi-annual reports, proxy statements and information statements, or any other required documents to your address even if more than one shareholder lives there. If you have previously consented to have any of these documents delivered to multiple investors at a shared address, as required by law, and you wish to revoke this consent or would otherwise prefer to continue to receive your own copy, you should call the number above, or write to the Fund at the above address. The Fund will begin sending individual copies to you within thirty days of revocation.

The information in the Fund's filings with the Securities and Exchange Commission (including the Statement of Additional Information) is available from the Commission. Copies of this information may be obtained, upon payment of duplicating fees, by electronic request to publicinfo@sec.gov or by writing the Public Reference Section of the Commission, Washington, DC 20549-0102. The information can also be reviewed and copied at the Commission's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling the Commission at 1-202-942-8090. Finally, information about the Fund is available on the EDGAR database on the Commission's internet site at www.sec.gov.

Investment Company File Act No. 811-03623

PROSPECTUS

May 1, 2005

THE PRUDENTIAL VARIABLE CONTRACT REAL PROPERTY ACCOUNT

This prospectus is attached to two other types of prospectuses. The first describes either a variable annuity contract or a variable life insurance contract (collectively, the "Contract") issued by The Prudential Insurance Company of America ("Prudential," "us," "we," or "our"). The second prospectus describes several investment options available under that variable contract through The Prudential Series Fund, Inc. (the "Series Fund"). The Series Fund is registered under the Investment Company Act of 1940 as an open-end, diversified management investment company. The Series Fund consists of separate investment portfolios that are mutual funds, each with a different investment policy and objective.

This prospectus describes The Prudential Variable Contract Real Property Account (the "Real Property Account"), an additional available investment option. Although it is not a mutual fund, in many ways it is like a mutual fund. Instead of holding a diversified portfolio of securities, such as stocks or bonds, it consists mainly of a portfolio of commercial and residential real properties.

Prudential determines the price of a "share" or, as we call it, a "participating interest" in this portfolio of properties, just as it does for the other investment options. It is based upon our best estimate of the fair market value of the properties and other assets held in this portfolio. The portion of your "Contract Fund" (the total amount invested under the Contract) that you allocate to this investment option will change daily in value, up or down, as the fair market value of these real properties and other assets change.

The risks of investing in real property are different from the risks of investing in mutual funds. See **RISK FACTORS**. Also, your ability to withdraw or transfer your investment in this option is not as freely available as it is for the other investment options. See **RESTRICTIONS ON WITHDRAWALS**.

Please read this prospectus and keep it for future reference.

The Securities and Exchange Commission ("SEC") maintains a Web site (http://www.sec.gov) that contains material incorporated by reference and other information regarding registrants that file electronically with the SEC.

The Prudential Insurance Company of America
751 Broad Street
Newark, New Jersey 07102-3777
Telephone: (800) 778-2255

PROSPECTUS CONTENTS

PER SHARE INVESTMENT INCOME, CAPITAL CHANGES AND SELECTED RATIOS

(FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD)

The following information on per share investment income, capital changes and selected ratios has been provided for your information. This page should be read in conjunction with the financial statements and notes thereto of The Prudential Variable Contract Real Property Partnership included in this prospectus.

	01/01/2004 to 12/31/2004	01/01/2003 to 12/31/2003	01/01/2002 to 12/31/2002	01/01/2001 to 12/31/2001	01/01/2000 to 12/31/2000
Revenue from real estate and improvements	$3.78	$ 3.43	$ 3.22	$ 2.71	$ 2.32
Equity in income of real estate partnership	$0.09	$ 0.07	$ 0.03	$ 0.08	$ 0.08
Dividend income from real estate investment trusts	$0.00	$ 0.00*	$ 0.00*	$ 0.24	$ 0.18
Interest and equity income on mortgage and other loans receivable	$0.02	-	-	-	-
Income from other real estate investments	$0.03	-	-	-	-
Interest on short-term investments	$0.03	$0.04	$0.06	$ 0.03	$ 0.13
TOTAL INVESTMENT INCOME	$3.95	$ 3.54	$ 3.31	$ 3.06	$ 2.71
Investment Management fee	$0.36	$ 0.33	$ 0.30	$ 0.30	$ 0.28
Real Estate Taxes	$0.36	$ 0.34	$ 0.35	$ 0.30	$ 0.25
Administrative expense	$0.71	$ 0.46	$ 0.41	$ 0.28	$ 0.25
Operation expense	$1.02	$ 0.67	$ 0.64	$ 0.60	$ 0.44
Interest expense	$0.40	$ 0.33	$ 0.24	$ 0.20	$ 0.07
Minority interest in consolidated partnership	$0.03	$ 0.03	$ 0.04	$ 0.02	$ 0.00 *
TOTAL INVESTMENT EXPENSES	$2.89	$2.16	$1.98	$ 1.70	$ 1.29
NET INVESTMENT INCOME	$1.06	$ 1.38	$ 1.33	$ 1.36	$ 1.42
Net realized gain (loss) on real estate investments sold or converted	$0.23	$ 0.06	$ 0.05	($ 0.02)	$ 0.27
Change in unrealized gain (loss) on real estate investments	$0.33	($ 0.81)	($ 1.07)	($ 0.26)	$ 0.23
Minority interest in unrealized gain (loss) on investments	$0.12	$ 0.10	($ 0.02)	$ 0.00 *	$ 0.04
Net unrealized gain (loss) on real estate investments	$0.21	($ 0.91)	($ 1.09)	($ 0.26)	$ 0.19
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	$0.45	($ 0.85)	($ 1.04)	($ 0.28)	$ 0.46
Net change in share value	$1.49	$ 0.55	$ 0.29	$ 1.08	$ 1.88
Share value at beginning of period	$24.66	$ 24.11	$ 23.82	$ 22.74	$ 20.86
Share value at end of period	$26.15	$ 24.66	$ 24.11	$ 23.82	$ 22.74
Ratio of expenses to average net assets (1)	11.34%	8.94%	8.34%	7.26%	6.07%
Ratio of net investment income to average net assets (1)	4.16%	5.77%	5.59%	5.93%	6.49%
Number of weighted shares outstanding at end of period (000's)	7,364	7,640	8,193	8,922	9,831

All per share calculations are based on weighted average shares outstanding.
Per share information presented herein is shown on a basis consistent with the financial statements as discussed in Note 2J on page B10.
(1) Average net assets are calculated based on an average of ending monthly net assets.
*Per Share amount less than $0.01 (rounded)

SUMMARY

This Summary provides a brief overview of the more significant aspects of the Real Property Account. We provide further detail in the subsequent sections of this prospectus.

The Real Property Account is a separate account of Prudential created pursuant to New Jersey insurance law. Under that law, the assets of the Real Property Account are not chargeable with liabilities arising out of any other business of Prudential. Owners of certain variable life insurance and variable annuity contracts issued by Prudential may allocate a portion of their net premiums or purchase payments, or transfer a portion of their Contract Fund, to the Real Property Account. Values and benefits under the Contracts will thereafter reflect the investment experience of the Real Property Account. Contract owners, not Prudential, bear the risks and rewards of the investment performance of the Real Property Account to the extent of the Contract owner's Contract Fund invested in the Real Property Account. This prospectus is attached to and should be read in conjunction with the prospectus for the Contract you selected.

Investment of The Real Property Account Assets

The Real Property Account assets are invested primarily in income-producing real estate through The Prudential Variable Contract Real Property Partnership (the "Partnership") which is a general partnership that was established by Prudential and two of its wholly-owned subsidiaries, Pruco Life Insurance Company ("Pruco Life") and Pruco Life Insurance Company of New Jersey ("Pruco Life of New Jersey"). See **The Prudential Variable Contract Real Property Partnership**. Currently Prudential serves as the investment manager of the Partnership. Prudential acts through Prudential Investment Management, Inc. See **The Investment Manager**. The Partnership invests at least 65% of its assets in direct ownership interests in:

1. income-producing real estate;
2. participating mortgage loans (mortgages providing for participation in the revenues generated by, or the appreciation of, the underlying property, or both) originated for the Partnership; and
3. real property sale-leasebacks negotiated on behalf of the Partnership.

The large majority of these real estate investments will be in direct ownership interests in income producing real estate, such as office buildings, shopping centers, apartments, industrial properties or hotels. The Partnership may also invest up to 5% of its assets in direct ownership interests in agricultural land. Approximately 10% of the Partnership's assets will be held in cash or invested in liquid instruments and securities. The remainder of the Partnership's assets may be invested in other types of real estate related investments, including non-participating mortgage loans and real estate investment trusts.

Investment Objectives

The investment objectives of the Partnership are to:

1. preserve and protect the Partnership's capital;
2. compound income by reinvesting investment cash flow; and
3. over time, increase the income amount through appreciation in the value of permitted investments and, to a lesser extent, through mortgage loans and sale-leaseback transactions.

There is no assurance that the Partnership's objectives will be attained. See **INVESTMENT POLICIES**.

Risk Factors

Investment in the Real Property Account, and thereby, participation in the investment experience of the Partnership, involves significant risks. See **RISK FACTORS**. These include the risk of fluctuating real estate values and the risk that the appraised or estimated values of the Partnership's real property investments will not be realized upon their disposition. Many of the Partnership's real estate investments will not be quickly convertible into cash. Therefore, the Real Property Account should be viewed as a long-term investment. See **RESTRICTIONS ON WITHDRAWALS**. We have taken steps to ensure that the Real Property Account and Partnership will be sufficiently liquid to satisfy all withdrawal or loan requests promptly (within seven days), see **Liquidity of Investments**.

Prudential's management of the Partnership is subject to certain conflicts of interest, including the possible acquisition of properties from Prudential Financial affiliates. See **CONFLICTS OF INTEREST**.

Charges

The Partnership pays a daily investment management fee, which amounts to 1.25% per year of the average daily gross assets of the Partnership. The Partnership also compensates the investment manager for providing certain accounting and administrative services. See **CHARGES**. The portion of your Contract Fund allocated to the Real Property Account is subject to the same Contract charges as the portion of your Contract Fund allocated to The Prudential Series Fund, Inc. (the "Series Fund"). The Series Fund is the underlying funding vehicle for the other variable investment options available to Contract owners. You should read the Contract prospectus for a description of those charges.

Availability to Prudential Contracts

The Real Property Account is currently available to purchasers of Prudential's **Variable Investment Plan®** Contracts, Prudential's **Discovery® Plus** Contracts, Prudential's **Variable Appreciable Life®** Insurance Contracts, and Prudential's **Custom VAL**SM Life Insurance Contracts. It is not available on Contracts that are purchased in connection with IRAs, Section 403(b) annuities, and other tax-qualified plans, that are subject to the Employee Retirement Income Security Act of 1974 ("ERISA") or to the prohibited transaction excise tax provisions of the Internal Revenue Code. See **THE REAL PROPERTY ACCOUNT'S UNAVAILABILITY TO CERTAIN CONTRACTS**. For example, a **Variable Appreciable Life** Contract owner who elects to invest part of his or her net premiums in The Prudential Variable Appreciable Account, a separate account of Prudential registered as a unit investment trust under the Investment Company Act of 1940, and part in the Real Property Account, will be subject to the same: (1) monthly sales charges; (2) risk charges; (3) administrative charges; (4) insurance charges; and (5) contingent deferred sales charges without regard to what portion is invested in The Prudential Variable Appreciable Account and what portion is invested in the Real Property Account. The Real Property Account has established different subaccounts, relating to the different types of variable Contracts that may participate in the Real Property Account. These subaccounts provide the mechanism and maintain the records whereby these different Contract charges are made.

This prospectus may only be offered in jurisdictions in which the offering is lawful. No person is authorized to make any representations in connection with this offering other than those contained in this prospectus.

GENERAL INFORMATION ABOUT THE PRUDENTIAL INSURANCE COMPANY OF AMERICA, THE PRUDENTIAL VARIABLE CONTRACT REAL PROPERTY ACCOUNT, THE PRUDENTIAL VARIABLE CONTRACT REAL PROPERTY PARTNERSHIP, AND THE INVESTMENT MANAGER

The Prudential Insurance Company of America

The Prudential Insurance Company of America ("Prudential") is a New Jersey stock life insurance company that has been doing business since 1875. Prudential is licensed to sell life insurance and annuities in the District of Columbia, Guam, U.S. Virgin Islands, and in all states. These Contracts are not offered in any state in which the necessary approvals have not yet been obtained.

Prudential is an indirect, wholly-owned subsidiary of Prudential Financial, Inc. ("Prudential Financial"), a New Jersey insurance holding company. Prudential Financial exercises significant influence over the operations and capital structure of Prudential. However, Prudential Financial nor any other related company has any legal responsibility to pay amounts that Prudential may owe under the contract or policy.

Prudential's consolidated financial statements appear in the statement of additional information for the Contract prospectus, which is available upon request.

The Prudential Variable Contract Real Property Account

The Prudential Variable Contract Real Property Account (the "Real Property Account") was established on November 20, 1986 under New Jersey law as a separate investment account. The account meets the definition of a "separate account" under the federal securities laws. The Real Property Account holds assets that are separated from all of Prudential's other assets. The Real Property Account is used only to support the variable benefits payable under the Contracts that are funded by the real estate investment option.

The Contract obligations to Contract owners and beneficiaries are general corporate obligations of Prudential. Prudential is also the legal owner of the Real Property Account assets. Prudential will maintain assets in the Real Property Account with a total market value at least equal to the amounts credited under the real estate option to all the Contracts participating in the Real Property Account. These assets may not be charged with liabilities which arise from any other business that Prudential conducts. In addition to these assets, the Real Property Account's assets may include funds contributed by Prudential, and reflect any accumulations of the charges Prudential makes against the Real Property Account. See **VALUATION OF CONTRACT OWNER'S PARTICIPATING INTERESTS**.

Prudential will bear the risks and rewards of the Real Property Account's investment experience to the extent of its investment in the Real Property Account. Prudential may withdraw or redeem its investment in the Real Property Account at any time. We will not make any such redemption if it will have a materially adverse impact on the Real Property Account. Accumulations of charges will be withdrawn on a regular basis.

Unlike the other separate accounts funding the Contracts, the Real Property Account is not registered with the Securities and Exchange Commission ("SEC") under the Investment Company Act of 1940 as an investment company. For state law purposes, the Real Property Account is treated as a part or division of Prudential. Contract owners have no voting rights with respect to the Real Property Account. The Real Property Account is under the control and management of Prudential. The Board of Directors and officers of Prudential are responsible for the management of the Real Property Account. No salaries of Prudential personnel are paid by the Real Property Account. Information regarding the directors and officers of Prudential is contained in the attached prospectus for the Contract. The financial statements of the Real Property Account begin on page A1.

The Prudential Variable Contract Real Property Partnership

The assets of the Real Property Account are invested in The Prudential Variable Contract Real Property Partnership (the "Partnership"). The Partnership, a general partnership organized under New Jersey law on April 29, 1988, was formed through an agreement among The Prudential Insurance Company of America, Pruco Life Insurance Company, and Pruco Life Insurance Company of New Jersey, to provide a means for assets allocated to the real estate investment option under certain variable life insurance and variable annuity contracts issued by the respective companies to be invested in a commingled pool. This was done to provide greater diversification of investments and lower transaction costs than would be possible if the assets were separately invested by each company. All amounts allocated to the Real Property Account are contributed by Prudential to the Partnership. Prudential's general partnership interest in the Partnership is held in the Real Property Account.

The initial contributions to the Partnership were made on April 29, 1988. Prudential contributed $100,000 in cash to the Partnership; Pruco Life of New Jersey contributed $100,000 in cash to the Partnership; and Pruco Life contributed the real estate and other assets held in its real estate separate account, which had been actively investing in real estate for more than a year. Those assets had an estimated market value of $91,538,737 on that date. Each Partner is entitled to its respective proportionate share of all income, gains, and losses of the Partnership.

The Partnership assets are valued on each business day. The value of each Partner's interest will fluctuate with the investment performance of the Partnership. In addition, the Partners' interests are proportionately readjusted, at the current value, on each day when a Partner makes a contribution to, or withdrawal from, the Partnership. When you choose to allocate a portion of your net premiums or purchase payments, or transfer a portion of your Contract Fund, to the Real Property Account, Prudential will contribute that amount to the Partnership as a capital contribution. It will correspondingly increase the Real Property Account's interest in the Partnership. Values and benefits under the Contract will thereafter vary with the performance of the Partnership's investments. For more information on how the value of your interest in the Real Property Account and the value of the Partnership's investments are calculated, see **VALUATION OF CONTRACT OWNERS' PARTICIPATING INTERESTS**.

Contract owners have no voting rights with respect to the Partnership operations. The financial statements of the Partnership begin on page B1.

The Investment Manager

Currently, Prudential Investment Management, Inc. ("PIM") acts as investment manager of the Partnership. PIM invests in and manages real estate equities and mortgages for the general account and separate accounts of Prudential Financial affiliates, and other third party accounts.

PIM, on behalf of the general account, and separate accounts of Prudential Financial affiliates, and other third party accounts, is one of the largest real estate investors in North America. PIM and Prudential Financial affiliates participate in real estate ventures through public and private partnerships. As of December 31, 2004, PIM managed $40.9 billion of net domestic real estate mortgages and equities of which $24.2 billion is in Prudential's general account and $16.8 billion is in separate accounts and other third party accounts. Statement value for general account assets is recorded at depreciated cost and for assets in separate accounts and other third party accounts at market value. For a discussion of how the Partnership's real estate-related investments are valued, see **VALUATION OF CONTRACT OWNERS' PARTICIPATING INTERESTS**.

PIM has organized its real estate activities into separate business units within Prudential's Global Asset Management Group. Prudential Real Estate Investors (PREI) is the unit responsible for the investments of the Real Property Partnership. PREI's investment staff is responsible for both general account and third party account real estate investment management activities.

PREI provides investment management services on a domestic basis and also acts as part of a global team providing these services to institutional investors worldwide. PREI is headquartered in Parsippany, New Jersey and has 4 field offices across the United States. As of December 31, 2004, PREI had under management approximately 35.4 million net rentable square feet of office real estate, 17.3 million net rentable square feet of industrial real estate, 14.0 million net rentable square feet of retail real estate, 2,799 hotel rooms, and 18,060 multifamily residential units.

Various divisions of Prudential Financial may provide PREI with services that may be required in connection with the Partnership's investment management agreement. The mortgage operation currently manages and administers a portfolio of mortgage loans totaling approximately $46.6 billion.

PIM has entered into an administrative services agreement with Prudential, Pruco Life Insurance Company, and Pruco Life Insurance Company of New Jersey under which it pays the companies a fee for performing certain of PIM's recordkeeping and other obligations under its investment management agreement with the Partnership.

INVESTMENT POLICIES

Overview

The Partnership has an investment policy of investing at least 65% of its assets in direct ownership interests in income-producing real estate and participating mortgage loans. The largest portion of these real estate investments are direct ownership interests in income-producing real estate, such as office buildings, shopping centers, hotels, apartments, or industrial properties. Approximately 10% of the Partnership's assets are generally held in cash or invested in liquid instruments and securities although the Partners reserve discretion to increase this amount to meet partnership liquidity requirements. The remainder of the Partnership's assets are invested in other types of real estate-related investments, including real estate investment trusts.

Investment in Direct Ownership Interests in Real Estate

Acquisition. The Partnership's principal investment policy involves acquiring direct ownership interests in existing (including newly constructed) income-producing real estate, including office buildings, shopping centers, apartment buildings, industrial properties, and hotels. The Partnership may also invest up to 5% of its assets in direct ownership interests in agricultural land. Property acquisitions will generally be carried out by the real estate acquisition offices in PREI's network of field offices located in Parsippany, New Jersey, Atlanta, Georgia, Chicago, Illinois and San Francisco, California. A field office or an affiliate of Prudential Financial supervises the management of properties in all of PIM's accounts.

Proposals to acquire properties for the Partnership are usually originated by a field office. They are reviewed and approved by the Investment Management Committee of PREI. Depending upon the size of the acquisition and other factors, a proposed real estate investment may also be submitted for review to the Investment Committee of the Board of Directors of Prudential.

Although percentage limitations on the type and location of properties that may be acquired by the Partnership have not been established, the Partnership plans to diversify its investments through the type of property acquired and its geographic location. The Partnership's investments will be maintained to meet the Internal Revenue Code diversification requirements. See **General Investment and Operating Policies**.

In order for the Partnership to meet its stated objectives, it will have to acquire properties that generate more cash than needed to pay its gross operating expenses. To do this, a substantial portion of the Partnership's assets will be invested in properties with operating histories that include established rent and expense schedules. However, the Partnership may also acquire recently constructed properties that may be subject to agreements with sellers providing for certain minimum levels of income. Upon the expiration of or default under these agreements, there is no assurance that the Partnership will maintain the level of operating income necessary to produce the return it was previously experiencing. The Partnership may purchase real property from Prudential Financial or its affiliates under certain conditions. See **CONFLICTS OF INTEREST**.

The property acquired by the Partnership is usually real estate, which is ready for use. Accordingly, the Partnership is not usually subject to the development or construction risks inherent in the purchase of unimproved real estate. From time to time, however, the Partnership may invest in a developmental real estate project that is consistent with the Partnership's objectives. The Partnership will then be subject to those risks.

The Partnership will often own the entire fee interest in an acquired property, but it may also hold other direct ownership interests. These include, but are not limited to, partnership interests, limited liability company interests, leaseholds, and tenancies in common.

Property Management and Leasing Services. The Partnership usually retains a management company operating in the area of a property to perform local property management services. A field office or other affiliate of Prudential Financial will usually: (1) supervise and monitor the performance of the local management company; (2) determine and establish the required accounting information to be supplied; (3) periodically inspect the property; (4) review and approve property operating budgets; and (5) review actual operations to ensure compliance with budgets. In addition to day-to-day management of the property, the local management company will have responsibility for: (1) supervision of any on-site personnel; (2) negotiation of maintenance and service contracts; (3) major repair advice; (4) replacements and capital improvements; (5) the review of market conditions to recommend rent schedule changes; and (6) creation of marketing and advertising programs to obtain and maintain good occupancy rates by responsible tenants. The local management company fees will reduce the cash flow from the property to the Partnership.

The Partnership usually retains a leasing company to perform leasing services on any property with actual or projected vacancies. The leasing company will coordinate with the property management company to provide marketing and leasing services for the property. When the property management company is qualified to handle leasing, it may also be hired to provide leasing services. Leasing commissions and expenses will reduce the cash flow from the property to the Partnership.

PREI may, on behalf of the Partnership, hire a Prudential Financial affiliate to perform property management or leasing services. The affiliate's services must be provided on terms competitive with unaffiliated entities performing similar services in the same geographic area. See **CONFLICTS OF INTEREST**.

Annually, the field office which oversees the management of each property owned by the Partnership will, together with the local property management firm, develop a business plan and budget for each property. It will consider, among other things, the projected rollover of individual leases, necessary capital expenditures and any expansion or modification of the use of the property. The approval of an officer of PREI is required. The field office will also periodically report the operating performance of the property to PREI.

Investments in Mortgage Loans

Types of Mortgage Loans

The Partnership is authorized to invest in mortgage loans, including conventional mortgage loans that may pay fixed or variable rates of interest and mortgage loans that have a "participation" (as defined below). The Partnership will not make mortgage loans to Prudential Financial affiliates.

The Partnership intends to give mortgage loans on: (1) commercial properties (such as office buildings, shopping centers, hotels, industrial properties, and office showrooms); (2) agricultural properties; and (3) residential properties (such as garden apartment complexes and high-rise apartment buildings). These loans are usually secured by properties with income-producing potential based on historical or projected data. Usually, they are not personal obligations of the borrower and are not insured or guaranteed.

1. First Mortgage Loans. The Partnership will primarily make first mortgage loans secured by mortgages on existing income-producing property. These loans may provide for interest-only payments and a balloon payment at maturity.

***2. Wraparound Mortgage Loans**.* The Partnership also may make wraparound mortgage loans on income-producing properties which are already mortgaged to unaffiliated entities. A wraparound mortgage loan is a mortgage with a principal amount equal to the outstanding balance of the prior existing mortgage plus the amount to be advanced by the lender under the wraparound mortgage loan, thereby providing the property owner with additional funds without disturbing the existing loan. The terms of wraparound mortgage loans made by the Partnership require the borrower to make all principal and interest payments on the underlying loan to the Partnership, which will then pay the holder of the prior loan. Because the existing first mortgage loan is preserved, the lien of the wraparound mortgage loan is junior to it. The Partnership will make wraparound mortgage loans only in states where local applicable foreclosure laws permit a lender, in the event of the borrower's default, to obtain possession of the property which secures the loan.

***3. Junior Mortgage Loans**.* The Partnership may also invest in other junior mortgage loans. Junior mortgage loans will be secured by mortgages, which are subordinate to one or more prior liens on the real property. They will generally, but not in all cases, provide for repayment in full prior to the end of the amortization period of the senior mortgages. Recourse on such loans will include the real property encumbered by the Partnership's mortgage and may also include other collateral or personal guarantees by the borrower.

The Partnership will generally make junior or wraparound mortgage loans only if the senior mortgage, when combined with the amount of the Partnership's mortgage loan, would not exceed the maximum amount which the Partnership would be willing to commit to a first mortgage loan and only under such circumstances and on such property as to which the Partnership would otherwise make a first mortgage loan.

4. Participations. The Partnership may make mortgage loans, which, in addition to charging a base rate of interest, will include provisions permitting the Partnership to participate (a "participation") in the economic benefits of the underlying property. The Partnership would receive a percentage of: (1) the gross or net revenues from the property operations; and/or (2) the increase in the property value realized by the borrower, such as through sale or refinancing of the property. These arrangements may also grant the Partnership an option to acquire the property or an undivided interest in the property securing the loan. When the Partnership negotiates the right to receive additional interest in the form of a percentage of the gross revenues or otherwise, the fixed cash return to the Partnership from that investment will generally be less than would otherwise be the case. It is expected that the Partnership will be entitled to percentage participations when the gross or net revenues from the property operations exceed a certain base amount. This base amount may be adjusted if real estate taxes or similar charges are increased. The form and extent of the additional interest that the Partnership receives will vary with each transaction depending on: (1) the equity investment of the owner or developer of the property; (2) other financing or credit obtained by the owner or developer; (3) the fixed base interest rate on the mortgage loan by the Partnership; (4) any other security arrangement; (5) the cash flow and pro forma cash flow from the property; and (6) market conditions.

The Partnership intends to use this additional interest as a hedge against inflation. It assumes that as prices increase in the economy, the rental prices on properties, such as shopping centers or office buildings, will increase and there should be a corresponding increase in the property value. There is no assurance that additional interest or increased property values will be received. In that event, the Partnership will be entitled to receive only the fixed portion of its return.

Standards for Mortgage Loan Investments

In making mortgage loans, the investment manager will consider relevant real property and financial factors, including: (1) the location, condition, and use of the underlying property; (2) its operating history; (3) its future income-producing capacity; and (4) the quality, experience, and creditworthiness of the unaffiliated borrower.

Before the Partnership makes a mortgage loan, the investment manager analyzes the fair market value of the underlying real estate. In general, the amount of each mortgage loan made by the Partnership will not exceed, when added to the amount of any existing indebtedness, 80% of the estimated or appraised value of the property mortgaged.

Dealing With Outstanding Loans

The Partnership may sell its mortgage loans prior to maturity if it is deemed advisable by the investment manager and consistent with the Partnership's investment objectives. The investment manager may also: (1) extend the maturity of any mortgage loan made by the Partnership; (2) consent to a sale of the property subject to a mortgage loan or finance the purchase of a property by making a new mortgage loan in connection with the sale of a property (either with or without requiring the repayment of the mortgage loan); (3) renegotiate the terms of a mortgage loan; and (4) otherwise deal with the mortgage loans of the Partnership.

Investments in Sale-Leasebacks

A portion of the Partnership's investments may consist of real property sale-leaseback transactions ("leasebacks"). In this type of transaction, the Partnership will purchase land and income-producing improvements on the land and simultaneously lease the land and improvements, generally to the seller, under a long-term lease. Leasebacks may be for very long periods and may provide for increasing payments from the lessee.

Under the terms of the leaseback, the tenant will operate, or provide for the operation of, the property and generally be responsible for the payment of all costs, including: (1) taxes; (2) mortgage debt service; (3) maintenance and repair of the improvements; and (4) insurance. In some cases, the Partnership may also grant the lessee an option to acquire the land and improvements from the Partnership after a period of years. The option exercise price would be based on the fair market value of the property, as encumbered by the lease, the increase in the gross revenues from the property or other objective criteria reflecting the increased value of the property.

In some leaseback transactions, the Partnership may only purchase the land under an income-producing building and lease the land to the building owner. In such cases, the Partnership may seek, in addition to base rents in its leasebacks, participations in the gross revenues from the building in a form such as a percentage of the gross revenues of the lessee above a base amount (which may be adjusted if real property taxes increase or for other events). The Partnership may invest in leasebacks which are subordinate to other interests in the land, buildings, and improvements, such as a first mortgage, other mortgage, or lien. In those situations, the Partnership's leaseback interest will be subject to greater risks.

The Partnership will only acquire a property for a leaseback transaction if the purchase price is equal to not more than 100% of the estimated or appraised property value. The Partnership may dispose of its leasebacks when deemed advisable by the investment manager and consistent with the Partnership's investment objectives.

General Investment and Operating Policies

The Partnership does not intend to invest in any direct ownership interests in properties, mortgage loans or leasebacks in order to make short-term profits from their sale, although in exceptional cases, the investment manager may decide to do so in the best interests of the Partnership. The Partnership may dispose of its investments whenever necessary to meet its cash requirements or when it is deemed to be desirable by the investment manager because of market conditions or otherwise. The Partnership will reinvest any proceeds from the disposition of assets (and any cash flow from operations) which are not necessary for the Partnership's operations and which are not withdrawn by the Partners in order to make distributions to investors pursuant to the variable contracts issued by the Partners, or to Prudential to return its equity interests pursuant to this prospectus. The proceeds will be reinvested in investments consistent with the Partnership's investment objectives and policies.

In making investments in properties, mortgage loans, leasebacks or other real estate investments, the Partnership will rely on the investment manager's analysis of the investment and will not receive an independent appraisal prior to acquisition. The Partnership expects, however, that all the properties it owns, and most mortgage loans it holds, will be appraised or valued annually by an independent appraiser who is a member of a nationally recognized society of appraisers. Each appraisal will be maintained in the Partnership records for at least five years. It should be noted that appraised values are opinions and, as such, may not represent the true worth or realizable value of the property being appraised.

The Partnership usually purchases properties on an unleveraged basis. The properties acquired will typically be free and clear of mortgage debt immediately after their acquisition. The Partnership may, however, acquire properties subject to existing mortgage loans. In addition, the Partnership may mortgage or acquire properties partly with the proceeds of purchase money mortgage loans, up to 80% of the property value. Although this is not usually done, the Partnership may do so if the investment manager decides that it is consistent with its investment objectives. When the Partnership mortgages its properties, it bears the expense of mortgage payments. See **BORROWING BY THE PARTNERSHIP**.

The Partnership may also invest a portion of its assets in non-participating mortgage loans, real estate limited partnerships, limited liability companies, real estate investment trusts, and other vehicles whose underlying investment is in real estate.

The Partnership's investments will be maintained in order to meet the diversification requirements set forth in regulations under the Internal Revenue Code (the "Code") relating to the investments of variable life insurance and variable annuity separate accounts. In order to meet the diversification requirements under the regulations, the Partnership will meet the following test: (1) no more than 55% of the assets will be invested in any one investment; (2) no more than 70% of the assets will be invested in any two investments; (3) no more than 80% of the assets will be invested in any three investments; and (4) no more than 90% of the assets will be invested in any four investments. All interests in the same real property project are treated as a single investment. The Partnership must meet the above test within 30 days of the end of each calendar quarter. To comply with the diversification requirements of the State of Arizona, the Partnership will limit additional investments in any one parcel or related parcels to an amount not exceeding 10% of Partnership's gross assets, as of the prior fiscal year end.

In managing the assets of the Partnership, the investment manager will use its discretion in determining whether to foreclose on defaulting borrowers or to evict defaulting tenants. The investment manager will decide which course of action is in the best interests of the Partnership in maintaining the value of the investment.

Property management services are usually required for the Partnership's investments in properties which are owned and operated by the Partnership, but usually will not be needed for mortgage loans owned by the Partnership, except for mortgage servicing. It is possible, however, that these services will be necessary or desirable in exercising default remedies under a foreclosure on a mortgage loan. The investment manager may engage, on behalf of the Partnership, Prudential Financial affiliated or unaffiliated entities to provide these additional services to the Partnership. The investment manager may engage Prudential Financial affiliates to provide property management, property development services, loan servicing or other services if and only if the fees paid to an affiliate do not exceed the amount that would be paid to an independent party for similar services rendered in the same geographic area. See **CONFLICTS OF INTEREST**.

The investment manager will manage the Partnership so that the Real Property Account will not be subject to registration under the Investment Company Act of 1940. This requires monitoring the proportion of the Partnership's assets to be placed in various investments.

CURRENT REAL ESTATE-RELATED INVESTMENTS

The current principal real estate-related investments held by the Partnership are described below. Many of these investments were originated by, and previously held in, The Prudential Real Property Account of Pruco Life Insurance Company (the "Pruco Life Account"), a separate account established to fund the real estate investment option under variable contracts issued by Pruco Life. Prior to the formation of the Partnership, the Pruco Life Account followed the same investment policies as those followed by the Partnership. Pruco Life contributed the assets held in the Pruco Life Account to the Partnership as its initial capital contribution to the Partnership.

Properties

The Partnership owns the following properties as of December 31, 2004.

1. **Office Properties**
   The Partnership owns office properties in Lisle and Oakbrook Terrace, Illinois; Brentwood, Tennessee; and Beaverton, Oregon. Total square footage owned is approximately 494,284 of which 68% or 333,951 square feet are leased between 1 and 10 years.

2. **Apartment Complexes**
   The Partnership owns apartment complexes in Atlanta, Georgia; Raleigh, North Carolina; Jacksonville, Florida; and Salem and Gresham, Oregon. There are a total of 1,253 apartment units available of which 91% or 1,135 units are leased. Leases range from month to month to one year. Two of the Partnership's Salem, Oregon apartment complexes, which had a total of 188 units, were sold on December 14, 2004.

3. **Retail Property**
   The Partnership owns retail centers in Roswell, Georgia; Kansas City, Kansas and Missouri; Ocean City, Maryland; and Hampton, Virginia. Total square footage owned is approximately 1,163,464 of which 84% or 979,251 square feet are leased between 1 and 30 years.

4. **Industrial Properties**
   The Partnership owns an industrial building in Aurora, Colorado. Total square footage owned is approximately 277,930 of which 66% or 184,047 square feet are leased between 1 and 10 years.

5. **Hotel Property**
   On December 10, 2003, the Partnership invested in a hotel located in Lake Oswego, Oregon. This joint venture investment has 161 rooms. Occupancy for the year ended 2004 averaged 68.3%.

RISK FACTORS

There are certain risk factors that you should consider before allocating a portion of your net premiums or purchase payments, or transferring a portion of your Contract Fund, to the Real Property Account. These include valuation risks, (see **VALUATION OF CONTRACT OWNERS' PARTICIPATING INTERESTS**), certain conflicts of interest, (see **CONFLICTS OF INTEREST**), as well as the following risks:

Liquidity of Investments

Because the Real Property Account will, through the Partnership, invest primarily in real estate, its assets will not be as liquid as the investments generally made by separate accounts of life insurance companies funding variable life insurance and variable annuity contracts. The Partnership will, however, hold approximately 10% of its assets in cash and invested in liquid securities. The primary purposes for such investments are to meet the expenses involved in the operation of the Partnership and to allow it to have sufficient liquid assets to meet any requests for withdrawals from the Real Property Account. Such withdrawals would be made in order to meet requested or required payments under the Contracts. The Partnership may also borrow funds to meet liquidity needs. See **BORROWING BY THE PARTNERSHIP**.

We have taken steps to ensure that the Partnership will be liquid enough to meet all anticipated withdrawals by the Partners to meet the separate accounts' liquidity requirements. It is possible that the Partnership may need to dispose of a real property or mortgage loan investment promptly in order to meet such withdrawal requests.

General Risks of Real Property Investments

By participating in the Real Property Account and thereby in the investment performance of the Partnership, you will be subject to many of the risks of real property investments. These include:

1. ***Risks of Ownership of Real Properties.*** The Partnership will be subject to the risks inherent in the ownership of real property such as fluctuations in occupancy rates and operating expenses and variations in rental schedules. It

may be adversely affected by general and local economic conditions, the supply of and demand for properties of the type in which the Partnership invests, zoning laws, and real property tax rates. Operation of property in which the Partnership invests will primarily involve rental of that property to tenants. The financial failure of a tenant resulting in the termination of their lease might cause a reduction in the cash flow to the Partnership. If a lease is terminated, there is no assurance that the Partnership will be able to find a new tenant for the property on terms as favorable to the Partnership as those from the prior tenant. Investments in hotels are subject to additional risk from the daily turnover and fluctuating occupancy rates of hotel rooms and the absence of long-term tenants.

The Partnership's properties will also be subject to the risk of loss due to certain types of property damage (such as from nuclear power plant accidents and wars) which are either uninsurable or not economically insurable.

2. *Risks of Mortgage Loan Investments*. The Partnership’s mortgage loan investments will be subject to the risk of default by the borrowers. In this event the Partnership would have the added responsibility of foreclosing on or pursuing other remedies on the underlying properties to protect the value of its mortgage loans. A borrower’s ability to meet its mortgage loan payments will be dependent upon the risks generally inherent to the ownership of real property. Mortgage loans made by the Partnership will generally not be personal obligations of the borrowers. The Partnership will only rely on the value of the underlying property for its security. Mechanics’, materialmen’s, government, and other liens may have or obtain priority over the Partnership’s security interest in the property.

In addition, the Partnership's mortgage loan investments will be subject to prepayment risks. If the terms of the mortgage loans permit, mortgagors may prepay the loans, thus possibly changing the Partnership's return.

Junior mortgage loans (including wraparound mortgage loans) will be subject to greater risk than first mortgage loans, since they will be subordinate to liens of senior mortgagees. In the event a default occurs on a senior mortgage, the Partnership may be required to make payments or take other actions to cure the default (if it has the right to do so) in order to prevent foreclosure on the senior mortgage and possible loss of all or portions of the Partnership's investment. "Due on sale" clauses included in some senior mortgages, accelerating the amount due under the senior mortgage in the case of sale of the property, may be applied to the sale of the property upon foreclosure by the Partnership of its junior mortgage loan.

The risk of lending on real estate increases as the proportion which the amount of the mortgage loan bears to the fair market value of the real estate increases. The Partnership usually does not make mortgage loans of over 80% of the estimated or appraised value of the property that secures the loan. There can be no assurance, that in the event of a default, the Partnership will realize an amount equal to the estimated or appraised value of the property on which a mortgage loan was made.

Mortgage loans made by the Partnership may be subject to state usury laws. These laws impose limits on interest charges and possible penalties for violation of those limits, including restitution of excess interest, unenforceability of debt, and treble damages. The Partnership does not intend to make mortgage loans at usurious rates of interest. Uncertainties in determining the legality of interest rates and other borrowing charges under some statutes could result in inadvertent violations, in which case the Partnership could incur the penalties mentioned above.

3. *Risks with Participations*. The Partnership may seek to invest in mortgage loans and leasebacks with participations, which will provide the Partnership with both fixed interest and additional interest based upon gross revenues, sale proceeds, and/or other variable amounts. If the interest income received by the Partnership is based, in part, on a percentage of the gross revenues or sale proceeds of the underlying property, the Partnership's income will depend on the success in the leasing of the underlying property, the management and operation of such property by the borrower or lessee and upon the market value of the property upon ultimate disposition. If the Partnership negotiates a mortgage loan with a lower fixed interest rate and an additional percentage of the gross revenues or eventual sale proceeds of the underlying property, and the underlying property fails to generate increased revenues or to appreciate, the Partnership will have foregone a potentially greater fixed return without receiving the benefit of appreciation. State laws may limit participations. In the event of the borrower's bankruptcy, it is possible that as a result of the Partnership's interest in the gross revenues or sale proceeds, a court could treat the Partnership as a partner or joint venturer with the borrower, and the Partnership could lose the priority its security interest would have been given, or be liable for the borrower’s debts. The Partnership will structure its participations to avoid being characterized as a partner or joint venturer with the borrower.

4. *Risks with Sale-Leaseback Transactions*. Leaseback transactions typically involve the acquisition of land and improvements thereon and the leaseback of such land and improvements to the seller or another party. The value of the land and improvements will depend, in large part, on the performance and financial stability of the lessee and its tenants, if any. The tenants' leases may have shorter terms than the leaseback. Therefore, the lessee's future ability to meet payment obligations to the Partnership will depend on its ability to obtain renewals of such leases or new leases upon satisfactory terms and the ability of the tenants to meet their rental payments to the lessee.

PREI investigates the stability and creditworthiness of lessees in all commercial properties it may acquire, including leaseback transactions. However, a lessee in a leaseback transaction may have few, if any, assets. The Partnership will therefore rely for its security on the value of the land and improvements. When the Partnership's leaseback interest is subordinate to other interests in the land or improvements, such as a first mortgage or other lien, the Partnership's leaseback will be subject to greater risk. A default by a lessee or other premature termination of the leaseback may result in the Partnership being unable to recover its investment unless the property is sold or leased on favorable terms. The ability of the lessee to meet its obligations under the leaseback, and the value of a property, may be affected by a number of factors inherent in the ownership of real property which are described above. Furthermore, the long-term nature of a leaseback may, in the future, result in the Partnership receiving lower average annual rentals. However, this risk may be lessened if the Partnership obtains participations in connection with its leasebacks.

Reliance on The Partners and The Investment Manager

You do not have a vote in determining the policies of the Partnership or the Real Property Account. You also have no right or power to take part in the management of the Partnership or the Real Property Account. The investment manager alone, subject to the supervision of the Partners, will make all decisions with respect to the management of the Partnership, including the determination as to what properties to acquire, subject to the investment policies and restrictions. Although the Partners have the right to replace the investment manager, it should be noted that Prudential, Pruco Life, Pruco Life of New Jersey, and the investment manager are wholly-owned subsidiaries of Prudential Financial.

The Partnership will compete in the acquisition of its investments with many other individuals and entities engaged in real estate activities, including the investment manager and its affiliates. See **CONFLICTS OF INTEREST**. There may be intense competition in obtaining properties or mortgages in which the Partnership intends to invest. Competition may result in increased costs of suitable investments.

Since the Partnership will continuously look for new investments, you will not be able to evaluate the economic merit of many of the investments, which may be acquired by the Partnership. You must depend upon the ability of the investment manager to select investments.

INVESTMENT RESTRICTIONS

The Partnership has adopted certain restrictions relating to its investment activities. These restrictions may be changed, if the law permits, by the Partners. Pursuant to these restrictions, the Partnership will not:

1. Make any investments not related to real estate, other than liquid instruments and securities.

2. Engage in underwriting of securities issued by others.

3. Invest in securities issued by any investment company.

4. Sell securities short.

5. Purchase or sell oil, gas, or other mineral exploration or development programs.

6. Make loans to the Partners, any of their affiliates, or any investment program sponsored by such parties.

7. Enter into leaseback transactions in which the lessee is Prudential, Pruco Life, Pruco Life of New Jersey, their affiliates, or any investment program sponsored by such parties.

8. Borrow more than 33$\frac{1}{3}$% (pursuant to California state requirements) of the value of the assets of the Partnership (based upon periodic valuations and appraisals). See **VALUATION OF CONTRACT OWNERS' PARTICIPATING INTERESTS.**

DIVERSIFICATION REQUIREMENTS

The Partnership's investments are maintained so as to meet the diversification requirements set forth in Treasury Regulations issued pursuant to Section 817(h) of the Internal Revenue Code relating to the investments of variable life insurance and variable annuity separate accounts. Section 817(h) requires, among other things, that the partnership will have no more than 55% of the assets invested in any one investment, no more than 70% of the assets will be invested in any two investments, no more than 80% of the assets will be invested in any three investments, and no more than 90% of the assets will be invested in any four investments. To comply with requirements of the State of Arizona, the Partnership will limit additional investments in any one parcel or related parcels to an amount not exceeding 10% of the Partnership's gross assets as of the prior fiscal year.

CONFLICTS OF INTEREST

The investment manager, will be subject to various conflicts of interest in managing the Partnership. PIM invests in real estate equities and mortgages for the general account of Prudential Financial affiliates and for third parties, including through separate accounts established for the benefit of qualified pension and profit-sharing plans. PIM also manages, or advises in the management of, real estate equities and mortgages owned by other persons. In addition, affiliates of Prudential Financial are general partners in publicly offered limited partnerships that invest in real estate equities and mortgage loans. Prudential Financial and its affiliates may engage in business activities which will be competitive with the Partnership. Moreover, the Partnership may purchase properties from Prudential Financial or its affiliates.

The conflicts involved in managing the Partnership include:

1. ***Lack of Independent Negotiations between the Partnership and The Investment Manager.*** All agreements and arrangements relating to compensation between the Partnership and the investment manager or any affiliate of Prudential Financial will not be the result of arm's-length negotiations.

2. ***Competition by the Partnership with Prudential Financial's Affiliates for Acquisition and Disposition of Investments***. Prudential Financial affiliates are involved in numerous real estate investment activities for their general account, their separate accounts, and other entities. They may involve investment policies comparable to the Partnership's and may compete with the Partnership for the acquisition and disposition of investments. Moreover, additional accounts or affiliated entities may be formed in the future with investment objectives similar to those of the Partnership. In short, existing or future real estate investment accounts or entities managed or advised by Prudential Financial affiliates may have the same management as the Partnership and may be in competition with the Partnership regarding real property investments, mortgage loan investments, leasebacks, and the management and sale of such investments. Prudential Financial affiliates are not obligated to present to the Partnership any particular investment opportunity, regardless of whether the opportunity would be suitable for investment by the Partnership.

Prudential Financial affiliates have, however, adopted procedures to distinguish between equity investments available for the Partnership as opposed to the other programs and entities described above. If investment accounts or entities managed by Prudential Financial affiliates have investment objectives and policies similar to the Partnership and are in the market to acquire properties or make investments at the same time as the Partnership, the following procedures will be followed to resolve any conflict of interest. The Investment Allocation Procedure ("IAP") has been established to provide a reasonable and fair procedure for allocating real estate investments among the several accounts managed by Prudential Real Estate Investors ("PREI"). The IAP is administered by an Allocation Committee composed of the Managing Directors, Portfolio Management. Allocation decisions are made by vote of the Allocation Committee, and are approved by the Chief Executive Officer of PREI ("CEO"). Sufficient information on each investment opportunity is distributed to all portfolio managers, who each indicate to the Allocation Committee their account's interest in the opportunity. Based on such expressions of interest, the Allocation Committee allocates the investment opportunity to an account (and may also determine a back-up account or accounts to receive the allocation in the event the account, which is first allocated the opportunity, fails to pursue the investment for any reason) after giving appropriate consideration to the following factors and with the goal of providing each account a fair allotment of investment opportunities: (1) the investment opportunity's conformity with an account's investment criteria and objectives (including property type, size and location, diversification, anticipated returns, investment structure, etc.); (2) the amount of funds available for investment (in total and by property type) by an account; (3) the length of time such funds (in total and by property type) have been available for investment; (4) any limitations or restrictions upon the availability of funds for investment; (5) the absolute and relative (to amount of funds available) amount of funds invested and committed for the account; (6) whether funds available for investment are discretionary or non-discretionary, particularly in relation to the timing of the investment opportunity; (7) an account's prior dealings or investments with the seller, developer, lender or other counterparty; and (8) other factors which the Allocation Committee feel should be considered in fairness to all accounts participating in the IAP.

If an account which has been allocated an investment opportunity does not proceed with the acquisition, and either (i) no back-up account has been determined by the Allocation Committee, or (ii) all accounts which were deemed back-up accounts do not proceed with the acquisition, the opportunity may be reallocated to another account by the Allocation Committee. If an investment opportunity is appropriate for more than one account, the Allocation Committee may (subject to the CEO's approval) permit the sharing of the investment among accounts which permit such sharing. Such division of the investment opportunity may be accomplished by separating properties (in a multi-property investment), by co-investment, or otherwise.

3*. Competition with the Partnership from Affiliates for the Time and Services of Common Officers, Directors, and Management Personnel.* As noted above, PIM and Prudential Financial affiliates are involved in numerous real estate investment activities. Accordingly, many of the personnel of PIM and Prudential Financial affiliates who will be involved in performing services for the Partnership have competing demands on their time. Conflicts of interest may arise with respect to allocating time among such entities and the Partnership. The directors and officers of Prudential Financial and affiliates will determine how much time will be devoted to the Partnership affairs. Prudential Financial believes it has sufficient personnel to meet its responsibilities to all entities to which it is affiliated.

4. *Competitive Properties*. Some properties of affiliates may be competitive with Partnership properties. Among other things, the properties could be in competition with the Partnership's properties for prospective tenants.

5*. Lessee Position.* It is possible that Prudential Financial or its affiliates may be a lessee in one or more of the properties owned by the Partnership. The terms of such a lease will be competitive with leases with non-affiliated third parties. The Partnership limits the amount of space that an affiliate of Prudential may rent in a property owned by the Partnership.

6*. Use of Affiliates to Perform Additional Services for the Partnership*. The Partnership may engage Prudential Financial affiliates to provide additional services to the Partnership, such as real estate brokerage, mortgage servicing, property management, leasing, property development, and other real estate-related services. The Partnership may utilize the services of such affiliates and pay their fees, as long as the fees paid to an affiliate do not exceed the amount that would be paid to an independent party for similar services rendered in the same geographic area.

7*. Joint Ventures with Affiliates.* The Partnership may enter into investments through joint ventures with Prudential Financial, its affiliates, or investment programs they sponsor. The Partnership may enter into such a joint venture investment with an affiliate only if the following conditions are met: (1) the affiliate must have investment objectives substantially identical to those of the Partnership; (2) there must be no duplicative property management fee, mortgage servicing fee or other fees; (3) the compensation payable to the sponsor of the affiliate must be no greater than that payable to the Partnership's investment manager; (4) the Partnership must have a right of first refusal to buy if such affiliate wishes to sell the property held in the joint venture; and (5) the investment of the Partnership and the affiliate in the joint venture must be made on the same terms and conditions (although not the same percentage). In connection with such an investment, both affiliated parties would be required to approve any decision concerning the investment. Thus, an impasse may result in the event the affiliated joint venture partners disagree. However, in the event of a disagreement regarding a proposed sale or other disposition of the investment, the party not desiring to sell would have a right of first refusal to purchase the affiliated joint venture partner's interest in the investment. If this happens, it is possible that in the future the joint venture partners would no longer be affiliated. In the event of a proposed sale initiated by the joint venture partner, the Partnership would also have a right of first refusal to purchase the joint venture partner's interest in the investment. The exercise of a right of first refusal would be subject to the Partnership's having the financial resources to effectuate such a purchase.

If the Partnership invests in joint venture partnerships which own properties, instead of investing directly in the properties themselves, they may be subject to risks not otherwise present. These risks include risks associated with the possible bankruptcy of the Partnership's co-venturer or such co-venturer at any time having economic or business interests or goals which are inconsistent with those of the Partnership.

8. ***Purchase of Real Property From Prudential Financial or Affiliates****.* The Partnership may acquire properties owned by Prudential Financial or its affiliates, subject to compliance with special conditions designed to minimize the conflicts of interests. The Partnership may purchase property satisfying the Partnership's investment objectives and policies from an affiliate only if: (1) the applicable insurance regulators approve the Partnership's acquisition of real property from Prudential Financial or affiliates to the extent such approval is required under applicable insurance regulations; (2) the Partnership acquires the property at a price not greater than the appraised value, with the appraisal being conducted by a qualified, unaffiliated appraiser; (3) a qualified and independent real estate adviser (other than the appraiser) reviews the proposed acquisition and provides a letter of opinion that the transaction is fair to the Partnership; and (4) the affiliate has owned the property at least two years, the cost paid by the affiliate is established, and any increase in the proposed purchase price over the cost to the affiliate is, in the opinion of the independent real estate adviser, explicable by material factors (including the passage of time) that have increased the value of the property.

THE REAL PROPERTY ACCOUNT'S UNAVAILABILITY TO CERTAIN CONTRACTS

Prudential has determined that it is in the best interest of Contract owners participating in the Real Property Account to provide the Real Property Account with the flexibility to engage in transactions that may be prohibited if the Real Property Account accepts funds under Contracts subject to ERISA or the prohibited transaction excise tax provisions of the Internal Revenue Code. Accordingly, owners of Prudential Contracts that are purchased in connection with: (1) IRAs; (2) tax deferred annuities subject to Section 403(b) of the Code; (3) other employee benefit plans which are subject to ERISA; or (4) prohibited transaction excise tax provisions of the Code, may not select the Real Property Account as one of the investment options under their Contract. By not offering the Real Property Account as an investment option under such contracts, Prudential is able to comply with state insurance law requirements that policy loans be made available to Contract owners.

VALUATION OF CONTRACT OWNER'S PARTICIPATING INTERESTS

A Contract owner's interest in the Real Property Account will initially be the amount they allocated to the Real Property Account. Thereafter, that value will change daily. The value of a Contract owner's interest in the Real Property Account at the close of any day is equal to its amount at the close of the preceding day, multiplied by the "net investment factor" for that day arising from the Real Property Account's participation in the Partnership, plus any additional amounts allocated to the Real Property Account by the Contract owner, and reduced by any withdrawals by the Contract owner from the Real Property Account and by the applicable Contract charges recorded in that Contract's subaccount. Some of the charges will be made: (1) daily; (2) on the Contract's monthly anniversary date; (3) at the end of each Contract year; and (4) upon withdrawal or annuitization. Periodically Prudential will withdraw from the Real Property Account an amount equal to the aggregate charges recorded in the subaccounts.

The "net investment factor" is calculated on each business day by dividing the value of the net assets of the Partnership at the end of that day (ignoring, for this purpose, changes resulting from new contributions to or withdrawals from the Partnership) by the value of the net assets of the Partnership at the end of the preceding business day. The value of the net assets of the Partnership at the end of any business day is equal to the sum of all cash held by the Partnership plus the aggregate value of the Partnership's liquid securities and instruments, the individual real properties and the other real estate-related investments owned by the Partnership, determined in the manner described below, and an estimate of the accrued net operating income earned by the Partnership from properties and other real estate-related investments, reduced by the liabilities of the Partnership, including the daily investment management fee and certain other expenses attributable to the operation of the Partnership. See **CHARGES**.

The Partnership may invest in various liquid securities and instruments. These investments will generally be carried at their market value as determine by a valuation method which the Partners deem appropriate for the particular type of liquid security or instrument.

The value of the individual real properties and other real estate-related investments, including mortgages, acquired by the Partnership will be determined as follows. Each property or other real estate-related investment acquired by the Partnership will initially be valued at its purchase price. In acquiring a property or other real estate-related investment, PIM will not obtain an independent appraisal but will instead rely on its own analysis of the investment's fair market value. Thereafter, all properties and most real estate-related investments will ordinarily be appraised by an independent appraiser at least annually. At least every three months, PIM will review each property or other real estate-related investments and adjust its valuation if it concludes there has been a change in the value of the property or other real estate-related investment since the last valuation. The revised value will remain in effect and will be used in each day's calculation of the value of the Partnership's assets until the next review or appraisal. It should be noted that appraisals are only estimates and do not necessarily reflect the realizable value of an investment.

The estimated amount of the net operating income of the Partnership from properties and other real estate-related investments will be based on estimates of revenues and expenses for each property and other real estate-related investments. Annually, PIM will prepare a month-by-month estimate of the revenues and expenses ("estimated net operating income") for each property and other real estate-related investments owned by the Partnership. Each day PIM will add to the value of the assets, as determined above, a proportionate part of the estimated net operating income for the month. In effect, PIM will establish a daily accrued receivable of the estimated net operating income from each property and other real estate-related investments owned by the Partnership (the "daily accrued receivable"). On a monthly basis, the Partnership will receive a report of actual operating results for each property and other real estate-related investments ("actual net operating income"). Such actual net operating income will be recognized on the books of the Partnership and the amount of the then-outstanding daily accrued receivable will be correspondingly adjusted. In addition, as cash from a property or other real estate-related investment is actually received by the Partnership, receivables and other accounts will be appropriately adjusted. Periodically, but at least every three months, PIM will review its prospective estimates of net operating income in light of actual experience and make an adjustment to such estimates if circumstances indicate that such an adjustment is warranted. PIM follows this practice of accruing estimated net operating income from properties and other real estate-related investments because net operating income from such investments is generally received on an intermittent rather than daily basis, and the Partners believe it is more equitable to participating Contract owners if such net operating income is estimated and a proportionate amount is recognized daily. Because the daily accrual of estimated net operating income is based on estimates that may not turn out to reflect actual revenue and expenses, Contract owners will bear the risk that this practice will result in the undervaluing or overvaluing of the Partnership's assets.

PIM may adjust the value of any asset held by the Partnership based on events that have increased or decreased the realizable value of a property or other real estate-related investment. For example, adjustments may be made for events indicating an impairment of a borrower's or a lessee's ability to pay any amounts due or events which affect the property values of the surrounding area. There can be no assurance that the factors for which an adjustment may be made will immediately come to the attention of PIM. Additionally, because the evaluation of such factors may be subjective, there can be no assurance that such adjustments will be timely made in all cases where the value of the Partnership's investments may be affected. All adjustments made to the valuation of the Partnership's investments, including adjustments to estimated net operating income, the daily accrued receivable, and adjustments to the valuation of properties and other real estate-related investments, will be on a prospective basis only.

The above method of valuation of the Partnership's assets may be changed, without the consent of Contract owners, should the Partners determine that another method would more accurately reflect the value of the Partnership's investments. Changes in the method of valuation could result in a change in the Contract Fund values which may have either an adverse or beneficial effect on Contract owners. Information concerning any material change in the valuation method will be given to all Contract owners in the annual report of the operations of the Real Property Account.

Although the above-described valuation methods have been adopted because the Partners believe they will provide a reasonable way to determine the fair market value of the Partnership's investments, there may well be variations between the amount realizable upon disposition and the Partnership's valuation of such assets. Contract owners may be either favorably or adversely affected if the valuation method results in either overvaluing or undervaluing the Partnership's investments. If a Contract owner invests in the Real Property Account at a time in which the Partnership's investments are overvalued, the Contract owner will be credited with less of an interest than if the value had been correctly stated. A Contract owner withdrawing from the Real Property Account during such time will receive more than he or she would if the value had been correctly stated, to the detriment of other Contract owners. The converse situation will exist if the Partnership's assets are undervalued.

BORROWING BY THE PARTNERSHIP

The Partnership may borrow for Partnership purposes, including to meet its liquidity requirements and the leveraging of currently-owned property to buy new property, subject to a maximum debt to value ratio of $33\frac{1}{3}$% (pursuant to California state requirements) based on the aggregate value of all Partnership assets. The Partnership will bear the cost of all such borrowings. The Real Property Account, and Contract owners participating in it, will bear a portion of any borrowing costs equal to their percentage interest in the Partnership. Moreover, although the Partnership will generally make unleveraged investments, it reserves the right to borrow up to 80% of the value of a property (with the value of a property determined as explained under **VALUATION OF CONTRACT OWNERS' PARTICIPATING INTERESTS**). Increasing the Partnership's assets through leveraged investments would increase the compensation paid to PIM since its investment management fee is a percentage of the Partnership's gross assets. Any borrowing by the Partnership would increase the Partnership's risk of loss. It could also inhibit the Partnership from achieving its investment objectives because the Partnership's payments on any loans would have to be made regardless of the profitability of its investments.

CHARGES

Pursuant to the investment management agreement, the Partnership pays a daily investment management fee which is equal to an effective annual rate of 1.25% of the average daily gross assets of the Partnership. Certain other expenses and charges attributable to the operation of the Partnership are also charged against the Partnership. In acquiring an investment, the Partnership may incur various types of expenses paid to third parties, including but not limited to, brokerage fees, attorneys' fees, architects' fees, engineers' fees, and accounting fees. After acquisition of an investment, the Partnership will incur recurring expenses for the preparation of annual reports, periodic appraisal costs, mortgage servicing fees, annual audit charges, accounting and legal fees, and various administrative expenses. These expenses will be charged against the Partnership's assets. Some of these operating expenses represent reimbursement of the investment manager for the cost of providing certain services necessary to the operation of the Partnership, such as daily accounting services, preparation of annual reports, and various administrative services. The investment manager charges the Partnership mortgage loan servicing fees pursuant to the standards outlined in item 6 under **CONFLICTS OF INTEREST**. In addition to the various expenses charged against the Partnership's assets, other expenses such as insurance costs, taxes, and property management fees will ordinarily be deducted from rental income, thereby reducing the gross income of the Partnership.

As explained earlier, charges to the Contracts will be recorded in the corresponding subaccounts of the Real Property Account. From time to time, Prudential will withdraw from the Real Property Account an amount equal to the aggregate amount of these charges. Aside from the charges to the Contracts, Prudential does not charge the Real Property Account for the expenses involved in the Real Property Account's operation. The Real Property Account will, however, bear its proportionate share of the charges made to the Partnership as described above.

The Partnership is not a taxable entity under the provisions of the Internal Revenue Code. The income, gains, and losses of the Partnership are attributed, for federal income tax purposes, to the Partners in the Partnership. The earnings of the Real Property Account are, in turn, taxed as part of the operations of Prudential. Prudential is currently not charging the Real Property Account for company federal income taxes. Prudential may make such a charge in the future.

Under current laws Prudential may incur state and local taxes (in addition to premium taxes) in several states. At present, Prudential does not charge these taxes against the Contracts or the Real Property Account, but Prudential may decide to charge the Real Property Account for such taxes in the future.

RESTRICTIONS ON WITHDRAWALS

Before allocating any portion of your net premium or purchase payments, or transferring any portion of your Contract Fund, to the Real Property Account, you should be aware that withdrawals from the Real Property Account may have greater restrictions than the other variable investment options available under the Contracts. Prudential reserves the right to restrict transfers into or out of the Real Property Account. Apart from the limitations on transfers out of the Real Property Account described below, Prudential will only restrict transfers out of the Real Property Account if there is insufficient cash available to meet Contract owners' requests and prompt disposition of the Partnership's investments to meet such requests could not be made on commercially reasonable terms.

Prudential will pay any death benefit, cash surrender value, withdrawal or loan proceeds within seven days after receipt at a Prudential Home Office of all the documents required for such a payment. Other than the death benefit, which is determined as of the date of death for life insurance products, the amount will be determined as of the date of receipt of the request.

The funds necessary to pay any death benefit, cash surrender value, withdrawal or loan proceeds funded by the Real Property Account will normally be obtained, first, from any cash flows into the Real Property Account on the day the funds are required. If, on the day the funds are required, cash flows into the Real Property Account are less than the amount of funds required, Prudential will seek to obtain such funds by withdrawing a portion of its interest in the Partnership. The Partnership will normally obtain funds to meet such a withdrawal request from its net operating income and from the liquid securities and instruments it holds. If the Partners determine that these sources are insufficient to meet anticipated withdrawals from the Partnership, the Partnership may use a line of credit or otherwise borrow up to 33$\frac{1}{3}$% (pursuant to California state requirements) of the value of the Partnership's assets. See **BORROWING BY THE PARTNERSHIP**. If the Partners determine that such a borrowing by the Partnership would not serve the best interests of Contract owners, Prudential may, in the event of a Contract loan or withdrawal, rather than take the amount of any loan or withdrawal request proportionately from all investment options under the Contract (including the Real Property Account), take any such loan or withdrawal first from the other investment options under the Contract.

Transfers from the Real Property Account to the other investment options available under the Contract are currently permitted only during the 30-day period beginning on the Contract anniversary. The maximum amount that may be transferred out of the Real Property Account each year is the greater of: (a) 50% of the amount invested in the Real Property Account or (b) $10,000. Such transfer requests received prior to the Contract anniversary will be effected on the Contract anniversary. Transfer requests received within the 30-day period beginning on the Contract anniversary will be effected as of the end of the valuation period in which a proper written request or authorized telephone request is received. The "valuation period" means the period of time from one determination of the value of the amount invested in the Real Property Account to the next. Such determinations are made when the value of the assets and liabilities of the Partnership is calculated, which is generally at 4:00 p.m. Eastern time on each day during which the New York Stock Exchange is open. Transfers into or out of the Real Property Account are also subject to the general limits under the Contracts.

RESTRICTIONS ON CONTRACT OWNERS' INVESTMENT IN THE REAL PROPERTY ACCOUNT

As explained earlier, identification and acquisition of real estate investments meeting the Partnership's investment objectives is a time-consuming process. Because the Real Property Account and the Partnership are managed so they will not become investment companies subject to the Investment Company Act of 1940, the portion of the Partnership's assets that may be invested in securities, as opposed to non-securities real estate investments, is strictly limited. For these reasons, Prudential reserves the right to restrict or limit Contract owners' allocation of funds to the Real Property Account. Any such restrictions are likely to take the form of restricting the timing, amount and/or frequency of transfers into the Real Property Account and/or precluding Contract owners who have not previously selected the Real Property Account from allocating a portion of their net premiums or purchase payments to the Real Property Account.

FEDERAL INCOME TAX CONSIDERATIONS

The federal income tax treatment of Contract benefits is described briefly in the attached prospectus for the particular Contract you selected. Prudential believes that the same principles will apply with respect to Contracts funded in whole or part by the Real Property Account. The Partnership's conformity with the diversification standards for the investments of variable life insurance and variable annuity separate accounts is essential to ensure that treatment. See **General Investment and Operating Policies**. Prudential urges you to consult a qualified tax adviser.

Under the Internal Revenue Code, the Partnership is not a taxable entity and any income, gains or losses of the Partnership are passed through to the Partners, including Prudential, with respect to the Real Property Account. The Real Property Account is not a separate taxpayer for purposes of the Internal Revenue Code. The earnings of the Real Property Account are taxed as part of the operations of Prudential. No charge is currently being made to the Real Property Account for company federal income taxes. We may make such a charge in the future, see **CHARGES**.

DISTRIBUTION OF THE CONTRACTS

As explained in the attached prospectus for the Contracts, Pruco Securities Corporation, a wholly-owned subsidiary of Prudential Financial, acts as the principal underwriter of the Contracts. Consult that prospectus for information about commission scales and other facts relating to sale of the Contracts.

STATE REGULATION

Prudential is subject to regulation and supervision by the Department of Insurance of the State of New Jersey, which periodically examines its operations and financial condition. It is also subject to the insurance laws and regulations of all jurisdictions in which it is authorized to do business.

Prudential is required to submit annual statements of its operations, including financial statements, to the insurance departments of the various jurisdictions in which it does business to determine solvency and compliance with local insurance laws and regulations.

In addition to the annual statements referred to above, Prudential is required to file with New Jersey and other jurisdictions a separate statement with respect to the operations of all its variable contract accounts, in a form promulgated by the National Association of Insurance Commissioners.

ADDITIONAL INFORMATION

Prudential has filed a registration statement with the Securities and Exchange Commission ("SEC") under the Securities Act of 1933, relating to the offering described in this prospectus. This prospectus does not include all of the information set forth in the registration statement. Certain portions have been omitted pursuant to the rules and regulations of the SEC. All reports and information filed by Prudential can be inspected and copied at the Public Reference Section of the Commission at 450 Fifth Street, Room 1024, N.W., Washington, D.C. 20549, and at certain of its regional offices: Midwestern Regional Office, 175 West Jackson Boulevard, Suite 900, Chicago, IL 60604; Northeastern Regional Office SEC, 233 Broadway, New York, NY 10279 or by telephoning (800) SEC-0330.

The SEC maintains a Web site (http://www.sec.gov) that contains material incorporated by reference and other information regarding registrants that file electronically with the SEC.

Further information may also be obtained from Prudential. The address and telephone number are on the cover of this prospectus.

EXPERTS

The financial statements of the Partnership as of December 31, 2004 and 2003 and for each of the three years in the period ended December 31, 2004, the financial statement schedules of the Partnership as of December 31, 2004 and the financial statements of the Real Property Account as of December 31, 2004 and 2003 and for each of the three years in the period ended December 31, 2004 included in this prospectus have been so included in reliance on the reports of PricewaterhouseCoopers LLP, independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting. PricewaterhouseCoopers LLP's principal business address is 300 Madison Avenue, New York, New York 10017.

LITIGATION

No litigation is pending, and no litigation is known to be contemplated by governmental authorities, that would have an adverse material effect upon the Real Property Account or the Partnership. Information about several actions brought against Prudential is included in the attached prospectus for the variable contract.

REPORTS TO CONTRACT OWNERS

If you allocate a portion of your Contract Fund to the Real Property Account, Prudential will mail you an annual report containing audited financial statements for the Partnership and an annual statement showing the status of your Contract Fund and any other information that may be required by applicable regulation or law.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

All of the assets of the Real Property Account (the "Account") are invested in the Prudential Variable Contract Real Property Partnership (the "Partnership"). Correspondingly, the liquidity, capital resources and results of operations for the Real Property Account are contingent upon the Partnership. Therefore, all of management's discussion of these items is at the Partnership level. The partners in the Partnership are The Prudential Insurance Company of America, Pruco Life Insurance Company, and Pruco Life Insurance Company of New Jersey (collectively, the "Partners").

The following analysis of the liquidity and capital resources and results of operations of the Partnership should be read in conjunction with the Consolidated Financial Statements and the related Notes to the Consolidated Financial Statements included elsewhere herein.

(a) Liquidity and Capital Resources

As of December 31, 2004, the Partnership's liquid assets consisting of cash and cash equivalents were approximately $17.6 million, a decrease of approximately $1.3 million from $18.9 million at December 31, 2003. Sources of liquidity include net cash flow from property operations, interest from short-term investments, sales, and financings. The Partnership uses cash for its real estate investment activities and for distribution to its partners. As of December 31, 2004, 7.3% of the Partnership's total assets consisted of cash and short-term obligations.

Dispositions for the year included the sale of two apartment complexes located in Salem, Oregon. The Joint Venture between the Partnership and its co-investor sold the two apartment complexes for a total of $7.1 million, which resulted in a realized gain of $1.7 million.

Subsequent to the end of the reporting period, one additional apartment asset located in Salem, Oregon sold for $4.65 million on March 10, 2005. Proceeds from the sale were used to fully payoff the Special Loan, resulting in a realized loss of approximately $1.6 million for the property.

The Partnership spent approximately $8.3 million on capital improvements to existing properties. Approximately $2.5 million was associated with leasing related costs and tenant improvements at one of the office buildings located in Brentwood, Tennessee. $1.6 million was associated with renovation of the apartment complex in Atlanta, Georgia and $0.8 million was associated with renovation and redevelopment of the retail center in Roswell, GA. Of the remaining $3.4 million balance, $2.0 million was associated with the expansion of the retail center located in Ocean City, Maryland. The Partnership also increased its investment by approximately $0.2 million in connection with redevelopment and expansion activities at the retail centers located in Kansas City, Missouri.

The Partnership provided, to a developer, short-term financing of approximately $5.0 million for the acquisition of a retail center located in Westminster, Maryland. The loan was repaid to the Partnership on September 13, 2004 together with interest at 10.5% upon obtaining third party construction financing. In addition, the Partnership invested in a Leasehold Mortgage Loan for the acquisition and redevelopment of an adjacent retail center in Westminster, Maryland. As of December 31, 2004, approximately $1.3 million was funded with interest accruing at 10% per annum.

(b) Results of Operations

The following is a brief year-to-date comparison of the Partnership's results of operations for the periods ended December 31, 2004 and 2003.

December 31, 2004 vs. December 31, 2003

The following table presents a year-to-date comparison of the Partnership's sources of net investment income, and realized and unrealized gains or losses by investment type.

	Twelve Months Ended December 31, 2004	Twelve Months Ended December 31, 2003
Net Investment Income:		
Office properties	$2,102,465	$2,039,750
Apartment complexes	2,191,107	3,361,638
Retail property	4,728,171	6,638,838
Industrial properties	933,253	993,962
Hotel property	640,660	-
Other (including interest income, investment mgt fee, etc.)	(2,796,050)	(2,420,779)
Total Net Investment Income	$7,799,606	$10,613,409
Net Realized Gain (Loss) on Real Estate Investments:		
Apartment complexes	1,730,000	-
Industrial properties	-	466,061
Total Net Realized Gain (Loss) on Real Estate Investments	1,730,000	466,061
Net Unrealized Gain (Loss) on Real Estate Investments:		
Office properties	$222,384	($5,776,072
Apartment complexes	(653,211)	(141,845)
Retail property	2,072,493	(455,340)
Industrial properties	(190,659)	(560,168)
Hotel property	99,387	-
Total Net Unrealized Gain (Loss) on Real Estate Investments	1,550,394	(6,933,425)
Net Realized and Unrealized Gain (Loss) on Real Estate Investments	$3,280,394	(6,467,364)

Net Investment Income Overview

The Partnership's net investment income for the year ended December 31, 2004 was $7.8 million, a decrease of $2.8 million when compared to the corresponding period in 2003. The decrease is due to the sale of two apartment complexes in Salem, Oregon, increased vacancy at the retail center located in Roswell, Georgia due to a late 2003 lease termination, increased rental concessions within the apartment portfolio, and soft market conditions and vacancy within the office portfolio. The Partnership's acquisition of a controlling interest in a 161-room hotel located in Lake Oswego, Oregon resulted in a full year of operating income, partially offsetting the decrease in total net investment income.

In addition, net investment income in 2003 benefited from a $1.9 million lease termination fee with respect to the retail center located in Roswell, Georgia.

Revenue increased $1.6 million in 2004 compared to 2003. Administrative expenses increased $1.7 million in 2004 compared to 2003. Operating expenses increased $2.4 million in 2004 compared to 2003. All of these increases were due to the Partnership's acquisition of a controlling interest in a 161-room hotel located in Lake Oswego, Oregon as discussed above.

Equity in income of real estate partnership increased $0.07 million in 2004 compared to 2003. The increase is due to an increase in revenue associated with expansion of an existing retail center located in Ocean City, Maryland.

Interest and equity income on mortgage loans receivable and other loans receivable was $0.14 million for the year ended December 2004. This was due to the Leasehold Mortgage Loan associated with the redevelopment of a retail center in Westminster, Maryland.

Income from other real estate investments was $0.25 million for the year ended December 31, 2004. This was due to short-term financing for the acquisition of a retail center located in Westminster, Maryland.

Interest on short-term investments decreased approximately $0.03 million in 2004 when compared to 2003. The decrease is due primarily to lower cash balances.

Valuation Overview

The Partnership recorded an unrealized gain of $3.3 million for the year ended December 31, 2004 compared to an unrealized loss of $6.9 million during the corresponding period in 2003. The 2004 unrealized gain was attributed to the retail and apartment sectors. The retail sector recorded an unrealized gain totaling $2.1 million, primarily due to strengthening market fundamentals, renovation and re-leasing efforts at the Partnership's retail centers. The apartment portfolio recorded unrealized and realized gain of $1.1 million. While market conditions remain soft in the apartment sector, continued investor demand has increased valuations. The two office assets located in Brentwood, Tennessee recorded unrealized gains of $3.4 million in 2004; however, this was offset by continued weak market fundamentals in the office sector.

OFFICE PORTFOLIO

Property	Net Investment Income 12/31/04	Net Investment Income 12/31/03	Unrealized Gain/(Loss) 12/31/04	Unrealized Gain/(Loss) 12/31/03	Occupancy 12/31/04	Occupancy 12/31/03
Year To Date						
Lisle, IL	$498,150	$709,818	$(2,161,087)	$(1,910,862)	43%	47%
Brentwood, TN	806,096	714,837	1,626,824	(515,685)	91%	79%
Oakbrook Terrace, IL	404,805	102,262	(613,875)	(1,528,934)	41%	42%
Beaverton, OR	904,462	930,822	(400,000)	(800,000)	72%	81%
Brentwood, TN	(511,048)	(417,989)	1,770,522	(1,020,591)	100%	0%
	$2,102,465	$2,039,750	$222,384	$(5,776,072)		

Net Investment Income

Net investment income for the Partnership's office portfolio was $2.1 million for the year ended December 31, 2004, an increase of $0.1 million, when compared to the corresponding period in 2003.

Unrealized Gain/Loss

The five office properties owned by the Partnership recorded an aggregate unrealized gain of approximately $0.2 million during 2004. Large gains were recorded at both assets in Brentwood, Tennessee, mainly due to strengthening market conditions, increasing rents, and stabilized occupancy. Offsetting these gains were losses recorded at the office complexes located in Lisle and Oakbrook Terrace, Illinois and Beaverton, Oregon primarily due to lower market rents, decreased occupancy, and lease up costs associated with attracting new tenants.

The five office properties owned by the Partnership recorded an aggregate unrealized loss of approximately $5.8 million during 2003. The losses were primarily due to decreased occupancy, lower market rents, and increased lease up costs.

APARTMENT COMPLEXES

Property	Net Investment Income 12/31/04	Net Investment Income 12/31/03	Unrealized Gain/(Loss) 12/31/04	Unrealized Gain/(Loss) 12/31/03	Occupancy 12/31/04	Occupancy 12/31/03
Year To Date						
Atlanta, GA	$814,285	$819,908	$(1,946,818)	$(588,553)	88%	91%
Raleigh, NC	559,605	738,292	262,271	95,512	95%	93%
Jacksonville, FL	972,604	1,096,620	69,368	1,419,362	89%	91%
Gresham/Salem, OR	(155,387)	706,818	2,691,965	(1,068,166)	91%	90%
	$2,191,107	$3,361,638	$1,076,786	$(141,845)		

Net Investment Income

Net investment income for the Partnership's apartment complexes was $2.2 million for the year ended December 31, 2004, a decrease of $1.2 million, when compared to the corresponding period in 2003. The decrease was primarily due to (a) mortgage interest incurred for the complex located in Raleigh, North Carolina that was not applicable during the first six months of 2003, (b) the loss of income resulting from the sale of two apartment complexes in Salem, Oregon, and (c) soft market conditions affecting the remaining two apartment complexes located in Gresham/Salem, Oregon and Jacksonville, FL.

Unrealized Gain/Loss

The Partnership recorded an aggregate unrealized gain of $1.2 million for the year ended December 31, 2004 compared to an unrealized loss of $0.1 million for the year ended December 31, 2003 on its apartment complexes. The 2004 unrealized gain was primarily due to continued investor demand, which has caused an increase in valuations. The unrealized loss of $0.1 million in 2003 was mainly attributable to increased operating expenses at the apartment complexes located in Gresham/Salem, Oregon.

RETAIL PROPERTIES

Property	Net Investment Income 12/31/04	Net Investment Income 12/31/03	Unrealized Gain/(Loss) 12/31/04	Unrealized Gain/(Loss) 12/31/03	Occupancy 12/31/04	Occupancy 12/31/03
Year To Date						
Roswell, GA	$1,576,783	$4,403,743	$(2,536,369)	$(1,571,423)	74%	76%
Kansas City, KS; MO	623,917	560,660	2,727,694	(934,885)	81%	83%
Hampton, VA	1,220,607	1,077,627	981,574	570,136	100%	100%
Ocean City, MD*	921,803	596,808	899,597	1,480,832	93%	100%
Westminster, MD*	246,765	-	-	-	N/A	N/A
Westminster, MD**	138,296	-	-	-	N/A	N/A
	$4,728,171	$6,638,838	2,072,496	$(455,340)		

* Other Real Estate Investment (Acquired October 2003)
** MortgaGE loan Receivables (Acquired January 2004)

Net Investment Income

Net investment income for the Partnership's retail properties decreased approximately $1.9 million for the year ended December 31, 2004 when compared to the corresponding period in 2003. The principal component of higher net investment income in 2003 was the $1.9 million lease termination payment received at the retail center located in Roswell, Georgia. Partially offsetting the decreases attributable to the Roswell, Georgia property were increases in net investment income at the center in Ocean City, Maryland as a result of the expansion and the interest income generated by the Leasehold Mortgage Loan associated with the two Westminster, Maryland redevelopments. It should also be noted that on April 15, 2003 the Partnership acquired its joint venture partner's membership interest in the retail center located in Hampton, Virginia, thus entitling the Partnership to all of the net investment income generated by the investment thereafter.

In late 2004, a new lease was executed for a 45,600 square foot Publix grocery store in Roswell, Georgia; the lease term is 20 years; rent commences upon completion of a new store (estimated to be in late 2005).

Unrealized Gain/Loss

The retail properties recorded an aggregate unrealized gain of $2.1 million for the year ended December 31, 2004. The Kansas City, Kansas and Hampton, Virginia retail centers recorded unrealized gains primarily due to strengthening market fundamentals. The Ocean City, Maryland retail center recorded a gain due to completion of a pre-leased expansion of the center. Partially offsetting these gains was an unrealized loss of $2.5 million recorded at the retail center located in Roswell, Georgia due to the likely loss of a major anchor tenant at the expiration of its lease in January 2009.

The retail properties recorded an aggregate unrealized loss of $0.5 million for the year ended December 31, 2003. The retail center located in Hampton, Virginia had recorded an unrealized gain of $0.6 million in 2003 due to continued strengthening market fundamentals. The retail center in Ocean City, Maryland had recorded a net unrealized gain of $1.5 million in 2003 due to renovation and re-leasing efforts. Offsetting these gains was the unrealized loss for the Kansas City, Kansas retail centers, primarily due to renovations from the expansion of the existing grocery store anchor, which were not reflected as an increase in market value. In addition, an unrealized loss for the Roswell, Georgia retail center was recorded due to decreases in market rental rates and shorter-term lease renewals.

INDUSTRIAL PROPERTIES

Property	Net Investment Income 12/31/04	Net Investment Income 12/31/03	Unrealized Gain/(Loss) 12/31/04	Unrealized Gain/(Loss) 12/31/03	Occupancy 12/31/04	Occupancy 12/31/03
Year To Date						
Aurora, CO	$936,264	$687,743	$(190,659)	$(560,168)	66%	70%
Bolingbrook, IL	2,603	(146)	-	-	Sold September 2002	
Salt Lake City, UT	(5,614)	306,365	-	466,061	Sold January 2003	
	$933,253	$993,962	$(190,659)	$ (94,107)		

Net Investment Income

Net investment income for the Partnership's industrial properties was $0.9 million for the year ended December 31, 2004, a decrease of $0.1 million, when compared to the corresponding period in 2003. The decrease was due to the loss of rent associated with the 2003 sale of the Salt Lake City asset. This was offset by an early termination penalty payment at the Aurora, Colorado asset.

Unrealized Gain/Loss

The Aurora, Colorado industrial property owned by the Partnership recorded an unrealized loss of $0.2 million for the year ended December 31, 2004, compared to an unrealized loss of approximately $0.6 million for the year ended December 31, 2003. The unrealized loss recorded in 2004 and 2003 were due to soft market conditions and capital improvements at the property that were not reflected as an increase in market value.

Realized Gain

On January 28, 2003 the industrial property located in Salt Lake City, Utah was sold for a realized gain of $0.5 million.

HOTEL PROPERTY

Property	Net Investment Income 12/31/04	Net Investment Income 12/31/03	Unrealized Gain/(Loss) 12/31/04	Unrealized Gain/(Loss) 12/31/03	Occupancy 12/31/04	Occupancy 12/31/03
<u>**Year To Date**</u>						
Lake Oswego, OR*	$640,660	N/A	$99,387	N/A	66%	50%

* Hotel purchased in December 2003

Net Investment Income

On December 10, 2003, the Partnership acquired a controlling interest in a 161-room hotel located in Lake Oswego, Oregon for $8.0 million. Net investment income from hotel operations was $0.6 million for the year ended December 31, 2004.

Unrealized Gain/Loss

The Lake Oswego, Oregon hotel property owned by the Partnership recorded an unrealized gain of $0.1 million for the year ended December 31, 2004.

Other

Other net investment income decreased $0.4 million during the year ended December 31, 2004 compared to the corresponding period in 2003. Other net investment income includes interest income from short-term investments, investment management fees, and portfolio level expenses.

(c) Inflation

The Partnership's leases with a majority of its commercial tenants provide for recoveries of expenses based upon the tenant's proportionate share of, and/or increases in, real estate taxes and certain operating costs, which may reduce the Partnership's exposure to increases in operating costs resulting from inflation.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the application of accounting policies that often involve a significant degree of judgment. Management, on an ongoing basis, reviews critical estimates and assumptions. If management determines, as a result of its consideration of facts and circumstances that modifications in assumptions and estimates are appropriate, results of operations and financial position as reported in the Consolidated Financial Statements may change significantly. Actual results could differ from those estimates.

The following sections discuss critical accounting policies applied in preparing our consolidated financial statements that are most dependent on the application of estimates and assumptions.

Valuation of Investments

Real Estate Investments - The Partnership's investments in real estate are initially carried at their purchase price. Subsequently, real estate investments are reported at their estimated market values based upon appraisal reports prepared by independent real estate appraisers (members of the Appraisal Institute or an equivalent organization) within a reasonable amount of time following acquisition of the real estate and no less frequently than annually thereafter, with independent updates quarterly. The Chief Real Estate Appraiser of Prudential Investment Management ("PIM") is responsible to assure that the valuation process provides objective and reasonable market value estimates.

The purpose of an appraisal is to estimate the market value of real estate as of a specific date. Market value has been defined as the most probable price for which the appraised real estate will sell in a competitive market under all conditions requisite for a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self interest, and assuming that neither is under undue duress.

Unconsolidated real estate partnerships are valued at the Partnership's equity in net assets as reflected in the partnership's financial statements with properties valued as described above.

Mortgage and other loans receivable, which are accounted for as loans, are independently valued according to the same appraisal process as other investments in real estate.

Other real estate investments include notes receivable, which are valued at the amount due and approximate market value.

As described above, the estimated market value of real estate and real estate related assets is determined through an appraisal process, except for other real estate investments, which are determined as stated above. These estimated market values may vary significantly from the prices at which the real estate investments would sell since market prices of real estate investments can only be determined by negotiation between a willing buyer and seller. Although the estimated market values represent subjective estimates, management believes these estimated market values are reasonable approximations of market prices and the aggregate value of investments in real estate is fairly presented as of December 31, 2004 and December 31, 2003.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk. The Partnership's exposure to market rate risk for changes in interest rates relates to about 32.85% of its investment portfolio consisting primarily of short-term fixed rate commercial paper and fixed and variable interest rate debt. The Partnership does not use derivative financial instruments. By policy, the Partnership places its investments with high quality debt security issuers, limits the amount of credit exposure to any one issuer, limits duration by restricting the term, and holds investments to maturity except under rare circumstances.

The table below presents the amounts and related weighted interest rates of the Partnership's cash equivalents and short-term investments at December 31, 2004:

	Maturity	Estimated Market Value (in $ millions)	Average Interest Rate
Cash equivalents	0-3 months	$17.6	5.18%

The table below discloses the Partnership's fixed rate debt as of December 31, 2004. All of the Partnership's long-term debt bears interest at fixed rates and therefore the fair value of these instruments is affected by changes in market interest rates. The following table presents principal cash flows (in thousands) based upon maturity dates of the debt obligations and the related weighted-average interest rates by expected maturity dates for the fixed rate debt.

Debt (in $ thousands), including current portion	2005	2006	2007	2008	Thereafter	Total	Estimated Fair Value
Average Fixed Interest Rate	5.22%	5.20%	5.18%	4.99%	6.75%	6.17%	
Fixed Rate	$512	$549	$588	$26,090	$16,034	$43,773	$44,816
Total Mortgage Loans Payable	$512	$549	$588	$26,090	$16,034	$43,773	$44,816

The Partnership is exposed to market risk from tenants. While the Partnership has not experienced any significant credit losses, in the event of a significant rising interest rate environment and/or economic downturn, defaults could increase and result in losses to the Partnership, which would adversely affect its operating results and liquidity.

FINANCIAL STATEMENTS

Following are financial statements and independent auditor's reports of the Real Property Account, as well as financial statements and independent auditor's reports of the Partnership.

FINANCIAL STATEMENTS OF
PRUDENTIAL VARIABLE CONTRACT REAL PROPERTY ACCOUNT

STATEMENT OF NET ASSETS
December 31, 2004 and 2003

		2004		2003
ASSETS				
Investment in The Prudential Variable Contract Real Property Partnership	$	75,689,330	$	73,648,634
Net Assets	$	75,689,330	$	73,648,634
NET ASSETS, representing:				
Equity of contract owners	$	54,956,278	$	53,573,623
Equity of The Prudential Insurance Company of America		20,733,052		20,075,011
	$	75,689,330	$	73,648,634
Units outstanding		37,494,920		38,384,745
Portfolio shares held		2,894,367		2,986,942
Portfolio net asset value per share	$	26.15	$	24.66

STATEMENT OF OPERATIONS
For the periods ended December 31, 2004, 2003 and 2002

		2004		2003		2002
INVESTMENT INCOME						
Net investment income from Partnership operations	$	3,162,352	$	4,287,463	$	4,422,199
EXPENSES						
Charges to contract owners for assuming mortality risk and expense risk and for administration		435,006		425,598		439,519
NET INVESTMENT INCOME		2,727,346		3,861,865		3,982,680
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS						
Net change in unrealized gain (loss) on investments from Partnership		628,942		(2,801,446)		(3,628,696)
Realized gain (loss) on sale of investments from Partnership		701,429		188,273		160,187
NET GAIN (LOSS) ON INVESTMENTS		1,330,371		(2,613,173)		(3,468,509)
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	$	4,057,717	$	1,248,692	$	514,171

STATEMENT OF CHANGES IN NET ASSETS
For the periods ended December 31, 2004, 2003 and 2002

		2004		2003		2002
OPERATIONS						
Net investment income	$	2,727,346	$	3,861,865	$	3,982,680
Net change in unrealized gain (loss) on investments in Partnership		628,942		(2,801,446)		(3,628,696)
Net realized gain (loss) on sale of investments in Partnership		701,429		188,273		160,187
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS		4,057,717		1,248,692		514,171
CAPITAL TRANSACTIONS						
Net withdrawals by contract owners		(1,350,431)		(670,727)		(2,113,583)
Net withdrawals by The Prudential Insurance Company of America		(666,590)		(1,379,401)		(4,795,840)
NET DECREASE IN NET ASSETS RESULTING FROM CAPITAL TRANSACTIONS		(2,017,021)		(2,050,128)		(6,909,423)
TOTAL INCREASE (DECREASE) IN NET ASSETS		2,040,696		(801,436)		(6,395,252)
NET ASSETS						
Beginning of period		73,648,634		74,450,070		80,845,322
End of period	$	75,689,330	$	73,648,634	$	74,450,070

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS OF
PRUDENTIAL VARIABLE CONTRACT REAL PROPERTY ACCOUNT
December 31, 2004

Note 1: General
The Prudential Variable Contract Real Property Account ("Account") was established on November 20, 1986 by resolution of the Board of Directors of The Prudential Insurance Company of America ("Prudential"), which is a wholly-owned subsidiary of Prudential Financial, Inc. ("PFI") as a separate investment account pursuant to New Jersey law and is registered under the Securities Act of 1933. The assets of the Account are segregated from Prudential's other assets. The Account is used to fund benefits under certain variable life insurance and variable annuity contracts issued by Prudential. These products are Variable Appreciable Life ("PVAL and PVAL $100,000+ Face Value"), Discovery Plus ("PDISCO+"), and Variable Investment Plan ("VIP").

The assets of the Account are invested in The Prudential Variable Contract Real Property Partnership (the "Partnership"). The Partnership is the investment vehicle for assets allocated to the real estate investment option under certain variable life insurance and variable annuity contracts. The Account, along with the Pruco Life Variable Contract Real Property Account and the Pruco Life of New Jersey Variable Contract Real Property Account, are the sole investors in the Partnership. These financial statements should be read in conjunction with the financial statements of the Partnership.

The Partnership has a policy of investing at least 65% of its assets in direct ownership interests in income-producing real estate and participating mortgage loans.

Note 2: Summary of Significant Accounting Policies

A. Basis of Accounting

The accompanying financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

B. Investment in Partnership Interest

The investment in the Partnership is based on the Account's proportionate interest of the Partnership's market value. At December 31, 2004 and 2003 the Account's interest in the Partnership was 40.6% or 2,894,367 shares and 40.6% or 2,986,942 shares respectively.

C. Income Recognition

Net investment income and realized and unrealized gains and losses are recognized daily. Amounts are based upon the Account's proportionate interest in the Partnership.

D. Equity of The Prudential Insurance Company of America

Prudential maintains a position in the Account for liquidity purposes, including unit purchases and redemptions, Partnership share transactions, and expense processing. The position does not affect contract owners' accounts or the related unit values.

Note 3: Taxes

Prudential is taxed as a "life insurance company" as defined by the Internal Revenue Code. The results of operations of the Account form a part of PFI's consolidated federal tax return. Under current federal law, no federal income taxes are payable by the Account. As such, no provision for the tax liability has been recorded in these financial statements.

Note 4: Net Withdrawals by Contract Owners

Net contract owner withdrawals for the real estate investment option in The Prudential Insurance Company of America's variable insurance and variable annuity products for the years ended December 31, 2004, 2003 and 2002 were as follows:

2004:

	PDISCO+	VIP	PVAL & PVAL $100,000+ face value	TOTAL
Contract Owner Net Payments:	$ 5,998	$ 27,559	$ 4,168,816	$ 4,202,373
Policy Loans:	0	0	(1,144,139)	(1,144,139)
Policy Loan Repayments and Interest:	0	0	1,219,695	1,219,695
Surrenders, Withdrawals, and Death Benefits:	(286,323)	(190,471)	(2,385,471)	(2,862,265)
Net Transfers To Other Subaccounts or Fixed Rate Option:	275,083	(11,227)	(166,388)	97,468
Administrative and Other Charges:	(35)	(1,892)	(2,861,636)	(2,863,563)
Net Withdrawals by Contract Owners	$ (5,277)	$ (176,031)	$ (1,169,123)	$ (1,350,431)

2003:

	PDISCO+	VIP	PVAL & PVAL $100,000+ face value	TOTAL
Contract Owner Net Payments:	$ (314)	$ 11,986	$ 4,472,957	$ 4,484,629
Policy Loans:	0	0	(1,195,131)	(1,195,131)
Policy Loan Repayments and Interest:	0	0	1,316,067	1,316,067
Surrenders, Withdrawals, and Death Benefits:	(443,979)	(321,235)	(2,989,212)	(3,754,426)
Net Transfers To Other Subaccounts or Fixed Rate Option:	261,124	(14,083)	1,371,135	1,618,176
Administrative and Other Charges:	(56)	(2,314)	(3,137,672)	(3,140,042)
Net Withdrawals by Contract Owners	$ (183,225)	$ (325,646)	$ (161,856)	$ (670,727)

2002:

	PDISCO+	VIP	PVAL & PVAL $100,000+ face value	TOTAL
Contract Owner Net Payments:	$ $0	$ 34,863	$ 5,048,419	$ 5,083,282
Policy Loans:	0	0	(1,343,092)	(1,343,092)
Policy Loan Repayments and Interest:	0	0	1,404,190	1,404,190
Surrenders, Withdrawals, and Death Benefits:	(594,112)	(231,606)	(3,683,175)	(4,508,893)
Net Transfers To Other Subaccounts or Fixed Rate Option:	51,964	121,250	385,036	558,250
Administrative and Other Charges:	(38)	(2,616)	(3,304,666)	(3,307,320)
Net Withdrawals by Contract Owners	$ (542,186)	$ (78,109)	$ (1,493,288)	$ (2,113,583)

Note 5: Unit Activity

Transactions in units for the years ended December 31, 2004, 2003 and 2002 were as follows:

2004:

			PDISCO+	VIP	PVAL	PVAL $100,000+ face value
Company Contributions:	1,721,406	**Contract Owner Contributions:**	251,872	74,919	1,684,883	1,762,982
Company Redemptions:	(1,918,713)	**Contract Owner Redemptions:**	(256,989)	(169,082)	(1,934,487)	(2,106,617)

2003:

			PDISCO+	VIP	PVAL	PVAL $100,000+ face value
Company Contributions:	1,930,945	**Contract Owner Contributions:**	176,756	70,296	1,897,546	1,976,682
Company Redemptions:	(2,529,430)	**Contract Owner Redemptions:**	(278,131)	(249,884)	(2,175,255)	(1,791,690)

2002:

			PDISCO+	VIP	PVAL	PVAL $100,000+ face value
Company Contributions:	2,080,975	**Contract Owner Contributions:**	205,356	105,284	2,046,293	1,607,411
Company Redemptions:	(4,538,606)	**Contract Owner Redemptions:**	(504,137)	(148,174)	(2,423,416)	(2,012,246)

Note 6: Purchases and Sales of Investments

The aggregate costs of purchases and proceeds from sales of investments in the Partnership for the years ended December 31, 2004, 2003 and 2002 were as follows:

	December 31, 2004	December 31, 2003	December 31, 2002
Purchases:	$ 0	$ 0	$ 0
Sales:	$ (2,452,028)	$ (2,475,726)	$ (7,348,942)

Note 7: Financial Highlights

Prudential Insurance Company of America (the “Company” or "Prudential") sells a number of variable annuity and variable life insurance products. These products have unique combinations of features and fees that are charged against the contract owner’s account balance. Differences in the fee structures result in a variety of unit values, expense ratios and total returns.

The following table was developed by determining which products offered by Prudential Insurance Company of America have the lowest and highest total expense ratio. The summary may not reflect the minimum and maximum contract charges offered by the Company as contract owners may not have selected all available and applicable contract options as discussed in Note 1. The table reflects contract owner units only.

	At year ended			For year ended		
	Units (000’s)	Unit Value Lowest- Highest	Net Assets (000’s)	Investment Income Ratio *	Expense Ratio ** Lowest-Highest	Total Return *** Lowest-Highest
December 31, 2004	27,073	$1.92668 to $2.09540	$54,956	4.15%	0.60% to 1.20%	4.81% to 5.43%
December 31, 2003	27,766	$1.83832 to $1.98753	$53,574	5.77%	0.60% to 1.20%	1.03% to 1.63%
December 31, 2002	28,139	$1.81952 to $1.95560	$53,487	5.59%	0.60% to 1.20%	0.02% to 0.62%
December 31, 2001	29,263	$1.81915 to $1.94357	$55,383	5.91%	0.60% to 1.20%	3.55% to 4.17%

The table above reflects information for units held by contract owners. Prudential also maintains a position in the Real Property Account, to provide for property acquisitions and capital expenditure funding needs. Prudential held 10,421,720, 10,619,027, 11,217,512 and 13,675,143 units representing $20,733,052, $20,075,011, $20,962,590 and $25,462,204 of net assets as of December 31, 2004, 2003, 2002 and 2001, respectively. Charges for mortality risk, expense risk and administrative expenses are used by Prudential to purchase additional units in its account resulting in no impact to its net assets.

* This amount represents the proportionate share of the net investment income from the underlying Partnership divided by the total average assets of the Account. This ratio excludes those expenses, such as mortality and expense charges, that result in direct reductions in the unit values.

** These ratios represent the annualized contract expenses of the separate account, consisting primarily of mortality and expense charges, for each period indicated. The ratios include only those expenses that result in a direct reduction to unit values. Charges made directly to contract owner accounts through the redemption of units and expenses of the underlying Partnership are excluded.

*** These amounts represent the total return for the periods indicated, including changes in the value of the underlying Partnership, and reflect deductions for all items included in the expense ratio. The total return does not include any expense assessed through the redemption of units; inclusion of these expenses in the calculation would result in a reduction in the total return presented.

Charges and Expenses

A. Mortality Risk and Expense Risk Charges

Mortality risk and expense risk charges are determined daily using an effective annual rate of 1.2%, 0.9%, 0.6% and 1.2% for PDISCO+, PVAL, PVAL $100,000 + face value, and VIP, respectively. Mortality risk is that life insurance contract owners may not live as long as estimated or annuitants may live longer than estimated and expense risk is that the cost of issuing and administering the policies may exceed related charges by Prudential. The mortality risk and expense risk charges are assessed through reduction in unit values.

B. Cost of Insurance and Other Related Charges

Contract owner contributions are subject to certain deductions prior to being invested in the Real Property Account. The deductions for PVAL and PVAL $100,000 + face value are (1) state premium taxes; (2) sales charges, up to 0.50%, which are deducted in order to compensate Prudential for the cost of selling the contract and (3) transaction costs which are deducted from each premium payment to cover premium collection and processing costs. Contracts are also subject to monthly charges for the costs of administering the contract to compensate Prudential for the guaranteed minimum death benefit risk. These charges are assessed through the redemption of units.

C. Deferred Sales Charge

A deferred sales charge, applicable to PVAL and PVAL $100,000 + face value and not to exceed 50% of the first year's primary annual premium for PVAL cotracts, is imposed upon surrenders of certain variable life insurance contracts to compensate Prudential for sales and other marketing expenses. The amount of any sales charge will depend on the number of years that have elapsed since the contract was issued. No sales charge will be imposed after the tenth year of the contract. No sales charge will be imposed on death benefits.

Also a deferred sales charge is imposed upon the withdrawals of certain purchase payments to compensate Prudential for sales and other marketing expenses for PDISCO+ and VIP. The amount of any sales charge will depend on the amount withdrawn and the number of contract years that have elapsed since the contract owner or annuitant made the purchase payments deemed to be withdrawn. No sales charge is made against the withdrawal of investment income. A reduced sales charge is imposed in connection with the withdrawal of a purchase payment to effect an annuity if three or more contract years have elapsed since the contract date, unless the annuity effected is an annuity certain. No sales charge is imposed upon death benefit payments or upon transfers made between subaccounts. A deferred sales charge is assesed through the redemption of units.

D. Partial Withdrawal Charge

A charge is imposed by Prudential on partial withdrawals of the cash surrender value for PVAL and PVAL $100,000 + face value. A charge equal to the lesser of $15 or 2% will be made in connection with each partial withdrawal of the cash surrender value of a contract. A charge is assessed through the redemption of units.

E. Annual Maintenance Charge

An annual maintenance charge, applicable to PDISCO+ and VIP, of $30 will be deducted if and only if the contract fund is less than $10,000 on a contract anniversary or at the time a full withdrawal is effected, including a withdrawal to effect an annuity. The charge is made by reducing accumulation units credited to a contract owner’s account.

Note 8: Related Party

Prudential and its affiliates perform various services on behalf of the Partnership in which the Account invests and may receive fees for the services performed. These services include, among other things, shareholder communications, preparation, postage, fund transfer agency and various other record keeping and customer service functions.

Report of Independent Registered Public Accounting Firm

To the Contract Owners of
The Prudential Variable Contract Real Property Account
and the Board of Directors of
The Prudential Insurance Company of America

In our opinion, the accompanying statements of net assets and the related statements of operations and changes in net assets present fairly, in all material respects, the financial position of The Prudential Variable Contract Real Property Account at December 31, 2004 and 2003, and the results of its operations and the changes in its net assets for each of the three years in the period ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the management of The Prudential Insurance Company of America. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
New York, New York
March 18, 2005

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THE PRUDENTIAL VARIABLE CONTRACT REAL PROPERTY PARTNERSHIP FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

	Year Ended December 31,	
	2004	2003
ASSETS		
REAL ESTATE INVESTMENTS — At estimated market value:		
Real estate and improvements (cost: 12/31/2004 — $224,584,885; 12/31/2003 — $223,943,870)	$203,246,069	$201,144,866
Real estate partnerships (cost: 12/31/2004 — $11,286,826; 12/31/2003 — $10,609,273)	12,126,566	8,721,319
Mortgage and other loans receivable (cost: 12/31/2004 — $1,332,060 12/31/2003 — $0)	1,332,060	—
Other real estate investments (cost: 12/31/2004 — $0; 12/31/2003 — $500,000)	—	500,000
Total real estate investments	216,704,695	210,366,185
CASH AND CASH EQUIVALENTS	17,557,182	18,901,814
OTHER ASSETS, NET	6,313,734	6,359,853
Total assets	$240,575,611	$235,627,852
LIABILITIES & PARTNERS' EQUITY		
MORTGAGE LOANS PAYABLE	$ 43,773,767	$ 43,934,494
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	3,096,006	2,998,752
DUE TO AFFILIATES	721,419	1,017,932
OTHER LIABILITIES	622,900	947,110
MINORITY INTEREST	5,638,458	5,086,503
Total liabilities	53,852,550	53,984,791
COMMITMENTS AND CONTINGENCIES		
PARTNERS' EQUITY	186,723,061	181,643,061
Total liabilities and partners' equity	$240,575,611	$235,627,852
NUMBER OF SHARES OUTSTANDING AT END OF PERIOD	7,140,308	7,366,835
SHARE VALUE AT END OF PERIOD	$26.15	$24.66

The accompanying notes are an integral part of these consolidated financial statements.

THE PRUDENTIAL VARIABLE CONTRACT REAL PROPERTY PARTNERSHIP

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2004	2003	2002
INVESTMENT INCOME:			
Revenue from real estate and improvements	$27,810,539	$26,217,891	$26,345,500
Equity in income of real estate partnership	629,190	560,660	276,209
Interest and equity income on mortgage and other loans receivable	138,296	—	—
Income from other real estate investments	246,764	—	—
Interest on short-term investments	251,374	281,943	455,339
Total investment income	29,076,163	27,060,494	27,077,048
INVESTMENT EXPENSES:			
Operating	7,545,335	5,116,001	5,261,674
Investment management fee	2,666,103	2,493,957	2,486,639
Real estate taxes	2,687,018	2,590,600	2,824,719
Administrative	5,243,944	3,496,973	3,345,192
Interest expense	2,910,841	2,557,294	1,989,473
Minority interest	223,316	192,260	305,308
Total investment expenses	21,276,557	16,447,085	16,213,005
NET INVESTMENT INCOME	7,799,606	10,613,409	10,864,043
REALIZED AND UNREALIZED GAIN (LOSS) ON REAL ESTATE INVESTMENTS:			
Net proceeds from real estate investments sold	7,105,000	5,689,488	6,282,075
Less: Cost of real estate investments sold	7,307,410	6,620,263	9,101,381
Realization of prior years' unrealized gain (loss) on real estate investments sold	(1,932,410)	(1,396,836)	(3,212,838)
Net gain (loss) realized on real estate investments sold	1,730,000	466,061	393,532
Change in unrealized gain (loss) on real estate investments	2,457,887	(6,169,630)	(8,739,488)
Less: Minority interest in unrealized gain (loss) on real estate investments	907,493	763,795	171,707
Net unrealized gain (loss) on real estate investments	1,550,394	(6,933,425)	(8,911,195)
NET REALIZED AND UNREALIZED GAIN (LOSS) ON REAL ESTATE INVESTMENTS	3,280,394	(6,467,364)	(8,517,663)
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	$11,080,000	$ 4,146,045	$ 2,346,380

The accompanying notes are an integral part of these consolidated financial statements.

THE PRUDENTIAL VARIABLE CONTRACT REAL PROPERTY PARTNERSHIP

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

	Year Ended December 31,		
	2004	2003	2002
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS:			
Net investment income	$ 7,799,606	$ 10,613,409	$ 10,864,043
Net gain (loss) realized on real estate investments sold	1,730,000	466,061	393,532
Net unrealized gain (loss) from real estate investments	1,550,394	(6,933,425)	(8,911,195)
Increase (decrease) in net assets resulting from operations	11,080,000	4,146,045	2,346,380
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM CAPITAL TRANSACTIONS:			
Withdrawals by partners (2004 — 226,527; 2003 — 278,014; and 2002 — 672,622 shares, respectively)	(6,000,000)	(6,856,490)	(16,143,510)
Increase (decrease) in net assets resulting from capital transactions	(6,000,000)	(6,856,490)	(16,143,510)
INCREASE (DECREASE) IN NET ASSETS	5,080,000	(2,710,445)	(13,797,130)
NET ASSETS — Beginning of period	181,643,061	184,353,506	198,150,636
NET ASSETS — End of period	$186,723,061	$181,643,061	$184,353,506

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2004	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net increase in net assets from operations	$11,080,000	$ 4,146,045	$ 2,346,380
Adjustments to reconcile net increase in net assets to net cash from operating activities			
Net realized and unrealized loss (gain)	(3,280,394)	6,467,364	8,517,663
Amortization of deferred financing costs	(108,232)	(523,586)	(189,826)
Distributions in excess of (less than) equity in income of real estate partnership operations	(209,678)	648,193	(53,459)
Minority interest in consolidated partnerships	223,316	192,260	305,308
Bad debt expense	459,103	185,844	184,242
(Increase) decrease in:			
Dividend receivable	—	—	20,802
Other assets	(304,747)	(502,655)	(2,246,510)
Increase (decrease) in:			
Accounts payable and accrued expenses	97,254	(93,346)	(377,144)
Due to affiliates	(296,513)	110,429	11,369
Other liabilities	(324,210)	35,865	(61,165)
Net cash flows from (used in) operating activities	7,335,899	10,666,413	8,457,660
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net proceeds from real estate investments sold	7,105,000	5,689,488	6,282,075
Acquisition of real estate and improvements	—	(8,008,729)	(2,610,723)
Additions to real estate and improvements	(7,746,015)	(6,963,127)	(2,629,708)
Contributions to real estate partnerships	(467,875)	(1,326,071)	(2,851,395)
Origination of mortgage loan receivable	(1,332,060)	—	—
Collection of other real estate investments	4,975,000	—	—
Origination of other real estate investments	(4,475,000)	(500,000)	—
Net cash flows from (used in) investing activities	(1,940,950)	(11,108,439)	(1,809,751)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Withdrawals	(6,000,000)	(6,856,490)	(16,143,510)
Proceeds from mortgage loans payable	8,750,000	8,750,000	—
Principal payments on mortgage loans payable	(8,910,727)	(514,614)	(696,828)
Contributions from minority interest partners	—	242,354	2,268,461
Distributions to minority interest partners	(578,854)	(868,559)	(100,528)
Net cash flows from (used in) financing activities	(6,739,581)	752,691	(14,672,405)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,344,632)	310,665	(8,024,496)
CASH AND CASH EQUIVALENTS - Beginning of period	18,901,814	18,591,149	26,615,645
CASH AND CASH EQUIVALENTS - End of period	$17,557,182	$18,901,814	$18,591,149

The accompanying notes are an integral part of these consolidated financial statements.

THE PRUDENTIAL VARIABLE CONTRACT REAL PROPERTY PARTNERSHIP

CONSOLIDATED SCHEDULES OF INVESTMENTS

Property Name	Ownership	City, State	Total Rentable Square Feet Unless Otherwise Indicated (Unaudited)	December 31, 2004 Cost	2004 Estimated Market Value	2003 Cost	2003 Estimated Market Value
REAL ESTATE INVESTMENTS							
OFFICES							
750 Warrenville	WO	Lisle, IL	103,193	$23,173,036	$10,098,838	$23,023,835	$12,110,725
Oakbrook Terrace	WO	Oakbrook, IL	123,734	14,833,796	9,698,734	14,619,120	10,097,932
Summit @ Cornell Oaks	WO	Beaverton , OR	72,109	11,934,209	9,644,005	11,890,209	10,000,005
Westpark	WO	Nashville, TN	97,199	10,708,970	11,151,327	10,423,727	9,239,260
Financial Plaza	WO	Brentwood, TN	98,049	12,333,151	10,966,233	9,837,482	6,700,041
		Offices % as of 12/31/04	28%	72,983,162	51,559,137	69,794,373	48,147,963
APARTMENTS							
Brookwood Apartments	WO	Atlanta, GA	240 Units	17,344,994	16,616,914	15,781,263	17,000,000
Dunhill Trace Apartments	WO	Raleigh, NC	250 Units	16,083,715	18,000,660	16,010,326	17,665,000
Riverbend Apartments	CJV	Jacksonville, FL	458 Units	20,015,959	22,600,000	19,946,920	22,400,000
SIMA Apartments	CJV	Gresham/Salem, OR	493 Units	12,004,323	13,900,000	19,281,738	17,975,000
		Apartments % as of 12/31/04	38%	65,448,991	71,117,574	71,020,247	75,040,000
RETAIL							
King's Market	WO	Rosewell, GA	314,358	33,864,392	21,765,286	33,102,401	23,539,665
Hampton Towne Center	WO	Hampton, VA	174,540	18,031,495	21,000,000	18,013,068	20,000,000
White Marlin Mall	CJV	Ocean City, MD	186,016	15,229,878	19,300,000	13,198,649	15,900,000
Kansas City Portfolio	EJV	Kansas City, KS;MO	487,660	11,286,726	12,126,466	10,609,273	8,721,319
		Retail % as of 12/31/04	40%	78,412,491	74,191,752	74,923,391	68,160,984
INDUSTRIAL							
Smith Road	WO	Aurora, CO	277,930	10,692,625	10,204,072	10,806,403	10,508,509
Walsh Higgins	WO	Salt Lake City, UT	182,500	—	—	—	—
		Industrial % as of 12/31/04	5%	10,692,625	10,204,072	10,806,403	10,508,509
HOTEL							
Portland Crown Plaza	CJV	Portland, OR	161 Rooms	8,334,342	8,300,000	8,008,729	8,008,729
		Hotel % as of 12/31/04	4%	8,334,342	8,300,000	8,008,729	8,008,729
LAND							
Gateway Village	EJV	Blue Springs, MO		100	100	—	—
		Land % as of 12/31/04	0%	100	100	—	—
MORTGAGE AND OTHER LOANS RECEIVABLE							
Westminster West	Eloan	Westminster, MD		1,332,060	1,332,060	—	—
		Mortgage and Other Loans Receivable% as of 12/31/04	1%	1,332,060	1,332,060	—	—
OTHER REAL ESTATE INVESTMENTS							
Englar Lowes Loan	NR	Westminster, MD	—	—		500,000	500,000
		Other Real Estate Investments% as of 12/31/04	0%	—	—	500,000	500,000
Total Real Estate Investments as a Percentage of Net Assets as of 12/31/04			116%	237,203,771	216,704,695	235,053,143	210,366,185

WO — Wholly Owned Investment
CJV — Consolidated Joint Venture
EJV — Joint Venture Investment accounted for under the equity method
NR — Note Receivable
Eloan — Mezzanine loan accounted for under the equity method

THE PRUDENTIAL VARIABLE CONTRACT REAL PROPERTY PARTNERSHIP

CONSOLIDATED SCHEDULE OF INVESTMENTS

		December 31, 2004		December 31, 2003	
	Face Amount	Cost	Estimated Market Value	Cost	Estimated Market Value
CASH AND CASH EQUIVALENTS — Percentage of Net Assets			9.4%		10.4%
Federal National Mortgage Assoc., 1.06%, February 4, 2004	$5,974,000	$ —	$ —	$ 5,967,907	$ 5,967,907
Federal Home Loan Mortgage Corp., 0.88%, January 2, 2004	12,331,000	—	—	12,330,520	12,330,520
Federal Home Loan Bank, 6.450%, January 3, 2005	19,457,000	19,455,135	19,455,135	—	—
Total Cash Equivalents		19,455,135	19,455,135	18,298,427	18,298,427
Cash		(1,897,953)	(1,897,953)	603,387	603,387
Total Cash and Cash Equivalents		$17,557,182	$17,557,182	$18,901,814	$18,901,814

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE PRUDENTIAL VARIABLE CONTRACT REAL PROPERTY PARTNERSHIP

For Years Ended December 31, 2004, 2003, and 2002

Note 1: Organization

On April 29, 1988, The Prudential Variable Contract Real Property Partnership (the "Partnership"), a general partnership organized under New Jersey law, was formed through an agreement among The Prudential Insurance Company of America ("Prudential"), Pruco Life Insurance Company ("Pruco Life"), and Pruco Life Insurance Company of New Jersey ("Pruco Life of New Jersey"). The Partnership was established as a means by which assets allocated to the real estate investment option under certain variable life insurance and variable annuity contracts issued by the respective companies could be invested in a commingled pool. The partners in the Partnership are Prudential, Pruco Life and Pruco Life of New Jersey.

The Partnership's policy is to invest at least 65% of its assets in direct ownership interests in income-producing real estate and participating mortgage loans.

The estimated market value of the Partnership's shares is determined daily, consistent with the Partnership Agreement. On each day during which the New York Stock Exchange is open for business, the net asset value of the Partnership is estimated using the estimated market value of its assets, principally as described in Notes 2A, 2B and 2C below, reduced by any liabilities of the Partnership. The periodic adjustments to property values described in Notes 2A, 2B and 2C below and other adjustments to previous estimates are made on a prospective basis. There can be no assurance that all such adjustments to estimates will be made timely.

Shares of the Partnership are held by The Prudential Variable Contract Real Property Account, Pruco Life Variable Contract Real Property Account and Pruco Life of New Jersey Variable Contract Real Property Account (the "Real Property Accounts") and may be purchased and sold at the then current share value of the Partnership's net assets. Share value is calculated by dividing the estimated market value of net assets of the Partnership as determined above by the number of shares outstanding. A contract owner participates in the Partnership through interests in the Real Property Accounts.

Prudential Real Estate Investors ("PREI") is the real estate advisory unit of Prudential Investment Management, Inc. ("PIM"), which is an indirectly owned subsidiary of Prudential Financial Inc. ("PFI"). PREI provides investment advisory services to the Partnership's partners pursuant to the terms of the Advisory Agreement as described in Note 9.

Note 2: Summary of Significant Accounting Policies

A: *Basis of Presentation*—The accompanying consolidated financial statements of the Partnership have been presented on the market value basis of accounting in conformity with accounting principles generally accepted in the United States of America. It is the Partnership's policy to consolidate those real estate partnerships in which it has a controlling interest. All significant intercompany balances and transactions have been eliminated in consolidation.

B: *Management's Use of Estimates in the Financial Statements*—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

C: *Real Estate Investments*—Real estate investments are shown at estimated market value in accordance with the terms of the Partnership's contracts. Properties owned are initially recorded at the purchase price plus closing costs. Development costs and major renovations are capitalized as a component of cost, and routine maintenance and repairs are charged to expense as incurred. Real estate costs include the cost of acquired property, including all the tangible and intangible assets. Tangible assets include the value of all land, building and tenant improvements at the time of acquisition. Intangible assets include the value of any above and below market leases, in-place leases, and tenant relationships at the time of acquisition. Market value estimates are based upon property appraisal reports prepared by independent real estate appraisers (members of the Appraisal Institute or an equivalent organization) within a reasonable amount of time following acquisition of the real estate and no less frequently than annually thereafter. The Chief Real Estate Appraiser of PIM is responsible to assure that the valuation process provides independent and reasonable property market value estimates. American Appraisal Associates (the "Appraisal Management Firm"), an entity not affiliated with PIM, has been appointed by PIM to assist the Chief Real Estate Appraiser in maintaining and monitoring the independence and the accuracy of the appraisal process. The market value of real estate investments does not reflect the transaction sale costs, which may be incurred upon disposition of the real estate investments.

Unconsolidated real estate partnerships are valued at the Partnership's equity in net assets as reflected in the partnerships' financial statements with properties valued as described above. Under the equity method, the investment is initially recorded at the original investment amount, plus additional amounts invested, and is subsequently adjusted for the Partnership's share of undistributed earnings or losses (including unrealized appreciation and depreciation) from the underlying entity.

As described above, the estimated market value of real estate and real estate related assets is determined through an appraisal process. These estimated market values may vary significantly from the prices at which the real estate investments would sell, since market prices of real estate investments can only be determined by negotiation between a willing buyer and seller. Although the estimated market values represent subjective estimates, management believes these estimated market values are reasonable approximations of market prices and the aggregate estimated value of investments in real estate is fairly presented as of December 31, 2004.

D: *Other Real Estate Investments*—Other real estate investments include notes receivable, which are valued at the amount due and approximate market value.

E: *Cash and Cash Equivalents*—Cash and cash equivalent are comprised of all short-term investments and investments in money market funds with a maximum maturity of three months. Cash equivalents consist of investments in the Prudential Investment Liquidity Pool offered and managed by an affiliate of PFI and are accounted for at market value.

F: *Marketable Securities*—Marketable securities are highly liquid investments with maturities of more than three months when purchased and are carried at estimated market value.

G: *Other Assets*—Cash of $212,989 and $216,883 was maintained by the wholly owned and consolidated properties at December 31, 2004 and 2003, respectively, for tenant security deposits and is included in Other Assets on the Consolidated Statements of Assets and Liabilities. Other assets also includes tenant receivable and is net of allowance for uncollectible accounts of $46,690 and $76,800 at December 31, 2004 and 2003, respectively.

H: *Mortgage Loans Payable*—Mortgage loans payable are stated at the principal amount of the obligation outstanding. At times the Partnership may assume debt in connection with the purchase of real estate. For debt assumed, the Partnership allocates a portion of the purchase price to the below/above market debt and amortizes the premium/discount over the remaining life of the debt.

I: *Deferred Financing Costs*—Included in Other Assets are deferred financing costs amounting to $391,666 and $313,425, which are net of accumulated amortization of $878,316 and $713,990 as of December 31, 2004 and 2003, respectively, and which are being amortized over the term of the related obligation.

J: *Revenue Recognition*—Revenue from real estate is recognized when earned in accordance with the terms of the respective leases. Revenue from certain real estate investments is net of all or a portion of related real estate expenses, as lease arrangements vary as to responsibility for payment of these expenses between tenants and the Partnership. Since real estate is stated at estimated market value, net income is not reduced by depreciation or amortization expense.

K: *Equity in Income of Real Estate Partnership*—Equity in income from real estate partnership operations represents the Partnership's share of the current year's partnership income as provided for under the terms of the partnership agreements. As is the case with wholly-owned real estate, partnership net income is not reduced by depreciation or amortization expense. Frequency of distribution of income is determined by formal agreements or by the executive committee of the partnership.

L: *Federal Income Taxes*—The Partnership is not a taxable entity under the provisions of the Internal Revenue Code. The income and capital gains and losses of the Partnership are attributed, for federal income tax purposes, to the Partners in the Partnership. The Partnership may be subject to state and local taxes in jurisdictions in which it operates.

M: *New Accounting Pronouncements*—FASB Interpretation No. 46, "Consolidation of Variable Interest Entities", ("FIN 46") was issued in January 2003. In December 2003, FASB issued a revised interpretation of FIN 46 ("FIN 46-R"), which supersedes FIN 46. FIN 46-R defers the effective date for applying the provisions of FIN-46 for those companies currently accounting for their investments in accordance with the AICPA Audit and Accounting Guide, "Audits of Investment Companies" (the "Audit Guide"). The effective date is delayed while the AICPA finalizes the proposed Statement of Position ("SOP") on the clarification of the scope of the Audit Guide. Following the issuance of the final SOP, the FASB will consider modifying FIN 46-R to provide an exception for companies that apply the Audit Guide. The Partnership is awaiting the final determination from the FASB in order to evaluate the extent in which, if any, its equity investments may need to be consolidated as a result of this FIN 46-R.

Note 3: Disclosure of Supplemental Cash Flow Information and Non-Cash Investing and Financing Activity

Cash paid for interest during the years ended December 31, 2004, 2003, and 2002 was $2,595,651, $2,462,387, and $1,989,473, respectively.

During the fourth quarter 2002, in conjunction with the acquisition of a real estate investment, the Partnership assumed mortgage loan financing of $7.4 million.

Note 4: Real Estate Partnership

Real estate partnership is valued at the Partnership's equity in net assets as reflected by the partnership's financial statements with properties valued as indicated in Note 2C above. The partnership's combined financial position at December 31, 2004 and 2003, and results of operations for the years ended December 31, 2004, 2003, and 2002 are summarized as follows (in 000's):

	December 31, 2004	December 31, 2003
Partnership Assets and Liabilities		
Real estate at estimated market value	$34,200	$29,450
Other assets	1,217	1,536
Total assets	35,417	30,986
Mortgage loans payable	18,564	18,834
Other liabilities	370	321
Total liabilities	18,934	19,155
Net Assets	$16,483	$11,831
Partnership's Share of Net Assets	$12,127	$ 8,721

	Year Ended December 31, 2004	2003	2002
Partnership Operations			
Rental revenue	$ 3,125	$ 3,114	$ 3,017
Other revenue	1,710	1,360	1,153
Total revenue	4,835	4,474	4,170
Real estate expenses and taxes	2,481	2,196	2,065
Interest expense	1,500	1,555	1,652
Total expenses	3,981	3,751	3,717
Net Investment Income	$ 854	$ 723	$ 453
Partnership's equity in income of real estate partnerships	$ 629	$ 561	$ 276

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE PRUDENTIAL VARIABLE CONTRACT REAL PROPERTY PARTNERSHIP

For Years Ended December 31, 2004, 2003, and 2002

Note 5: Mortgage Loans Payable:

Debt includes mortgage loans payable as summarized below (in 000's):

	as of 12/31/04		as of 12/31/03	As of 12/31/04		
	100% Principal Balance Outstanding	Partnership's Share of Principal Balance Outstanding*	100% Principal Balance Outstanding	Interest Rate**	Maturity Date	Terms***
Mortgages of Wholly Owned Properties & Consolidated Partnerships						
Jacksonville, FL	$10,000	$ 8,933	$ 10,000	4.34%	2008	PP, I
Hampton, VA	9,075	9,075	9,451	6.75%	2018	PP, P&I
Ocean City, MD	7,199	4,655	7,299	7.24%	2008	PP, P&I
Raleigh, NC	8,750	8,750	8,750	3.09%	2008	PP, I
Atlanta, GA	8,750	8,750	—	4.90%	2009	PP, P&I
Gresham/Salem, OR	—	—	8,434	—	Paid off in 2004	
Total	$43,774	$40,163	$43,934			
Mortgages on Equity Partnerships						
Kansas City, MO - Ten Quivira	$ 6,680	$ 4,914	$ 6,776	8.16%	2007	PP, P&I
Kansas City, MO- Ten Quivira Parcel	961	707	975	8.16%	2007	PP, P&I
Kansas City, MO - Cherokee Hill	3,083	2,268	3,129	7.79%	2007	PP, P&I
Kansas City, KS - Devonshire	2,140	1,575	2,172	8.16%	2007	PP, P&I
Kansas City, MO - Brywood Center	5,700	4,193	5,782	8.16%	2007	PP, P&I
Total	$18,564	$13,657	$18,834			
Total Mortgage Loans Payable	**$62,338**	**$53,820**	**$62,768**	**5.84%**		

* Represents the Partnership's interest in the loan based upon the estimated percentage of net assets which would be distributed to the Partnership if the partnership were liquidated at December 31, 2004. It does not represent the Partnership's legal obligation.

** The Partnership's weighted average interest rate at December 31, 2004 and 2003 were 5.84% and 6.33%, respectively. The weighted average interest rates were calculated using the Partnership's annualized interest expense for each loan (derived using the same percentage as that in (*) above) divided by the Partnership's share of total debt.

*** Loan Terms PP=Prepayment penalties applicable to loan, I=Interest only, P&I=Principal and Interest

Note 5: Mortgage Loans Payable: (continued)

As of December 31, 2004, mortgage loans payable on wholly owned properties and consolidated partnerships are payable as follows:

Year Ending December 31,	(000's)
2005	$ 512
2006	549
2007	588
2008	26,090
2009	8,745
Thereafter	7,290
Total	$43,774

The mortgage loans payable of wholly owned properties and consolidated partnerships are secured by real estate investments with an estimated market value of $97,517,574.

As of December 31, 2004, principal amounts of mortgage loans payable on the equity partnership are payable as follows:

Year Ending December 31,	100% Loan Balance (000's)	Partnership's Share (000's)
2005	$ 291	$ 214
2006	315	232
2007	17,958	13,211
Total	$18,564	$13,657

Based on borrowing rates available to the Partnership at December 31, 2004 for loans with similar terms and average maturities, the Partnership's mortgages on wholly owned properties and consolidated partnerships have an estimated fair value of approximately $44.8 million, which is net of deferred financing costs of $350,577 and a carrying value of $43.7 million. The Partnership's share of equity partnership debt has an estimated fair value of approximately $20.0 million and a carrying value of $18.6 million. Different assumptions or changes in future market conditions could significantly affect estimated fair value.

Note 6: Concentration of Risk on Real Estate Investments

At December 31, 2004, the Partnership had real estate investments located throughout the United States. The diversification of the Partnership's holdings based on the estimated market values and established NCREIF regions is as follows:

Region	Estimated Market Value (000's)	Region %
East North Central	$ 19,798	9%
Mideast	59,633	28%
Mountain	10,204	5%
Pacific	31,844	15%
Southeast	83,100	37%
West North Central	12,126	6%
Total	$216,705	100%

The above allocations are based on (1) 100% of the estimated market value of wholly-owned properties and consolidated joint ventures, and (2) the estimated market value of the Partnership's net equity in non-consolidated ventures.

Note 7: Purchase Commitment Obligations

Purchase Commitments:

Purchase commitments includes forward commitments without conditions waived, commitments to purchase real estate and/or fund additional expenditures on previously acquired properties and loan take out agreements. Certain purchases of real estate are contingent on a developer building the real estate according to plans and specifications outlined in the pre-sale agreement or the property achieving a certain level of leasing. It is anticipated that funding will be provided by operating cash flow, real estate investment sales, and deposits from the Partnership.

As of December 31, 2004, the Partnership had the following outstanding purchase commitments:

Property Type	Commitments (000's)
Other	1,600
Total	$1,600

Note 8: Leasing Activity

The Partnership leases space to tenants under various operating lease agreements. These agreements, without giving effect to renewal options, have expiration dates ranging from 2005 to 2050. At December 31, 2004, the aggregate future minimum base rental payments under non-cancelable operating leases for wholly owned and consolidated joint venture properties by year are as follows:

Year Ending December 31,	(000's)
2005	$11,978
2006	11,392
2007	10,464
2008	9,346
2009	6,672
Thereafter	18,900
Total	$68,752

Note 9: Commitments and Contingencies

In 1986, Prudential committed to fund up to $100 million to enable the Partnership to acquire real estate investments. Contributions to the Partnership under this commitment have been utilized for property acquisitions, and were to be returned to Prudential on an ongoing basis from contract owners' net contributions and other available cash. The amount of the commitment has been reduced by $10 million for every $100 million in current value net assets of the Partnership. As of December 31, 2004, the cost basis of Prudential's equity interest in the Partnership under this commitment (held through the Real Property Accounts) was $44 million. Prudential terminated this commitment on December 31, 2002.

The Partnership is subject to various legal proceedings and claims arising in the ordinary course of business. These matters are generally covered by insurance. In the opinion of Prudential's management, the outcome of such matters will not have a significant effect on the financial position of the Partnership.

Note 10: Other Related Party Transactions

Pursuant to an investment management agreement, PIM charges the Partnership a daily investment management fee at an annual rate of 1.25% of the average daily gross asset valuation of the Partnership. For the years ended December 31, 2004, 2003 and 2002 management fees incurred by the Partnership were $2.7 million, $2.5 million, and $2.5 million for each of the three years, respectively.

The Partnership also reimburses PIM for certain administrative services rendered by PIM. The amounts incurred for the years ended December 31, 2004, 2003 and 2002 were $141,130; $132,380; and $132,380, respectively, and are classified as administrative expenses in the Consolidated Statements of Operations.

During the years ended December 31, 2004, 2003 and 2002, the Partnership made the following distributions to the Partners:

Year Ending December 31,	**(000's)**
2004	$ 6,000
2003	$ 6,856
2002	$16,143

Note 11: Financial Highlights

	For the Year Ended December 31,				
	2004	**2003**	**2002**	**2001**	**2000**
PER SHARE (UNIT) OPERATING PERFORMANCE:					
Net Asset Value, beginning of period	$24.66	$24.11	$23.82	$22.74	$20.86
INCOME FROM INVESTMENT OPERATIONS:					
Investment income, before management fee	1.44	1.71	1.63	1.66	1.67
Management fee	(0.36)	(0.33)	(0.30)	(0.30)	(0.26)
Net realized and unrealized gain (loss) on investments	0.41	(0.83)	(1.04)	(0.28)	0.47
Net Increase in Net Assets Resulting from Operations	1.49	0.55	0.29	1.08	1.88
NET ASSET VALUE, END OF PERIOD	$26.15	$24.66	$24.11	$23.82	$22.74
TOTAL RETURN, BEFORE MANAGEMENT FEE (a):	7.61%	3.63%	2.52%	6.14%	10.40%
RATIOS/SUPPLEMENTAL DATA:					
Net Assets, end of period (in millions)	$187	$182	$184	$198	$206
Ratios to average net assets (b):					
Total portfolio level expenses	1.43%	1.35%	1.28%	1.27%	1.28%
Net investment income	5.76%	7.12%	6.85%	7.11%	7.76%

(a) Total Return, before management fee is calculated by geometrically linking quarterly returns which are calculated using the formula below:

$$\frac{\text{Net Investment Income + Net Realized and Unrealized Gains/(Losses)}}{\text{Beg. Net Asset Value + Time Weighted Contributions – Time Weighted Distributions}}$$

(b) Average net assets are based on beginning of quarter net assets.

Note 12: Subsequent Events

On March 10, 2005, one additional apartment asset located in Salem, Oregon sold for $4.65 million, resulting in a realized loss of approximately $1.6 million for the property.

Report of Independent Registered Public Accounting Firm

To the Partners of The Prudential
Variable Contract Real Property Partnership

In our opinion, the accompanying consolidated statements of assets and liabilities, including the consolidated schedule of investments, and the related consolidated statements of operations, of changes in net assets and of cash flows present fairly, in all material respects, the financial position of The Prudential Variable Contract Real Property Partnership at December 31, 2004 and 2003, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2004 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the management of The Prudential Insurance Company of America. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
New York, New York

March 16, 2005

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- Others give us (such as medical information for life insurance applications, credit worthiness information from credit reports, employee identifying information for group products, such as Social Security number).
- From visits to our websites (such as data from web forms, site visit data, and data from web "cookies").

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