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FORM 497

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FILER

MERRILL LYNCH BASIC VALUE FUND INC

CIK: **216557** | State of Incorpor.: **NJ** | Fiscal Year End: **0630**
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PROSPECTUS
OCTOBER 21, 1994

MERRILL LYNCH BASIC VALUE FUND, INC.
P.O. BOX 9011, PRINCETON, NEW JERSEY 08543-9011 - PHONE NO. (609) 282-2800

Merrill Lynch Basic Value Fund, Inc. (the "Fund") is a diversified, open-end investment company seeking capital appreciation and, secondarily, income by investing in securities, primarily equities, that management of the Fund believes are undervalued and therefore represent basic investment value. The Fund seeks special opportunities in securities that are selling at a discount either from book value or historical price-earnings ratios, or seem capable of recovering from temporarily out of favor considerations. Particular emphasis is placed on securities which provide an above-average dividend return and sell at a below-average price-earnings ratio.

Pursuant to the Merrill Lynch Select Pricing(SM) System, the Fund offers four classes of shares, each with a different combination of sales charges, ongoing fees and other features. The Merrill Lynch Select Pricing System permits an investor to choose the method of purchasing shares that the investor believes is most beneficial given the amount of the purchase, the length of time the investor expects to hold the shares and other relevant circumstances. See "Merrill Lynch Select Pricing(SM) System" on page 3.

Shares may be purchased directly from Merrill Lynch Funds Distributor, Inc. (the "Distributor"), P.O. Box 9011, Princeton, New Jersey 08543-9011 [(609) 282-2800], or from securities dealers which have entered into dealer agreements with the Distributor, including Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch"). The minimum initial purchase is \$1,000 and the minimum subsequent purchase is \$50, except that for retirement plans the minimum initial purchase is \$100 and the minimum subsequent purchase is \$1. Merrill Lynch may charge its customers a processing fee (presently \$4.85) for confirming purchases and repurchases. Purchases and redemptions directly through the Fund's transfer agent are not subject to the processing fee. See "Purchase of Shares" and "Redemption of Shares".

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

This Prospectus is a concise statement of information about the Fund that is relevant to making an investment in the Fund. This Prospectus should be retained for future reference. A statement containing additional information about the Fund, dated October 21, 1994 (the "Statement of Additional Information"), has been filed with the Securities and Exchange Commission and can be obtained, without charge, by calling or by writing the Fund at the above telephone number or address. The Statement of Additional Information is hereby incorporated by reference into this Prospectus.

FUND ASSET MANAGEMENT -- INVESTMENT ADVISER
MERRILL LYNCH FUNDS DISTRIBUTOR, INC. -- DISTRIBUTOR

FEE TABLE

A general comparison of the sales arrangements and other nonrecurring and recurring expenses applicable to shares of the Fund follows:

<TABLE> <CAPTION>	CLASS A (A)	CLASS B (B)	CLASS C (C)	CLASS D (C)
<S>	<C>	<C>	<C>	<C>
SHAREHOLDER TRANSACTION EXPENSES:				
Maximum Sales Charge Imposed on Purchases (as a percentage of offering price).....	5.25%(d)	None	None	5.25%(d)
Sales Charge Imposed on Dividend Reinvestments.....	None	None	None	None
Deferred Sales Charge (as a percentage of original purchase price or redemption proceeds, whichever is lower).....	None(e)	4.0% during the first year, decreasing 1.0% annually thereafter to 0.0% after the fourth year	1.0% for one year	None(e)
Exchange Fee.....	None	None	None	None
ANNUAL FUND OPERATING EXPENSES (AS A PERCENTAGE OF AVERAGE				

NET ASSETS) (F)				
Investment Advisory Fees (g)	0.41%	0.41%	0.41%	0.41%
12b-1 Fees (h) :				
Account Maintenance Fees.....	None	0.25%	0.25%	0.25%
Distribution Fees.....	None	0.75%	0.75%	None
		(Class B shares convert to Class D shares automatically after approximately eight years and cease being subject to distribution fees)		
Other Expenses:				
Custodial Fees.....	0.01%	0.01%	0.01%	0.01%
Shareholder Servicing Costs(i).....	0.09%	0.11%	0.11%	0.09%
Other.....	0.02%	0.02%	0.02%	0.02%
Total Other Expenses.....	0.12%	0.14%	0.14%	0.12%
Total Fund Operating Expenses.....	0.53%	1.55%	1.55%	0.78%

</TABLE>

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- (a) Class A shares are sold to a limited group of investors including existing Class A shareholders, certain retirement plans and investment programs. See "Purchase of Shares -- Initial Sales Charge Alternatives -- Class A and Class D Shares" -- page 16.
 - (b) Class B shares convert to Class D shares automatically approximately eight years after initial purchase. See "Purchase of Shares -- Deferred Sales Charge Alternatives -- Class B and Class C Shares" -- page 17.
 - (c) Prior to the date of this Prospectus, the Fund has not offered its Class C or Class D shares to the public.
 - (d) Reduced for purchases of \$25,000 and over. Class A or Class D purchases of \$1,000,000 or more may not be subject to an initial sales charge. See "Purchase of Shares -- Initial Sales Charge Alternatives -- Class A and Class D Shares" -- page 16.
 - (e) Class A and Class D shares are not subject to a contingent deferred sales charge ("CDSC"), except that purchases of \$1,000,000 or more which may not be subject to an initial sales charge will instead be subject to a CDSC of 1.0% of amounts redeemed within the first year after purchase.
 - (f) Information for Class A and Class B shares is stated for the fiscal year ended June 30, 1994. Information under "Other Expenses" for Class C and Class D shares is estimated for the fiscal year ending June 30, 1995.
 - (g) See "Management of the Fund -- Management and Advisory Arrangements" -- page 12.
 - (h) See "Purchase of Shares -- Distribution Plans" page 21.
 - (i) See "Management of the Fund -- Transfer Agency Services" -- page 13.

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EXAMPLE:

<TABLE>
<CAPTION>

	CUMULATIVE EXPENSES PAID FOR THE PERIOD OF:			
	1 YEAR	3 YEARS	5 YEARS	10 YEARS
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
An investor would pay the following expenses on a \$1,000 investment including the maximum \$52.50 initial sales charge (Class A and Class D shares only) and assuming (1) the Total Fund Operating Expenses for each class set forth above; (2) a 5% annual return throughout the periods and (3) redemption at the end of the period:				
Class A.....	\$ 58	\$ 67	\$ 81	\$ 116
Class B.....	\$ 56	\$ 69	\$ 84	\$ 164*
Class C.....	\$ 26	\$ 49	\$ 84	\$ 185
Class D.....	\$ 60	\$ 76	\$ 94	\$ 144
An investor would pay the following expenses on the same \$1,000 investment assuming no redemption at the end of the period:				
Class A.....	\$ 58	\$ 69	\$ 81	\$ 116
Class B.....	\$ 16	\$ 49	\$ 84	\$ 164*
Class C.....	\$ 16	\$ 49	\$ 84	\$ 185
Class D.....	\$ 60	\$ 76	\$ 94	\$ 144

</TABLE>

* Assumes conversion to Class D shares approximately eight years after purchase.

The foregoing Fee Table is intended to assist investors in understanding the costs and expenses that a shareholder in the Fund will bear directly or indirectly. The Example set forth above assumes reinvestment of all dividends

and distributions and utilizes a 5% annual rate of return as mandated by Securities and Exchange Commission ("Commission") regulations. THE EXAMPLE SHOULD NOT BE CONSIDERED A REPRESENTATION OF PAST OR FUTURE EXPENSES OR ANNUAL RATES OF RETURN, AND ACTUAL EXPENSES OR ANNUAL RATES OF RETURN MAY BE MORE OR LESS THAN THOSE ASSUMED FOR PURPOSES OF THE EXAMPLE. Class B and Class C shareholders who hold their shares for an extended period of time may pay more in Rule 12b-1 distribution fees than the economic equivalent of the maximum front-end sales charges permitted under the Rules of Fair Practice of the National Association of Securities Dealers, Inc. ("NASD"). Merrill Lynch may charge its customers a processing fee (presently \$4.85) for confirming purchases and redemptions. Purchases and redemptions directly through the Fund's transfer agent are not subject to the processing fee. See "Purchase of Shares" and "Redemption of Shares".

MERRILL LYNCH SELECT PRICING(SM) SYSTEM

The Fund offers four classes of shares under the Merrill Lynch Select Pricing(SM) System. The shares of each class may be purchased at a price equal to the next determined net asset value per share subject to the sales charges and ongoing fee arrangements described below. Shares of Class A and Class D are sold to investors choosing the initial sales charge alternatives, and shares of Class B and Class C are sold to investors choosing the deferred sales charge alternatives. The Merrill Lynch Select Pricing System is used by more than 50 mutual funds advised by Merrill Lynch Asset Management, L.P. ("MLAM") or Fund Asset Management, L.P. ("FAM" or the "Investment Adviser"), an affiliate of MLAM. Funds advised by MLAM or FAM are referred to herein as "MLAM-advised mutual funds".

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Each Class A, Class B, Class C or Class D share of the Fund represents an identical interest in the investment portfolio of the Fund and has the same rights, except that Class B, Class C and Class D shares bear the expenses of the ongoing account maintenance fees and Class B and Class C shares bear the expenses of the ongoing distribution fees and the additional incremental transfer agency costs resulting from the deferred sales charge arrangements. The deferred sales charges and account maintenance fees that are imposed on Class B and Class C shares, as well as the account maintenance fees that are imposed on the Class D shares, will be imposed directly against those classes and not against all assets of the Fund and, accordingly, such charges will not affect the net asset value of any other class or have any impact on investors choosing another sales charge option. Dividends paid by the Fund for each class of shares will be calculated in the same manner at the same time and will differ only to the extent that account maintenance and distribution fees and any incremental transfer agency costs relating to a particular class are borne exclusively by that class. Each class has different exchange privileges. See "Shareholder Services -- Exchange Privilege".

Investors should understand that the purpose and function of the initial sales charges with respect to the Class A and Class D shares are the same as those of the deferred sales charges with respect to the Class B and Class C shares in that the sales charges applicable to each class provide for the financing of the distribution of the shares of the Fund. The distribution-related revenues paid with respect to a class will not be used to finance the distribution expenditures of another class. Sales personnel may receive different compensation for selling different classes of shares.

The following table sets forth a summary of the distribution arrangements for each class of shares under the Merrill Lynch Select Pricing System, followed by a more detailed description of each class and a discussion of the factors that investors should consider in determining the method of purchasing shares under the Merrill Lynch Select Pricing System that the investor believes is most beneficial under his particular circumstances. More detailed information as to each class of shares is set forth under "Purchase of Shares".

<TABLE>

<CAPTION>

<S>	<C>	<C> ACCOUNT MAINTENANCE FEE	<C> DISTRIBUTION FEE	<C> CONVERSION FEATURE
CLASS	SALES CHARGE(1)			
A	Maximum 5.25% initial sales charge(2) (3)	No	No	No
B	CDSC for a period of 4 years, at a rate of 4.0% during the first year, decreasing 1.0% annually to 0.0%	0.25%	0.75%	B shares convert to D Shares automatically after approximately eight years(4)
C	1.0% CDSC for one year	0.25%	0.75%	No

D	Maximum 5.25% initial sales charge (3)	0.25%	No	No
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</TABLE>

- (1) Initial sales charges are imposed at the time of purchase as a percentage of the offering price. Contingent deferred sales charges ("CDSCs") are imposed if the redemption occurs within the applicable CDSC time period. The charge will be assessed on an amount equal to the lesser of the proceeds of redemption or the cost of the shares being redeemed.

(continued on next page)

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- (2) Offered only to eligible investors. See "Purchase of Shares -- Initial Sales Charge Alternatives -- Class A and Class D Shares -- Eligible Class A Investors".
- (3) Reduced for purchases of \$25,000 or more. Class A and Class D share purchases of \$1,000,000 or more may not be subject to an initial sales charge but instead will be subject to a 1.0% CDSC for one year. See "Class A" and "Class D" below.
- (4) The conversion period for dividend reinvestment shares and certain retirement plans is modified. Also, Class B shares of certain other MLAM-advised mutual funds into which exchanges may be made have a ten year conversion period. If Class B shares of the Fund are exchanged for Class B shares of another MLAM-advised mutual fund, the conversion period applicable to the Class B shares acquired in the exchange will apply, and the holding period for the shares exchanged will be tacked on to the holding period for the shares acquired.

Class A. Class A shares incur an initial sales charge when they are purchased and bear no ongoing distribution or account maintenance fees. Class A shares are offered to a limited group of investors and also will be issued upon reinvestment of dividends on outstanding Class A shares. Investors that currently own Class A shares in a shareholder account are entitled to purchase additional Class A shares in that account. Other eligible investors include certain retirement plans and participants in certain investment programs. In addition, Class A shares will be offered to directors and employees of Merrill Lynch & Co., Inc. and its subsidiaries (the term "subsidiaries", when used herein with respect to Merrill Lynch & Co., Inc., includes MLAM, FAM and certain other entities directly or indirectly wholly-owned and controlled by Merrill Lynch & Co., Inc.) and to members of the Boards of MLAM-advised mutual funds. The maximum initial sales charge is 5.25%, which is reduced for purchases of \$25,000 and over. Purchases of \$1,000,000 or more may not be subject to an initial sales charge but if the initial sales charge is waived such purchases will be subject to a contingent deferred sales charge ("CDSC") of 1.0% if the shares are redeemed within one year after purchase. Sales charges also are reduced under a right of accumulation which takes into account the investor's holdings of all classes of all MLAM-advised mutual funds. See "Purchase of Shares -- Initial Sales Charge Alternatives -- Class A and Class D Shares".

Class B. Class B shares do not incur a sales charge when they are purchased, but they are subject to an ongoing account maintenance fee of 0.25% and an ongoing distribution fee of 0.75%, of the Fund's average net assets attributable to the Class B shares, and a CDSC if they are redeemed within four years of purchase. Approximately eight years after issuance, Class B shares will convert automatically into Class D shares of the Fund, which are subject to an account maintenance fee but no distribution fee; Class B shares of certain other MLAM-advised mutual funds into which exchanges may be made convert into Class D shares automatically after approximately ten years. If Class B shares of the Fund are exchanged for Class B shares of another MLAM-advised mutual fund, the conversion period applicable to the Class B shares acquired in the exchange will apply, and the holding period for the shares exchanged will be tacked on to the holding period for the shares acquired. Automatic conversion of Class B shares into Class D shares will occur at least once each month on the basis of the relative net asset values of the shares of the two classes on the conversion date, without the imposition of any sales load, fee or other charge. Conversion of Class B shares to Class D shares will not be deemed a purchase or sale of the shares for Federal income tax purposes. Shares purchased through reinvestment of dividends on Class B shares also will convert automatically to Class D shares. The conversion period for dividend reinvestment shares and

for certain retirement plans is modified as described under "Purchase of Shares -- Deferred Sales Charge Alternatives -- Class B and Class C Shares -- Conversion of Class B Shares to Class D Shares".

Class C. Class C shares do not incur a sales charge when they are purchased, but they are subject to an ongoing account maintenance fee of 0.25% and an ongoing distribution fee of 0.75% of the Fund's average net assets attributable to Class C shares. Class C shares are also subject to a CDSC if they are redeemed within one year of purchase. Although Class C shares are subject to a 1.0% CDSC for only one year (as compared to four years for Class B), Class C shares have no conversion feature and, accordingly, an investor that purchases Class C shares will be subject to distribution fees that will be imposed on Class C shares for an indefinite period subject to annual approval by the Fund's Board of Directors and regulatory limitations.

Class D. Class D shares incur an initial sales charge when they are purchased and are subject to an ongoing account maintenance fee of 0.25% of the Fund's average net assets attributable to Class D shares. Class D shares are not subject to an ongoing distribution fee or any CDSC when they are redeemed. Purchases of \$1,000,000 or more may not be subject to an initial sales charge but if the initial sales charge is waived such purchases will be subject to a CDSC of 1.0% if the shares are redeemed within one year after purchase. The schedule of initial sales charges and reductions for Class D shares is the same as the schedule for Class A shares. Class D shares also will be issued upon conversion of Class B shares as described above under "Class B". See "Purchase of Shares -- Initial Sales Charge Alternatives -- Class A and Class D Shares".

The following is a discussion of the factors that investors should consider in determining the method of purchasing shares under the Merrill Lynch Select Pricing System that the investor believes is most beneficial under his particular circumstances.

Initial Sales Charge Alternatives. Investors who prefer an initial sales charge alternative may elect to purchase Class D shares or, if an eligible investor, Class A shares. Investors choosing the initial sales charge alternative who are eligible to purchase Class A shares should purchase Class A shares rather than Class D shares because of the account maintenance fee imposed on Class D shares. Investors qualifying for significantly reduced initial sales charges may find the initial sales charge alternative particularly attractive because similar sales charge reductions are not available with respect to the deferred sales charges imposed in connection with purchases of Class B or Class C shares. Investors not qualifying for reduced initial sales charges who expect to maintain their investment for an extended period of time also may elect to purchase Class A or Class D shares, because over time the accumulated ongoing account maintenance and distribution fees on Class B or Class C shares may exceed the initial sales charge and, in the case of Class D shares, the account maintenance fee. Although some investors that previously purchased Class A shares may no longer be eligible to purchase Class A shares of other MLAM-advised mutual funds, those previously purchased Class A shares, together with Class B, Class C and Class D share holdings, will count toward a right of accumulation which may qualify the investor for reduced initial sales charges on new initial sales charge purchases. In addition, the ongoing Class B and Class C account maintenance and distribution fees will cause Class B and Class C shares to have higher expense ratios, pay lower dividends and have lower total returns than the initial sales charge shares. The ongoing Class D account maintenance fees will cause Class D shares to have a higher expense ratio, pay lower dividends and have a lower total return than Class A shares.

Deferred Sales Charge Alternatives. Because no initial sales charges are deducted at the time of purchase, Class B and Class C shares provide the benefit of putting all of the investor's dollars to work from the time the investment is made. The deferred sales charge alternatives may be particularly appealing to investors who do not qualify for a reduction in initial sales charges. Both Class B and Class C shares are subject to ongoing account maintenance fees and distribution fees; however, the ongoing account maintenance and distribution fees potentially may be offset to the extent any return is realized on the additional funds initially invested in Class B or Class C shares. In addition, Class B shares will be converted into Class D shares of the Fund after a conversion period of approximately eight years, and thereafter investors will be subject to lower ongoing fees.

Certain investors may elect to purchase Class B shares if they determine it to be most advantageous to have all their funds invested initially and intend to hold their shares for an extended period of time. Investors in Class B shares should take into account whether they intend to redeem their shares within the CDSC period and, if not, whether they intend to remain invested until the end of the conversion period and thereby take advantage of the reduction in ongoing fees resulting from the conversion into Class D shares. Other investors, however, may elect to purchase Class C shares if they determine that it is advantageous to have all their assets invested initially and they are uncertain as to the length of time they intend to hold their assets in MLAM-advised mutual funds. Although Class C shareholders are subject to a shorter CDSC period at a lower rate, they forgo the Class B conversion feature, making their investment subject to account maintenance and distribution fees for an indefinite period of time. In addition, while both Class B and Class C distribution fees are subject to the limitations on asset-based sales charges imposed by the NASD, the Class B distribution fees are further limited under a voluntary waiver of asset-based sales charges. See "Purchase of Shares -- Limitations on the Payment of Deferred Sales Charges".

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FINANCIAL HIGHLIGHTS

The financial information in the table below has been audited in connection with the annual audits of the financial statements of the Fund by Deloitte & Touche LLP, independent auditors. Financial statements for the year ended June 30, 1994 and the independent auditors' report thereon are included in the Statement of Additional Information. The following per share data and ratios have been derived from information provided in the Fund's audited financial statements. Financial information is not presented for Class B shares for the period July 1, 1984 to October 20, 1988 since no shares of that class were publicly issued prior to October 20, 1988, and financial information is not presented for Class C or Class D shares, since no shares of those classes are publicly issued as of the date of this Prospectus. Further information about the performance of the Fund is contained in the Fund's most recent annual report to shareholders which may be obtained, without charge, by calling or by writing the Fund at the telephone number or address on the front cover of this Prospectus.

<TABLE>
<CAPTION>

	CLASS A							
	FOR THE YEAR ENDED JUNE 30,							
	1994	1993	1992	1991	1990	1989	1988	1987
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
INCREASE (DECREASE) IN NET ASSET VALUE:								
PER SHARE OPERATING PERFORMANCE:								
Net asset value, beginning of period.....	\$ 23.31	\$ 20.57	\$ 18.90	\$ 19.32	\$ 20.03	\$ 18.60	\$ 20.26	\$ 18.07
Investment income--net.....	.62	.71	.70	.87	.95	.85	.74	.65
Realized and unrealized gain (loss) on investments--net.....	.67	3.03	2.02	(.02)	(.56)	1.99	(.44)	3.04
Total from investment operations.....	1.29	3.74	2.72	.85	.39	2.84	.30	3.69
Less dividends and distributions:								
Investment income--net.....	(.70)	(.64)	(.76)	(.97)	(.87)	(.75)	(.62)	(.64)
Realized gain on investments--net.....	(.73)	(.36)	(.29)	(.30)	(.23)	(.66)	(1.34)	(.86)
Total dividends and distributions.....	(1.43)	(1.00)	(1.05)	(1.27)	(1.10)	(1.41)	(1.96)	(1.50)
Net asset value, end of period.....	\$ 23.17	\$ 23.31	\$ 20.57	\$ 18.90	\$ 19.32	\$ 20.03	\$ 18.60	\$ 20.26
TOTAL INVESTMENT RETURN:**								
Based on net asset value per share.....	5.68%	19.03%	15.08%	5.39%	1.77%	16.29%	1.90%	22.37%
RATIOS TO AVERAGE NET ASSETS:								
Expenses, excluding distribution fees.....	.53%	.54%	.58%	.59%	.57%	.58%	.58%	.59%
Expenses.....	.53%	.54%	.58%	.59%	.57%	.58%	.58%	.59%

Investment income--net.....	2.76%	3.48%	3.52%	4.76%	5.05%	4.82%	4.06%	3.82%
SUPPLEMENTAL DATA:								
Net assets, end of period (in thousands).....	\$2,272,983	\$2,023,078	\$1,670,430	\$1,490,657	\$1,556,257	\$1,373,408	\$1,079,262	\$1,158,997
Portfolio turnover.....	21.79%	20.85%	21.24%	20.11%	4.88%	13.44%	20.42%	23.34%

<CAPTION>

CLASS B								
FOR THE YEAR ENDED JUNE 30,								
	1986	1985	1994	1993	1992	1991	1990	1989+
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
INCREASE (DECREASE) IN NET ASSET VALUE:								
PER SHARE OPERATING PERFORMANCE:								
Net asset value, beginning of period.....	\$ 15.65	\$ 13.23	\$ 23.04	\$ 20.35	\$ 18.71	\$ 19.12	\$ 19.92	\$ 18.78
Investment income--net.....	.62	.63	.42	.53	.50	.66	.78	.55
Realized and unrealized gain (loss) on investments--net.....	3.41	3.61	.62	2.96	2.00	.01	(.59)	1.30
Total from investment operations.....	4.03	4.24	1.04	3.49	2.50	.67	.19	1.85
Less dividends and distributions:								
Investment income--net.....	(.59)	(.69)	(.48)	(.44)	(.57)	(.78)	(.76)	(.36)
Realized gain on investments--net.....	(1.02)	(1.13)	(.73)	(.36)	(.29)	(.30)	(.23)	(.35)
Total dividends and distributions.....	(1.61)	(1.82)	(1.21)	(.80)	(.86)	(1.08)	(.99)	(.71)
Net asset value, end of period.....	\$ 18.07	\$ 15.65	\$ 22.87	\$ 23.04	\$ 20.35	\$ 18.71	\$ 19.12	\$ 19.92
TOTAL INVESTMENT RETURN:**								
Based on net asset value per share.....	28.59%	35.35%	4.61%	17.81%	13.90%	4.33%	.73%	10.27%
RATIOS TO AVERAGE NET ASSETS:								
Expenses, excluding distribution fees.....	.61%	.70%	.55%	.56%	.60%	.61%	.60%	.62%*
Expenses.....	.61%	.70%	1.55%	1.56%	1.60%	1.61%	1.60%	1.62%*
Investment income--net.....	4.39%	4.87%	1.75%	2.47%	2.50%	3.73%	4.03%	4.43%*
SUPPLEMENTAL DATA:								
Net assets, end of period (in thousands).....	\$823,664	\$421,166	\$1,744,704	\$1,383,935	\$1,064,354	\$874,318	\$922,126	\$468,537
Portfolio turnover.....	23.28%	28.62%	21.79%	20.85%	21.24%	20.11%	4.88%	13.44%

</TABLE>

* Annualized.

** Total investment returns exclude the effects of sales loads.

+ Class B Shares commenced operations on October 21, 1988.

INVESTMENT OBJECTIVE AND POLICIES

The investment objective of the Fund is to seek capital appreciation and, secondarily, income by investing in securities, primarily equities, that management of the Fund believes are undervalued and therefore represent basic investment value. The Fund seeks special opportunities in securities that are selling at a discount, either from book value or historical price-earnings ratios, or seem capable of recovering from temporarily out of favor considerations. Particular emphasis is placed on securities which provide an

above-average dividend return and sell at a below-average price-earnings ratio. There can be no assurance that the objective of the Fund will be realized.

The investment policy of the Fund is based on the belief that the pricing mechanism of the securities market lacks total efficiency and has a tendency to inflate prices of securities in favorable market climates and depress prices of securities in unfavorable climates. Based on this premise, management believes that favorable changes in market prices are more likely to begin when securities are out of favor, earnings are depressed, price-earnings ratios are relatively low, investment expectations are limited, and there is no real general interest in the particular security or industry involved. On the other hand, management believes that negative developments are more likely to occur when investment expectations are generally high, stock prices are advancing or have advanced rapidly, price-earnings ratios have been inflated, and the industry or issue continues to gain new investment acceptance on an accelerated basis. In other words, management believes that market prices of securities with relative high price-earnings ratios are more susceptible to unexpected adverse developments while securities with relatively low price-earnings ratios are more favorably positioned to benefit from favorable, but generally unanticipated events. This investment policy departs from traditional philosophy. Management of the Fund believes that the market risk involved in this policy is moderated somewhat by an emphasis on securities with above-average dividend returns.

The current institutionally-dominated market tends to ignore, to some extent, the numerous secondary issues whose market capitalizations are below those of the relatively few larger size growth companies. It is expected that the Fund's portfolio generally will have significant representation in this secondary segment of the market.

The Investment Adviser is responsible for the management of the Fund's portfolio and makes portfolio decisions based on its own research information supplemented by research information provided by other sources. The basic orientation of the Fund's investment policies is such that at times a large portion of its common stock holdings may carry less than favorable research ratings from research analysts. The Investment Adviser makes extensive use of investment research information provided by unaffiliated brokers and dealers and of the securities research, economic research and computer applications facilities provided by Merrill Lynch, as described below:

Securities Research. Merrill Lynch's securities research division, the largest in the industry, employs approximately 150 professionals responsible for fundamental and technical securities analysis. The fundamental research staff consists of approximately 136 professionals who follow approximately 1,500 companies. The types of securities in which the Fund will invest often receive limited research coverage and therefore the Fund will benefit from its access to Merrill Lynch's extensive research resources. Merrill Lynch continually analyzes the changing patterns of market forces and trends in the overall market, groups of securities and individual securities and carefully monitors indicators of investor psychology.

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Economic Research. The economic research facilities of Merrill Lynch conduct detailed analyses of overall economic conditions, both nationally and internationally. Merrill Lynch economists work closely with analysts of the Investment Adviser in the continuous analysis of factors affecting the securities markets, industry performance and short-term and long-term market risks.

Computer Applications. The computer applications facilities of Merrill Lynch provide, among other things, proprietary computer screening programs used to identify securities on the basis of various characteristics, which may include dividend return, price-earnings ratios, price trends and other factors deemed significant in analyzing a particular segment of the securities markets.

Investment emphasis is on equities, primarily common stock and, to a lesser extent, securities convertible into common stocks. The Fund also may invest in preferred stocks and non-convertible debt securities and utilize covered call options with respect to portfolio securities as described below and in the Statement of Additional Information. It reserves the right as a defensive measure to hold other types of securities, including Government and money market securities, repurchase agreements or cash, in such proportions as, in the opinion of management, prevailing market or economic conditions warrant. The Fund may invest up to 10% of its total assets, taken at market value at the time of acquisition, in the securities of foreign issuers. Investments in securities of foreign issuers involve certain risks, including fluctuations in foreign exchange rates, future political and economic developments, and the possible imposition of exchange controls or other foreign governmental laws or restrictions. In addition, foreign companies are not subject to accounting, auditing and financial reporting standards and requirements comparable to those of United States companies. The foreign markets also have different clearance and settlement procedures, and in certain markets there have been times when settlements have failed to keep pace with the volume of securities transactions,

making it difficult to conduct such transactions. Delays or problems with settlement could affect the liquidity of the Fund's portfolio and adversely affect the Fund's performance. To the extent such investments are subject to withholding or other taxes or to regulations relating to repatriation of assets, the Fund's distributable income will be reduced. The prices of securities in different countries may be subject to different economic, financial, political and social factors.

The Fund may purchase securities that are not registered ("restricted securities") under the Securities Act of 1933, as amended (the "Securities Act"), but can be offered and sold to "qualified institutional buyers" under Rule 144A under the Securities Act. However, the Fund will not invest more than 5% of its net assets in illiquid investments, which includes securities for which there is no readily available market, securities subject to contractual restrictions on resale, certain investments in asset-backed and receivable-backed securities and restricted securities, unless the Fund's Board of Directors continuously determines, based on the trading markets for the specific restricted security, that it is liquid. The Board of Directors may adopt guidelines and delegate to the Investment Adviser the daily function of determining and monitoring liquidity of restricted securities. The Board of Directors, however, will retain sufficient oversight and be ultimately responsible for the determinations.

The Board of Directors carefully monitors the Fund's investments in these securities purchased pursuant to Rule 144A, focusing on such factors, among others, as valuation, liquidity and availability of information. These investments in securities purchased pursuant to Rule 144A could have the effect of increasing the level of illiquidity in the Fund to the extent that qualified institutional buyers become for a time uninterested in purchasing these restricted securities.

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The investment policies of the Fund described in the preceding paragraphs are fundamental policies of the Fund and may not be changed without the approval of the holders of a majority of the Fund's outstanding voting securities, as defined in the Investment Company Act of 1940, as amended (the "Investment Company Act").

Lending of Portfolio Securities. The Fund may from time to time lend securities (but not in excess of 20% of its total assets) from its portfolio to brokers, dealers and financial institutions and receive collateral in cash or securities issued or guaranteed by the United States Government which will be maintained at all times in amounts equal to at least 100% of the current market value of the loaned securities. Such cash collateral will be invested in short-term securities, which will increase the current income of the Fund.

Writing of Covered Call Options. The Fund may from time to time write, i.e., sell, covered call options on its portfolio securities and enter into closing purchase transactions with respect to certain of such options. A call option is considered covered where the writer of the option owns the underlying securities. In return for the premium income realized from the sale of covered call options, the Fund will give up the opportunity to profit from a price increase in the underlying security above the option exercise price and it will not be able to sell the underlying security until the option expires or is exercised or the Fund effects a closing purchase transaction. A closing purchase transaction cancels out the Fund's position as the writer of an option by means of an offsetting purchase of an identical option prior to the expiration of the option it has written. If an option expires unexercised, the writer realizes a gain in the amount of the premium. Such a gain, of course, may be offset by a decline in the market price of the underlying security during the option period. The Fund may not write options on underlying securities exceeding 15% of its total assets, taken at market value.

Investment Restrictions. The Fund has adopted a number of restrictions and other policies relating to the investment of its assets and its activities which are fundamental policies and may not be changed without the approval of the holders of a majority of the Fund's outstanding voting securities, as defined in the Investment Company Act. Among the more significant restrictions, the Fund may not:

-- Invest in securities of any one issuer (other than the United States or its agencies or instrumentalities), if immediately after and as a result of such investment more than 5% of the total assets of the Fund, taken at market value, would be invested in the securities of such issuer, or more than 10% of the outstanding securities, or more than 10% of the outstanding voting securities, of such issuer would be owned by the Fund.

-- Invest more than 25% of its total assets (taken at market value at the time of each investment) in the securities of issuers in any particular industry.

The Board of Directors of the Fund, at a meeting held on August 4, 1994,

approved certain changes to the fundamental and non-fundamental investment restrictions of the Fund. These changes were proposed in connection with the creation of a set of standard fundamental and non-fundamental investment restrictions that would be adopted, subject to shareholder approval, by all of the non-money market mutual funds advised by MLAM or FAM. The proposed uniform investment restrictions are designed to provide each of these funds, including the Fund, with as much investment flexibility as possible under the Investment Company Act and applicable state securities regulations, help promote operational efficiencies and facilitate monitoring of compliance. The investment objectives and policies of the Fund will be unaffected by the adoption of the proposed investment restrictions.

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The full text of the proposed investment restrictions is set forth under "Investment Objective and Policies -- Proposed Uniform Investment Restrictions" in the Statement of Additional Information. Shareholders of the Fund are currently considering whether to approve the proposed revised investment restrictions. If such shareholder approval is obtained, the Fund's current investment restrictions will be replaced by the proposed restrictions, and the Fund's Prospectus and Statement of Additional Information will be supplemented to reflect such change.

MANAGEMENT OF THE FUND

BOARD OF DIRECTORS

The Board of Directors of the Fund consists of six individuals, five of whom are not "interested persons" of the Fund as defined in the Investment Company Act. The Directors of the Fund are responsible for the overall supervision of the operations of the Fund and perform the various duties imposed on the directors of investment companies by the Investment Company Act.

The Directors of the Fund are:

ARTHUR ZEIKEL*--President and Chief Investment Officer of the Investment Adviser and MLAM; President and Director of Princeton Services, Inc. ("Princeton Services"); Executive Vice President of Merrill Lynch & Co., Inc. ("ML&Co.") and Merrill Lynch; Director of the Distributor.

DONALD CECIL--Special Limited Partner of Cumberland Partners (an investment partnership).

M. COLYER CRUM--James R. Williston Professor of Investment Management, Harvard Business School.

EDWARD H. MEYER--Chairman of the Board of Directors, President and Chief Executive Officer of Grey Advertising Inc.

JACK B. SUNDERLAND--President and Director of American Independent Oil Company, Inc. (an energy company).

J. THOMAS TOUCHTON--Managing Partner of The Witt-Touchton Company (a private investment partnership).

*Interested person, as defined in the Investment Company Act, of the Fund.

MANAGEMENT AND ADVISORY ARRANGEMENTS

The Investment Adviser, which is owned and controlled by ML & Co., a financial services holding company, acts as the investment adviser to the Fund and provides the Fund with management and investment advisory services. The Investment Adviser or MLAM acts as the investment adviser to more than 100 registered investment companies. MLAM also provides investment advisory services to individual and institutional accounts. As of August 31, 1994, the Investment Adviser and MLAM had a total of approximately \$165.7 billion in investment company and other portfolio assets under management, including accounts of certain affiliates of MLAM.

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The investment advisory agreement with the Investment Adviser (the "Investment Advisory Agreement") provides that, subject to the direction of the Board of Directors of the Fund, the Investment Adviser is responsible for the actual management of the Fund's portfolio and for the review of the Fund's holdings in light of its own research analysis and analyses from other relevant sources. The responsibility for making decisions to buy, sell or hold a particular security rests with the Investment Adviser, subject to review by the Board of Directors. The Investment Adviser supplies the portfolio managers for the Fund, who consider analyses from various sources, make the necessary

investment decisions, and place transactions accordingly. The Investment Adviser also is obligated to perform certain administrative and management services for the Fund and is required to provide all the office space, facilities, equipment and personnel necessary to perform its duties under the Investment Advisory Agreement.

The Investment Adviser has access to the total securities research, economic research and computer applications facilities of Merrill Lynch and makes extensive use of those facilities as described under "Investment Objective and Policies".

The Fund pays the Investment Adviser a monthly fee based on the average daily value of the Fund's net assets: 0.60% of that portion of average daily net assets not exceeding \$100 million; 0.50% of that portion of average daily net assets exceeding \$100 million but not exceeding \$200 million; and 0.40% of that portion of average daily net assets exceeding \$200 million. For the fiscal year ended June 30, 1994, the Investment Adviser earned a fee of \$15,452,148 (based on average net assets of approximately \$3.8 billion) and the effective rate was approximately 0.41%.

The Investment Advisory Agreement obligates the Fund to pay certain expenses incurred in its operations including, among other things, the investment advisory fee, legal and audit fees, unaffiliated Directors' fees and expenses, custodian and transfer agency fees, accounting costs, the costs of issuing and redeeming shares and certain of the costs of printing proxies, shareholder reports, prospectuses and statements of additional information. Accounting services are provided for the Fund by the Investment Adviser and the Fund reimburses the Investment Adviser for its costs in connection with such services. For the fiscal year ended June 30, 1994, the Fund paid the Investment Adviser \$185,215 for such accounting services. For the year ended June 30, 1994, the ratio of total expenses to average net assets was 0.53% for the Class A shares and 1.55% for the Class B shares; no Class C shares or Class D shares had been issued during that year.

Paul M. Hoffmann is a Vice President and Portfolio Manager for the Fund. Mr. Hoffmann has been a Portfolio Manager and a Vice President of MLAM since 1976.

TRANSFER AGENCY SERVICES

Financial Data Services, Inc. (the "Transfer Agent"), which is a wholly-owned subsidiary of ML & Co., acts as the Fund's Transfer Agent pursuant to a transfer agency, dividend disbursing agency and shareholder servicing agency agreement (the "Transfer Agency Agreement"). Pursuant to the Transfer Agency Agreement, the Transfer Agent is responsible for the issuance, transfer and redemption of shares and the opening and maintenance of shareholder accounts. Pursuant to the Transfer Agency Agreement, the Fund pays the Transfer Agent a fee of \$11.00 per Class A or Class D shareholder account and \$14.00 per Class B or Class C shareholder account and the Transfer Agent is entitled to reimbursement from the Fund for out-of-pocket expenses incurred by the Transfer Agent under the Transfer Agency Agreement. For the fiscal year ended June 30, 1994, the total fee paid by the Fund to the Transfer Agent pursuant to the Transfer Agency

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Agreement was \$3,815,082. At July 31, 1994, the Fund had 211,899 Class A shareholder accounts, 163,646 Class B shareholder accounts, no Class C shareholder accounts and no Class D shareholder accounts. At this level of accounts, the annual fee payable to the Transfer Agent would aggregate approximately \$4,621,933 plus out-of-pocket expenses.

PURCHASE OF SHARES

Merrill Lynch Funds Distributor, Inc. (the "Distributor"), an affiliate of both the Investment Adviser and Merrill Lynch, acts as the Distributor of the shares of the Fund. Shares of the Fund are offered continuously for sale by the Distributor and other eligible securities dealers (including Merrill Lynch). Shares of the Fund may be purchased from securities dealers or by mailing a purchase order directly to the Transfer Agent. The minimum initial purchase is \$1,000, and the minimum subsequent purchase is \$50, except for retirement plans, the minimum initial purchase is \$100, and the minimum subsequent purchase is \$1.

The Fund is offering its shares in four classes at a public offering price equal to the next determined net asset value per share plus sales charges imposed either at the time of purchase or on a deferred basis depending upon the class of shares selected by the investor under the Merrill Lynch Select Pricing System, as described below. The applicable offering price for purchase orders is based upon the net asset value of the Fund next determined after receipt of the purchase orders by the Distributor. As to purchase orders received by securities dealers prior to 4:15 p.m., New York time, which includes orders received after the determination of the net asset value on the previous day, the applicable offering price will be based on the net asset value as of 4:15 p.m., New York

time, on the day the orders are placed with the Distributor, provided the orders are received by the Distributor prior to 4:30 p.m., New York time, on that day. If the purchase orders are not received prior to 4:30 p.m., New York time, such orders shall be deemed received on the next business day. The Fund or the Distributor may suspend the continuous offering of the Fund's shares of any class at any time in response to conditions in the securities markets or otherwise and may thereafter resume such offering from time to time. Any order may be rejected by the Distributor or the Fund. Neither the Distributor nor the dealers are permitted to withhold placing orders to benefit themselves by a price change. Merrill Lynch may charge its customers a processing fee (presently \$4.85) to confirm a sale of shares to such customers. Purchases directly through the Transfer Agent are not subject to the processing fee.

The Fund issues four classes of shares under the Merrill Lynch Select Pricing System, which permits each investor to choose the method of purchasing shares that the investor believes is most beneficial given the amount of the purchase, the length of time the investor expects to hold the shares and other relevant circumstances. Shares of Class A and Class D are sold to investors choosing the initial sales charge alternatives and shares of Class B and Class C are sold to investors choosing the deferred sales charge alternatives. Investors should determine whether under their particular circumstances it is more advantageous to incur an initial sales charge or to have the entire initial purchase price invested in the Fund with the investment thereafter being subject to a contingent deferred sales charge and ongoing distribution fees. A discussion of the factors that investors should consider in determining the method of purchasing shares under the Merrill Lynch Select Pricing System is set forth under "Merrill Lynch Select PricingSM System" on page 3.

Each Class A, Class B, Class C and Class D share of the Fund represents an identical interest in the investment portfolio of the Fund and has the same rights, except that Class B, Class C and Class D shares bear the expenses of the ongoing account maintenance fees, and Class B and Class C shares bear the expenses

of the ongoing distribution fees and the additional incremental transfer agency costs resulting from the deferred sales charge arrangements. The deferred sales charges and account maintenance fees that are imposed on Class B and Class C shares, as well as the account maintenance fees that are imposed on Class D shares, will be imposed directly against those classes and not against all assets of the Fund and, accordingly, such charges will not affect the net asset value of any other class or have any impact on investors choosing another sales charge option. Dividends paid by the Fund for each class of shares will be calculated in the same manner at the same time and will differ only to the extent that account maintenance and distribution fees and any incremental transfer agency costs relating to a particular class are borne exclusively by that class. Class B, Class C and Class D shares each have exclusive voting rights with respect to the Rule 12b-1 distribution plan adopted with respect to such class pursuant to which account maintenance and/or distribution fees are paid. See "Distribution Plans" below. Each class has different exchange privileges. See "Shareholder Services -- Exchange Privilege".

Investors should understand that the purpose and function of the initial sales charges with respect to Class A and Class D shares are the same as those of the deferred sales charges with respect to Class B and Class C shares in that the sales charges applicable to each class provide for the financing of the distribution of the shares of the Fund. The distribution-related revenues paid with respect to a class will not be used to finance the distribution expenditures of another class. Sales personnel may receive different compensation for selling different classes of shares. Investors are advised that only Class A and Class D shares may be available for purchase through securities dealers, other than Merrill Lynch, which are eligible to sell shares.

The following table sets forth a summary of the distribution arrangements for each class of shares under the Merrill Lynch Select Pricing System.

<TABLE>
<CAPTION>

CLASS	SALES CHARGE (1)	ACCOUNT MAINTENANCE FEE	DISTRIBUTION FEE	CONVERSION FEATURE
<S> A	<C> Maximum 5.25% initial sales charge (2) (3)	<C> No	<C> No	<C> No
B	CDSC for a period of 4 years, at a rate of 4.0% during the first year, decreasing 1.0% annually to 0.0%	0.25%	0.75%	B shares convert to D shares automatically after approximately eight years (4)

C	1.0% CDSC for one year	0.25%	0.75%	No
D	Maximum 5.25% initial sales charge (3)	0.25%	No	No

</TABLE>

- (1) Initial sales charges are imposed at the time of purchase as a percentage of the offering price. CDSCs may be imposed if the redemption occurs within the applicable CDSC time period. The charge will be assessed on an amount equal to the lesser of the proceeds of redemption or the cost of the shares being redeemed.
 - (2) Offered only to eligible investors. See "Initial Sales Charge Alternatives -- Class A and Class D Shares -- Eligible Class A Investors".
 - (3) Reduced for purchases of \$25,000 or more. Class A and Class D share purchases of \$1,000,000 or more may not be subject to an initial sales charge but instead will be subject to a 1.0% CDSC for one year.
- (continued on next page)

- (4) The conversion period for dividend reinvestment shares and certain retirement plans is modified. Also, Class B shares of certain other MLAM-advised mutual funds into which exchanges may be made have a ten year conversion period. If Class B shares of the Fund are exchanged for Class B shares of another MLAM-advised mutual fund, the conversion period applicable to the Class B shares acquired in the exchange will apply, and the holding period for the shares exchanged will be tacked on to the holding period for the shares acquired.

INITIAL SALES CHARGE ALTERNATIVES -- CLASS A AND CLASS D SHARES

Investors choosing the initial sales charge alternatives who are eligible to purchase Class A shares should purchase Class A shares rather than Class D shares because there is an account maintenance fee imposed on Class D shares.

The public offering price of Class A and Class D shares for purchasers choosing the initial sales charge alternatives is the next determined net asset value plus varying sales charges (i.e., sales loads), as set forth below.

<TABLE>
<CAPTION>

AMOUNT OF PURCHASE	SALES LOAD AS PERCENTAGE OF OFFERING PRICE	SALES LOAD AS PERCENTAGE* OF THE NET AMOUNT INVESTED	DISCOUNT TO SELECTED DEALERS AS PERCENTAGE OF THE OFFERING PRICE
<S>	<C>	<C>	<C>
Less than \$25,000.....	5.25%	5.54%	5.00%
\$25,000 but less than \$50,000.....	4.75	4.99	4.50
\$50,000 but less than \$100,000.....	4.00	4.17	3.75
\$100,000 but less than \$250,000.....	3.00	3.09	2.75
\$250,000 but less than \$1,000,000.....	2.00	2.04	1.80
\$1,000,000 and over**.....	0.00	0.00	0.00

</TABLE>

* Rounded to the nearest one-hundredth percent.
 ** The initial sales charge may be waived on Class A and Class D purchases of \$1,000,000 or more made on or after October 21, 1994. If the sales charge is waived, such purchases will be subject to a CDSC of 1.0% if the shares are redeemed within one year after purchase. Class A purchases made prior to October 21, 1994 may be subject to a CDSC if the shares are redeemed within one year of purchase at the following rates: 1.00% on purchases of \$1,000,000 to \$2,500,000; 0.60% on purchases of \$2,500,001 to \$3,500,000; 0.40% on purchases of \$3,500,001 to \$5,000,000; and 0.25% on purchases of more than \$5,000,000, in lieu of paying an initial sales charge. The charge will be assessed on an amount equal to the lesser of the proceeds of redemption or the cost of the shares being redeemed. A sales charge of 0.75% will be charged on purchases of \$1 million or more of Class A or Class D shares by certain 401(k) plans.

The Distributor may reallocate discounts to selected dealers and retain the balance over such discounts. At times the Distributor may reallocate the entire sales charge to such dealers. Since securities dealers selling Class A and Class D shares of the Fund will receive a concession equal to most of the sales charge, they may be deemed to be underwriters under the Securities Act of 1933, as amended (the "Securities Act"). During the fiscal year ended June 30, 1994, the Fund sold 22,051,928 Class A shares for aggregate net proceeds of \$518,481,972. The gross sales charges for the sale of Class A shares of the Fund for that year were \$3,755,873, of which \$216,293 and \$3,539,580 were received by

the Distributor and Merrill Lynch, respectively. For the fiscal year ended June 30, 1994, the Distributor received CDSCs of approximately \$26,146, all of which were paid to Merrill Lynch, with respect to redemption within one year after purchase of Class A shares purchased subject to front-end sales charge waivers.

Eligible Class A Investors. Class A shares are offered to a limited group of investors and also will be issued upon reinvestment of dividends on outstanding Class A shares. Investors that currently own Class A shares in a shareholder account, including participants in the Merrill Lynch Blueprint(SM) Program, are entitled

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to purchase additional Class A shares in that account. Certain employer sponsored retirement or savings plans, including eligible 401(k) plans, may purchase Class A shares at net asset value provided such plans meet the required minimum number of eligible employees or required amount of assets advised by MLAM or any of its affiliates. Class A shares are available at net asset value to corporate warranty insurance reserve fund programs provided that the program has \$3 million or more initially invested in MLAM-advised mutual funds. Also eligible to purchase Class A shares at net asset value are participants in certain investment programs including TMA(SM) Managed Trusts to which Merrill Lynch Trust Company provides discretionary trustee services and certain purchases made in connection with the Merrill Lynch Mutual Fund Adviser program. In addition, Class A shares will be offered at net asset value to ML & Co. and its subsidiaries and their directors and employees and to members of the Boards of MLAM-advised investment companies, including the Fund. Certain persons who acquired shares of certain MLAM-advised closed-end funds who wish to reinvest the net proceeds from a sale of their closed-end fund shares of common stock in shares of the Fund also may purchase Class A or Class D shares of the Fund if certain conditions set forth in the Statement of Additional Information are met. For example, Class A shares of the Fund and certain other MLAM-advised mutual funds are offered at net asset value to shareholders of Merrill Lynch Senior Floating Rate Fund, Inc. who wish to reinvest the net proceeds from a sale of certain of their shares of common stock of Merrill Lynch Senior Floating Rate Fund, Inc. in shares of such funds.

Reduced Initial Sales Charges. No initial sales charges are imposed upon Class A and Class D shares issued as a result of the automatic reinvestment of dividends or capital gains distributions. Class A and Class D sales charges also may be reduced under a Right of Accumulation and a Letter of Intention.

Class A shares are offered at net asset value to certain eligible Class A investors as set forth above under "Eligible Class A Investors".

Class D shares are offered at net asset value without sales charge to an investor who has a business relationship with a Merrill Lynch financial consultant, if certain conditions set forth in the Statement of Additional Information are met. Class D shares may be offered at net asset value in connection with the acquisition of assets of other investment companies.

Class D shares are offered with reduced sales charges and, in certain circumstances, at net asset value, to participants in the Merrill Lynch Blueprint(SM) Program.

Additional information concerning these reduced initial sales charges is set forth in the Statement of Additional Information.

DEFERRED SALES CHARGE ALTERNATIVES -- CLASS B AND CLASS C SHARES

Investors choosing the deferred sales charge alternatives should consider Class B shares if they intend to hold their shares for an extended period of time and Class C shares if they are uncertain as to the length of time they intend to hold their assets in MLAM-advised mutual funds.

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The public offering price of Class B and Class C shares for investors choosing the deferred sales charge alternatives is the next determined net asset value per share without the imposition of a sales charge at the time of purchase. As discussed below, Class B shares are subject to a four year CDSC, while Class C shares are subject only to a one year 1.0% CDSC. On the other hand, approximately eight years after Class B shares are issued, such Class B shares, together with shares issued upon dividend reinvestment with respect to those shares, are automatically converted into Class D shares of the Fund and thereafter will be subject to lower continuing fees. See "Conversion of Class B Shares to Class D Shares" below. Both Class B and Class C shares are subject to an account maintenance fee of 0.25% of net assets and a distribution fee of 0.75% of net assets as discussed below under "Distribution Plans". The proceeds

from the ongoing account maintenance fees are used to compensate Merrill Lynch for providing continuing account maintenance activities.

Class B and Class C shares are sold without an initial sales charge so that the Fund will receive the full amount of the investor's purchase payment. Merrill Lynch compensates its financial consultants for selling Class B and Class C shares at the time of purchase from its own funds. See "Distribution Plans" below.

Proceeds from the CDSC and the distribution fee are paid to the Distributor and are used in whole or in part by the Distributor to defray the expenses of dealers (including Merrill Lynch) related to providing distribution-related services to the Fund in connection with the sale of the Class B and Class C shares, such as the payment of compensation to financial consultants for selling Class B and Class C shares, from its own funds. The combination of the CDSC and the ongoing distribution fee facilitates the ability of the Fund to sell the Class B and Class C shares without a sales charge being deducted at the time of purchase. Approximately eight years after issuance, Class B shares will convert automatically into Class D shares of the Fund, which are subject to an account maintenance fee but no distribution fee; Class B shares of certain other MLAM-advised mutual funds into which exchanges may be made convert into Class D shares automatically after approximately ten years. If Class B shares of the Fund are exchanged for Class B shares of another MLAM-advised mutual fund, the conversion period applicable to the Class B shares acquired in the exchange will apply, and the holding period for the shares exchanged will be tacked on to the holding period for the shares acquired.

Imposition of the CDSC and the distribution fee on Class B and Class C shares is limited by the NASD asset-based sales charge rule. See "Limitations on the Payment of Deferred Sales Charges" below. Class B shareholders of the Fund exercising the exchange privilege described under "Shareholder Services -- Exchange Privilege" will continue to be subject to the Fund's CDSC schedule if such schedule is higher than the CDSC schedule relating to the Class B shares acquired as a result of the exchange.

Contingent Deferred Sales Charges -- Class B Shares. Class B shares which are redeemed within four years of purchase may be subject to a CDSC at the rates set forth below charged as a percentage of the dollar amount subject thereto. The charge will be assessed on an amount equal to the lesser of the proceeds of redemption or the cost of the shares being redeemed. Accordingly, no CDSC will be imposed on increases in net asset value above the initial purchase price. In addition, no CDSC will be assessed on shares derived from reinvestment of dividends or capital gains distributions.

The following table sets forth the rates of the Class B CDSC:

<TABLE>
<CAPTION>

YEAR SINCE PURCHASE PAYMENT MADE	CLASS B CDSC AS A PERCENTAGE OF DOLLAR AMOUNT SUBJECT TO CHARGE
0-1.....	4.00%
1-2.....	3.00
2-3.....	2.00
3-4.....	1.00
4 and thereafter.....	0.00

</TABLE>

For the fiscal year ended June 30, 1994, the Distributor received CDSCs of \$1,189,344 with respect to redemptions of Class B shares, all of which were paid to Merrill Lynch.

In determining whether a CDSC is applicable to a redemption, the calculation will be determined in the manner that results in the lowest possible rate being charged. Therefore, it will be assumed that the redemption is first of shares held for over four years or shares acquired pursuant to reinvestment of dividends or distributions and then of shares held longest during the four-year period. The charge will not be applied to dollar amounts representing an increase in the net asset value since the time of purchase. A transfer of shares from a shareholder's account to another account will be assumed to be made in the same order as a redemption.

To provide an example, assume an investor purchases 100 shares at \$10 per share (at a cost of \$1,000) and in the third year after purchase, the net asset value per share is \$12 and, during such time, the investor has acquired 10 additional shares through dividend reinvestment. If at such time the investor makes his or her first redemption of 50 shares (proceeds of \$600), 10 shares will not be subject to the CDSC because of dividend reinvestment. With respect

to the remaining 40 shares, the CDSC is applied only to the original cost of \$10 per share and not to the increase in net asset value of \$2 per share. Therefore, \$400 of the \$600 redemption proceeds will be charged at a rate of 2.0% (the applicable rate in the third year after purchase).

The Class B CDSC is waived on redemptions of shares in connection with certain post-retirement withdrawals from an Individual Retirement Account ("IRA") or other retirement plan or following the death or disability (as defined in the Internal Revenue Code of 1986, as amended) of a shareholder. The Class B CDSC also is waived on redemptions of shares by certain eligible 401(a) and eligible 401(k) plans and in connection with certain group plans placing orders through the Merrill Lynch Blueprint(SM) Program. The CDSC also is waived for any Class B shares which are purchased by eligible 401(k) or eligible 401(a) plans which are rolled over into a Merrill Lynch or Merrill Lynch Trust Company custodied IRA and held in such account at the time of redemption. The Class B CDSC also is waived for any Class B shares which are purchased by a Merrill Lynch rollover IRA that was funded by a rollover from a terminated 401(k) plan managed by the MLAM Private Portfolio Group and held in such account at the time of redemption. Additional information concerning the waiver of the Class B CDSC is set forth in the Statement of Additional Information.

Contingent Deferred Sales Charges--Class C Shares. Class C shares which are redeemed within one year after purchase may be subject to a 1.0% CDSC charged as a percentage of the dollar amount subject

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thereto. The charge will be assessed on an amount equal to the lesser of the proceeds of redemption or the cost of the shares being redeemed. Accordingly, no Class C CDSC will be imposed on increases in net asset value above the initial purchase price. In addition, no Class C CDSC will be assessed on shares derived from reinvestment of dividends or capital gains distributions.

In determining whether a Class C CDSC is applicable to a redemption, the calculation will be determined in the manner that results in the lowest possible rate being charged. Therefore, it will be assumed that the redemption is first of shares held for over one year or shares acquired pursuant to reinvestment of dividends or distributions and then of shares held longest during the one-year period. The charge will not be applied to dollar amounts representing an increase in the net asset value since the time of purchase. A transfer of shares from a shareholder's account to another account will be assumed to be made in the same order as a redemption.

Conversion of Class B Shares to Class D Shares. After approximately eight years (the "Conversion Period"), Class B shares will be converted automatically into Class D shares of the Fund. Class D shares are subject to an ongoing account maintenance fee of 0.25% of net assets but are not subject to the distribution fee that is borne by Class B shares. Automatic conversion of Class B shares into Class D shares will occur at least once each month (on the "Conversion Date") on the basis of the relative net asset values of the shares of the two classes on the Conversion Date, without the imposition of any sales load, fee or other charge. Conversion of Class B shares to Class D shares will not be deemed a purchase or sale of the shares for Federal income tax purposes.

In addition, shares purchased through reinvestment of dividends on Class B shares also will convert automatically to Class D shares. The Conversion Date for dividend reinvestment shares will be calculated taking into account the length of time the shares underlying such dividend reinvestment shares were outstanding. If at a Conversion Date the conversion of Class B shares to Class D shares of the Fund in a single account will result in less than \$50 worth of Class B shares being left in the account, all of the Class B shares of the Fund held in the account on the Conversion Date will be converted to Class D shares of the Fund.

Share certificates for Class B shares of the Fund to be converted must be delivered to the Transfer Agent at least one week prior to the Conversion Date applicable to those shares. In the event such certificates are not received by the Transfer Agent at least one week prior to the Conversion Date, the related Class B shares will convert to Class D shares on the next scheduled Conversion Date after such certificates are delivered.

In general, Class B shares of equity MLAM-advised mutual funds will convert approximately eight years after initial purchase, and Class B shares of taxable and tax-exempt fixed income MLAM-advised mutual funds will convert approximately ten years after initial purchase. If, during the Conversion Period, a shareholder exchanges Class B shares with an eight-year Conversion Period for Class B shares with a ten-year Conversion Period, or vice versa, the Conversion Period applicable to the Class B shares acquired in the exchange will apply, and the holding period for the shares exchanged will be tacked on to the holding period for the shares acquired.

The Conversion Period is modified for shareholders who purchased Class B shares through certain retirement plans which qualified for a waiver of the CDSC

normally imposed on purchases of Class B shares ("Class B Retirement Plans"). When the first share of any MLAM-advised mutual fund purchased by a Class B Retirement Plan has been held for ten years (i.e., ten years from the date the relationship between MLAM-advised mutual funds and the Class B Retirement Plan was established), all Class B shares of all

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MLAM-advised mutual funds held in that Class B Retirement Plan will be converted into Class D shares of the appropriate Funds. Subsequent to such conversion, that Class B Retirement Plan will be sold Class D shares of the appropriate funds at net asset value.

DISTRIBUTION PLANS

The Fund has adopted separate distribution plans for Class B, Class C and Class D shares pursuant to Rule 12b-1 under the Investment Company Act (each a "Distribution Plan") with respect to the account maintenance and/or distribution fees paid by the Fund to the Distributor with respect to such classes. The Class B and Class C Distribution Plans provide for the payment of account maintenance fees and distribution fees, and the Class D Distribution Plan provides for the payment of account maintenance fees.

The Distribution Plans for Class B, Class C and Class D shares each provide that the Fund pays the Distributor an account maintenance fee relating to the shares of the relevant class, accrued daily and paid monthly, at the annual rate of 0.25% of the average daily net assets of the Fund attributable to shares of the relevant class in order to compensate the Distributor and Merrill Lynch (pursuant to a sub-agreement) in connection with account maintenance activities.

The Distribution Plans for Class B and Class C shares each provide that the Fund also pays the Distributor a distribution fee relating to the shares of the relevant class, accrued daily and paid monthly, at the annual rate of 0.75% of the average daily net assets of the Fund attributable to the shares of the relevant class in order to compensate the Distributor and Merrill Lynch (pursuant to a sub-agreement) for providing shareholder and distribution services, and bearing certain distribution-related expenses of the Fund, including payments to financial consultants for selling Class B and Class C shares of the Fund. The Distribution Plans relating to Class B and Class C shares are designed to permit an investor to purchase Class B and Class C shares through dealers without the assessment of an initial sales charge and at the same time permit the dealer to compensate its financial consultants in connection with the sale of the Class B and Class C shares. In this regard, the purpose and function of the ongoing distribution fees and the CDSC are the same as those of the initial sales charge with respect to the Class A and Class D shares of the Fund in that the deferred sales charges provide for the financing of the distribution of the Fund's Class B and Class C shares.

Prior to July 6, 1993, the Fund paid the Distributor an ongoing distribution fee, accrued daily and paid monthly, at the annual rate of 1.0% of average daily net assets of the Class B shares of the Fund under a distribution plan previously adopted by the Fund (the "Prior Plan") to compensate the Distributor and Merrill Lynch for providing account maintenance and distribution-related activities and services to Class B shareholders. The fee rate payable and the services provided under the Prior Plan are identical to the aggregate fee rate payable and the services provided under the Class B Distribution Plan, the difference being that the account maintenance and distribution services have been unbundled.

For the year ended June 30, 1994, the Fund paid the Distributor account maintenance fees of \$3,981,491 and distribution fees of \$11,944,473 under the Class B Distribution Plan. The Fund did not begin to offer shares of Class C or Class D publicly until the date of this Prospectus. Accordingly, no payments have been made pursuant to the Class C or Class D Distribution Plans prior to the date of this Prospectus.

The payments under the Distribution Plans are based on a percentage of average daily net assets attributable to the shares regardless of the amount of expenses incurred, and accordingly, distribution-related revenues from the Distribution Plans may be more or less than distribution-related expenses. Information with

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respect to the distribution-related revenues and expenses is presented to the Directors for their consideration in connection with their deliberations as to the continuance of the Class B and Class C Distribution Plans. This information is presented annually as of December 31 of each year on a "fully allocated accrual" basis and quarterly on a "direct expense and revenue/cash" basis. On the fully allocated accrual basis, revenues consist of the account maintenance fees, distribution fees, the CDSCs and certain other related revenues, and

expenses consist of financial consultant compensation, branch office and regional operation center selling and transaction processing expenses, advertising, sales promotion and marketing expenses, corporate overhead and interest expense. On the direct expense and revenue/cash basis, revenues consist of the account maintenance fees, distribution fees and CDSCs, and the expenses consist of financial consultant compensation. At December 31, 1993, the fully allocated accrual expenses incurred by the Distributor and Merrill Lynch with respect to Class B shares for the period since the commencement of the offering of Class B shares exceeded fully allocated accrual revenues for such period by approximately \$7,717,000 (0.49% of Class B net assets at that date). At December 31, 1993, direct cash revenues for the period since the commencement of the offering of Class B shares exceeded direct cash expenses by \$30,222,765 (1.90% of Class B net assets at that date). As of June 30, 1994, direct cash revenues for the period since commencement of the offering of Class B shares exceeded direct cash expenses by \$35,192,273 (2.0% of Class B net assets at that date).

The Fund has no obligation with respect to distribution and/or account maintenance-related expenses incurred by the Distributor and Merrill Lynch in connection with Class B, Class C and Class D shares, and there is no assurance that the Directors of the Fund will approve the continuance of the Distribution Plans from year to year. However, the Distributor intends to seek annual continuation of the Distribution Plans. In their review of the Distribution Plans, the Directors will be asked to take into consideration expenses incurred in connection with the account maintenance and/or distribution of each class of shares separately. The initial sales charges, the account maintenance fee, the distribution fee and/or the CDSCs received with respect to one class will not be used to subsidize the sale of shares of another class. Payments of the distribution fee on Class B shares will terminate upon conversion of those Class B shares into Class D shares as set forth under "Deferred Sales Charge Alternatives -- Class B and Class C Shares -- Conversion of Class B Shares to Class D Shares".

LIMITATIONS ON THE PAYMENT OF DEFERRED SALES CHARGES

The maximum sales charge rule in the Rules of Fair Practice of the NASD imposes a limitation on certain asset-based sales charges such as the distribution fee and the CDSC borne by the Class B and Class C shares but not the account maintenance fee. The maximum sales charge rule is applied separately to each class. As applicable to the Fund, the maximum sales charge rule limits the aggregate of distribution fee payments and CDSCs payable by the Fund to (1) 6.25% of eligible gross sales of Class B shares and Class C shares, computed separately (defined to exclude shares issued pursuant to dividend reinvestments and exchanges), plus (2) interest on the unpaid balance for the respective class, computed separately, at the prime rate plus 1% (the unpaid balance being the maximum amount payable minus amounts received from the payment of the distribution fee and the CDSC). In connection with the Class B shares, the Distributor has voluntarily agreed to waive interest charges on the unpaid balance in excess of 0.50% of eligible gross sales. Consequently, the maximum amount payable to the Distributor (referred to as the "voluntary maximum") in connection with the Class B shares is 6.75% of eligible gross sales. The Distributor retains the right to stop waiving the interest charges at any time. To the extent payments would exceed the voluntary maximum, the Fund will not make further payments of the distribution fee with respect to Class B shares, and any CDSCs

will be paid to the Fund rather than to the Distributor; however, the Fund will continue to make payments of the account maintenance fee. In certain circumstances the amount payable pursuant to the voluntary maximum may exceed the amount payable under the NASD formula. In such circumstances payment in excess of the amount payable under the NASD formula will not be made.

REDEMPTION OF SHARES

The Fund is required to redeem for cash all shares of the Fund on receipt of a written request in proper form. The redemption price is the net asset value per share next determined after the initial receipt of proper notice of redemption. Except for any CDSC which may be applicable, there will be no charge for redemption if the redemption request is sent directly to the Transfer Agent. Shareholders liquidating their holdings will receive upon redemption all dividends reinvested through the date of redemption. The value of shares at the time of redemption may be more or less than the shareholder's cost, depending on the market value of the securities held by the Fund at such time.

REDEMPTION

A shareholder wishing to redeem shares may do so without charge by tendering the shares directly to the Transfer Agent, Financial Data Services, Inc., Transfer Agency Mutual Fund Operations, P.O. Box 45289, Jacksonville, Florida 32232-5289. Redemption requests delivered other than by mail should be delivered to Financial Data Services, Inc., Transfer Agency Mutual Fund Operations, 4800 Deer Lake Drive East, Jacksonville, Florida 32246-6484. Proper

notice of redemption in the case of shares deposited with the Transfer Agent may be accomplished by a written letter requesting redemption. Proper notice of redemption in the case of shares for which certificates have been issued may be accomplished by a written letter as noted above accompanied by certificates for the shares to be redeemed. The notice in either event requires the signatures of all persons in whose names the shares are registered, signed exactly as their names appear on the Transfer Agent's register or on the certificate, as the case may be. The signature(s) on the redemption request must be guaranteed by an "eligible guarantor institution" as such is defined in Rule 17Ad-15 under the Securities Exchange Act of 1934, as amended, the existence and validity of which may be verified by the Transfer Agent through the use of industry publications. Notarized signatures are not sufficient. In certain instances, the Transfer Agent may require additional documents, such as, but not limited to, trust instruments, death certificates, appointments as executor or administrator, or certificates of corporate authority. For shareholders redeeming directly with the Transfer Agent, payment will be mailed within seven days of receipt of a proper notice of redemption.

At various times the Fund may be requested to redeem shares for which it has not yet received good payment. The Fund may delay or cause to be delayed the mailing of a redemption check until such time as good payment (e.g., cash or certified check drawn on a United States bank) has been collected for the purchase of such shares, which will not exceed 10 days.

REPURCHASE

The Fund also will repurchase shares through a shareholder's listed securities dealer. The Fund normally will accept orders to repurchase shares by wire or telephone from dealers for their customers at the net asset value next computed after receipt of the order by the dealer, provided that the request for repurchase is

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received by the dealer prior to the close of business on the New York Stock Exchange on the day received, and such request is received by the Fund from such dealer not later than 4:30 P.M., New York time, on the same day. Dealers have the responsibility to submit such repurchase requests to the Fund not later than 4:30 P.M., New York time, in order to obtain that day's closing price.

The foregoing repurchase arrangements are for the convenience of shareholders and do not involve a charge by the Fund (other than any applicable CDSC). Securities firms which do not have selected dealer agreements with the Distributor, however, may impose a transaction charge on the shareholder for transmitting the notice of repurchase to the Fund. Merrill Lynch may charge its customers a processing fee (presently \$4.85) to confirm a repurchase of shares to such customers. Redemptions directly through the Transfer Agent are not subject to the processing fee. The Fund reserves the right to reject any order for repurchase, which right of rejection might adversely affect shareholders seeking redemption through the repurchase procedure. A shareholder whose order for repurchase is rejected by the Fund, however, may redeem shares as set forth above.

REINSTATEMENT PRIVILEGE -- CLASS A AND CLASS D SHARES

Shareholders who have redeemed their Class A or Class D shares have a one-time privilege to reinstate their accounts by purchasing Class A or Class D shares, as the case may be, of the Fund at net asset value without a sales charge up to the dollar amount redeemed. The reinstatement privilege may be exercised by sending a notice of exercise along with a check for the amount to be reinstated to the Transfer Agent within 30 days after the date the request for redemption was accepted by the Transfer Agent or the Distributor. The reinstatement will be made at the net asset value per share next determined after the notice of reinstatement is received and cannot exceed the amount of the redemption proceeds. The reinstatement privilege is a one-time privilege and may be exercised by the Class A or Class D shareholder only the first time such shareholder makes a redemption.

SHAREHOLDER SERVICES

The Fund offers a number of shareholder services and investment plans designed to facilitate investment in shares of the Fund. Full details as to each of such services, copies of the various plans described below and instructions as to how to participate in the various services or plans, or how to change options with respect thereto, can be obtained from the Fund by calling the telephone number on the cover page hereof or from the Distributor or Merrill Lynch.

INVESTMENT ACCOUNT

Each shareholder whose account is maintained at the Transfer Agent has an Investment Account and will receive statements, at least quarterly, from the Transfer Agent. These statements will serve as transaction confirmations for

automatic investment purchases and the reinvestment of ordinary income dividends and long-term capital gain distributions. These statements will also show any other activity in the account since the preceding statement. Shareholders will receive separate transaction confirmations for each purchase or sale transaction other than automatic investment purchases and the reinvestment of ordinary income dividends and long-term capital gain distributions. A shareholder may make additions to his Investment Account at any time by mailing a check directly to the Transfer Agent. Shareholders also may maintain their accounts through

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Merrill Lynch. Upon the transfer of shares out of a Merrill Lynch brokerage account, an Investment Account in the transferring shareholder's name may be opened at the Transfer Agent. Shareholders considering transferring their Class A or Class D shares from Merrill Lynch to another brokerage firm or financial institution should be aware that, if the firm to which the Class A or Class D shares are to be transferred will not take delivery of shares of the Fund, a shareholder either must redeem the Class A or Class D shares (paying any applicable CDSC) so that the cash proceeds can be transferred to the account at the new firm or such shareholder must continue to maintain an Investment Account at the Transfer Agent for those Class A or Class D shares. Shareholders interested in transferring their Class B or Class C shares from Merrill Lynch and who do not wish to have an Investment Account maintained for such shares at the Transfer Agent may request their new brokerage firm to maintain such shares in an account registered in the name of the brokerage firm for the benefit of the shareholder at the Transfer Agent. Shareholders considering transferring a tax-deferred retirement account such as an individual retirement account from Merrill Lynch to another brokerage firm or financial institution should be aware that, if the firm to which the retirement account is to be transferred will not take delivery of shares of the Fund, a shareholder must either redeem the shares (paying any applicable CDSC) so that the cash proceeds can be transferred to the account at the new firm, or such shareholder must continue to maintain a retirement account at Merrill Lynch for those shares.

EXCHANGE PRIVILEGE

Shareholders of each class of shares of the Fund have an exchange privilege with certain other MLAM-advised mutual funds. There is currently no limitation on the number of times a shareholder may exercise the exchange privilege. The exchange privilege may be modified or terminated in accordance with the rules of the Commission.

Under the Merrill Lynch Select Pricing System, Class A shareholders may exchange Class A shares of the Fund for Class A shares of a second MLAM-advised mutual fund if the shareholder holds any Class A shares of the second fund in his account in which the exchange is made at the time of the exchange or is otherwise eligible to purchase Class A shares of the second fund. If the Class A shareholder wants to exchange Class A shares for shares of a second MLAM-advised mutual fund, and the shareholder does not hold Class A shares of the second fund in his account at the time of the exchange and is not otherwise eligible to acquire Class A shares of the second fund, the shareholder will receive Class D shares of the second fund as a result of the exchange. Class D shares also may be exchanged for Class A shares of a second MLAM-advised mutual fund at any time as long as, at the time of the exchange, the shareholder holds Class A shares of the second fund in the account in which the exchange is made or is otherwise eligible to purchase Class A shares of the second fund.

Exchanges of Class A and Class D shares are made on the basis of the relative net asset values per Class A or Class D share, respectively, plus an amount equal to the difference, if any, between the sales charge previously paid on the Class A or Class D shares being exchanged and the sales charge payable at the time of the exchange on the shares being acquired.

Class B, Class C and Class D shares will be exchangeable with shares of the same class of other MLAM-advised mutual funds.

Shares of the Fund which are subject to a CDSC will be exchangeable on the basis of relative net asset value per share without the payment of any CDSC that might otherwise be due upon redemption of the shares

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of the Fund. For purposes of computing the CDSC that may be payable upon a disposition of the shares acquired in the exchange, the holding period for the previously owned shares of the Fund is "tacked" to the holding period of the newly acquired shares of the other Fund.

Class A, Class B, Class C and Class D shares also will be exchangeable for shares of certain MLAM-advised money market funds specifically designated as available for exchange by holders of Class A, Class B, Class C or Class D shares. The period of time that Class A, Class B, Class C or Class D shares are

held in a money market fund, however, will not count toward satisfaction of the holding period requirement for reduction of any CDSC imposed on such shares, if any, and, with respect to Class B shares, toward satisfaction of the Conversion Period.

Class B shareholders of the Fund exercising the exchange privilege will continue to be subject to the Fund's CDSC schedule if such schedule is higher than the CDSC schedule relating to the new Class B shares. In addition, Class B shares of the Fund acquired through use of the exchange privilege will be subject to the Fund's CDSC schedule if such schedule is higher than the CDSC schedule relating to the Class B shares of the MLAM-advised mutual fund from which the exchange has been made.

Exercise of the exchange privilege is treated as a sale for Federal income tax purposes. For further information, see "Shareholder Services -- Exchange Privilege" in the Statement of Additional Information.

The Fund's exchange privilege is modified with respect to purchases of Class A and Class D shares under the Merrill Lynch Mutual Fund Adviser ("MFA") program. First, the initial allocation of assets is made under the MFA program. Then, any subsequent exchange under the MFA program of Class A or Class D shares of a MLAM-advised mutual fund for Class A or Class D shares of the Fund will be made solely on the basis of the relative net asset values of the shares being exchanged. Therefore, there will not be a charge for any difference between the sales charge previously paid on the shares of the other MLAM-advised mutual fund and the sales charge payable on the shares of the Fund being acquired in the exchange under the MFA program.

AUTOMATIC REINVESTMENT OF DIVIDENDS AND CAPITAL GAINS DISTRIBUTIONS

All dividends and capital gains distributions are reinvested automatically in full and fractional shares of the Fund, without sales charge, at the net asset value per share next determined on the ex-dividend date of such dividend or distribution. A shareholder may at any time, by written notification or by telephone (1-800-MER-FUND) to the Transfer Agent, elect to have subsequent dividends or both dividends and capital gains distributions paid in cash rather than reinvested, in which event payment will be mailed on or about the payment date. Cash payments can also be directly deposited to the shareholder's bank account. No CDSC will be imposed on redemption of shares issued as a result of the automatic reinvestment of dividends or capital gains distributions.

SYSTEMATIC WITHDRAWAL PLANS

A Class A or Class D shareholder may elect to receive systematic withdrawal payments from his Investment Account in the form of payments by check or through automatic payment by direct deposit to his bank account on either a monthly or quarterly basis. A Class A or Class D shareholder whose shares are held within a CMA(R), CBA(R) or Retirement Account may elect to have shares redeemed on a monthly, bimonthly,

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quarterly, semiannual or annual basis through the Systematic Redemption Program, subject to certain conditions.

AUTOMATIC INVESTMENT PLANS

Regular additions of Class A, Class B, Class C or Class D shares may be made to an investor's Investment Account by pre-arranged charges of \$50 or more to his regular bank account. Investors who maintain CMA(R) accounts may arrange to have periodic investments made in the Fund in their CMA(R) accounts or in certain related accounts in amounts of \$100 or more (\$1 for retirement plans) through the CMA(R) Automated Investment Program.

PORTFOLIO TRANSACTIONS AND BROKERAGE

Subject to policies established by the Board of Directors of the Fund, the Investment Adviser is responsible for the Fund's portfolio decisions and the placing of the Fund's portfolio transactions. With respect to such transactions, the Investment Adviser seeks to obtain the best net results for the Fund, taking into account such factors as price (including the applicable brokerage commission or dealer spread), size of order, difficulty of execution and operational facilities of the firm involved and the firm's risk in positioning a block of securities. While the Investment Adviser generally seeks reasonably competitive commission rates, the Fund will not necessarily be paying the lowest commission or spread available.

The Fund has no obligation to deal with any broker or dealer in the execution of its portfolio transactions. The Fund pays brokerage fees to Merrill Lynch in connection with portfolio transactions executed by Merrill Lynch. Brokers and dealers, including Merrill Lynch, who provide supplemental investment research to the Investment Adviser may receive orders for transactions by the Fund. Information so received is in addition to and not in

lieu of the services required to be performed by the Investment Adviser under the Investment Advisory Agreement, and the expenses of the Investment Adviser will not necessarily be reduced as a result of the receipt of such supplemental information. Supplemental investment research received by the Investment Adviser also may be used in connection with other investment advisory accounts of the Investment Adviser and its affiliates. Whether or not a particular broker-dealer sells shares of the Fund neither qualifies nor disqualifies such broker-dealer to execute transactions for the Fund.

PERFORMANCE DATA

From time to time the Fund may include its average annual total return for various specified time periods in advertisements or information furnished to present or prospective shareholders. Average annual total return is computed separately for Class A, Class B, Class C and Class D shares in accordance with a formula specified by the Commission.

Average annual total return quotations for the specified periods will be computed by finding the average annual compounded rates of return (based on net investment income and any capital gains or losses on portfolio investments over such periods) that would equate the initial amount invested to the redeemable value of such investment at the end of each period. Average annual total return will be computed assuming all dividends and distributions are reinvested and taking into account all applicable recurring and nonrecurring expenses, including any CDSC that would be applicable to a complete redemption of the investment at the

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end of the specified period such as in the case of Class B and Class C shares and the maximum sales charge in the case of Class A and Class D shares. Dividends paid by the Fund with respect to all shares, to the extent any dividends are paid, will be calculated in the same manner at the same time on the same day and will be in the same amount, except that account maintenance fees and distribution charges and any incremental transfer agency costs relating to each class of shares will be borne exclusively by that class. The Fund will include performance data for all classes of shares of the Fund in any advertisement or information including performance data of the Fund.

The Fund also may quote total return and aggregate total return performance data for various specified time periods. Such data will be calculated substantially as described above, except that (1) the rates of return calculated will not be average annual rates, but rather, actual annual, annualized or aggregate rates of return and (2) the maximum applicable sales charges will not be included with respect to annual or annualized rates of return calculations. Aside from the impact on the performance data calculations of including or excluding the maximum applicable sales charges, actual annual or annualized total return data generally will be lower than average total return data since the average annual rates of return reflect compounding; aggregate total return data generally will be higher than average annual total return data since the aggregate rates of return reflect compounding over a longer period of time. In advertisements directed to investors whose purchases are subject to waiver of the CDSC in the case of Class B and Class C shares (such as investors in certain retirement plans) or to reduced sales charges in the case of Class A and Class D shares, performance data may take into account the reduced, and not the maximum, sales charge or may not take into account the CDSC and therefore may reflect greater total return since, due to the reduced sales charges or waiver of the CDSC, a lower amount of expenses may be deducted. See "Purchase of Shares". The Fund's total return may be expressed either as a percentage or as a dollar amount in order to illustrate the effect of such total return on a hypothetical \$1,000 investment in the Fund at the beginning of each specified period.

Total return figures are based on the Fund's historical performance and are not intended to indicate future performance. The Fund's total return will vary depending on market conditions, the securities comprising the Fund's portfolio, the Fund's operating expenses and the amount of realized and unrealized net capital gains or losses during the period. The value of an investment in the Fund will fluctuate and an investor's shares, when redeemed, may be worth more or less than their original cost.

On occasion, the Fund may compare its performance to that of the Standard & Poor's 500 Composite Stock Price Index, the Dow Jones Industrial Average, or performance data published by Lipper Analytical Services, Inc., Morningstar Publications, Inc., Money Magazine, U.S. News & World Report, Business Week, CDA Investment Technology, Inc., Forbes Magazine and Fortune Magazine. As with other performance data, performance comparisons should not be considered representative of the Fund's relative performance for any future period.

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ADDITIONAL INFORMATION

DIVIDENDS AND DISTRIBUTIONS

It is the Fund's intention to distribute all of its net investment income, if any. Dividends from such net investment income are paid semi-annually. All net realized long or short-term capital gains, if any, are distributed to the Fund's shareholders at least annually. Premiums from expired call options written by the Fund and net gains from closing purchase transactions are treated as short-term capital gains for Federal income tax purposes. The per share dividends and distributions on each class of shares will be reduced as a result of any account maintenance, distribution and transfer agency fees applicable to that class. See "Additional Information -- Determination of Net Asset Value". Dividends and distributions may be reinvested automatically in shares of the Fund, at net asset value without sales charge. Shareholders may elect in writing to receive any such dividends or distributions, or both, in cash. Dividends and distributions are taxable to shareholders as described below whether they are reinvested in shares of the Fund or received in cash.

DETERMINATION OF NET ASSET VALUE

The net asset value of the shares of all classes of the Fund is determined once daily as of 4:15 P.M., New York time, on each day during which the New York Stock Exchange is open for trading and, under certain circumstances, on other days. Any assets or liabilities initially expressed in terms of non-U.S. dollar currencies are translated into U.S. dollars at the prevailing market rates as quoted by one or more banks or dealers on the day of valuation. The net asset value per share is computed by dividing the sum of the value of the securities held by the Fund plus any cash or other assets (including interest and dividends accrued but not yet received) minus all liabilities (including accrued expenses) by the total number of shares outstanding at such time, rounded to the nearest cent. Expenses, including the investment advisory fees payable to the Investment Adviser and any account maintenance and/or distribution fees payable to the Distributor, are accrued daily.

The per share net asset value of Class A shares generally will be higher than the per share net asset value of shares of the other classes, reflecting the daily expense accruals of the account maintenance, distribution and higher transfer agency fees applicable with respect to Class B and Class C shares and the daily expense accruals of the account maintenance fees applicable with respect to Class D shares; moreover, the per share net asset value of Class D shares generally will be higher than the per share net asset value of Class B and Class C shares, reflecting the daily expense accruals of the distribution and higher transfer agency fees applicable with respect to Class B and Class C shares. It is expected, however, that the per share net asset value of the classes will tend to converge immediately after the payment of dividends or distributions which will differ by approximately the amount of the expense accrual differentials between the classes.

Portfolio securities which are traded on stock exchanges are valued at the last sale price as of the close of business on the day the securities are being valued, or, lacking any sales, at the mean between closing bid and asked prices. Securities traded in the over-the-counter market are valued at the most recent bid prices as obtained from one or more dealers that make markets in the securities. Securities traded in the NASDAQ National Market System are valued at the last sale price on the day the securities are valued, or lacking any sales, at the closing bid price. Portfolio securities which are traded both in the over-the-counter market and on a stock exchange are valued according to the broadest and most representative market. Securities and assets for which market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of the Board of Directors of the Fund.

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When the Fund sells an option, an amount equal to the premium received by the Fund is included in the Fund's Statement of Assets and Liabilities as a deferred credit. The amount of such liability subsequently will be marked-to-market to reflect the current market value of the option written. If current market value exceeds the premium received there is an unrealized loss; conversely, if the premium exceeds current market value there is an unrealized gain. The current market value of a traded option is the last sale price or, in the absence of a sale, the last offering price. If an option expires on its stipulated expiration date or if the Fund enters into a closing purchase transaction, the Fund will realize a gain (or loss if the cost of a closing purchase transaction exceeds the premium received when the option was sold) without regard to any unrealized gain or loss on the underlying security, and the liability related to such option will be extinguished. If an option is exercised, the Fund will realize a gain or loss from the sale of the underlying security and the proceeds of sales are increased by the premium originally received.

TAXES

The Fund intends to continue to qualify for the special tax treatment

afforded regulated investment companies ("RICs") under the Internal Revenue Code of 1986, as amended (the "Code"). If it so qualifies, the Fund (but not its shareholders) will not be subject to Federal income tax on the part of its net ordinary income and net realized capital gains which it distributes to Class A, Class B, Class C and Class D shareholders (together, the "shareholders"). The Fund intends to distribute substantially all of such income.

Dividends paid by the Fund from its ordinary income and distributions of the Fund's net realized short-term capital gains (together referred to hereafter as "ordinary income dividends") are taxable to shareholders as ordinary income. Distributions made from the Fund's net realized long-term capital gains (including long-term gains from certain transactions in options) ("capital gain dividends") are taxable to shareholders as long-term capital gains, regardless of the length of time the shareholder has owned Fund shares. Distributions in excess of the Fund's earnings and profits will first reduce the adjusted tax basis of a holder's shares and, after such adjusted tax basis is reduced to zero, will constitute capital gains to such holder (assuming the shares are held as a capital asset).

Dividends are taxable to shareholders even though they are reinvested in additional shares of the Fund. Not later than 60 days after the close of its taxable year, the Fund will provide its shareholders with a written notice designating the amounts of any ordinary income dividends or capital gain dividends. A portion of the Fund's ordinary income dividends may be eligible for the dividends received deduction allowed to corporations under the Code, if certain requirements are met. If the Fund pays a dividend in January which was declared in the previous October, November or December to shareholders of record on a specified date in one of such months, then such dividend will be treated for tax purposes as being paid by the Fund and received by its shareholders on December 31 of the year in which such dividend was declared.

Ordinary income dividends paid by the Fund to shareholders who are nonresident aliens or foreign entities will be subject to a 30% United States withholding tax under existing provisions of the Code applicable to foreign individuals and entities unless a reduced rate of withholding or a withholding exemption is provided under applicable treaty law. Nonresident shareholders are urged to consult their own tax advisers concerning the applicability of the United States withholding tax.

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Dividends and interest received by the Fund may give rise to withholding and other taxes imposed by foreign countries. Tax conventions between certain countries and the United States may reduce or eliminate such taxes.

Under certain provisions of the Code, some shareholders may be subject to a 31% withholding tax on ordinary income dividends, capital gain dividends and redemption payments ("backup withholding"). Generally, shareholders subject to backup withholding will be those for whom no certified taxpayer identification number is on file with the Fund or who, to the Fund's knowledge, have furnished an incorrect number. When establishing an account, an investor must certify under penalty of perjury that such number is correct and that such investor is not otherwise subject to backup withholding.

No gain or loss will be recognized by Class B shareholders on the conversion of their Class B shares into Class D shares. A shareholder's basis in the Class D shares acquired will be the same as such shareholder's basis in the Class B shares converted, and the holding period of the acquired Class D shares will include the holding period for the converted Class B shares.

If a shareholder exercises an exchange privilege within 90 days of acquiring such shares, then the loss the shareholder can recognize on the exchange will be reduced (or the gain increased) to the extent the sales charge paid to the Fund reduces any sales charge the shareholder would have owed upon the purchase of the new shares in the absence of the exchange privilege. Instead, such sales charge will be treated as an amount paid for the new shares.

A loss realized on a sale or exchange of shares of the Fund will be disallowed if other Fund shares are acquired (whether through the automatic reinvestment of dividends or otherwise) within a 61-day period beginning 30 days before and ending 30 days after the date that the shares are disposed of. In such a case, the basis of the shares acquired will be adjusted to reflect the disallowed loss.

The foregoing is a general and abbreviated summary of the applicable provisions of the Code and Treasury regulations presently in effect. For the complete provisions, reference should be made to the pertinent Code sections and the Treasury regulations promulgated thereunder. The Code and the Treasury regulations are subject to change by legislative or administrative action either prospectively or retroactively.

Ordinary income and capital gain dividends may also be subject to state and local taxes.

Certain states exempt from state income taxation dividends paid by RICs which are derived from interest on United States Government obligations. State law varies as to whether dividend income attributable to United States Government obligations is exempt from state income tax.

Shareholders are urged to consult their tax advisers regarding specific questions as to Federal, foreign, state or local taxes. Foreign investors should consider applicable foreign taxes in their evaluation of an investment in the Fund.

ORGANIZATION OF THE FUND

The Fund was incorporated under Maryland law on March 22, 1977. It has an authorized capital of 800,000,000 shares of Common Stock, par value \$0.10 per share, divided into four classes, designated Class A, Class B, Class C and Class D Common Stock, each of which consists of 200,000,000 shares. Shares of Class A, Class B, Class C and Class D Common Stock represent interests in the same assets of the Fund and

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are identical in all respects except that Class B, Class C and Class D shares bear certain expenses related to the account maintenance associated with such shares, and Class B and Class C shares bear certain expenses related to the distribution of such shares. Each class has exclusive voting rights with respect to matters relating to account maintenance and distribution expenditures, as applicable. See "Purchase of Shares". The Fund has received an order from the Commission permitting the issuance and sale of multiple classes of Common Stock. The Directors of the Fund may classify and reclassify the shares of the Fund into additional classes of Common Stock at a future date.

Shareholders are entitled to one vote for each share held and fractional votes for fractional shares held and will vote on the election of Directors and any other matter submitted to a shareholder vote. The Fund does not intend to hold meetings of shareholders in any year in which the Investment Company Act does not require shareholders to act on any of the following matters: (i) election of Directors; (ii) approval of an investment advisory agreement; (iii) approval of a distribution agreement; and (iv) ratification of selection of independent auditors. Voting rights for Directors are not cumulative. Shares issued are fully paid and non-assessable and have no preemptive rights. Shares have the conversion rights described in this Prospectus. Each share of Common Stock is entitled to participate equally in dividends and distributions declared by the Fund and in the net assets of the Fund on liquidation or dissolution after satisfaction of outstanding liabilities except, as noted above, the Class B, Class C and Class D shares bear certain additional expenses.

SHAREHOLDER REPORTS

Only one copy of each shareholder report and certain shareholder communications will be mailed to each identified shareholder regardless of the number of accounts such shareholder has. If a shareholder wishes to receive separate copies of each report and communication for each of the shareholder's related accounts the shareholder should notify in writing:

Financial Data Services, Inc.
Attn: TAMFO
P.O. Box 45289
Jacksonville, FL 32232-5289

The written notification should include the shareholder's name, address, tax identification number and Merrill Lynch, Pierce, Fenner & Smith Incorporated and/or mutual fund account numbers. If you have any questions regarding this please call your Merrill Lynch financial consultant or Financial Data Services, Inc. at 800-637-3863.

SHAREHOLDER INQUIRIES

Shareholder inquiries may be addressed to the Fund at the address or telephone number set forth on the cover page of this Prospectus.

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MERRILL LYNCH BASIC VALUE FUND, INC. -- AUTHORIZATION FORM (PART 1)

NOTE: THIS FORM MAY NOT BE USED FOR PURCHASES THROUGH THE MERRILL LYNCH BLUEPRINTSM PROGRAM. YOU MAY REQUEST A MERRILL LYNCH BLUEPRINTSM PROGRAM APPLICATION BY CALLING (800) 637-3766.

1. SHARE PURCHASE APPLICATION

I, being of legal age, wish to purchase: (choose one)
/ / Class A shares / / Class B shares
/ / Class C shares / / Class D shares

of Merrill Lynch Basic Value Fund, Inc. and establish an Investment Account as described in the Prospectus. In the event that I am not eligible to purchase Class A share, I understand that Class D shares will be purchased.

Basis for establishing an Investment Account:

A. I enclose a check for \$..... payable to Financial Data Services, Inc. as an initial investment (minimum \$1,000). I understand that this purchase will be executed at the applicable offering price next to be determined after this Application is received by you.

B. I already own shares of the following Merrill Lynch mutual funds that would qualify for the Right of Accumulation as outlined in the Statement of Additional Information: (Please list all funds. Use a separate sheet of paper if necessary.)

- 1. 4.
2. 5.
3. 6.

Name
First Name Initial Last Name
Name of Co-Owner (if any).....
First Name Initial Last Name

Address.....
Date.....
(Zip Code)

<TABLE>
<CAPTION>
<S> Occupation Name and Address of Employer.....
Signature of Owner Signature of Co-Owner (if any)

</TABLE>
(In the case of co-owners, a joint tenancy with right of survivorship will be presumed unless otherwise specified.)

2. DIVIDEND AND CAPITAL GAIN DISTRIBUTION OPTIONS

<TABLE>
<S> Ordinary Income Dividends Long-Term Capital Gains
SELECT / / Reinvest
ONE: / / Cash

If no election is made, dividends and capital gains will be automatically reinvested at net asset value without a sales charge.

IF CASH, SPECIFY HOW YOU WOULD LIKE YOUR DISTRIBUTIONS PAID TO YOU: / / Check or / / Direct Deposit to bank account

IF DIRECT DEPOSIT TO BANK ACCOUNT IS SELECTED, PLEASE COMPLETE BELOW:

I hereby authorize payment of dividend and capital gain distributions by direct deposit to my bank account and, if necessary, debit entries and adjustments for any credit entries made to my account in accordance with the terms I have selected on the Merrill Lynch Basic Value Fund, Inc. Authorization Form.

Specify type of account (check one): / / checking / / savings

Name on your account.....
Bank Name.....
Bank Number Account Number
Bank Address.....

I agree that this authorization will remain in effect until I provide written notification to Financial Data Services, Inc. amending or terminating this

service.

Signature of Depositor.....
Signature of DepositorDate.....
(if joint account, both must sign)

NOTE: If direct deposit to bank account is selected, your blank, unsigned check marked "VOID" or a deposit slip from your savings account should accompany this application.

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MERRILL LYNCH BASIC VALUE FUND, INC. -- AUTHORIZATION FORM
(PART 1) -- (CONTINUED)

NOTE: THIS FORM MAY NOT BE USED FOR PURCHASES THROUGH THE MERRILL LYNCH BLUEPRINTSM PROGRAM. YOU MAY REQUEST A MERRILL LYNCH BLUEPRINTSM PROGRAM APPLICATION BY CALLING (800) 637-3766.

3. SOCIAL SECURITY NUMBER OR TAXPAYER IDENTIFICATION NUMBER

Social Security Number or Taxpayer Identification Number

Under penalty of perjury, I certify (1) that the number set forth above is my correct Social Security Number or Taxpayer Identification Number and (2) that I am not subject to backup withholding (as discussed under "Additional Information--Taxes") either because I have not been notified that I am subject thereto as a result of a failure to report all interest or dividends, or the Internal Revenue Service ("IRS") has notified me that I am no longer subject thereto.

INSTRUCTION: YOU MUST STRIKE OUT THE LANGUAGE IN (2) ABOVE IF YOU HAVE BEEN NOTIFIED THAT YOU ARE SUBJECT TO BACKUP WITHHOLDING DUE TO UNDER-REPORTING AND IF YOU HAVE NOT RECEIVED A NOTICE FROM THE IRS THAT BACKUP WITHHOLDING HAS BEEN TERMINATED. THE UNDERSIGNED AUTHORIZES THE FURNISHING OF THIS CERTIFICATION TO OTHER MERRILL LYNCH SPONSORED MUTUAL FUNDS.

<TABLE>
<S> <C>
Signature of Owner Signature of Co-Owner (if any)
</TABLE>

<TABLE>
<S> <C>
4. LETTER OF INTENTION -- CLASS A AND D SHARES ONLY (See terms and conditions in the Statement of Additional Information) 19.....
Dear Sir/Madam: Date of initial purchase

Although I am not obligated to do so, I intend to purchase shares of Merrill Lynch Basic Value Fund, Inc. or any other investment company with an initial sales charge or deferred sales charge for which Merrill Lynch Funds Distributor, Inc. acts as distributor over the next 13 month period which will equal or exceed:
/ / \$25,000 / / \$50,000 / / \$100,000 / / \$250,000 / / \$1,000,000
</TABLE>

Each purchase will be made at the then reduced offering price applicable to the amount checked above, as described in the Merrill Lynch Basic Value Fund, Inc. Prospectus.

I agree to the terms and conditions of this Letter of Intention. I hereby irrevocably constitute and appoint Merrill Lynch Funds Distributor, Inc., my attorney, with full power of substitution, to surrender for redemption any or all shares of Merrill Lynch Basic Value Fund, Inc. held as security.

<TABLE>
<S> <C>
By:..... Signature of Co-Owner
Signature of Owner
(If registered in joint names, both must sign)
</TABLE>

In making purchases under this letter, the following are the related accounts on which reduced offering prices are to apply:

<TABLE>
<S> <C>
(1) Name (2) Name.....
Account Number Account Number.....
</TABLE>

5. FOR DEALER ONLY

Branch Office, Address, Stamp

This form when completed should be mailed to:

Merrill Lynch Basic Value Fund, Inc.
c/o Financial Data Services, Inc.
Transfer Agency Mutual Fund Operations
P.O. Box 45289
Jacksonville, Florida 32232-5289

We hereby authorize Merrill Lynch Funds Distributor, Inc. to act as our agent in connection with transactions under this authorization form and agree to notify the Distributor of any purchases made under a Letter of Intention or Systematic Withdrawal Plan. We guarantee the Shareholder's signature.

Dealer Name and Address

By Authorized Signature of Dealer

Branch-Code F/C No. F/C Last Name
Dealer's Customer A/C No.

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MERRILL LYNCH BASIC VALUE FUND, INC. -- AUTHORIZATION FORM (PART 2)

NOTE: THIS FORM IS REQUIRED TO APPLY FOR THE SYSTEMATIC WITHDRAWAL OF AUTOMATIC INVESTMENT PLANS ONLY.

1. ACCOUNT REGISTRATION

Name First Name Initial Last Name
Name of Co-Owner (if any) First Name Initial Last Name
Address (Zip Code)

Social Security No. or Taxpayer Identification No.
Account Number (if existing account)

2. SYSTEMATIC WITHDRAWAL PLAN -- CLASS A AND D SHARES ONLY (See terms and conditions in the Statement of Additional Information)

MINIMUM REQUIREMENTS: \$10,000 for monthly disbursements, \$5,000 for quarterly, of / / Class A or / / Class D shares in Merrill Lynch Basic Value Fund, Inc. at cost or current offering price. Withdrawals to be made either (check one) / / Monthly on the 24th day of each month, or / / Quarterly on the 24th day of March, June, September and December. If the 24th falls on a weekend or holiday, the next succeeding business day will be utilized. Begin systematic withdrawals on (month) or as soon as possible thereafter.

SPECIFY HOW YOU WOULD LIKE YOUR WITHDRAWAL PAID TO YOU (CHECK ONE): / / \$ or / / % of the current value of / / Class A or / / Class D shares in the account.

SPECIFY WITHDRAWAL METHOD: / / check or / / direct deposit to bank account (check one and complete part (a) or (b) below):

DRAW CHECKS PAYABLE (CHECK ONE)

(a) I hereby authorize payment by check / / as indicated in Item 1.

// to the order of.....

Mail to (check one)

// the address indicated in Item 1.

// Name (please print).....

Address.....

Signature of Owner.....Date.....

Signature of Co-Owner (if any).....

(B) I HEREBY AUTHORIZE PAYMENT BY DIRECT DEPOSIT TO BANK ACCOUNT AND, IF NECESSARY, DEBIT ENTRIES AND ADJUSTMENTS FOR ANY CREDIT ENTRIES MADE TO MY ACCOUNT. I AGREE THAT THIS AUTHORIZATION WILL REMAIN IN EFFECT UNTIL I PROVIDE WRITTEN NOTIFICATION TO FINANCIAL DATA SERVICES, INC. AMENDING OR TERMINATING THIS SERVICE.

Specify type of account (check one): // checking // savings

Name on your Account.....

Bank Name

Bank NumberAccount Number.....

Bank Address.....

Signature of Depositor

.....Date.....

Signature of Depositor.....

(if joint account, both must sign)

NOTE: IF DIRECT DEPOSIT IS ELECTED, YOUR BLANK, UNSIGNED CHECK MARKED "VOID" OR A DEPOSIT SLIP FROM YOUR SAVINGS ACCOUNT SHALL ACCOMPANY THIS APPLICATION.

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MERRILL LYNCH BASIC VALUE FUND, INC. -- AUTHORIZATION FORM (PART 2) -- (CONTINUED)

3. APPLICATION FOR AUTOMATIC INVESTMENT PLAN

I hereby request that Financial Data Services, Inc. draw an automated clearing house ("ACH") debit on my checking account as described below each month to purchase: (choose one)

- // Class A shares // Class B shares // Class C shares // Class D shares

of Merrill Lynch Basic Value Fund, Inc. subject to the terms set forth below. In the event that I am not eligible to purchase Class A shares, I understand that Class D shares will be purchased.

FINANCIAL DATA SERVICES, INC.

You are hereby authorized to draw an ACH debit each month on my bank account for investment in Merrill Lynch Basic Value Fund, Inc., as indicated below:

Amount of each ACH debit \$.....

Account No.....

Please date and invest ACH debits on the 20th of each month

beginning _____ or as soon as thereafter as possible.

(month)

I agree that you are drawing these ACH debits voluntarily at my request and that you shall not be liable for any loss arising from any delay in preparing or failure to prepare any such debit. If I change banks or desire to terminate or suspend this program, I agree to notify you promptly in writing. I hereby authorize you to take any action to correct erroneous ACH debits of my bank account or purchases of fund shares including liquidating shares of the Fund and crediting my bank account. I further agree that if a debit is not honored upon presentation, Financial Data Services, Inc. is authorized to discontinue immediately the Automatic Investment Plan and to liquidate sufficient shares held in my account to offset the purchase made with the dishonored debit.

Date

Signature of Depositor

Signature of Depositor

(If joint account, both must sign)

AUTHORIZATION TO HONOR ACH DEBITS DRAWN BY FINANCIAL DATA SERVICES, INC.

To.....Bank

Bank Address.....

City State Zip.....

As a convenience to me, I hereby request and authorize you to pay and charge to my account ACH debits drawn on my account by and payable to Financial Data Services, Inc., I agree that your rights in respect to each such debit shall be the same as if it were a check drawn on you and signed personally by me. This authority is to remain in effect until revoked by me in writing. Until you receive such notice, you shall be fully protected in honoring any such debit. I

further agree that if any such debit be dishonored, whether with or without cause and whether intentionally or inadvertently, you shall be under no liability.

.....
Date	Signature of Depositor
.....
Bank Account Number	Signature of Depositor (If joint account, both must sign)

NOTE: IF AUTOMATIC INVESTMENT PLAN IS ELECTED, YOUR BLANK, UNSIGNED CHECK MARKED "VOID" SHOULD ACCOMPANY THIS APPLICATION.

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INVESTMENT ADVISER

Fund Asset Management
Administrative Offices:
800 Scudders Mill Road
Plainsboro, New Jersey 08536
Mailing Address:
P.O. Box 9011
Princeton, New Jersey 08543-9011

DISTRIBUTOR

Merrill Lynch Funds Distributor, Inc.
Administrative Offices:
800 Scudders Mill Road
Plainsboro, New Jersey 08536
Mailing Address:
P.O. Box 9011
Princeton, New Jersey 08543-9011

CUSTODIAN

National Westminster Bank NJ
2 Montgomery Street
2nd Floor
Jersey City, New Jersey 07302

TRANSFER AGENT

Financial Data Services, Inc.
Administrative Offices:
Transfer Agency Mutual Fund Operations
4800 Deer Lake Drive East
Jacksonville, Florida 32246-6484
Mailing Address:
P.O. Box 45289
Jacksonville, Florida 32232-5289

INDEPENDENT AUDITORS

Deloitte & Touche LLP
117 Campus Drive
Princeton, New Jersey 08540

COUNSEL

Brown & Wood
One World Trade Center
New York, New York 10048-0557

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NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS, OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS, IN CONNECTION WITH THE OFFER CONTAINED IN THIS PROSPECTUS, AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE FUND, THE INVESTMENT ADVISER OR THE DISTRIBUTOR. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFERING IN ANY STATE IN WHICH SUCH OFFERING MAY NOT LAWFULLY BE MADE.

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[LOGO]
Merrill Lynch
Basic Value Fund, Inc.

[ART]

PROSPECTUS

October 21, 1994

Distributor:
Merrill Lynch
Funds Distributor, Inc.

This Prospectus should be retained for future reference.

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STATEMENT OF ADDITIONAL INFORMATION

MERRILL LYNCH BASIC VALUE FUND, INC.

P.O. BOX 9011, PRINCETON, NEW JERSEY 08543-9011 - PHONE NO. (609) 282-2800

Merrill Lynch Basic Value Fund, Inc. (the "Fund") is a diversified, open-end investment company seeking capital appreciation and, secondarily, income by investing in securities, primarily equities, that management of the Fund believes are undervalued and therefore represent basic investment value. The Fund seeks special opportunities in securities that are selling at a discount, either from book value or historical price-earnings ratios, or seem capable of recovering from temporarily out of favor considerations. Particular emphasis is placed on securities which provide an above-average dividend return and sell at a below-average price-earnings ratio.

Pursuant to the Merrill Lynch Select Pricing(SM) System, the Fund offers four classes of shares each with a different combination of sales charges, ongoing fees and other features. The Merrill Lynch Select Pricing System permits an investor to choose the method of purchasing shares that the investor believes is most beneficial given the amount of the purchase, the

length of time the investor expects to hold the shares and other relevant circumstances.

This Statement of Additional Information of the Fund is not a prospectus and should be read in conjunction with the prospectus of the Fund, dated October 21, 1994 (the "Prospectus"), which has been filed with the Securities and Exchange Commission and can be obtained, without charge, by calling or by writing the Fund at the above telephone number or address. This Statement of Additional Information has been incorporated by reference into the Prospectus.

INVESTMENT ADVISER:

FUND ASSET MANAGEMENT

DISTRIBUTOR:

MERRILL LYNCH FUNDS DISTRIBUTOR, INC.

The date of this Statement of Additional Information is October 21, 1994.

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INVESTMENT OBJECTIVE AND POLICIES

The investment objective of the Fund is capital appreciation and, secondarily, income by investing in securities, primarily equities, that management of the Fund believes are undervalued and therefore represent basic investment value. Reference is made to "Investment Objective and Policies" in the Prospectus for a discussion of the investment objective and policies of the Fund.

Writing of Covered Call Options. The Fund may from time to time write, i.e., sell, covered call options on its portfolio securities and enter into closing purchase transactions with respect to certain of such options. A call option is considered covered where the writer of the option owns the underlying securities. By writing a covered call option, the Fund, in return for the premium income realized from the sale of the option may give up the opportunity to profit from a price increase in the underlying security above the option exercise price. In addition, the Fund will not be able to sell the underlying security until the option expires, is exercised or the Fund effects a closing purchase transaction as described below. A closing purchase transaction cancels out the Fund's position as the writer of an option by means of an offsetting purchase of an identical option prior to the expiration of the option it has written. If the option expires unexercised, the Fund realizes a gain in the amount of the premium received for the option which may be offset by a decline in the market price of the underlying security during the option period. The use of covered call options is not a primary investment technique of the Fund and such options normally will be written on underlying securities as to which management does not anticipate significant short-term capital appreciation. In its use of options, the Fund's investment adviser has access to personnel of Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") with extensive experience in options research and strategy. The Fund may not write covered options on underlying securities exceeding 15% of its total assets.

All options referred to herein and in the Fund's Prospectus are options issued by The Options Clearing Corporation (the "Clearing Corporation") which are currently traded on the Chicago Board Options Exchange, American Stock Exchange, Philadelphia Stock Exchange, Pacific Stock Exchange or New York Stock Exchange. An option gives the purchaser of the option the right to buy, and obligates the writer (seller) to sell the underlying security at the exercise price during the option period. The option period normally ranges from three to nine months from the date the option is written. For writing an option, the Fund receives a premium, which is the price of such option on the exchange on which it is traded. The exercise price of the option may be below, equal to, or above the current market value of the underlying security at the time the option is written.

The writer may terminate his obligation prior to the expiration date of the option by executing a closing purchase transaction which is effected by purchasing on an exchange an option of the same series (i.e., same underlying security, exercise price and expiration date) as the option previously written. Such a purchase does not result in the ownership of an option. A closing purchase transaction ordinarily will be effected to realize a profit on an outstanding call option, to prevent an underlying security from being called, to permit the sale of the underlying security or to permit the writing of a new call option containing different terms on such underlying security. The cost of such a liquidation purchase plus transaction costs may be greater than the premium received upon the original option, in which event the Fund will have incurred a loss in the transaction. An option may be closed out only on an exchange which provides a secondary market for an option of the same series and there is no assurance that a liquid secondary market on an exchange will exist for any particular option. A covered option writer unable to effect a closing purchase transaction will not be able to sell the underlying security until the option expires or the underlying security is delivered upon exercise,

with the result that the writer will be subject to the risk of market decline in the underlying security during such period. The Fund will write an option on a particular security only if management believes that a liquid secondary market will exist on an exchange for options of the same series which will permit the Fund to make a closing purchase transaction in order to close out its position.

Due to the relatively short time that exchanges have been dealing with options, options involve risks of possible unforeseen events which can be disruptive to the option markets or could result in the institution of certain procedures, including restriction of certain types of orders.

Portfolio Turnover. The rate of portfolio turnover is not a limiting factor and, given the Fund's investment policies, it is anticipated that there may be periods when high portfolio turnover will exist. The use of covered call options at times when the underlying securities are appreciating in value may result in higher portfolio turnover. The Fund pays brokerage commissions in connection with writing call options and effecting closing purchase transactions, as well as in connection with purchases and sales of portfolio securities. Although the Fund anticipates that its annual portfolio turnover rates should not exceed 100%, the turnover rate may vary greatly from year to year or during periods within a year. A high rate of portfolio turnover results in correspondingly greater brokerage commission expenses. The portfolio turnover rate is calculated by dividing the lesser of the Fund's annual sales or purchases of portfolio securities (exclusive of purchases or sales of all securities with maturities at the time of acquisition of one year or less) by the monthly average value of the securities in the portfolio during the year. The rates of portfolio turnover for the years ended June 30, 1993 and 1994 were 20.85% and 21.79%, respectively.

Current Investment Restrictions. In addition to the investment restrictions set forth in the Prospectus, the Fund has adopted the following restrictions and policies relating to the investment of its assets and its activities, which are fundamental policies and may not be changed without the approval of the holders of a majority of the Fund's outstanding voting securities (which for this purpose means the lesser of (a) 67% of the shares represented at a meeting at which more than 50% of the outstanding shares are represented or (b) more than 50% of the outstanding shares). The Fund may not:

1. Make investments for the purpose of exercising control or management.
2. Purchase securities of other investment companies, except in connection with a merger, consolidation, acquisition or reorganization, or by purchase in the open market of securities of closed-end investment companies where no underwriter or dealer's commission or profit, other than customary broker's commission, is involved and only if immediately thereafter not more than 10% of the Fund's total assets, taken at market value, would be invested in such securities.
3. Purchase or sell real estate; provided that the Fund may invest in securities secured by real estate or interests therein or issued by companies which invest in real estate or interests therein.
4. Purchase or sell commodities or commodity contracts.
5. Purchase any securities on margin, except that the Fund may obtain such short-term credit as may be necessary for the clearance of purchases and sales of portfolio securities, or make short sales of securities or maintain a short position.
6. Make loans to other persons (except as provided in (7) below); provided that for purposes of this restriction the acquisition of a portion of an issue of bonds, debentures, or other corporate debt securities

and investment in United States Government obligations, short-term commercial paper, certificates of deposit and bankers' acceptances shall not be deemed to be the making of a loan (the acquisition of bonds, debentures or other corporate debt securities which are not publicly distributed is considered to be the making of a loan under the Investment Company Act of 1940 (the "Investment Company Act")).

7. Lend its portfolio securities in excess of 20% of its total assets, taken at market value; provided that such loans shall be made in accordance with the guidelines set forth below.

8. Borrow amounts in excess of 5% of its total assets, taken at market

value, and then only from banks as a temporary measure for extraordinary emergency purposes.

9. Mortgage, pledge, hypothecate or in any manner transfer (except as provided in (7) above), as security for indebtedness, any securities owned or held by the Fund except as may be necessary in connection with borrowings mentioned in (8) above, and then such mortgaging, pledging or hypothecating may not exceed 10% of the Fund's total assets, taken at market value. (The deposit in escrow of underlying securities in connection with the writing of call options is not deemed to be a pledge.) [In order to comply with certain state statutes, the Fund will not, as a matter of operating policy, mortgage, pledge or hypothecate its portfolio securities to the extent that at any time the value of pledged securities plus the maximum sales charge will exceed 10% of the Fund's shares at the maximum offering price.]

10. Invest in securities which cannot be readily resold to the public because of legal or contractual restrictions or for which no readily available market exists or in securities of issuers having a record, together with predecessors, of less than three years of continuous operation if, regarding all such securities, more than 5% of its total assets, taken at market value, would be invested in such securities.

11. Underwrite securities of other issuers except insofar as the Fund may be deemed an underwriter under the Securities Act of 1933 in selling portfolio securities.

12. Write, purchase or sell puts, calls or combinations thereof, except that the Fund may write covered call options with respect to its portfolio securities, and enter into closing purchase transactions with respect to such options, if at the time of the writing of such options not more than 15% of its total assets, taken at market value, would be subject to being purchased upon the exercise of an option.

13. Invest in securities of foreign issuers if at the time of acquisition more than 10% of its total assets, taken at market value, would be invested in such securities.

14. Purchase or sell interests in oil, gas or other mineral exploration or development programs.

15. Purchase or retain the securities of any issuer, if those individual officers and directors of the Fund, Merrill Lynch Asset Management or any subsidiary thereof each owning beneficially more than 1/2 of 1% of the securities of such issuer own in the aggregate more than 5% of the securities of such issuer.

Additional investment restrictions adopted by the Fund, which may be changed by the Board of Directors, provide that the Fund may not:

1. Write call options with respect to underlying securities which are not traded on a national securities exchange.

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2. Invest in warrants if at the time of acquisition more than 2% of its total assets, taken at market value, would be invested in warrants. For purposes of this restriction, warrants acquired by the Fund in units or attached to securities may be deemed to be without value.

3. Invest in oil, gas or other mineral leases or in real estate limited partnerships.

Lending of Portfolio Securities. Subject to investment restriction (7) above, the Fund may from time to time lend securities from its portfolio to brokers, dealers and financial institutions and receive collateral in cash or securities issued or guaranteed by the United States Government which will be maintained at all times in an amount equal to at least 100% of the current market value of the loaned securities. Such cash collateral will be invested in short-term securities, which will increase the current income of the Fund. Such loans will be terminable at any time. The Fund will have the right to regain record ownership of loaned securities to exercise beneficial rights such as voting rights, subscription rights and rights to dividends, interest or other distributions. The Fund may pay reasonable fees to persons unaffiliated with the Fund for services in arranging such loans.

Investment in Foreign Issuers. The Fund may invest up to 10% of its total assets, taken at market value, in securities of foreign issuers. Foreign companies may not be subject to uniform accounting and auditing and financial reporting standards or to practices and requirements comparable to those applicable to domestic issuers. Securities of foreign issuers may be less liquid and more volatile than securities of United States issuers. Investment in foreign securities also involves certain risks, including fluctuations in

foreign exchange rates, political and economic developments and the possible imposition of exchange controls.

Proposed Uniform Investment Restrictions. As discussed in the Prospectus under "Investment Objective and Policies -- Investment Restrictions", the Board of Directors of the Fund has approved the replacement of the Fund's existing investment restrictions with the fundamental and non-fundamental investment restrictions set forth below. These uniform investment restrictions have been proposed for adoption by all of the non-money market mutual funds advised by Fund Asset Management, L.P. (the "Investment Adviser" or "FAM") or its affiliate, Merrill Lynch Asset Management, L.P. ("MLAM"). The investment objective and policies of the Fund will be unaffected by the adoption of the proposed investment restrictions.

Shareholders of the Fund are currently considering whether to approve the proposed revised investment restrictions. If such shareholder approval is obtained, the Fund's current investment restrictions will be replaced by the proposed restrictions, and the Fund's Prospectus and Statement of Additional Information will be supplemented to reflect such change.

Under the proposed fundamental investment restrictions, the Fund may not:

1. Make any investment inconsistent with the Fund's classification as a diversified company under the Investment Company Act.

2. Invest more than 25% of its assets, taken at market value, in the securities of issuers in any particular industry (excluding the U.S. Government and its agencies and instrumentalities).

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

4. Purchase or sell real estate, except that, to the extent permitted by applicable law, the Fund may invest in securities directly or indirectly secured by real estate or interests therein or issued by companies which invest in real estate or interests therein.

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5. Make loans to other persons, except that the acquisition of bonds, debentures or other corporate debt securities and investment in government obligations, commercial paper, pass-through instruments, certificates of deposit, bankers acceptances, repurchase agreements or any similar instruments shall not be deemed to be the making of a loan, and except further that the Fund may lend its portfolio securities, provided that the lending of portfolio securities may be made only in accordance with applicable law and the guidelines set forth in the Fund's Prospectus and Statement of Additional Information, as they may be amended from time to time.

6. Issue senior securities to the extent such issuance would violate applicable law.

7. Borrow money, except that (i) the Fund may borrow from banks (as defined in the Investment Company Act) in amounts up to 33 1/3% of its total assets (including the amount borrowed), (ii) the Fund may borrow up to an additional 5% of its total assets for temporary purposes, (iii) the Fund may obtain such short-term credit as may be necessary for the clearance of purchases and sales of portfolio securities and (iv) the Fund may purchase securities on margin to the extent permitted by applicable law. The Fund may not pledge its assets other than to secure such borrowings or, to the extent permitted by the Fund's investment policies as set forth in its Prospectus and Statement of Additional Information, as they may be amended from time to time, in connection with hedging transactions, short sales, when-issued and forward commitment transactions and similar investment strategies.

8. Underwrite securities of other issuers except insofar as the Fund technically may be deemed an underwriter under the Securities Act of 1933, as amended (the "Securities Act") in selling portfolio securities.

9. Purchase or sell commodities or contracts on commodities, except to the extent that the Fund may do so in accordance with applicable law and the Fund's Prospectus and Statement of Additional Information, as they may be amended from time to time, and without registering as a commodity pool operator under the Commodity Exchange Act.

Under the proposed non-fundamental investment restrictions, the Fund may not:

a. Purchase securities of other investment companies, except to the extent such purchases are permitted by applicable law.

b. Make short sales of securities or maintain a short position, except to the extent permitted by applicable law. The Fund currently does not intend to engage in short sales, except short sales "against the box".

c. Invest in securities which cannot be readily resold because of legal or contractual restrictions or which cannot otherwise be marketed, redeemed or put to the issuer or a third party, if at the time of acquisition more than 15% of its total assets would be invested in such securities. This restriction shall not apply to securities which mature within seven days or securities which the Board of Directors of the Fund has otherwise determined to be liquid pursuant to applicable law. Notwithstanding the 15% limitation herein, to the extent the laws of any state in which the Fund's shares are registered or qualified for sale require a lower limitation, the Fund will observe such limitation. As of the date hereof, therefore, the Fund will not invest more than 10% of its total assets in securities which are subject to this investment restriction (c). Securities purchased in accordance with Rule 144A under the Securities Act (a "Rule 144A security") and determined to be liquid by the Fund's Board of Directors are not subject to

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the limitations set forth in this investment restriction (c). Notwithstanding the fact that the Board may determine that a Rule 144A security is liquid and not subject to limitations set forth in this investment restriction (c), the State of Ohio does not recognize Rule 144A securities as securities that are free of restrictions as to resale. To the extent required by Ohio law, the Fund will not invest more than 5% of its total assets in securities of issuers that are restricted as to disposition, including Rule 144A securities.

d. Invest in warrants if, at the time of acquisition, its investments in warrants, valued at the lower of cost or market value, would exceed 5% of the Fund's net assets; included within such limitation, but not to exceed 2% of the Fund's net assets, are warrants which are not listed on the New York Stock Exchange or American Stock Exchange or a major foreign exchange. For purposes of this restriction, warrants acquired by the Fund in units or attached to securities may be deemed to be without value.

e. Invest in securities of companies having a record, together with predecessors, of less than three years of continuous operation, if more than 5% of the Fund's total assets would be invested in such securities. This restriction shall not apply to mortgage-backed securities, asset-backed securities or obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities.

f. Purchase or retain the securities of any issuer, if those individual officers and directors of the Fund, the officers and general partner of the Investment Adviser, the directors of such general partner or the officers and directors of any subsidiary thereof each owning beneficially more than one-half of one percent of the securities of such issuer own in the aggregate more than 5% of the securities of such issuer.

g. Invest in real estate limited partnership interests or interests in oil, gas or other mineral leases, or exploration or development programs, except that the Fund may invest in securities issued by companies that engage in oil, gas or other mineral exploration or development activities.

h. Write, purchase or sell puts, calls, straddles, spreads or combinations thereof, except to the extent permitted in the Fund's Prospectus and Statement of Additional Information, as they may be amended from time to time.

i. Notwithstanding fundamental investment restriction (7) above, borrow amounts in excess of 5% of its total assets, taken at market value, and then only from banks as a temporary measure for extraordinary emergency purposes.

Because of the affiliation of Merrill Lynch with the Fund, the Fund is prohibited from engaging in certain transactions involving Merrill Lynch except pursuant to a permissive order or otherwise in compliance with the provisions of the Investment Company Act and the rules and regulations thereunder. Included among such restricted transactions are purchases from or sales to Merrill Lynch of securities in transactions in which it acts as principal and purchases of securities from underwriting syndicates of which Merrill Lynch is a member.

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MANAGEMENT OF THE FUND

DIRECTORS AND OFFICERS

The Directors and executive officers of the Fund and their principal occupations for at least the last five years are set forth below. Unless otherwise noted, the address of each executive officer and Director is P.O. Box 9011, Princeton, New Jersey 08543-9011.

ARTHUR ZEIKEL -- President and Director(1)(2) -- President and Chief Investment Officer of the Investment Adviser (which term as used herein includes its corporate predecessors) since 1977; President of MLAM (which term as used herein includes its corporate predecessors) since 1977 and Chief Investment Officer since 1976; President and Director of Princeton Services, Inc. ("Princeton Services") since 1993; Executive Vice President of Merrill Lynch & Co., Inc. ("ML & Co.") since 1990; Executive Vice President of Merrill Lynch since 1990 and Senior Vice President thereof from 1985 to 1990; Director of Merrill Lynch Funds Distributor, Inc. (the "Distributor").

DONALD CECIL -- Director(2) -- 1114 Avenue of the Americas, New York, New York 10036. Special Limited Partner of Cumberland Partners (an investment partnership) since 1982; General Partner of Cumberland Associates (an asset management company) from 1970 to 1982; Member of Institute of Chartered Financial Analysts; Member and Chairman of Westchester County (N.Y.) Board of Transportation.

M. COLYER CRUM -- Director(2) -- Soldiers Field Road, Boston, Massachusetts 02163. James R. Williston Professor of Investment Management, Harvard Business School, since 1971; Director of Cambridge Bancorp, Copley Properties, Inc. and Sun Life Assurance Company of Canada.

EDWARD H. MEYER -- Director(2) -- 777 Third Avenue, New York, New York 10017. President of Grey Advertising Inc. since 1968, Chief Executive Officer since 1970 and Chairman of the Board of Directors since 1972; Director of The May Department Stores Company, Bowne & Co., Inc., Harman International Industries, Inc. and Ethan Allen Interiors, Inc.

JACK B. SUNDERLAND -- Director(2) -- P.O. Box 1177, Scarsdale, New York 10583. President and Director of American Independent Oil Company, Inc. (an energy company) since 1987; Chairman of Murexco Petroleum, Inc. (an energy company) from 1981 to 1988; Member of Council on Foreign Relations since 1971; President, Director and Chief Executive Officer of Coroil, Inc. (an energy company) from 1979 to 1985.

J. THOMAS TOUCHTON -- Director(2) -- Suite 3405, One Tampa City Center, Tampa, Florida 33602. Managing Partner of The Witt-Touchton Company and its predecessor The Witt Co. (a private investment partnership) since 1972; Trustee Emeritus of Washington and Lee University; Director of TECO Energy, Inc. (an electric utility holding company).

TERRY K. GLENN -- Executive Vice President(1)(2) -- Executive Vice President of the Investment Adviser and MLAM since 1983; Executive Vice President and Director of Princeton Services since 1993; President and Director of the Distributor since 1986.

NORMAN R. HARVEY -- Senior Vice President(1)(2) -- Senior Vice President of the Investment Adviser and MLAM since 1982; Senior Vice President of Princeton Services since 1993.

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PAUL M. HOFFMANN -- Vice President(1) -- Vice President of MLAM since 1976.

DONALD C. BURKE -- Vice President(1)(2) -- Vice President and Director of Taxation of the Investment Adviser since 1990; employee of Deloitte & Touche LLP from 1981 to 1990.

GERALD M. RICHARD -- Treasurer(1)(2) -- Senior Vice President and Treasurer of the Investment Adviser and MLAM since 1984; Senior Vice President and Treasurer of Princeton Services since 1993; Treasurer of the Distributor since 1984 and Vice President of the Distributor since 1981.

MARK B. GOLDFUS -- Secretary(1)(2) -- Vice President of MLAM and the Investment Adviser since 1985.

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- (1) Interested person, as defined in the Investment Company Act, of the Fund.
 - (2) Such Director or officer is a director or officer of certain other investment companies for which the Investment Adviser or MLAM acts as investment adviser.

At September 30, 1994, the Directors and officers of the Fund as a group (12 persons) owned an aggregate of less than 1% of the outstanding shares of the Fund. At that date, Mr. Zeikel, a Director of the Fund, and the officers of the Fund owned less than 1% of the outstanding Common Stock of ML & Co.

Pursuant to the terms of the Fund's investment advisory agreement with the Investment Adviser (the "Investment Advisory Agreement"), the Investment Adviser pays all compensation of officers and employees of the Fund as well as the fees of all Directors of the Fund who are affiliated persons of ML & Co. or its subsidiaries. Each unaffiliated Director is paid an annual fee of \$3,500 for serving as a Director plus a fee of \$500 for each meeting of the Board attended. The Fund also pays each member of the Audit and Nominating Committee, which consists of the unaffiliated Directors, an annual fee of \$2,500. The Fund reimburses each unaffiliated Director for his out-of-pocket expenses relating to attendance at Board and Committee meetings. In addition, the Chairman of the Committee receives an annual fee of \$1,000 for serving as Chairman of the Committee. These fees and expenses aggregated \$41,369 for the year ended June 30, 1994.

MANAGEMENT AND ADVISORY ARRANGEMENTS

Reference is made to "Management of the Fund -- Management and Advisory Arrangements" in the Prospectus for certain information concerning the management and advisory arrangements of the Fund.

The Investment Advisory Agreement provides that, subject to the direction of the Board of Directors of the Fund, the Investment Adviser is responsible for the actual management of the Fund's portfolio and for the review of the Fund's holdings in light of its own research analysis and analyses from other relevant sources.

The responsibility for making decisions to buy, sell or hold a particular security rests with the Investment Adviser, subject to review by the Board of Directors. The Investment Adviser supplies the portfolio managers for the Fund who consider analyses from various sources, make the necessary investment decisions and place transactions accordingly. The Investment Adviser also is obligated to perform certain administrative and management services for the Fund and is required to provide all the office space, facilities, equipment and personnel necessary to perform its duties under the Investment Advisory Agreement.

Securities held by the Fund also may be held by or be appropriate investments for other funds for which the Investment Adviser or MLAM acts as an adviser or by investment advisory clients of MLAM. Because of

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different investment objectives or other factors, a particular security may be bought for one or more clients when one or more clients are selling the same security. If purchases or sales of securities for the Fund or other funds for which the Investment Adviser or MLAM acts as investment adviser or for their advisory clients arise for consideration at or about the same time, transactions in such securities will be made, insofar as feasible, for the respective funds and clients in a manner deemed equitable to all. To the extent that transactions on behalf of more than one client of the Investment Adviser or MLAM during the same period may increase the demand for securities being purchased or the supply of securities being sold there may be an adverse effect on price.

As compensation for its services to the Fund the Investment Adviser receives from the Fund at the end of each month a fee based on the average daily value of the Fund's net assets at the annual rates of: 0.60% of the portion of average net assets not exceeding \$100 million; 0.50% of the portion of average net assets exceeding \$100 million but not exceeding \$200 million; and 0.40% of the portion of average net assets exceeding \$200 million.

The State of California imposes limitations on the expenses of the Fund. At the date of this Statement of Additional Information, these annual expense limitations require that the Investment Adviser reimburse the Fund in any amount necessary to prevent the Fund's aggregate ordinary operating expenses (excluding interest, taxes, brokerage fees and commissions, distribution fees and extraordinary charges such as litigation costs) from exceeding in any fiscal year 2.5% of the Fund's first \$30 million of average daily net assets, 2.0% of the next \$70 million of average daily net assets and 1.5% of the remaining average daily net assets. The Investment Adviser's obligation to reimburse the Fund is limited to the amount of the investment advisory fee. No payment will be made to the Investment Adviser during any fiscal year which will cause such expenses to exceed the most restrictive expense limitation at the time of such payment. For the years ended June 30, 1992, 1993 and 1994 the total advisory fees paid by the Fund to the Investment Adviser aggregated \$10,456,562, \$12,004,310 and \$15,452,148, respectively. For such years, the Investment Adviser was not required to reimburse the Fund pursuant to the applicable expense limitation provisions.

The Investment Advisory Agreement obligates the Investment Adviser to provide investment advisory services and to pay all compensation of and furnish office space for officers and employees of the Fund connected with investment and economic research, trading and investment management of the Fund, as well as the fees of all Directors of the Fund who are affiliated persons of ML & Co. or any of its affiliates. The Fund pays all other expenses incurred in the operation of the Fund, including, among other things, taxes; expenses for legal and auditing services; costs of printing proxies, stock certificates, shareholder reports, prospectuses and statements of additional information (except to the extent paid by the Distributor); charges of the custodian and the transfer agent; expenses of redemption of shares; Securities and Exchange Commission fees; expenses of registering the shares under Federal and state securities laws; fees and expenses of unaffiliated Directors; accounting and pricing costs (including the daily calculations of net asset value); insurance; interest; brokerage costs; litigation and other extraordinary or non-recurring expenses; and other expenses properly payable by the Fund. Accounting services are provided for the Fund by the Investment Adviser and the Fund reimburses the Investment Adviser for its costs in connection with such services. As required by the Distribution Agreements, the Distributor will pay certain of the expenses of the Fund incurred in connection with the offering of its shares, including the expenses of printing the prospectuses and statements of additional information used in connection with the continuous offering of shares by the Fund. See "Purchase of Shares -- Distribution Plans".

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The Investment Adviser is a limited partnership, the partners of which are ML & Co., Fund Asset Management, Inc. and Princeton Services.

Duration and Termination. Unless earlier terminated as described herein, the Investment Advisory Agreement will remain in effect from year to year if approved annually (a) by the Board of Directors of the Fund or by a majority of the outstanding shares of the Fund and (b) by a majority of the Directors who are not parties to such contract or interested persons (as defined in the Investment Company Act) of any such party. Such contract is not assignable and may be terminated without penalty on 60 days' written notice at the option of either party or by the vote of the shareholders of the Fund.

PURCHASE OF SHARES

Reference is made to "Purchase of Shares" in the Prospectus for certain information as to the purchase of Fund shares.

The Fund issues four classes of shares under the Merrill Lynch Select Pricing System: shares of Class A and Class D are sold to investors choosing the initial sales charge alternatives, and shares of Class B and Class C are sold to investors choosing the deferred sales charge alternatives. Each Class A, Class B, Class C and Class D share of the Fund represents identical interests in the investment portfolio of the Fund and has the same rights, except that Class B, Class C and Class D shares bear the expenses of the ongoing account maintenance fees, and Class B and Class C shares bear the expenses of the ongoing distribution fees and the additional incremental transfer agency costs resulting from the deferred sales charge arrangements. Class B, Class C and Class D shares each have exclusive voting rights with respect to the Rule 12b-1 distribution plan adopted with respect to such class pursuant to which account maintenance and/or distribution fees are paid. Each class has different exchange privileges. See "Shareholder Services -- Exchange Privilege".

The Merrill Lynch Select Pricing System is used by more than 50 mutual funds advised by MLAM or its affiliate, the Investment Adviser. Funds advised by MLAM or the Investment Adviser are referred to herein as "MLAM-advised mutual funds".

The Fund has entered into separate distribution agreements with the Distributor in connection with the continuous offering of each class of shares of the Fund (the "Distribution Agreements"). The Distribution Agreements obligate the Distributor to pay certain expenses in connection with the offering of each class of shares of the Fund. After the prospectuses, statements of additional information and periodic reports have been prepared, set in type and mailed to shareholders, the Distributor pays for the printing and distribution of copies thereof used in connection with the offering to dealers and investors. The Distributor also pays for other supplementary sales literature and advertising costs. The Distribution Agreements are subject to the same renewal requirements and termination provisions as the Investment Advisory Agreement described above.

INITIAL SALES CHARGE ALTERNATIVES -- CLASS A AND CLASS D SHARES

The gross sales charges for the sale of Class A shares for the year ended June 30, 1992 were \$3,154,165, of which the Distributor received \$168,989 and Merrill Lynch received \$2,985,176. The gross sales charges for the sale of Class A shares for the year ended June 30, 1993 were \$2,799,895, of which the Distributor received \$149,552 and Merrill Lynch received \$2,650,343. The gross

year ended June 30, 1994 were approximately \$3,755,873, of which the Distributor received approximately \$216,293 and Merrill Lynch received \$3,539,580.

The term "purchase", as used in the Prospectus and this Statement of Additional Information in connection with an investment in Class A and Class D shares of the Fund, refers to a single purchase by an individual, or to concurrent purchases, which in the aggregate are at least equal to the prescribed amounts, by an individual, his spouse and their children under the age of 21 years purchasing shares for his or their own account and to single purchases by a trustee or other fiduciary purchasing shares for a single trust estate or single fiduciary account although more than one beneficiary is involved. The term "purchase" also includes purchases by a "company", as that term is defined in the Investment Company Act, but does not include purchases by any such company which has not been in existence for at least six months or which has no purpose other than the purchase of shares of the Fund or shares of other registered investment companies at a discount; provided, however, that it shall not include purchases by any group of individuals whose sole organizational nexus is that the participants therein are credit cardholders of a company, policyholders of an insurance company, customers of either a bank or broker-dealer or clients of an investment adviser.

REDUCED INITIAL SALES CHARGES

Right of Accumulation. Reduced sales charges are applicable through a right of accumulation under which eligible investors are permitted to purchase shares of the Fund subject to an initial sales charge at the offering price applicable to the total of (a) the public offering price of the shares then being purchased plus (b) an amount equal to the then current net asset value or cost, whichever is higher, of the purchaser's combined holdings of all classes of shares of the Fund and of other MLAM-advised mutual funds. For any such right of accumulation to be made available, the Distributor must be provided at the time of purchase, by the purchaser or the purchaser's securities dealer, with sufficient information to permit confirmation of qualification. Acceptance of the purchase order is subject to such confirmation. The right of accumulation may be amended or terminated at any time. Shares held in the name of a nominee or custodian under pension, profit-sharing, or other employee benefit plans may not be combined with other shares to qualify for the right of accumulation.

Letter of Intention. Reduced sales charges are applicable to purchases aggregating \$25,000 or more of Class A or Class D shares of the Fund or any other MLAM-advised mutual funds made within a 13-month period starting with the first purchase pursuant to a Letter of Intention in the form provided in the Prospectus. The Letter of Intention is available only to investors whose accounts are maintained at the Fund's transfer agent. The Letter of Intention is not available to employee benefit plans for which Merrill Lynch provides plan participant record-keeping services. The Letter of Intention is not a binding obligation to purchase any amount of Class A or Class D shares, however, its execution will result in the purchaser paying a lower sales charge at the appropriate quantity purchase level. A purchase not originally made pursuant to a Letter of Intention may be included under a subsequent Letter of Intention executed within 90 days of such purchase if the Distributor is informed in writing of this intent within such 90-day period. The value of Class A and Class D shares of the Fund and of other MLAM-advised mutual funds presently held, at cost or maximum offering price (whichever is higher), on the date of the first purchase under the Letter of Intention, may be included as a credit toward the completion of such Letter, but the reduced sales charge applicable to the amount covered by such Letter will be applied only to new purchases. If the total amount of shares does not equal the amount stated in the Letter of Intention (minimum of \$25,000), the investor will be notified and must pay, within

20 days of the expiration of such Letter, the difference between the sales charge on the Class A or Class D shares purchased at the reduced rate and the sales charge applicable to the shares actually purchased through the Letter. Class A or Class D shares equal to five percent of the intended amount will be held in escrow during the 13-month period (while remaining registered in the name of the purchaser) for this purpose. The first purchase under the Letter of Intention must be at least five percent of the dollar amount of such Letter. If a purchase during the term of such Letter would otherwise be subject to a further reduced sales charge based on the right for accumulation, the purchaser will be entitled on that purchase and subsequent purchases to that further reduced percentage sales charge but there will be no retroactive reduction of the sales charges on any previous purchase. The value of any shares redeemed or otherwise disposed of by the purchaser prior to termination or completion of the Letter of Intention will be deducted from the total purchases made under such Letter. An exchange from a MLAM-advised money market fund into the Fund that

creates a sales charge will count toward completing a new or existing Letter of Intention from the Fund.

Merrill Lynch Blueprint(SM) Program. Class D shares of the Fund are offered to participants in the Merrill Lynch BlueprintSM Program ("Blueprint"). In addition, participants in Blueprint who own Class A shares of the Fund may purchase additional Class A shares of the Fund through Blueprint. The Blueprint program is directed to small investors, group IRAs and participants in certain affinity groups such as credit unions, trade associations and benefit plans. Investors placing orders to purchase Class A or Class D shares of the Fund through Blueprint will acquire the Class A or Class D shares at net asset value plus a sales charge calculated in accordance with the Blueprint sales charge schedule (i.e., up to \$300 at 4.25%, from \$300.01 to \$5,000 at 3.25% plus \$3.00 and \$5,000.01 or more at the standard sales charge rates disclosed in the Prospectus). In addition, Class A or Class D shares of the Fund are being offered at net asset value plus a sales charge of 1/2 of 1% for corporate or group IRA programs placing orders to purchase their Class A or Class D shares through Blueprint. Services, including the exchange privilege, available to Class A and Class D investors through Blueprint, however, may differ from those available to other investors in Class A or Class D shares.

Class A and Class D shares are offered at net asset value to Blueprint participants through the Merrill Lynch Directed IRA Rollover Program ("IRA Rollover Program") available from Merrill Lynch Business Financial Services, a business unit of Merrill Lynch. The IRA Rollover Program is available to custodian rollover assets from Employer Sponsored Retirement and Savings Plans (as defined below) whose Trustee and/or Plan Sponsor has entered into a Merrill Lynch Directed IRA Rollover Program Service Agreement.

Orders for purchases and redemptions of Class A or Class D shares of the Fund may be grouped for execution purposes which, in some circumstances, may involve the execution of such orders two business days following the day such orders are placed. The minimum initial purchase price is \$100, with a \$50 minimum for subsequent purchases through Blueprint. There are no minimum initial or subsequent purchase requirements for participants who are part of an automatic investment plan. Additional information concerning purchases through Blueprint, including any annual fees and transaction charges, is available from Merrill Lynch, Pierce, Fenner & Smith Incorporated, The Blueprint(SM) Program, P.O. Box 30441, New Brunswick, New Jersey 08989-0441.

TMA(SM) Managed Trusts. Class A shares are offered to TMA(SM) Managed Trusts to which Merrill Lynch Trust Company provides discretionary trustee services at net asset value.

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Employer Sponsored Retirement and Savings Plans. Class A and Class D shares are offered at net asset value to employer sponsored retirement or savings plans, such as tax qualified retirement plans within the meaning of Section 401(a) of the Code, deferred compensation plans within the meaning of Section 403(b) and 457 of the Code, other deferred compensation arrangements, Voluntary Employee Benefits Association ("VEBA") plans, and non-qualified After Tax Savings and Investment programs, maintained on the Merrill Lynch Group Employee Services system, herein referred to as "Employer Sponsored Retirement or Savings Plans", provided the plan has accumulated \$20 million or more in MLAM-advised mutual funds (in the case of Class A shares) or \$5 million or more in MLAM-advised mutual funds (in the case of Class D shares). Class D shares may be offered at net asset value to new Employer Sponsored Retirement or Savings Plans, provided the plan has \$3 million or more initially invested in MLAM-advised mutual funds. Assets of Employer Sponsored Retirement or Savings Plans sponsored by the same sponsor or an affiliated sponsor may be aggregated. Class A shares and Class D shares also are offered at net asset value to Employer Sponsored Retirement or Savings Plans that have at least 1,000 employees eligible to participate in the plan (in the case of Class A shares) or between 500 and 999 employees eligible to participate in the plan (in the case of Class D shares). Employees eligible to participate in Employer Sponsored Retirement or Savings Plans of the same sponsoring employer or its affiliates may be aggregated. Tax qualified retirement plans within the meaning of Section 401(a) of the Code meeting any of the foregoing requirements and which are provided specialized services (e.g., plans whose participants may direct on a daily basis their plan allocations among a wide range of investments including individual corporate equities and other securities in addition to mutual fund shares) by Blueprint, are offered Class A shares at a price equal to net asset value per share plus a reduced sales charge of 0.50%. Any Employer Sponsored Retirement or Savings Plan which does not meet the above described qualifications to purchase Class A shares at net asset value has the option of (i) purchasing Class A shares at the initial sales charge and possible CDSC schedule disclosed in the Prospectus if it is otherwise eligible to purchase Class A shares, (ii) purchasing Class D shares at the initial sales charge and possible CDSC schedule disclosed in the Prospectus, (iii) if the Employer Sponsored Retirement or Savings Plan meets the specified requirements, purchasing Class B shares with a waiver of the CDSC upon redemption, or if the Employer Sponsored Retirement or Savings Plan does not qualify to purchase Class

B shares with a waiver of the CDSC upon redemption, purchasing Class C shares at the CDSC schedule disclosed in the Prospectus. The minimum initial and subsequent purchase requirements are waived in connection with all the above referenced Employer Sponsored Retirement or Savings Plans.

Purchase Privilege of Certain Persons. Directors of the Fund, members of the Boards of other MLAM-advised investment companies, directors and employees of ML & Co. and its subsidiaries (the term "subsidiaries", when used herein with respect to ML & Co., includes MLAM, FAM and certain other entities directly or indirectly wholly-owned and controlled by ML & Co.), and any trust, pension, profit-sharing or other benefit plan for such persons, may purchase Class A shares of the Fund at net asset value.

Class D shares of the Fund will be offered at net asset value, without sales charge, to an investor who has a business relationship with a financial consultant who joined Merrill Lynch from another investment firm within six months prior to the date of purchase by such investor, if the following conditions are satisfied. First, the investor must advise Merrill Lynch that it will purchase Class D shares of the Fund with proceeds from a redemption of a mutual fund that was sponsored by the financial consultant's previous firm and was subject to a sales charge either at the time of purchase or on a deferred basis. Second, the investor also must establish that such redemption had been made within 60 days prior to the investment in the Fund, and the proceeds from the redemption had been maintained in the interim in cash or a money market fund.

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Class D shares of the Fund will be offered at net asset value, without sales charge, to an investor who has a business relationship with a Merrill Lynch financial consultant and who has invested in a mutual fund for which Merrill Lynch has not served as a selected dealer if the following conditions are satisfied: First, the investor must advise Merrill Lynch that it will purchase Class D shares of the Fund with proceeds from the redemption of such shares of other mutual funds and that such shares have been outstanding for a period of no less than six months. Second, such purchase of Class D shares must be made within 60 days after the redemption and the proceeds from the redemption must be maintained in the interim in cash or a money market fund.

Class D shares of the Fund are also offered at net asset value, without sales charge, to an investor who has a business relationship with a Merrill Lynch financial consultant and who has invested in a mutual fund sponsored by a non-Merrill Lynch company for which Merrill Lynch has served as a selected dealer and where Merrill Lynch has either received or given notice that such arrangement will be terminated ("notice"), if the following conditions are satisfied: First, the investor must purchase Class D shares of the Fund with proceeds from a redemption of shares of such other mutual fund and such fund was subject to a sales charge either at the time of purchase or on a deferred basis. Second, such purchase of Class D shares must be made within 90 days after such notice.

Closed-End Fund Investment Option. Class A shares of the Fund and other MLAM-advised mutual funds ("Eligible Class A Shares") are offered at net asset value to shareholders of certain closed-end funds advised by MLAM or the Investment Adviser who purchased such closed-end fund shares prior to October 21, 1994 and wish to reinvest the net proceeds from a sale of their closed-end fund shares of common stock in Eligible Class A Shares, if the conditions set forth below are satisfied. Alternatively, closed-end fund shareholders who purchased such shares on or after October 21, 1994 and wish to reinvest the net proceeds from a sale of their closed-end fund shares are offered Class A shares (if eligible to buy Class A shares) or Class D shares of the Fund and other MLAM-advised mutual funds ("Eligible Class D Shares"), if the following conditions are met. First, the sale of the closed-end fund shares must be made through Merrill Lynch, and the net proceeds therefrom must be immediately reinvested in Eligible Class A or Class D Shares. Second, the closed-end fund shares must either have been acquired in the initial public offering or be shares representing dividends from shares of common stock acquired in such offering. Third, the closed-end fund shares must have been continuously maintained in a Merrill Lynch securities account. Fourth, there must be a minimum purchase of \$250 to be eligible for the investment option. Class A shares of the Fund are offered at net asset value to shareholders of Merrill Lynch Senior Floating Rate Fund, Inc. ("Senior Floating Rate Fund") who wish to reinvest the net proceeds from a sale of certain of their shares of common stock of Senior Floating Rate Fund in shares of the Fund. In order to exercise this investment option, Senior Floating Rate Fund shareholders must sell their Senior Floating Rate Fund shares to the Senior Floating Rate Fund in connection with a tender offer conducted by the Senior Floating Rate Fund and reinvest the proceeds immediately in the Fund. This investment option is available only with respect to the proceeds of Senior Floating Rate Fund shares as to which no Early Withdrawal Charge (as defined in the Senior Floating Rate Fund prospectus) is applicable. Purchase orders from Senior Floating Rate Fund shareholders wishing to exercise this investment option will be accepted only on the day that the related Senior Floating Rate Fund tender offer terminates and will be effected

at the net asset value of the Fund at such day.

Acquisition of Certain Investment Companies. The public offering price of Class D shares may be reduced to the net asset value per Class D share in connection with the acquisition of the assets of or merger or

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consolidation with a personal holding company or a public or private investment company. The value of the assets or company acquired in a tax-free transaction may be adjusted in appropriate cases to reduce possible adverse consequences to the Fund which might result from an acquisition of assets having net unrealized appreciation which is disproportionately higher at the time of acquisition than the realized or unrealized appreciation of the Fund. The issuance of Class D shares for consideration other than cash is limited to bona fide reorganizations, statutory mergers or other acquisitions of portfolio securities which (i) meet the investment objectives and policies of the Fund; (ii) are acquired for investment and not for resale (subject to the understanding that the disposition of the Fund's portfolio securities shall at all times remain within its control); and (iii) are liquid securities, the value of which is readily ascertainable, which are not restricted as to transfer either by law or liquidity of market (except that the Fund may acquire through such transactions restricted or illiquid securities to the extent the Fund does not exceed the applicable limits on acquisition of such securities set forth under "Investment Objective and Policies" herein).

Reductions in or exemptions from the imposition of a sales load are due to the nature of the investors and/or the reduced sales efforts that will be needed in obtaining such investments.

DISTRIBUTION PLANS

Reference is made to "Purchase of Shares -- Distribution Plans" in the Prospectus for certain information with respect to the separate distribution plans for Class B, Class C and Class D shares pursuant to Rule 12b-1 under the Investment Company Act (each a "Distribution Plan") with respect to the account maintenance and/or distribution fees paid by the Fund to the Distributor with respect to such classes.

Payments of the account maintenance fees and/or distribution fees are subject to the provisions of Rule 12b-1 under the Investment Company Act. Among other things, each Distribution Plan provides that the Distributor shall provide and the Directors shall review quarterly reports of the disbursement of the account maintenance fees and/or distribution fees paid to the Distributor. In their consideration of each Distribution Plan, the Directors must consider all factors they deem relevant, including information as to the benefits of the Distribution Plan to the Fund and its related class of shareholder. Each Distribution Plan further provides that, so long as the Distribution Plan remains in effect, the selection and nomination of Directors who are not "interested persons" of the Fund, as defined in the Investment Company Act (the "Independent Directors"), shall be committed to the discretion of the Independent Directors then in office. In approving each Distribution Plan in accordance with Rule 12b-1, the Independent Directors concluded that there is a reasonable likelihood that such Distribution Plan will benefit the Fund and its related class of shareholders. Each Distribution Plan can be terminated at any time, without penalty, by the vote of a majority of the Independent Directors or by the vote of the holders of a majority of the outstanding related class of voting securities of the Fund. A Distribution Plan cannot be amended to increase materially the amount to be spent by the Fund without the approval of the related class of shareholders, and all material amendments are required to be approved by the vote of the Directors, including a majority of the Independent Directors who have no direct or indirect financial interest in such Distribution Plan, cast in person at a meeting called for that purpose. Rule 12b-1 further requires that the Fund preserve copies of each Distribution Plan and any report made pursuant to such plan for a period of not less than six years from the date of such Distribution Plan or such report, the first two years in an easily accessible place.

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LIMITATIONS ON THE PAYMENT OF DEFERRED SALES CHARGES

The maximum sales charge rule in the Rules of Fair Practice of the National Association of Securities Dealers, Inc. ("NASD") imposes a limitation on certain asset-based sales charges such as the distribution fee and the CDSC borne by the Class B and Class C shares but not the account maintenance fee. The maximum sales charge rule is applied separately to each class. As applicable to the Fund, the maximum sales charge rule limits the aggregate of distribution fee payments and CDSCs payable by the Fund to (1) 6.25% of eligible gross sales of Class B shares and Class C shares, computed separately (defined to exclude shares issued pursuant to dividend reinvestments and exchanges), plus (2)

interest on the unpaid balance for the respective class, computed separately, at the prime rate plus 1% (the unpaid balance being the maximum amount payable minus amounts received from the payment of the distribution fee and the CDSC). In connection with the Class B shares, the Distributor has voluntarily agreed to waive interest charges on the unpaid balance in excess of 0.50% of eligible gross sales. Consequently, the maximum amount payable to the Distributor (referred to as the "voluntary maximum") in connection with the Class B shares is 6.75% of eligible gross sales. The Distributor retains the right to stop waiving the interest charges at any time. To the extent payments would exceed the voluntary maximum, the Fund will not make further payments of the distribution fee with respect to Class B shares, and any CDSCs will be paid to the Fund rather than to the Distributor; however, the Fund will continue to make payments of the account maintenance fee. In certain circumstances the amount payable pursuant to the voluntary maximum may exceed the amount payable under the NASD formula. In such circumstances payment in excess of the amount payable under the NASD formula will not be made.

The following table sets forth comparative information as of June 30, 1994 with respect to the Class B shares of the Fund indicating the maximum allowable payments that can be made under the NASD maximum sales charge rule and the Distributor's voluntary maximum for the period October 21, 1988 (commencement of the public offering of Class B shares) to June 30, 1994. Since Class C shares of the Fund had not been publicly issued prior to the date of this Statement of Additional Information, information concerning Class C shares is not yet provided below.

<TABLE>
<CAPTION>

DATA CALCULATED AS OF JUNE 30, 1994
(IN THOUSANDS)

	ELIGIBLE GROSS SALES (1)	AGGREGATE SALES CHARGES	ALLOWABLE INTEREST ON UNPAID BALANCE (2)	MAXIMUM AMOUNT PAYABLE	AMOUNTS PREVIOUSLY PAID TO DISTRIBUTOR (3)	AGGREGATE UNPAID BALANCE	ANNUAL DISTRIBUTION FEE AT CURRENT NET ASSET LEVEL (4)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Under NASD Rule as Adopted.....	\$ 1,859,334	\$ 116,208	\$ 24,268	\$ 140,477	\$ 51,114	\$ 89,363	\$ 13,085
Under Distributor's Voluntary Waiver....	\$ 1,859,334	\$ 116,208	\$ 9,297	\$ 125,505	\$ 51,114	\$ 74,391	\$ 13,085

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- (1) Purchase price of all eligible Class B shares sold since October 21, 1988 (commencement of the public offering of Class B shares) other than shares acquired through dividend reinvestment and the exchange privilege.
- (2) Interest is computed on a monthly basis based upon the prime rate, as reported in The Wall Street Journal, plus 1.0% as permitted under the NASD Rule.
- (3) Consists of CDSC payments, distribution fee payments and accruals. Of the distribution fee payments made prior to July 6, 1993 under a prior plan at the 1.0% rate, 0.75% of average daily net assets has been treated as a distribution fee and 0.25% of average daily net assets has been deemed to have been a service fee and not subject to the NASD maximum sales charge rule. See "Purchase of Shares-Distribution Plans" in the Prospectus.

- (4) Provided to illustrate the extent to which the current level of distribution fee payments (not including any CDSC payments) is amortizing the unpaid balance. No assurance can be given that payments of the distribution fee will reach either the voluntary maximum or the NASD maximum.

REDEMPTION OF SHARES

Reference is made to "Redemption of Shares" in the Prospectus for certain information as to the redemption and repurchase of Fund shares.

The right to redeem shares or to receive payment with respect to any such redemption may be suspended only for any period during which trading on the New York Stock Exchange is restricted as determined by the Commission or such Exchange is closed (other than customary weekend and holiday closings), for any period during which an emergency exists as defined by the Commission as a result of which disposal of portfolio securities or determination of the net asset value of the Fund is not reasonably practicable, and for such other periods as the Commission may by order permit for the protection of shareholders of the Fund.

DEFERRED SALES CHARGES -- CLASS B SHARES

As discussed in the Prospectus under "Purchase of Shares--Deferred Sales Charge Alternatives--Class B and Class C Shares", while Class B shares redeemed within four years of purchase are subject to a CDSC under most circumstances, the charge is waived on redemptions of Class B shares in connection with certain post-retirement withdrawals from an Individual Retirement Account ("IRA") or other retirement plan or on redemptions of Class B shares following the death or disability of a Class B shareholder. Redemptions for which the waiver applies are: (a) any partial or complete redemption in connection with a distribution following retirement under a tax-deferred retirement plan or attaining age 59 1/2 in the case of an IRA or other retirement plan, or part of a series of equal periodic payments (not less frequently than annually) made for the life (or life expectancy) or any redemption resulting from the tax-free return of an excess contribution to an IRA; or (b) any partial or complete redemption following the death or disability (as defined in the Code) of a Class B shareholder (including one who owns the Class B shares as joint tenant with his or her spouse), provided the redemption is requested within one year of the death or initial determination of disability. For the fiscal years ended June 30, 1992, 1993 and 1994, the Distributor received CDSCs of \$2,487,122, \$1,529,410 and \$1,189,344, respectively, all of which was paid to Merrill Lynch.

Merrill Lynch Blueprint(SM) Program. Class B shares are offered to certain participants in Blueprint. Blueprint is directed to small investors, group IRAs and participants in certain affinity groups such as trade associations and credit unions. Class B shares of the Fund are offered through Blueprint only to members of certain affinity groups. The CDSC is waived in connection with purchase orders placed through Blueprint by members of such affinity groups. Services, including the exchange privilege, available to Class B investors through Blueprint, however, may differ from those available to other Class B investors. Orders for purchases and redemptions of Class B shares of the Fund will be grouped for execution purposes which, in some circumstances, may involve the execution of such orders two business days following the day such orders are placed. The minimum initial purchase price is \$100, with a \$50 minimum for subsequent purchases through Blueprint. There is no minimum initial or subsequent purchase requirement for investors who are part of a Blueprint automatic investment plan. Additional information concerning these Blueprint programs, including

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any annual fees or transaction charges, is available from Merrill Lynch, Pierce, Fenner & Smith Incorporated, The Blueprint(SM) Program, P.O. Box 30441, New Brunswick, New Jersey 08989-0441.

Retirement Plans. Any Retirement Plan which does not meet the qualifications to purchase Class A or Class D shares at net asset value has the option of purchasing Class A or Class D shares at the sales charge schedule disclosed in the Prospectus, or if the Retirement Plan meets the following requirements, then it may purchase Class B shares with a waiver of the CDSC upon redemption. The CDSC is waived for any Eligible 401(k) Plan redeeming Class B shares. "Eligible 401(k) Plan" is defined as a retirement plan qualified under Section 401(k) of the Code with a salary reduction feature offering a menu of investments to plan participants. The CDSC is also waived for redemptions from a 401(a) plan qualified under the Code, provided, however, that each such plan has the same or an affiliated sponsoring employer as an Eligible 401(k) Plan purchasing Class B shares of MLAM-advised mutual funds ("Eligible 401(a) Plan"). Other tax qualified retirement plans within the meaning of Section 401(a) and 403(b) of the Code which are provided specialized services (e.g., plans whose participants may direct on a daily basis their plan allocations among a menu of investments) by independent administration firms contracted through Merrill Lynch also may purchase Class B shares with a waiver of the CDSC. The CDSC also is waived for any Class B shares which are purchased by an Eligible 401(k) Plan or Eligible 401(a) Plan and are rolled over into a Merrill Lynch or Merrill Lynch Trust Company custodied IRA and held in such account at the time of redemption. The Class B CDSC also is waived for any Class B shares which are purchased by a Merrill Lynch rollover IRA, that was funded by a rollover from a terminated 401(k) plan managed by the MLAM Private Portfolio Group and held in such account at the time of redemption. The minimum initial and subsequent purchase requirements are waived in connection with all the above-referenced Retirement Plans.

PORTFOLIO TRANSACTIONS AND BROKERAGE

Subject to policies established by the Board of Directors of the Fund, the Investment Adviser is responsible for the Fund's portfolio decisions and the placing of the Fund's portfolio transactions. With respect to such transactions, the Investment Adviser seeks to obtain the best net results for the Fund taking into account such factors as price (including the applicable brokerage commission or dealer spread), size of order, difficulty of execution and operational facilities of the firm involved and the firm's risk in positioning a block of securities. While the Investment Adviser generally seeks reasonably competitive commission rates, the Fund will not necessarily be paying the lowest commission or spread available. Transactions with respect to the securities of

small and emerging growth companies in which the Fund may invest may involve specialized services on the part of the broker or dealer and thereby entail higher commissions or spreads than would be the case with transactions involving more widely traded securities of more established companies. The Fund has no obligation to deal with any broker in the execution of transactions for its portfolio securities. In addition, consistent with the Rules of Fair Practice of the NASD and policies established by the Directors of the Fund, the Investment Adviser may consider sales of shares of the Fund as a factor in the selection of brokers or dealers to execute portfolio transactions for the Fund.

For the fiscal year ended June 30, 1992, the Fund paid total brokerage commissions of \$1,890,396 of which \$160,194 or 8.47% was paid to Merrill Lynch for effecting 9.50% of the aggregate dollar amount of transactions in which the Fund paid brokerage commissions. For the fiscal year ended June 30, 1993, the Fund paid total brokerage commissions of \$2,113,701 of which \$71,016 or 3.36% was paid to Merrill Lynch for effecting 3.96% of the aggregate dollar amount of transactions in which the Fund paid brokerage commissions.

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For the fiscal year ended June 30, 1994, the Fund paid total brokerage commissions of \$2,617,266 of which \$109,200 or 4.17% was paid to Merrill Lynch for effecting 4.42% of the aggregate dollar amount of transactions in which the Fund paid brokerage commissions.

The Fund has been informed by Merrill Lynch that it will in no way, at any time, attempt to influence or control the placing by the Investment Adviser or by the Fund of orders for brokerage transactions. Brokers and dealers, including Merrill Lynch, who provide supplemental investment research (such as securities and economic research and market forecasts) to the Investment Adviser may receive orders for transactions by the Fund. Information so received is in addition to and not in lieu of the services required to be performed by the Investment Adviser under the Investment Advisory Agreement with the Fund, and the expenses of the Investment Adviser will not necessarily be reduced as a result of the receipt of such supplemental information. Supplemental investment research received by the Investment Adviser may also be used in connection with other investment advisory accounts of the Investment Adviser and its affiliates. Whether or not a particular broker-dealer sells shares of the Fund neither qualifies nor disqualifies such broker-dealer to execute transactions for the Fund.

The Fund also may invest in securities traded in the over-the-counter market. Transactions in the over-the-counter market generally are principal transactions with dealers and the costs of such transactions involve dealer spreads rather than brokerage commissions. With respect to the over-the-counter transactions the Fund, where possible, will deal directly with the dealers who make a market in the securities involved except in those circumstances where better prices and execution are available elsewhere. Under the Investment Company Act, persons affiliated with the Fund are prohibited from dealing with the Fund as a principal in the purchase and sale of securities unless a permissive order allowing such transactions is obtained from the Commission. Since transactions in the over-the-counter market usually involve transactions with dealers acting as principal for their own account, affiliated persons of the Fund, including Merrill Lynch, may not serve as the Fund's dealer in connection with such transactions. See "Investment Objective and Policies--Current Investment Restrictions". However, an affiliated person of the Fund may serve as its broker in the over-the-counter transactions conducted on an agency basis.

The Board of Directors of the Fund has considered the possibilities of seeking to recapture for the benefit of the Fund brokerage commissions, dealer spreads and other expenses of possible portfolio transactions, such as underwriting commissions and tender offer solicitation fees, by conducting such portfolio transactions through affiliated entities, including Merrill Lynch. For example, brokerage commissions received by Merrill Lynch could be offset against the advisory fee payable by the Fund to the Investment Adviser. After considering all factors deemed relevant, the Board made a determination not to seek such recapture. The Board will reconsider this matter from time to time. The Investment Adviser has arranged for the Fund's custodian to receive any tender offer solicitation fees on behalf of the Fund payable with respect to portfolio securities of the Fund.

Section 11(a) of the Securities Exchange Act of 1934, as amended, generally prohibits members of the U.S. national securities exchanges from executing exchange transactions for their affiliates and institutional accounts which they manage unless the member (i) has obtained prior express authorization from the account to effect such transactions, (ii) at least annually furnishes the account with a statement setting forth the aggregate compensation received by the member in effecting such transactions, and (iii) complies with any rules the Securities and Exchange Commission has prescribed with respect to the requirements of clauses (i) and (ii). To the extent Section 11(a) would apply to Merrill Lynch acting as a broker for the Fund in any of

its portfolio transactions executed on any such securities exchange of which it is a member, appropriate consents have been obtained from the Fund and annual statements as to aggregate compensation will be provided to the Fund.

DETERMINATION OF NET ASSET VALUE

The net asset value of the shares of the Fund is determined once daily Monday through Friday as of 4:15 P.M., New York time, on each day during which the New York Stock Exchange is open for trading. The New York Stock Exchange is not open on New Year's Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. Any assets or liabilities initially expressed in terms of non-U.S. dollar currencies are translated into U.S. dollars at the prevailing market rates as quoted by one or more banks or dealers on the day of valuation. The Fund also will determine its net asset value on any day in which there is sufficient trading in its portfolio securities that the net asset value might be affected materially, but only if on any such day the Fund is required to sell or redeem shares. The net asset value per share is computed by dividing the sum of the value of the securities held by the Fund plus any cash or other assets (including interest and dividends accrued but not yet received) minus all liabilities (including accrued expenses) by the total number of shares outstanding at such time, rounded to the nearest cent. Expenses, including the investment advisory fees and any account maintenance and/or distribution fees, are accrued daily. The per share net asset value of the Class B, Class C and Class D shares generally will be lower than the per share net asset value of the Class A shares reflecting the daily expense accruals of the account maintenance, distribution and higher transfer agency fees applicable with respect to the Class B and Class C shares and the daily expense accruals of the account maintenance fees applicable with respect to the Class D shares; moreover the per share net asset value of the Class B and Class C shares generally will be lower than the per share net asset value of its Class D shares reflecting the daily expense accruals of the distribution fees and higher transfer agency fees applicable with respect to the Class B and Class C shares of the Fund. It is expected, however, that the per share net asset value of the four classes will tend to converge immediately after the payment of dividends or distributions, which will differ by approximately the amount of the expense accrual differential between the classes.

Portfolio securities which are traded on stock exchanges are valued at the last sale price as of the close of business on the day the securities are being valued, or, lacking any sales, at the mean between closing bid and asked prices. Securities traded in the over-the-counter market are valued at the most recent bid prices as obtained from one or more dealers that make markets in the securities. Securities traded in the NASDAQ National Market System are valued at the last sale price on the day the securities are being valued, or lacking any sales, at the closing bid price. Portfolio securities which are traded both in the over-the-counter market and on a stock exchange are valued according to the broadest and most representative market. Securities and assets for which market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of the Board of Directors of the Fund.

Option Accounting Principles. When the Fund sells an option, an amount equal to the premium received by the Fund is included in the Fund's Statement of Assets and Liabilities as a deferred credit. The amount of such liability will be subsequently marked-to-market to reflect the current market value of the option written. If current market value exceeds the premium received there is an unrealized loss; conversely, if the premium exceeds current market value there is an unrealized gain. The current market value of a traded option is the last sale price or, in the absence of a sale, the last offering price. If an option expires on its stipulated expiration date or if the Fund enters into a closing purchase transaction, the Fund will realize a gain

(or loss if the cost of a closing purchase transaction exceeds the premium received when the option was sold) without regard to any unrealized gain or loss on the underlying security, and the liability related to such option will be extinguished. If an option is exercised, the Fund will realize a gain or loss from the sale of the underlying security and the proceeds of sale are increased by the premium originally received.

SHAREHOLDER SERVICES

The Fund offers a number of shareholder services summarized below which are designed to facilitate investment in its shares. Full details as to each of such services and copies of the various plans described below can be obtained from the Fund, the Distributor or Merrill Lynch.

INVESTMENT ACCOUNT

Each shareholder whose account is maintained at the Transfer Agent has an Investment Account and will receive statements, at least quarterly, from the Transfer Agent. These statements will serve as transaction confirmations for automatic investment purchases, the reinvestment of ordinary income dividends and long-term capital gain distributions. These statements will also show any other activity in the account since the previous statement. Shareholders also will receive separate confirmations for each purchase or sale transaction other than automatic investment purchases, reinvestment of ordinary income dividends and long-term capital gain distributions. A shareholder may make additions to his Investment Account at any time by mailing a check directly to the Transfer Agent.

Share certificates are issued only for full shares and only upon the specific request of the shareholder who has an Investment Account. Issuance of certificates representing all or only part of the full shares in an Investment Account may be requested by a shareholder directly from the Transfer Agent.

AUTOMATIC INVESTMENT PLANS

A shareholder may make additions to an Investment Account at any time by purchasing Class A shares (if he or she is an eligible Class A investor as described in the Prospectus) or Class B, Class C or Class D shares at the applicable public offering price either through the shareholder's securities dealer, or by mail directly to the transfer agent, acting as agent for such securities dealer. Voluntary accumulation also can be made through a service known as the Automatic Investment Plan whereby the Fund is authorized through pre-authorized checks or automated clearing house debits of \$50 or more to charge the regular bank account of the shareholder on a regular basis to provide systematic additions to the Investment Account of such shareholder. For investors who buy shares of the Fund through Blueprint no minimum charge to the investor's bank account is required. Investors who maintain CMA(R) accounts may arrange to have periodic investments made in the Fund in their CMA(R) accounts or in certain related accounts in amounts of \$100 or more (\$1 for retirement accounts) through the CMA(R) Automated Investment Program.

AUTOMATIC REINVESTMENT OF DIVIDENDS AND CAPITAL GAINS DISTRIBUTIONS

Unless specific instructions are given as to the method of payment of dividends and capital gains distributions, dividends and distributions will be reinvested automatically in additional shares of the Fund. Such reinvestment will be at the net asset value of shares of the Fund as of the close of business on the ex-dividend date of the dividend or distribution. Shareholders may elect in writing to receive either their

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dividends or capital gains distributions, or both, in cash, in which event payment will be mailed or direct deposited on or about the payment date.

Shareholders may, at any time, notify the Transfer Agent in writing or by telephone (1-800-MER-FUND) that they no longer wish to have their dividends and/or capital gains distributions reinvested in shares of the Fund or vice versa and, commencing ten days after receipt by the Transfer Agent of such notice, those instructions will be effected.

SYSTEMATIC WITHDRAWAL PLANS -- CLASS A AND CLASS D SHARES

A Class A or Class D shareholder may elect to make systematic withdrawals from an Investment Account in the form of payments by check or through automatic payment by direct deposit to such shareholder's bank account on either a monthly or quarterly basis as provided below. Quarterly withdrawals are available for shareholders who have acquired Class A or Class D shares of the Fund having a value, based on cost or the current offering price, of \$5,000 or more, and monthly withdrawals are available for shareholders with Class A or Class D shares with such a value of \$10,000 or more.

At the time of each withdrawal payment, sufficient Class A or Class D shares are redeemed from those on deposit in the shareholder's account to provide the withdrawal payment specified by the shareholder. The shareholder may specify either a dollar amount or a percentage of the value of his Class A or Class D shares. Redemptions will be made at net asset value as determined at the close of business on the New York Stock Exchange (currently 4:00 P.M., New York City time) on the 24th day of each month or the 24th day of the last month of each quarter, whichever is applicable. If the New York Stock Exchange is not open for business on such date, the Class A or Class D shares will be redeemed at the close of business on the following business day. The check for the withdrawal payment will be mailed, or the direct deposit of the withdrawal payment will be made, on the next business day following redemption. When a shareholder is making systematic withdrawals, dividends and distributions on all Class A or Class D shares in the Investment Account are reinvested automatically in Class A or Class D shares of the Fund, respectively. A shareholder's Systematic Withdrawal Plan may be terminated at any time, without charge or

penalty, by the shareholder, the Fund, the Fund's transfer agent or the Distributor. Withdrawal payments should not be considered as dividends, yield or income. Each withdrawal is a taxable event. If periodic withdrawals continuously exceed reinvested dividends, the shareholder's original investment may be reduced correspondingly. Purchases of additional Class A or Class D shares concurrent with withdrawals are ordinarily disadvantageous to the shareholder because of sales charges and tax liabilities. The Fund will not knowingly accept purchase orders for Class A or Class D shares of the Fund from investors who maintain a Systematic Withdrawal Plan unless such purchase is equal to at least one year's scheduled withdrawals or \$1,200, whichever is greater. Periodic investments may not be made into an Investment Account in which the shareholder has elected to make systematic withdrawals.

A Class A or Class D shareholder whose shares are held within a CMA(R), CBA(R) or Retirement Account may elect to have shares redeemed on a monthly, bimonthly, quarterly, semiannual or annual basis through the Systematic Redemption Program. The minimum fixed dollar amount redeemable is \$25. The proceeds of systematic redemptions will be posted to a shareholder's account five business days after the date the shares are redeemed. Monthly systematic redemptions will be made at net asset value on the first Monday of each month, bimonthly systematic redemptions will be made at net asset value on the first Monday of every other month, and quarterly, semiannual or annual redemptions are made at net asset value on the first Monday of months selected at the shareholder's option. If the first Monday of the month is a holiday, the redemption will

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be processed at net asset value on the next business day. The Systematic Redemption Program is not available if Fund shares are being purchased within the account pursuant to the Automatic Investment Program. For more information on the Systematic Redemption Program, eligible shareholders should contact their Merrill Lynch financial consultant.

RETIREMENT PLANS

Self-directed individual retirement accounts and other retirement plans are available from Merrill Lynch. Under these plans, investments may be made in the Fund and certain of the other mutual funds sponsored by Merrill Lynch as well as in other securities. Merrill Lynch charges an initial establishment fee and an annual custodial fee for each account. Information with respect to these plans is available on request from Merrill Lynch. The minimum initial purchase to establish any such plan is \$100, and the minimum subsequent purchase is \$1.

Capital gains and income received in each of the plans referred to above are exempt from Federal taxation until distributed from the plan. Investors considering participation in any such plan should review specific tax laws relating thereto and should consult their attorneys or tax advisers with respect to the establishment and maintenance of any such plan.

EXCHANGE PRIVILEGE

Shareholders of each class of shares of the Fund have an exchange privilege with certain other MLAM-advised mutual funds listed below. Under the Merrill Lynch Select Pricing System, Class A shareholders may exchange Class A shares of the Fund for Class A shares of a second MLAM-advised mutual fund if the shareholder holds any Class A shares of the second fund in his account in which the exchange is made at the time of the exchange or is otherwise eligible to purchase Class A shares of the second fund. If the Class A shareholder wants to exchange Class A shares for shares of a second MLAM-advised mutual fund, but does not hold Class A shares of the second fund in his account at the time of the exchange and is not otherwise eligible to acquire Class A shares of the second fund, the shareholder will receive Class D shares of the second fund as a result of the exchange. Class D shares also may be exchanged for Class A shares of a second MLAM-advised mutual fund at any time as long as, at the time of the exchange, the shareholder holds Class A shares of the second fund in the account in which the exchange is made or is otherwise eligible to purchase Class A shares of the second fund. Class B, Class C and Class D shares will be exchangeable with shares of the same class of other MLAM-advised mutual funds. For purposes of computing the CDSC that may be payable upon a disposition of the shares acquired in the exchange, the holding period for the previously owned shares of the Fund is "tacked" to the holding period of the newly acquired shares of the other Fund as more fully described below. Class A, Class B, Class C and Class D shares also will be exchangeable for shares of certain MLAM-advised money market funds specifically designated below as available for exchange by holders of Class A, Class B, Class C or Class D shares. Shares with a net asset value of at least \$100 are required to qualify for the exchange privilege, and any shares utilized in an exchange must have been held by the shareholder for 15 days. It is contemplated that the exchange privilege may be applicable to other new mutual funds whose shares may be distributed by the Distributor.

Exchanges of Class A or Class D shares outstanding ("outstanding Class A or

Class D shares") for Class A or Class D shares of another MLAM-advised mutual fund ("new Class A or Class D shares") are transacted on the basis of relative net asset value per Class A or Class D share, respectively, plus an amount equal to the difference, if any, between the sales charge previously paid on the outstanding Class A or Class D shares and the sales charge payable at the time of the exchange on the new Class A or Class D shares. With

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respect to outstanding Class A or Class D shares as to which previous exchanges have taken place, the "sales charge previously paid" shall include the aggregate of the sales charge paid with respect to such Class A or Class D shares in the initial purchase and any subsequent exchange. Class A or Class D shares issued pursuant to dividend reinvestment are sold on a no-load basis in each of the funds offering Class A or Class D shares. For purposes of the exchange privilege, Class A and Class D shares acquired through dividend reinvestment shall be deemed to have been sold with a sales charge equal to the sales charge previously paid on the Class A or Class D shares on which the dividend was paid. Based on this formula, Class A and Class D shares of the Fund generally may be exchanged into the Class A or Class D shares of the other funds or into shares of the Class A and Class D money market funds with a reduced or without a sales charge.

In addition, each of the funds with Class B and Class C shares outstanding ("outstanding Class B or Class C shares") offers to exchange its Class B or Class C shares for Class B or Class C shares, respectively, of another MLAM-advised mutual fund ("new Class B or Class C shares") on the basis of relative net asset value per Class B or Class C share, without the payment of any CDSC that might otherwise be due on redemption of the outstanding shares. Class B shareholders of the Fund exercising the exchange privilege will continue to be subject to the Fund's CDSC schedule if such schedule is higher than the CDSC schedule relating to the new Class B shares acquired through use of the exchange privilege. In addition, Class B shares of the Fund acquired through use of the exchange privilege will be subject to the Fund's CDSC schedule if such schedule is higher than the CDSC schedule relating to the Class B shares of the fund from which the exchange has been made. For purposes of computing the sales charge that may be payable on a disposition of the new Class B or Class C shares, the holding period for the outstanding Class B or Class C shares is "tacked" on to the holding period of the new Class B or Class C shares. For example, an investor may exchange Class B shares of the Fund for those of Merrill Lynch Special Value Fund, Inc. ("Special Value Fund") after having held the Fund Class B shares for two and a half years. The 2% sales charge that generally would apply to a redemption would not apply to the exchange. Three years later the investor may decide to redeem the Class B shares of Special Value Fund and receive cash. There will be no CDSC due on this redemption, since by "tacking" the two and a half year holding period of Fund Class B shares to the three year holding period for the Special Value Fund Class B shares, the investor will be deemed to have held the new Class B shares for more than five years.

Shareholders also may exchange shares of the Fund into shares of a money market fund advised by the Investment Adviser or its affiliates, but the period of time that Class B or Class C shares are held in a money market fund will not count towards satisfaction of the holding period requirement for purposes of reducing the CDSC or with respect to Class B shares, towards satisfaction of the conversion period. However, shares of a money market fund which were acquired as a result of an exchange for Class B or Class C shares of the Fund may, in turn, be exchanged back into Class B or Class C shares, respectively, of any fund offering such shares, in which event the holding period for Class B or Class C shares of the fund will be aggregated with previous holding periods for purposes of reducing the CDSC. Thus, for example, an investor may exchange Class B shares of the Fund for shares of Merrill Lynch Institutional Fund ("Institutional Fund") after having held the Fund Class B shares for two and a half years and three years later decide to redeem the shares of Institutional Fund for cash. At the time of this redemption, the 2% CDSC that would have been due had the Class B shares of the Fund been redeemed for cash rather than exchanged for shares of Institutional Fund will be payable. If instead of such redemption the shareholder exchanged such shares for Class B shares of a fund which the shareholder continued to hold for an additional two and a half years, any subsequent redemption will not incur a CDSC.

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Set forth below is a description of the investment objectives of the other funds into which exchanges can be made:

Funds issuing Class A, Class B, Class C and Class D Shares:

MERRILL LYNCH ADJUSTABLE RATE

SECURITIES FUND, INC.

High current income, consistent with a policy of limiting the degree of fluctuation in net

asset value of fund shares resulting from movements in interest rates, through investment primarily in a portfolio of adjustable rate securities.

MERRILL LYNCH AMERICAS INCOME FUND, INC.

A high level of current income, consistent with prudent investment risk, by investing primarily in debt securities denominated in a currency of a country located in the Western Hemisphere (i.e., North and South America and the surrounding waters).

MERRILL LYNCH ARIZONA LIMITED MATURITY MUNICIPAL BOND FUND

A portfolio of Merrill Lynch Multi-State Limited Maturity Municipal Series Trust, a series fund, whose objective is to provide as high a level of income exempt from Federal and Arizona income taxes as is consistent with prudent investment management through investment in a portfolio primarily of intermediate-term investment grade Arizona Municipal Bonds.

MERRILL LYNCH ARIZONA MUNICIPAL BOND FUND

A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is to provide as high a level of income exempt from Federal and Arizona income taxes as is consistent with prudent investment management.

MERRILL LYNCH ARKANSAS MUNICIPAL BOND FUND

A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is to provide as high a level of income exempt from Federal and Arkansas income taxes as is consistent with prudent investment management.

MERRILL LYNCH ASSET GROWTH FUND, INC.

High total investment return, consistent with prudent risk, from investment in United States and foreign equity, debt and money market securities the combination of which will be varied both with respect to types of securities and markets in response to changing market and economic trends.

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MERRILL LYNCH ASSET INCOME FUND, INC.

A high level of current income through investment primarily in United States fixed income securities.

MERRILL LYNCH BALANCED FUND FOR INVESTMENT AND RETIREMENT

As high a level of total investment return as is consistent with a relatively low level of risk through investment in common stock and other types of securities, including fixed income securities and convertible securities.

MERRILL LYNCH CALIFORNIA INSURED MUNICIPAL BOND FUND

A portfolio of Merrill Lynch California Municipal Series Trust, a series fund, whose objective is to provide as high a level of income exempt from Federal and California income taxes as is consistent with prudent investment management through investment in a portfolio primarily of insured California Municipal Bonds.

MERRILL LYNCH CALIFORNIA LIMITED MATURITY MUNICIPAL BOND FUND

A portfolio of Merrill Lynch Multi-State Limited Maturity Municipal Series Trust, a series fund, whose objective is to provide as high a level of income exempt from Federal and California income taxes as is consistent with prudent investment management through investment in a portfolio primarily of intermediate-term investment grade California Municipal Bonds.

MERRILL LYNCH CALIFORNIA MUNICIPAL BOND FUND

A portfolio of Merrill Lynch California Municipal Series Trust, a series fund, whose objective is to provide as high a level of income exempt from Federal and California

MERRILL LYNCH CAPITAL FUND, INC. income taxes as is consistent with prudent investment management.

MERRILL LYNCH COLORADO MUNICIPAL BOND FUND The highest total investment return consistent with prudent risk through a fully managed investment policy utilizing equity, debt and convertible securities.

MERRILL LYNCH CONNECTICUT MUNICIPAL BOND FUND A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is to provide as high a level of income exempt from Federal and Colorado income taxes as is consistent with prudent investment management.

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MERRILL LYNCH CORPORATE BOND FUND, INC. Current income from three separate diversified portfolios of fixed income securities.

MERRILL LYNCH DEVELOPING CAPITAL MARKETS FUND, INC. Long-term appreciation through investment in securities, principally equities, of issuers in countries having smaller capital markets.

MERRILL LYNCH DRAGON FUND, INC. Capital appreciation primarily through investment in equity and debt securities of issuers domiciled in developing countries located in Asia and the Pacific Basin.

MERRILL LYNCH EUROFUND Capital appreciation primarily through investment in equity securities of corporations domiciled in Europe.

MERRILL LYNCH FEDERAL SECURITIES TRUST High current return through investments in U.S. Government and Government agency securities, including GNMA mortgage-backed certificates and other mortgage-backed Government securities.

MERRILL LYNCH FLORIDA LIMITED MATURITY MUNICIPAL BOND FUND A portfolio of Merrill Lynch Multi-State Limited Maturity Municipal Series Trust, a series fund, whose objective is to provide as high a level of income exempt from Federal income taxes as is consistent with prudent investment management while serving to offer shareholders the opportunity to own securities exempt from Florida intangible personal property taxes through investment in a portfolio primarily of intermediate-term investment grade Florida Municipal Bonds.

MERRILL LYNCH FLORIDA MUNICIPAL BOND FUND A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is to provide as high a level of income exempt from Federal income taxes as is consistent with prudent investment management while seeking to offer shareholders the opportunity to own securities exempt from Florida intangible personal property taxes.

MERRILL LYNCH FUND FOR TOMORROW, INC. Long-term growth through investment in a portfolio of good quality securities, primarily common stock, potentially positioned to bene-

fit from demographic and cultural changes as they affect consumer markets.

MERRILL LYNCH FUNDAMENTAL GROWTH FUND, INC. Long-term growth of capital through investment

in a diversified portfolio of equity securities placing particular emphasis on companies that have exhibited an above-average growth rate in earnings.

MERRILL LYNCH GLOBAL
ALLOCATION FUND, INC.

High total investment return, consistent with prudent risk, through a fully managed investment policy utilizing United States and foreign equity, debt and money market securities, the combination of which will be varied from time to time both with respect to types of securities and markets in response to changing market and economic trends.

MERRILL LYNCH GLOBAL BOND FUND
FOR INVESTMENT AND
RETIREMENT

High total investment return from investment in government and corporate bonds denominated in various currencies and multinational currency units.

MERRILL LYNCH GLOBAL
CONVERTIBLE FUND, INC.

High total return from investment primarily in an internationally diversified portfolio of convertible debt securities, convertible preferred stock and "synthetic" convertible securities consisting of a combination of debt securities or preferred stock and warrants or options.

MERRILL LYNCH GLOBAL HOLDINGS,
INC. (residents of Arizona
must meet investor
suitability
standards)

The highest total investment return consistent with prudent risk through worldwide investment in an internationally diversified portfolio of securities.

MERRILL LYNCH GLOBAL
RESOURCES TRUST

Long-term growth and protection of capital from investment in securities of foreign and domestic companies that possess substantial natural resource assets.

MERRILL LYNCH GLOBAL SMALLCAP
FUND, INC.

Long-term growth of capital by investing primarily in equity securities of companies with relatively small market capitalizations located in various foreign countries and in the United States.

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MERRILL LYNCH GLOBAL UTILITY
FUND, INC.

Capital appreciation and current income through investment of at least 65% of its total assets in equity and debt securities issued by domestic and foreign companies primarily engaged in the ownership or operation of facilities used to generate, transmit or distribute electricity, telecommunications, gas or water.

MERRILL LYNCH GROWTH FUND FOR
INVESTMENT AND RETIREMENT

Growth of capital and, secondarily, income from investment in a diversified portfolio of equity securities placing a principal emphasis on those securities which management of the Fund believes to be undervalued.

MERRILL LYNCH HEALTHCARE FUND,
INC. (residents of Wisconsin
must meet investor
suitability standards)

Capital appreciation through worldwide investment in equity securities of companies that derive or are expected to derive a substantial portion of their sales from products and services in healthcare.

MERRILL LYNCH INTERNATIONAL
EQUITY FUND

Capital appreciation and, secondarily, income by investing in a diversified portfolio of equity securities of issuers located in countries other than the United States.

MERRILL LYNCH LATIN AMERICA
FUND, INC.

Capital appreciation by investing primarily in Latin American equity and debt securities.

MERRILL LYNCH MARYLAND

MUNICIPAL BOND FUND

A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is to provide as high a level of income exempt from Federal and Maryland income taxes as is consistent with prudent investment management.

MERRILL LYNCH MASSACHUSETTS
LIMITED MATURITY MUNICIPAL
BOND FUND

A portfolio of Merrill Lynch Multi-State Limited Maturity Municipal Series Trust, a series fund, whose objective is to provide as high a level of income exempt from Federal and Massachusetts income taxes as is consistent with prudent investment management through investment in a portfolio primarily of intermediate-term investment grade Massachusetts Municipal Bonds.

MERRILL LYNCH MASSACHUSETTS
MUNICIPAL BOND FUND

A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is to provide as high a level of income

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exempt from Federal and Massachusetts income taxes as is consistent with prudent investment management.

MERRILL LYNCH MICHIGAN
LIMITED MATURITY MUNICIPAL
BOND FUND, INC.

A portfolio of Merrill Lynch Multi-State Limited Maturity Municipal Series Trust, a series fund, whose objective is to provide as high a level of income exempt from Federal and Michigan income taxes as is consistent with prudent investment management through investment in a portfolio primarily of intermediate-term investment grade Michigan Municipal Bonds.

MERRILL LYNCH MICHIGAN
MUNICIPAL BOND FUND

A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is to provide as high a level of income exempt from Federal and Michigan income taxes as is consistent with prudent investment management.

MERRILL LYNCH MINNESOTA
MUNICIPAL BOND FUND

A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is to provide as high a level of income exempt from Federal and Minnesota personal income taxes as is consistent with prudent investment management.

MERRILL LYNCH MUNICIPAL BOND
FUND, INC.

Tax-exempt income from three separate diversified portfolios of municipal bonds.

MERRILL LYNCH MUNICIPAL
INTERMEDIATE TERM FUND

Currently the only portfolio of Merrill Lynch Municipal Series Trust, a series fund, whose objective is to provide as high a level as possible of income exempt from Federal income taxes by investing in investment grade obligations with a dollar weighted average maturity of five to twelve years.

MERRILL LYNCH NEW JERSEY
LIMITED MATURITY MUNICIPAL
BOND FUND

A portfolio of Merrill Lynch Multi-State Limited Maturity Municipal Series Trust, a series fund, whose objective is to provide as high a level of income exempt from Federal and New Jersey income taxes as is consistent with prudent investment management through a portfolio primarily of intermediate-term investment grade New Jersey Municipal Bonds.

MERRILL LYNCH NEW JERSEY
MUNICIPAL BOND FUND

A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is to provide as high a level of income

exempt from Federal and New Jersey income taxes as is consistent with prudent investment management.

MERRILL LYNCH NEW MEXICO
MUNICIPAL BOND FUND

A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is to provide as high a level of income exempt from Federal and New Mexico income taxes as is consistent with prudent investment management.

MERRILL LYNCH NEW YORK LIMITED
MATURITY MUNICIPAL BOND FUND

A portfolio of Merrill Lynch Multi-State Limited Maturity Municipal Series Trust, a series fund, whose objective is to provide as high a level of income exempt from Federal, New York State and New York City income taxes as is consistent with prudent investment management through investment in a portfolio primarily of intermediate-term investment grade New York Municipal Bonds.

MERRILL LYNCH NEW YORK
MUNICIPAL BOND FUND

A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is to provide as high a level of income exempt from Federal, New York State and New York City income taxes as is consistent with prudent investment management.

MERRILL LYNCH NORTH CAROLINA
MUNICIPAL BOND FUND

A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is to provide as high a level of income exempt from Federal and North Carolina income taxes as is consistent with prudent investment management.

MERRILL LYNCH OHIO MUNICIPAL
BOND FUND

A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is to provide as high a level of income exempt from Federal and Ohio income taxes as is consistent with prudent investment management.

MERRILL LYNCH OREGON MUNICIPAL
BOND FUND

A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is to provide as high a level of income exempt from Federal and Oregon income taxes as is consistent with prudent investment management.

MERRILL LYNCH PACIFIC FUND,
INC.

Capital appreciation by investing in equity securities of corporations domiciled in Far Eastern and Western Pacific countries, including Japan, Australia, Hong Kong and Singapore.

MERRILL LYNCH PENNSYLVANIA
LIMITED MATURITY MUNICIPAL
BOND FUND

A portfolio of Merrill Lynch Multi-State Limited Maturity Municipal Series Trust, a series fund, whose objective is to provide as high a level of income exempt from Federal and Pennsylvania income taxes as is consistent with prudent investment management through investment in a portfolio of intermediate-term investment grade Pennsylvania Municipal Bonds.

MERRILL LYNCH PENNSYLVANIA
MUNICIPAL BOND FUND

A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is to provide as high a level of income exempt from Federal and Pennsylvania income taxes as is consistent with prudent investment management.

MERRILL LYNCH PHOENIX
FUND, INC.

Long-term growth of capital by investing in

equity and fixed income securities, including tax-exempt securities, of issues in weak financial condition or experiencing poor operating results believed to be undervalued relative to the current or prospective condition of such issuer.

MERRILL LYNCH SHORT-TERM
GLOBAL INCOME FUND, INC.

As high a level of current income as is consistent with prudent investment management from a global portfolio of high quality debt securities denominated in various currencies and multinational currency units and having remaining maturities not exceeding three years.

MERRILL LYNCH SPECIAL VALUE
FUND, INC.

Long-term growth of capital from investments in securities, primarily common stocks, of relatively small companies believed to have special investment value and emerging growth companies regardless of size.

MERRILL LYNCH STRATEGIC
DIVIDEND FUND

Long-term total return from investment in dividend paying common stocks which yield more than Standard & Poor's 500 Composite Stock Price Index.

MERRILL LYNCH TECHNOLOGY FUND,
INC.

Capital appreciation through worldwide investment in equity securities of companies that derive or are expected to derive a substantial portion of their sales from products and services in technology.

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MERRILL LYNCH TEXAS MUNICIPAL
BOND FUND

A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is to provide as high a level of income exempt from Federal income taxes as is consistent with prudent investment management by investing primarily in a portfolio of long-term, investment grade obligations issued by the State of Texas, its political subdivisions, agencies and instrumentalities.

MERRILL LYNCH UTILITY INCOME
FUND, INC.

High current income through investment in equity and debt securities issued by companies which are primarily engaged in the ownership or operation of facilities used to generate, transmit or distribute electricity, telecommunications, gas or water.

MERRILL LYNCH WORLD INCOME
FUND, INC.

High current income by investing in a global portfolio of fixed income securities denominated in various currencies, including multinational currencies.

Class A Share Money Market Funds:

MERRILL LYNCH READY ASSETS
TRUST

Preservation of capital, liquidity and the highest possible current income consistent with the foregoing objectives from the short-term money market securities in which the Trust invests.

MERRILL LYNCH RETIREMENT
RESERVES MONEY FUND
(available only for
exchanges within certain
retirement plans)

Currently the only portfolio of Merrill Lynch Retirement Series Trust, a series fund, whose objectives are current income, preservation of capital and liquidity available from investing in a diversified portfolio of short-term money market securities.

MERRILL LYNCH U.S.A.
GOVERNMENT RESERVES

Preservation of capital, current income and liquidity available from investing in direct obligations of the U.S. Government and repurchase agreements relating to such securities.

MERRILL LYNCH U.S. TREASURY
MONEY FUND

Preservation of capital, liquidity and current income through investment exclusively in a

diversified portfolio of short-term marketable securities which are direct obligations of the U.S. Treasury.

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Class B, Class C and Class D Share Money Market Funds:

MERRILL LYNCH GOVERNMENT FUND	A portfolio of Merrill Lynch Funds for Institutions Series, a series fund, whose objective is to provide current income consistent with liquidity and security of principal from investment in securities issued or guaranteed by the U.S. Government, its agencies and instrumentalities and in repurchase agreements secured by such obligations.
MERRILL LYNCH INSTITUTIONAL FUND	A portfolio of Merrill Lynch Funds for Institutions Series, a series fund, whose objective is to provide maximum current income consistent with liquidity and the maintenance of a high quality portfolio of money market securities.
MERRILL LYNCH INSTITUTIONAL TAX-EXEMPT FUND	A portfolio of Merrill Lynch Funds for Institutions Series, a series fund, whose objective is to provide current income exempt from Federal income taxes, preservation of capital and liquidity available from investing in a diversified portfolio of short-term, high quality municipal bonds.
MERRILL LYNCH TREASURY FUND	A portfolio of Merrill Lynch Funds for Institutions Series, a series fund, whose objective is to provide current income consistent with liquidity and security of principal from investment in direct obligations of the U.S. Treasury and up to 10% of its total assets in repurchase agreements secured by such obligations.

Before effecting an exchange, shareholders should obtain a currently effective prospectus of the fund into which the exchange is to be made.

To exercise the exchange privilege, shareholders should contact their Merrill Lynch financial consultant who will advise the Fund of the exchange. Shareholders of the Fund, and shareholders of the other funds described above with shares for which certificates have not been issued, may exercise the exchange privilege by wire through their securities dealers. The Fund reserves the right to require a properly completed Exchange Application. This exchange privilege may be modified or terminated in accordance with the rules of the Securities and Exchange Commission. The Fund reserves the right to limit the number of times an investor may exercise the exchange privilege. Certain funds may suspend the continuous offering of their shares at any time and thereafter may resume such offering from time to time. The exchange privilege is available only to U.S. shareholders in states where the exchange legally may be made.

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DIVIDENDS, DISTRIBUTIONS AND TAXES

DIVIDENDS AND DISTRIBUTIONS

It is the Fund's intention to distribute all of its net investment income, if any. Dividends from such investment income are paid semiannually. All net realized long-or short-term capital gains, if any, are distributed to the Fund's shareholders at least annually. Premiums from expired call options written by the Fund and net gains from closing purchase transactions are treated as short-term capital gains for Federal income tax purposes. See "Shareholder Services -- Automatic Reinvestment of Dividends and Capital Gains Distributions" for information concerning the manner in which dividends and distributions may be reinvested automatically in shares of the Fund. Shareholders may elect in writing to receive any such dividends or distributions, or both, in cash. Dividends and distributions are taxable to shareholders as described below whether they are invested in shares of the Fund or received in cash. The per share dividends and distributions on Class B and Class C shares will be lower than the per share dividends and distributions on Class A and Class D shares as a result of the account maintenance, distribution and higher transfer agency fees applicable with respect to the Class B and Class C shares; similarly, the per share dividends and distributions on Class D shares will be lower than the

per share dividends and distributions on Class A shares as a result of the account maintenance fees applicable with respect to the Class D shares. See "Determination of Net Asset Value".

TAXES

The Fund intends to continue to qualify for the special tax treatment afforded regulated investment companies ("RICs") under the Internal Revenue Code of 1986, as amended (the "Code"). If it so qualifies, the Fund (but not its shareholders) will not be subject to Federal income tax on the part of its net ordinary income and net realized capital gains which it distributes to Class A, Class B, Class C and Class D shareholders (together, the "shareholders"). The Fund intends to distribute substantially all of such income.

Dividends paid by the Fund from its ordinary income and distributions of the Fund's net realized short-term capital gains (together referred to hereafter as "ordinary income dividends") are taxable to shareholders as ordinary income. Distributions made from the Fund's net realized long-term capital gains (including long-term gains from certain transactions in options) ("capital gain dividends") are taxable to shareholders as long-term capital gains, regardless of the length of time the shareholder has owned Fund shares. Any loss upon the sale or exchange of Fund shares held for six months or less, however, will be treated as long-term capital loss to the extent of any capital gain dividends received by the shareholder. Distributions in excess of the Fund's earnings and profits will first reduce the adjusted tax basis of a holder's shares and, after such adjusted tax basis is reduced to zero, will constitute capital gains to such holder (assuming the shares are held as a capital asset).

Dividends are taxable to shareholders even though they are reinvested in additional shares of the Fund. Not later than 60 days after the close of its taxable year, the Fund will provide its shareholders with a written notice designating the amounts of any ordinary income dividends or capital gain dividends. A portion of the Fund's ordinary income dividends may be eligible for the dividends received deduction allowed to corporations under the Code, if certain requirements are met. For this purpose, the Fund will allocate dividends eligible for the dividends received deduction among the Class A, Class B, Class C and Class D shareholders according to a method (which it believes is consistent with the Commission's exemptive order permitting the issuance and sale of multiple classes of stock) that is based on the gross income allocable to Class A, Class B, Class C and Class D shareholders during the taxable year, or such other method as the Internal Revenue Service may

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prescribe. If the Fund pays a dividend in January that was declared in the previous October, November or December to shareholders of record on a specified date in one of such months, then such dividend will be treated for tax purposes as being paid by the Fund and received by its shareholders on December 31 of the year in which such dividend was declared.

Ordinary income dividends paid by the Fund to shareholders who are nonresident aliens or foreign entities will be subject to a 30% United States withholding tax under existing provisions of the Code applicable to foreign individuals and entities unless a reduced rate of withholding or a withholding exemption is provided under applicable treaty law. Nonresident shareholders are urged to consult their own tax advisers concerning the applicability of the United States withholding tax.

Dividends and interest received by the Fund may give rise to withholding and other taxes imposed by foreign countries. Tax conventions between certain countries and the United States may reduce or eliminate such taxes.

Under certain provisions of the Code, some shareholders may be subject to a 31% withholding tax on ordinary income dividends, capital gain dividends and redemption payments ("backup withholding"). Generally, shareholders subject to backup withholding will be those for whom no certified taxpayer identification number is on file with the Fund or who, to the Fund's knowledge, have furnished an incorrect number. When establishing an account, an investor must certify under penalty of perjury that such number is correct and that such investor is not otherwise subject to backup withholding.

No gain or loss will be recognized by Class B shareholders on the conversion of their Class B shares into Class D shares. A shareholder's basis in the Class D shares acquired will be the same as such shareholder's basis in the Class B shares converted, and the holding period of the acquired Class D shares will include the holding period of the converted Class B shares.

If a shareholder exercises an exchange privilege within 90 days of acquiring the shares, then the loss the shareholder can recognize on the exchange will be reduced (or the gain increased) to the extent the sales charge paid to the Fund reduces any sales charge the shareholder would have owed upon the purchase of the new shares in the absence of the exchange privilege. Instead, such sales charge will be treated as an amount paid for the new shares.

A loss realized on a sale or exchange of shares of the Fund will be disallowed if other Fund shares are acquired (whether through the automatic reinvestment of dividends or otherwise) within a 61-day period beginning 30 days before and ending 30 days after the date that the shares are disposed of. In such a case, the basis of the shares acquired will be adjusted to reflect the disallowed loss.

The Code requires a RIC to pay a nondeductible 4% excise tax to the extent the RIC does not distribute, during each calendar year, 98% of its ordinary income, determined on a calendar year basis, and 98% of its capital gains, determined, in general on an October 31 year end, plus certain undistributed amounts from previous years. While the Fund intends to distribute its income and capital gains in the manner necessary to avoid imposition of the 4% excise tax, there can be no assurance that sufficient amounts of the Fund's taxable income and capital gains will be distributed to avoid entirely the imposition of the tax. In such event, the Fund will be liable for the tax only on the amount by which it does not meet the foregoing distribution requirements.

TAX TREATMENT OF OPTIONS TRANSACTIONS

The Fund may write covered options with respect to the securities that it holds in its portfolio and enter into closing purchase transactions with respect to certain of such options. In general, unless an election is

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available to the Fund or an exception applies, such options that are "Section 1256 contracts" will be "marked to market" for Federal income tax purposes at the end of each taxable year, i.e., each such option contract will be treated as sold for its fair market value on the last day of the taxable year, and any gain or loss attributable to Section 1256 contracts will be 60% long-term and 40% short-term capital gain or loss. The mark-to-market rules outlined above, however, will not apply to certain transactions entered into by the Fund solely to reduce the risk of changes in price or interest rates with respect to its investments.

Code Section 1092, which applies to certain "straddles", may affect the taxation of the Fund's transactions in option contracts. Under Section 1092, the Fund may be required to postpone recognition for tax purposes of losses incurred in certain closing transactions in options.

One of the requirements for qualification as a RIC is that less than 30% of the Fund's gross income be derived from gains from the sale or other disposition of securities held for less than three months. Accordingly, the Fund may be restricted in effecting closing transactions within three months after entering into an option contract.

The foregoing is a general and abbreviated summary of the applicable provisions of the Code and Treasury regulations presently in effect. For the complete provisions, reference should be made to the pertinent Code sections and the Treasury regulations promulgated thereunder. The Code and the Treasury regulations are subject to change by legislative or administrative action either prospectively or retroactively.

Ordinary income and capital gain dividends may also be subject to state and local taxes.

Certain states exempt from state income taxation dividends paid by RICs which are derived from interest on United States Government obligations. State law varies as to whether dividend income attributable to United States Government obligations is exempt from state income tax.

Shareholders are urged to consult their tax advisers regarding specific questions as to Federal, foreign, state or local taxes. Foreign investors should consider applicable foreign taxes in their evaluation of an investment in the Fund.

PERFORMANCE DATA

From time to time the Fund may include its average annual total return and other total return data in advertisements or information furnished to present or prospective shareholders. Total return figures are based on the Fund's historical performance and are not intended to indicate future performance. Average annual total return is determined separately for Class A, Class B, Class C and Class D shares in accordance with a formula specified by the Securities and Exchange Commission.

Average annual total return quotations for the specified periods are computed by finding the average annual compounded rates of return (based on net investment income and any realized and unrealized capital gains or losses on portfolio investments over such periods) that would equate the initial amount invested to the redeemable value of such investment at the end of each period.

Average annual total return is computed assuming all dividends and distributions are reinvested and taking into account all applicable recurring and nonrecurring expenses, including the maximum sales charges in the case of Class A and Class D shares and the CDSC that would be applicable to a complete redemption of the investment at the end of the specified period in the case of Class B and Class C shares.

The Fund also may quote annual, average annual and annualized total return and aggregate total return performance data, both as a percentage and as a dollar amount based on a hypothetical \$1,000 investment, for various periods other than those noted below. Such data will be computed as described above, except that (1) as required by the periods of the quotations, actual annual, annualized or aggregate data, rather than

average annual data, may be quoted, and (2) the maximum applicable sales charges will not be included with respect to annual or annualized rates of return calculations. Aside from the impact on the performance data calculations of including or excluding the maximum applicable sales charges, actual annual or annualized total return data generally will be lower than average annual total return data since the average rates of return reflect compounding of return; aggregate total return data generally will be higher than average annual total return since the aggregate rates of return reflect compounding over a longer period of time.

Set forth below is total return information for the Class A and Class B shares of the Fund for the periods indicated. Since Class C and Class D shares have not been issued prior to the date of this Statement of Additional Information, performance information concerning Class C and Class D shares is not yet provided.

<TABLE>
<CAPTION>

PERIOD	CLASS A SHARES		CLASS B SHARES*	
	EXPRESSED AS A PERCENTAGE BASED ON A HYPOTHETICAL \$1,000 INVESTMENT	REDEEMABLE VALUE OF A HYPOTHETICAL \$1,000 INVESTMENT AT THE END OF THE PERIOD	EXPRESSED AS A PERCENTAGE BASED ON A HYPOTHETICAL \$1,000 INVESTMENT	REDEEMABLE VALUE OF A HYPOTHETICAL \$1,000 INVESTMENT AT THE END OF THE PERIOD
<S>	<C>	<C>	<C>	<C>
		AVERAGE ANNUAL TOTAL RETURN (including maximum applicable sales charges)		
One Year Ended June 30, 1994.....	0.13%	\$ 1,001.30	0.64%	\$ 1,006.40
Five Years Ended June 30, 1994.....	8.03%	\$ 1,471.20	8.08%	\$ 1,475.10
Ten Years Ended June 30, 1994.....	14.02%	\$ 3,712.70		
October 21, 1988 to June 30, 1994.....			8.92%	\$ 1,626.60
		ANNUAL TOTAL RETURN (excluding maximum applicable sales charges)		
YEAR ENDED JUNE 30,				
1994.....	5.68%	\$ 1,056.80	4.61%	\$ 1,046.10
1993.....	19.03%	\$ 1,190.30	17.81%	\$ 1,178.10
1992.....	15.08%	\$ 1,150.80	13.90%	\$ 1,139.00
1991.....	5.39%	\$ 1,053.90	4.33%	\$ 1,043.30
1990.....	1.77%	\$ 1,017.70	0.73%	\$ 1,007.30
1989.....	16.29%	\$ 1,162.90		
1988.....	1.90%	\$ 1,019.00		
1987.....	22.37%	\$ 1,223.70		
1986.....	28.59%	\$ 1,285.90		
1985.....	35.35%	\$ 1,353.50		
1984.....	(0.18%)	\$ 998.20		
1983.....	67.64%	\$ 1,676.40		
1982.....	(12.09%)	\$ 879.10		
1981.....	29.28%	\$ 1,292.80		
1980.....	15.98%	\$ 1,159.80		
1979.....	15.62%	\$ 1,156.20		
1978.....	10.48%	\$ 1,104.80		
October 21, 1988 to June 30, 1989.....			10.27%	\$ 1,102.70
		AGGREGATE TOTAL RETURN (including maximum applicable sales charges)		
Inception (July 1, 1977) to June 30, 1994.....	946.03%	\$10,460.30	62.66%	\$ 1,626.60
October 21, 1988 to June 30, 1994.....				

* Information as to Class B shares is presented only for the period October 21, 1988 to June 30, 1994. Prior to October 21, 1988, no Class B shares were

In order to reflect the reduced sales charges in the case of Class A or Class D shares or the waiver of the CDSC in the case of Class B or Class C shares applicable to certain investors, as described under "Purchase of Shares" and "Redemption of Shares", respectively, the total return data quoted by the Fund in advertisements directed to such investors may take into account the reduced, and not the maximum, sales charge or may not take into account the CDSC and therefore may reflect greater total return since, due to the reduced sales charge or the waiver of sales charges, a lower amount of expenses may be deducted.

GENERAL INFORMATION

DESCRIPTION OF SHARES

The Fund was incorporated under Maryland law on March 22, 1977. It has an authorized capital of 800,000,000 shares of Common Stock, par value \$0.10 per share, divided into four classes, designated Class A, Class B, Class C and Class D Common Stock each of which consists of 200,000,000 shares. Class A, Class B, Class C and Class D Common Stock represent an interest in the same assets of the Fund and are identical in all respects except that the Class B, Class C and Class D shares bear certain expenses related to the account maintenance and/or distribution of such shares and have exclusive voting rights with respect to matters relating to such account maintenance and/or distribution expenditures. The Fund has received an order from the Securities and Exchange Commission (the "Commission") permitting the issuance and sale of multiple classes of Common Stock. The Board of Directors of the Fund may classify and reclassify the shares of the Fund into additional classes of Common Stock at a future date.

Shareholders are entitled to one vote for each share held and fractional votes for fractional shares held and will vote on the election of Directors and any other matter submitted to a shareholder vote. The Fund does not intend to hold meetings of shareholders in any year in which the Investment Company Act does not require shareholders to act on any of the following matters: (i) election of Directors; (ii) approval of an investment advisory agreement; (iii) approval of a distribution agreement; and (iv) ratification of selection of independent auditors. Generally, under Maryland law, a meeting of shareholders may be called for any purpose on the written request of the holders of at least 25% of the outstanding shares of the Fund. Also, the by-laws of the Fund require that a special meeting of shareholders be held on the written request of at least 10% of the outstanding shares of the Fund entitled to vote at the meeting. Voting rights for Directors are not cumulative. Shares issued are fully paid and non-assessable and have no preemptive rights. Redemption and conversion rights are discussed elsewhere herein and in the Prospectus. Each share is entitled to participate equally in dividends and distributions declared by the Fund and in the net assets of the Fund on liquidation or dissolution after satisfaction of outstanding liabilities. Stock certificates are issued by the transfer agent only on specific request. Certificates for fractional shares are not issued in any case.

COMPUTATION OF OFFERING PRICE PER SHARE

The offering price for Class A shares of the Fund, based on the value of the Fund's net assets and number of shares outstanding as of June 30, 1994, is calculated as set forth below. Information is not provided for Class C or Class D shares since no Class C or Class D shares were publicly offered prior to the date of this Statement of Additional Information.

<TABLE>

<CAPTION>

	CLASS A	CLASS B
<S>	<C>	<C>
Net Assets.....	\$2,272,982,770	\$1,744,704,080
	=====	=====
Number of Shares Outstanding.....	98,095,819	76,276,115
	=====	=====
Net Asset Value Per Share (net assets divided by number of shares outstanding).....	\$23.17	\$22.87
Sales Charge (for Class A shares: 5.25% of offering price (5.54% of net amount invested))*.....	\$1.28	**
	-----	-----
Offering Price.....	\$24.45	\$22.87
	=====	=====

</TABLE>

- -----
- * Rounded to the nearest one-hundredth percent; assumes maximum sales charge is applicable.
 - ** Class B and Class C shares are not subject to an initial sales charge but may be subject to a CDSC on redemption of shares. See "Purchase of Shares -- Deferred Sales Charge Alternatives -- Class B and Class C Shares" in the Prospectus and "Redemption of Shares -- Deferred Sales Charges -- Class B and Class C Shares" herein.

INDEPENDENT AUDITORS

Deloitte & Touche LLP, 117 Campus Drive, Princeton, New Jersey 08540, has been selected as the independent auditors of the Fund. The selection of independent auditors is subject to ratification by the shareholders of the Fund. The independent auditors are responsible for auditing the annual financial statements of the Fund.

CUSTODIAN

National Westminster Bank NJ, 2 Montgomery Street, 2nd Floor, Jersey City, New Jersey 07302, acts as Custodian of the Fund's assets. The Custodian is responsible for safeguarding and controlling the Fund's cash and securities, handling the receipt and delivery of securities and collecting interest and dividends on the Fund's investments.

TRANSFER AGENT

Financial Data Services, Inc., 4800 Deer Lake Drive East, Jacksonville, Florida 32246-4484, acts as the Fund's transfer agent. The Transfer Agent is responsible for the issuance, transfer and redemption of shares and the opening, maintenance and servicing of shareholder accounts. See "Management of the Fund -- Transfer Agency Services" in the Prospectus.

LEGAL COUNSEL

Brown & Wood, One World Trade Center, New York, New York 10048-0557, is counsel for the Fund.

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REPORTS TO SHAREHOLDERS

The fiscal year of the Fund ends on June 30 of each year. The Fund will send to its shareholders at least semiannually reports showing the Fund's portfolio and other information. An annual report, containing financial statements audited by independent auditors, is sent to shareholders each year. After the end of each year, shareholders will receive Federal income tax information regarding dividends and capital gains distributions.

ADDITIONAL INFORMATION

The Prospectus and this Statement of Additional Information do not contain all the information set forth in the Registration Statement and the exhibits relating thereto, which the Fund has filed with the Commission, Washington, D.C., under the Securities Act of 1933 and the Investment Company Act to which reference is hereby made.

To the knowledge of the Fund, no person or entity owned beneficially 5% or more of the Fund's shares on September 30, 1994.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders,
MERRILL LYNCH BASIC VALUE FUND, INC.:

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of Merrill Lynch Basic Value Fund, Inc. as of June 30, 1994, the related statements of operations for the year then ended and changes in net assets for each of the years in the two-year period then ended, and the financial highlights for each of the years in the five-year period then ended. These financial statements and the financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and the financial highlights based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the financial highlights are free of material misstatement. An audit includes examining, on a

test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned at June 30, 1994 by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements and financial highlights present fairly, in all material respects, the financial position of Merrill Lynch Basic Value Fund, Inc. as of June 30, 1994, the results of its operations, the changes in its net assets, and the financial highlights for the respective stated periods in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP
Princeton, New Jersey
July 29, 1994

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<TABLE>
SCHEDULE OF INVESTMENTS
<CAPTION>

Industry <S>	Shares Held <C>	Stocks <S>	Cost <C>	Value (Note 1a) <C>	Percent of Net Assets <C>
Discount from Book Value					
Metals/Non-Ferrous	1,400,000	ASARCO Inc.	\$ 35,255,430	\$ 39,375,000	1.0%
Insurance	800,000	Aetna Life & Casualty Co.	35,195,218	44,700,000	1.1
Savings & Loans	1,850,000	Ahmanson(H.F.) & Co.	32,200,305	34,918,750	0.9
Insurance	260,000	American National Insurance Co.	9,749,442	12,220,000	0.3
Insurance	600,000	CIGNA Corp.	31,341,428	43,875,000	1.1
Insurance	1,000,000	Continental Corp.	31,627,263	15,500,000	0.4
Information Processing	1,700,000	++Data General Corp.	23,653,243	13,175,000	0.3
Information Processing	2,600,000	++Digital Equipment Corp.	110,424,691	50,375,000	1.3
Utilities	1,000,000	Entergy Corp.	19,799,508	24,750,000	0.6
Retail	1,600,000	K mart Corp.	30,422,460	24,800,000	0.6
Retail	550,000	K mart Corp.(Pfd. P)	24,266,763	17,256,250	0.4
			-----	-----	-----
			383,935,751	320,945,000	8.0
Below-Average Price/Earnings Ratio					
Insurance	600,000	Allstate Corp.	16,316,532	14,250,000	0.4
Insurance	2,000,000	American General Corp.	34,620,231	55,250,000	1.4
Steel	1,400,000	++Bethlehem Steel Corp.	19,927,935	26,075,000	0.6
Banking	1,570,000	Chase Manhattan Corp.	35,345,175	60,052,500	1.5
Banking	2,200,000	Citicorp, Inc.	53,771,262	87,725,000	2.2
Financial Services	800,000	Dean Witter Discover & Co.	20,456,508	30,000,000	0.8
Farm & Construction Equipment	1,330,000	Deere & Co., Inc.	67,229,295	89,941,250	2.2
Retail	700,000	++Federated Department Stores, Inc.	8,331,220	14,000,000	0.3
Banking	1,150,000	First Interstate Bancorp	53,035,168	88,550,000	2.2
Automotive	1,000,000	Ford Motor Co.	39,797,208	59,000,000	1.5
Automotive	1,200,000	General Motors Corp.	50,650,675	60,300,000	1.5
Conglomerates	1,500,000	ITT Corp.	73,820,738	122,437,500	3.0
Computers	1,350,000	International Business Machines Corp.	85,976,347	79,312,500	2.0
Aerospace & Defense	450,000	Lockheed Corp.	16,415,936	29,418,750	0.7
Pharmaceutical	1,800,000	Merck & Co., Inc.	57,548,710	53,550,000	1.3
Hospital Management	1,500,000	National Medical Enterprises, Inc.	15,860,263	23,437,500	0.6
Semiconductors	1,000,000	++National Semiconductor Corp.	8,902,861	17,250,000	0.4
Banking	1,500,000	NationsBank Corp.	60,787,427	77,062,500	1.9
Banking	1,800,000	Norwest Corp.	20,939,972	47,025,000	1.2
Insurance	1,400,000	PartnerRe Holdings Ltd.	29,498,937	28,350,000	0.7
Electrical Equipment	2,800,000	Philips N.V. Corp.	50,735,011	80,500,000	2.0
Retail	3,100,000	Sears, Roebuck & Co.	114,099,842	148,800,000	3.7
Information Processing	2,200,000	Tandem Computers Inc.	26,902,529	24,750,000	0.6
Communications	1,280,000	Telefonica de Espana, S.A. (ADR)*	37,922,666	51,520,000	1.3
Insurance	1,400,000	Travelers Corp.	55,658,554	45,150,000	1.1
Steel	800,000	USX--US Steel Group, Inc.	21,961,346	27,100,000	0.7
Information Processing	3,300,000	++Unisys Corp.	39,601,470	30,525,000	0.8
Aerospace & Defense	450,000	United Technologies Corp.	22,695,049	28,912,500	0.7
Savings & Loans	800,000	Washington Mutual Savings Bank	11,813,145	16,500,000	0.4
Chemicals	440,000	Zeneca Group PLC (ADR)*	12,980,000	14,685,000	0.4
			-----	-----	-----
			1,163,602,012	1,531,430,000	38.1

</TABLE>

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<TABLE>
SCHEDULE OF INVESTMENTS (continued)

<CAPTION>					
Industry	Shares Held	Stocks	Cost	Value (Note 1a)	Percent of Net Assets
<S>	<C>	<S>	<C>	<C>	<C>
Above-Average Yield					
Oil/Domestic	450,000	Atlantic Richfield Co.	\$ 44,540,126	\$ 45,956,250	1.1%
Real Estate Investment Trust	600,000	Avalon Properties, Inc.	12,413,018	12,750,000	0.3
Communications	800,000	Bell Atlantic Corp.	33,212,901	44,800,000	1.1
Pharmaceutical	1,100,000	Bristol-Myers Squibb Co.	62,776,156	58,987,500	1.5
Oil--International	1,100,000	Chevron Corp.	29,812,184	46,062,500	1.1
Banking	700,000	Citicorp, Inc. (Pfd. P)	10,325,000	13,737,500	0.3
Utilities	1,000,000	Consolidated Edison Co. of New York	21,723,966	26,500,000	0.7
Utilities	637,500	DPL Inc.	6,204,369	12,590,625	0.3
Oil--International	700,000	Exxon Corp.	32,536,013	39,637,500	1.0
Telecommunications	1,500,000	GTE Corp.	47,329,575	47,250,000	1.2
Chemicals	430,000	Imperial Chemical Industries PLC (ADR)*	27,795,155	20,425,000	0.5
Real Estate Investment Trust	400,000	Irvine Apartment Communities, Inc.	7,075,747	8,000,000	0.2
Insurance	700,000	++Liberty Property Trust	14,155,230	14,000,000	0.4
Real Estate	500,000	Mills Corp.	11,734,125	11,250,000	0.3
Oil--International	1,500,000	Mobil Corp.	78,457,147	122,437,500	3.0
Utilities	850,000	NIPSCO Industries, Inc.	15,883,276	25,075,000	0.6
Oil-Domestic	2,250,000	Occidental Petroleum Corp.	47,641,346	42,468,750	1.1
Utilities	1,100,000	PECO Energy Co. (a)	26,348,540	29,012,500	0.7
Tobacco	1,500,000	Philip Morris Cos. Inc.	80,845,984	77,250,000	1.9
Utilities	850,000	Public Service Enterprise Group	22,490,010	22,100,000	0.6
Aluminum	250,000	Reynolds Metals Co. (Pfd. P)	11,937,200	12,468,750	0.3
Oil--International	1,150,000	Royal Dutch Petroleum Co.	70,562,758	120,318,750	3.0
Real Estate Investment Trust	1,130,000	Simon Property Group, Inc.	25,891,365	30,086,250	0.8
Real Estate Investment Trust	500,000	Summit Properties Inc.	9,602,500	10,000,000	0.3
Oil--International	1,000,000	Texaco Inc.	53,689,121	60,375,000	1.5
Utilities	400,000	Texas Utilities Corp.	13,696,291	12,550,000	0.3
Communications	800,000	U.S. West Inc.	22,413,677	33,500,000	0.8
			-----	-----	-----
			841,092,780	999,589,375	24.9
Special Situations					
Oil--International	700,000	British Petroleum Co. PLC (ADR)*	32,946,715	50,225,000	1.3
Information Processing	1,000,000	++Ceridian Corp.	16,072,735	24,625,000	0.6
Oil Services & Equipment	2,500,000	Dresser Industries, Inc.	49,131,722	51,250,000	1.3
Food Merchandising	770,800	++Foodmaker Inc.	9,587,860	4,335,750	0.1
Foods	900,000	General Mills Inc.	49,335,984	49,162,500	1.2
Chemicals	500,000	Hercules, Inc.	19,235,727	53,500,000	1.3
Machinery	675,000	Ingersoll-Rand Co.	13,619,766	23,709,375	0.6
Forest & Paper Products	1,000,000	International Paper Co.	55,866,813	66,250,000	1.7
Aluminum	350,000	Reynolds Metals Co.	13,221,321	16,800,000	0.4
Chemicals	1,850,000	Union Carbide Corp.	29,886,191	49,487,500	1.2
			-----	-----	-----
			288,904,834	389,345,125	9.7
		Total Stocks	2,677,535,377	3,241,309,500	80.7

</TABLE>

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<TABLE>
SCHEDULE OF INVESTMENTS (concluded)
<CAPTION>

Industry	Face Amount	Issue	Cost	Value (Note 1a)	Percent of Net Assets
<S>	<C>	<S>	<C>	<C>	<C>
Short-Term Securities					
Commercial Paper**	\$50,000,000	ANZ(Delaware) Inc., 4.26% due 8/10/1994	\$ 49,757,417	\$ 49,757,417	1.2%
	40,000,000	Bank One Diversified Services Corp., 4.25% due 7/11/1994	39,948,056	39,948,056	1.0
	50,000,000	Ciesco L.P., 4.23% due 7/19/1994	49,888,375	49,888,375	1.3
	40,000,000	du Pont(E.I.) de Nemours and Co., 4.22% due 7/13/1994	39,939,044	39,939,044	1.0
	48,842,000	General Electric Capital Corp., 4.30% due 7/01/1994	48,836,166	48,836,166	1.2
	55,000,000	Matterhorn Capital Corp., 4.23% due 7/18/1994	54,883,675	54,883,675	1.4
	30,000,000	Miles Inc., 4.23% due 7/15/1994	29,947,125	29,947,125	0.8
	50,000,000	National Australia Funding (Delaware), Inc.: 4.25% due 7/25/1994	49,852,431	49,852,431	1.2
	50,000,000	4.20% due 7/29/1994	49,830,833	49,830,833	1.2
	50,000,000	PHH Corp.: 4.23% due 7/14/1994	49,917,750	49,917,750	1.2
	50,000,000	4.25% due 7/28/1994	49,834,722	49,834,722	1.2
	50,000,000	Penney(J.C.) & Co., 4.21% due 7/11/1994	49,935,681	49,935,681	1.3

50,000,000	PepsiCo., Inc., 4.25% due 7/21/1994	49,876,625	49,876,625	1.2
50,000,000	Preferred Receivables Funding Corp., 4.25% due 7/20/1994	49,881,944	49,881,944	1.3
	Siemens Corp.:			
40,000,000	4.25% due 7/08/1994	39,962,222	39,962,222	1.0
50,000,000	4.26% due 8/08/1994	49,769,250	49,769,250	1.2
50,000,000	UBS Finance(Delaware), Inc., 4.23% due 7/21/1994	49,876,625	49,876,625	1.2
	Total Short-Term Securities	801,937,941	801,937,941	19.9
Total Investments		\$3,479,473,318	4,043,247,441	100.6
		=====		
Liabilities in Excess of Other Assets			(25,560,591)	(0.6)
			-----	-----
Net Assets			\$4,017,686,850	100.0%
			=====	=====

<FN>

(a) Formerly Philadelphia Electric Co.

++Non-income producing security.

*American Depositary Receipt (ADR).

**Commercial Paper is traded on a discount basis; the interest rates shown are the discount rates paid at the time of purchase by the Fund.

See Notes to Financial Statements.

</TABLE>

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FINANCIAL INFORMATION

<TABLE>

Statement of Assets and Liabilities as of June 30, 1994

<CAPTION>

<S>	<S>	<C>	<C>
Assets:	Investments, at value (identified cost--\$3,479,473,318) (Note 1a)		\$4,043,247,441
	Receivables:		
	Capital shares sold	\$ 13,609,181	
	Dividends	8,170,765	21,779,946

	Prepaid registration fees and other assets (Note 1d)		73,525

	Total assets		4,065,100,912

Liabilities:	Payables:		
	Securities purchased	31,274,427	
	Capital shares redeemed	11,811,167	
	Distributor (Note 2)	1,452,545	
	Investment adviser (Note 2)	1,367,061	45,905,200

	Accrued expenses and other liabilities		1,508,862

	Total liabilities		47,414,062

Net Assets:	Net assets		\$4,017,686,850
			=====
Net Assets	Class A Common Stock, \$0.10 par value, 200,000,000 shares authorized	\$	9,809,582
Consist of:	Class B Common Stock, \$0.10 par value, 200,000,000 shares authorized		7,627,611
	Paid-in capital in excess of par		3,269,539,318
	Undistributed investment income--net		45,703,737
	Undistributed realized capital gains on investments and foreign currency transactions--net		121,232,479
	Unrealized appreciation on investments and foreign currency transactions--net		563,774,123

	Net assets		\$4,017,686,850
			=====
Net Asset Value:	Class A--Based on net assets of \$2,272,982,770 and 98,095,819 shares outstanding	\$	23.17
			=====
	Class B--Based on net assets of \$1,744,704,080 and 76,276,115 shares outstanding	\$	22.87
			=====

</TABLE>

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FINANCIAL INFORMATION (continued)

<TABLE>

Statement of Operations for the Year Ended June 30, 1994

<CAPTION>

<S>	<S>	<C>	<C>
Investment	Dividends (net of \$1,615,127 foreign withholding tax)		\$ 98,527,728
Income	Interest and discount earned		25,933,615
(Notes 1b & 1c):	Other		232,965
	Total income		----- 124,694,308 -----
Expenses:	Distribution and account maintenance fees--Class B (Note 2)		15,925,964
	Investment advisory fees (Note 2)		15,452,148
	Transfer agent fees--Class A (Note 2)		2,044,053
	Transfer agent fees--Class B (Note 2)		1,771,029
	Registration fees (Note 1d)		307,224
	Printing and shareholder reports		282,006
	Accounting services (Note 2)		185,215
	Custodian fees		146,718
	Professional fees		76,833
	Directors' fees and expenses		41,369
	Amortization of organization expenses (Note 1d)		11,525
	Other		27,131
	Total expenses		----- 36,271,215 -----
	Investment income--net		----- 88,423,093 -----
Realized & Unrealized Gain (Loss) on Investments & Foreign Currency Transactions--Net (Note 1c, 1e & 3):	Realized gain (loss) from:		
	Investments--net	\$ 163,325,790	
	Foreign currency transactions--net	(4,833)	163,320,957
	Change in unrealized appreciation on investments--net		----- (76,944,519) -----
	Net realized and unrealized gain on investments and foreign currency transactions		----- 86,376,438 -----
	Net Increase in Net Assets Resulting from Operations		\$ 174,799,531 =====

See Notes to Financial Statements.

</TABLE>

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FINANCIAL INFORMATION (continued)

<TABLE>

Statements of Changes in Net Assets

<CAPTION>

Increase (Decrease) in Net Assets:		For the Year Ended June 30,	
<S>	<S>	1994	1993
<S>	<S>	<C>	<C>
Operations:	Investment income--net	\$ 88,423,093	\$ 90,239,186
	Realized gain on investments and foreign currency transactions--net	163,320,957	81,147,456
	Change in unrealized appreciation/depreciation on investments--net	(76,944,519)	340,508,739
	Net increase in net assets resulting from operations	----- 174,799,531 -----	----- 511,895,381 -----
Dividends & Distributions To Shareholders (Note 1f):	Investment income--net:		
	Class A	(62,663,619)	(52,495,436)
	Class B	(30,680,760)	(23,460,921)
	Realized gain on investments--net:		
	Class A	(64,558,638)	(29,779,683)
	Class B	(45,745,511)	(19,244,373)
	Net decrease in net assets resulting from dividends and distributions to shareholders	----- (203,648,528) -----	----- (124,980,413) -----

Capital Share Transactions (Note 4):	Net increase in net assets derived from capital share transactions	639,523,156	285,314,244
Net Assets:	Total increase in net assets	610,674,159	672,229,212
	Beginning of year	3,407,012,691	2,734,783,479
	End of year*	\$4,017,686,850	\$3,407,012,691
<FN>	*Undistributed investment income--net	\$ 45,703,737	\$ 50,625,023

See Notes to Financial Statements.

</TABLE>

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FINANCIAL INFORMATION (continued)

<TABLE>

Financial Highlights

<CAPTION>

The following per share data and ratios have been derived from information provided in the financial statements.

		Class A				
		For the Year Ended June 30,				
		1994	1993	1992	1991	1990
<S>	<S>	<C>	<C>	<C>	<C>	<C>
Increase (Decrease) in Net Asset Value:	Net asset value, beginning of year	\$ 23.31	\$ 20.57	\$ 18.90	\$ 19.32	\$ 20.03
Per Share	Operating Performance:					
	Investment income--net	.62	.71	.70	.87	.95
	Realized and unrealized gain(loss) on investments--net	.67	3.03	2.02	(.02)	(.56)
	Total from investment operations	1.29	3.74	2.72	.85	.39
	Less dividends and distributions:					
	Investment income--net	(.70)	(.64)	(.76)	(.97)	(.87)
	Realized gain on investments--net	(.73)	(.36)	(.29)	(.30)	(.23)
	Total dividends and distributions	(1.43)	(1.00)	(1.05)	(1.27)	(1.10)
	Net asset value, end of year	\$ 23.17	\$ 23.31	\$ 20.57	\$ 18.90	\$ 19.32
Total Investment Return:*	Based on net asset value per share	5.68%	19.03%	15.08%	5.39%	1.77%
Ratios to Average Net Assets:	Expenses	.53%	.54%	.58%	.59%	.57%
	Investment income--net	2.76%	3.48%	3.52%	4.76%	5.05%
Supplemental Data:	Net assets, end of year (in thousands)	\$2,272,983	\$2,023,078	\$1,670,430	\$1,490,657	\$1,556,257
	Portfolio turnover	21.79%	20.85%	21.24%	20.11%	4.88%

<FN>

*Total investment returns exclude the effects of sales loads.

See Notes to Financial Statements.

</TABLE>

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FINANCIAL INFORMATION (concluded)

<TABLE>

Financial Highlights (concluded)

<CAPTION>

The following per share data and ratios have been derived from information provided in the financial statements.

		Class B				
		For the Year Ended June 30,				
		1994	1993	1992	1991	1990
<S>	<S>	<C>	<C>	<C>	<C>	<C>
Increase (Decrease) in Net Asset Value:	Net asset value, beginning of year	\$ 23.04	\$ 20.35	\$ 18.71	\$ 19.12	\$ 19.92

Operating Performance:	Investment income--net	.42	.53	.50	.66	.78
	Realized and unrealized gain(loss) on investments--net	.62	2.96	2.00	.01	(.59)
	Total from investment operations	1.04	3.49	2.50	.67	.19
	Less dividends and distributions:					
	Investment income--net	(.48)	(.44)	(.57)	(.78)	(.76)
	Realized gain on investments--net	(.73)	(.36)	(.29)	(.30)	(.23)
	Total dividends and distributions	(1.21)	(.80)	(.86)	(1.08)	(.99)
	Net asset value, end of year	\$ 22.87	\$ 23.04	\$ 20.35	\$ 18.71	\$ 19.12
Total Investment Return:*	Based on net asset value per share	4.61%	17.81%	13.90%	4.33%	0.73%
Ratios to Average Net Assets:	Expenses, excluding distribution fees	.55%	.56%	.60%	.61%	.60%
	Expenses	1.55%	1.56%	1.60%	1.61%	1.60%
	Investment income--net	1.75%	2.47%	2.50%	3.73%	4.03%
Supplemental Data:	Net assets, end of year(in thousands)	\$1,744,704	\$1,383,935	\$1,064,354	\$ 874,318	\$ 922,126
	Portfolio turnover	21.79%	20.85%	21.24%	20.11%	4.88%

<FN>

*Total investment returns exclude the effects of sales loads.

See Notes to Financial Statements.

</TABLE>

NOTES TO FINANCIAL STATEMENTS

1. Significant Accounting Policies:

Merrill Lynch Basic Value Fund, Inc. (the "Fund") is registered under the Investment Company Act of 1940 as a diversified, open-end management investment company. The shares of the Fund are divided into Class A Shares and Class B Shares. Class A Shares are sold with a front-end sales charge. Class B Shares may be subject to a contingent deferred sales charge. Both classes of shares have identical voting, dividend, liquidation and other rights and the same terms and conditions, except that Class B Shares bear certain expenses related to the distribution of such shares and have exclusive voting rights with respect to matters relating to such distribution expenditures. The following is a summary of significant accounting policies followed by the Fund.

(a) Valuation of investments--Portfolio securities which are traded on stock exchanges are valued at the last sale price as of the close of business on the day the securities are being valued or, lacking any sales, at the mean between closing bid and asked prices. Securities traded in the over-the-counter market are valued at the last quoted bid prices at the close of trading on each day by brokers that make markets in the securities. Portfolio securities which are traded both in the over-the-counter market and on a stock exchange are valued according to the broadest and most representative market. Short-term securities with remaining maturities of sixty days or less are valued at amortized cost, which approximates market value. Options written by the Fund are valued at the last sale price or, lacking any sales, the last offering price. Securities and assets for which market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of the Fund's Board of Directors. Written and purchased options are non-income producing investments.

(b) Income taxes--It is the Fund's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its taxable income to its shareholders. Therefore, no Federal income tax provision is required. Under the applicable foreign tax law, a withholding tax may be withheld on interest, dividends, and

capital gains at various rates.

(c) Security transactions and investment income--Security transactions are recorded on the dates the transactions are entered into (the trade dates). Dividend income is recorded on the ex-dividend date, except that if the ex-dividend date has passed, certain dividends from foreign securities are recorded as soon as the Fund is informed of the ex-dividend date. Interest income (including amortization of discount) is recognized on the accrual basis. Realized gains and losses on security transactions are determined on the identified cost basis.

(d) Prepaid registration fees--Prepaid registration fees are charged to expense as the related shares are issued.

(e) Foreign currency transactions--Transactions denominated in foreign currencies are recorded at the exchange rate prevailing when recognized. Assets and liabilities denominated in foreign currencies are valued at the exchange rate at the end of the period. Foreign currency transactions are the result of settling (realized) or valuing (unrealized) assets or liabilities expressed in foreign currencies into US dollars. Realized and unrealized gains or losses from investments include the effects of foreign exchange rates on investments.

The Fund is authorized to enter into forward foreign exchange contracts as a hedge against either specific transactions or portfolio positions. Such contracts are not entered on the Fund's records. However, the effect on operations is recorded from the date the Fund enters into such contracts. Premium or discount is amortized over the life of the contracts.

(f) Dividends and distributions--Dividends and distributions paid by the Fund are recorded on the ex-dividend dates.

2. Investment Advisory Agreement and Transactions with Affiliates:

The Fund has entered into an Investment Advisory Agreement with Fund Asset Management, L.P. ("FAM"). Effective January 1, 1994, the investment advisory business of FAM was reorganized from a corporation to a limited partnership. Both prior to and after the reorganization, ultimate control of FAM

was vested with Merrill Lynch and Co., Inc. ("ML & Co."). The general partner of FAM is Princeton Services, Inc., an indirect wholly-owned subsidiary of ML & Co. The limited partners are ML & Co. and Fund Asset Management, Inc. ("FAMI"), which is also an indirect wholly-owned subsidiary of ML & Co. The Fund has also entered into a Distribution Agreement and a Distribution Plan with Merrill Lynch Funds Distributor, Inc. ("MLFD" or "Distributor"), a wholly-owned subsidiary of Merrill Lynch Investment Management, Inc.

FAM is responsible for the management of the Fund's portfolio and provides the necessary personnel, facilities, equipment and certain other services necessary to the operations of the Fund. For such services, the Fund pays a monthly fee based upon the average daily value of the Fund's daily net assets at the following annual rates: 0.60% of the Fund's average daily net assets not exceeding \$100 million; 0.50% of average daily net assets exceeding \$100 million but not exceeding \$200 million; and 0.40% of average daily net assets in excess of \$200 million. The Investment Advisory Agreement obligates FAM to reimburse the Fund to the extent the Fund's expenses (excluding interest, taxes, distribution fees, brokerage fees and commissions, and extraordinary items) exceed 2.5% of the Fund's first \$30 million of average daily net assets, 2.0% of the Fund's next \$70 million of average daily net assets, and 1.5% of the average daily net assets in excess thereof. No fee payment will be made to the Investment Adviser during any fiscal year which will cause such expenses to exceed the pro rata expense limitation at the time of such payment.

The Fund has adopted a Plan of Distribution (the "Plan") in accordance with Rule 12b-1 under the Investment Company Act of 1940 pursuant to which the Fund pays the Distributor an ongoing account maintenance fee and distribution fee, which are accrued daily and paid monthly, at the annual rates of 0.25% and 0.75%, respectively, of the average daily net assets of the Class B Shares of the Fund. This fee is to compensate the Distributor for

services it provides and the expense borne by the Distributor under the Distribution Agreement. As authorized by the Plan, the Distributor has entered into an agreement with Merrill Lynch, Pierce, Fenner & Smith Inc. ("MLPF&S") which provides for the compensation of MLPF&S for providing distribution-related services to the Fund.

During the year ended June 30, 1994, MLFD earned underwriting discounts of \$216,022, and MLPF&S earned dealer concessions of \$3,539,580 on sales of the Fund's Class A Shares. MLPF&S also received contingent deferred sales charges of \$1,189,344 relating to transactions in Class B Shares and \$109,200 in commissions on the execution of portfolio security transactions for the Fund during the year.

Financial Data Services, Inc. ("FDS"), a wholly-owned subsidiary of ML & Co., is the Fund's transfer agent.

Accounting services are provided to the Fund by FAM at cost.

Certain officers and/or directors of the Fund are officers and/or directors of FAMI, FAM, MLPF&S, FDS, MLFD, and/or ML & Co.

3. Investments:

Purchases and sales of investments, excluding short-term securities, for the year ended June 30, 1994 were \$1,012,717,840 and \$656,985,312, respectively.

Net realized and unrealized gains (losses) as of June 30, 1994 were as follows:

	Realized Gain (Losses)	Unrealized Gains
Long-term investments	\$163,325,790	\$563,774,123
Foreign currency transactions	(4,833)	--
Total	\$163,320,957	\$563,774,123
	=====	=====

As of June 30, 1994, net unrealized appreciation for Federal income tax purposes aggregated \$561,183,340, of which \$723,695,304 related to appreciated securities and \$162,511,964 related to depreciated securities. At June 30, 1994, the aggregate cost of investments for Federal income tax purposes was \$3,482,064,101.

4. Capital Share Transactions:

Net increase in net assets derived from capital share transactions was \$639,523,156 and \$285,314,244 for the years ended June 30, 1994 and June 30, 1993, respectively.

Transactions in capital shares for Class A and Class B Shares were as follows:

Class A Shares for the Year Ended June 30, 1994	Shares	Dollar Amount
Shares sold	22,051,928	\$518,481,972
Shares issued to shareholders in reinvestment of dividends and distributions to shareholders	4,979,090	114,208,364
Total issued	27,031,018	632,690,336
Shares redeemed	(15,739,255)	(370,180,112)
Net increase	11,291,763	\$262,510,224
	=====	=====

Class A Shares for the Year Ended June 30, 1993	Shares	Dollar Amount
Shares sold	15,789,908	\$338,060,653
Shares issued to shareholders in reinvestment of dividends and distributions to shareholders.	3,634,557	73,353,178
	-----	-----

Total issued	19,424,465	411,413,831
Shares redeemed	(13,832,732)	(293,122,519)
	-----	-----
Net increase	5,591,733	\$118,291,312
	=====	=====

Class B Shares for the Year Ended June 30, 1994	Shares	Dollar Amount
Shares sold	25,498,592	\$594,651,037
Shares issued to shareholders in reinvestment of dividends and distributions to shareholders	2,969,021	67,552,341
	-----	-----
Total issued	28,467,613	662,203,378
Shares redeemed	(12,261,811)	(285,190,446)
	-----	-----
Net increase	16,205,802	\$377,012,932
	=====	=====

Class B Shares for the Year Ended June 30, 1993	Shares	Dollar Amount
Shares sold	17,381,247	\$368,588,150
Shares issued to shareholders in reinvestment of dividends and distributions to shareholders.	1,878,067	37,667,375
	-----	-----
Total issued	19,259,314	406,255,525
Shares redeemed	(11,495,277)	(239,232,593)
	-----	-----
Net increase	7,764,037	\$167,022,932
	=====	=====

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Code #10124-1094

[LOGO]
Merrill Lynch
Basic Value Fund, Inc.

[ART]

STATEMENT OF
ADDITIONAL INFORMATION

October 21, 1994

Distributor:
Merrill Lynch
Funds Distributor, Inc.

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APPENDIX FOR GRAPHIC AND IMAGE MATERIAL

Pursuant to Rule 304 of Regulation S-T, the following table presents fair and accurate narrative descriptions of graphic and image material omitted from this EDGAR Submission file due to ASCII-incompatibility and cross-references this material to the location of each occurrence in the text.

DESCRIPTION OF OMITTED GRAPHIC OR IMAGE	LOCATION OF GRAPHIC OR IMAGE IN TEXT
Compass plate, circular graph paper and Merrill Lynch logo including stylized market bull	Back cover of Prospectus and back cover of Statement of Additional Information