

SECURITIES AND EXCHANGE COMMISSION

FORM POS AMI

Post-effective amendments to 40 Act only filings

Filing Date: **1995-07-28**
SEC Accession No. **0000950123-95-002091**

([HTML Version](#) on secdatabase.com)

FILER

CMA GOVERNMENT SECURITIES FUND

CIK: **353480** | IRS No.: **136798425** | State of Incorporation: **NJ** | Fiscal Year End: **0331**
Type: **POS AMI** | Act: **33** | File No.: **002-72724** | Film No.: **95556853**

Mailing Address

*P.O. BOX 9011
C/O MERRILL LYNCH ASSET
MANAGEMENT
PRINCETON NJ 08543-9011*

Business Address

*800 SCUDDERS MILL RD
C/O MERRILL LYNCH ASSET
MANAGEMENT
PRINCETON NJ 08543
6092823319*

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JULY 28, 1995

SECURITIES ACT FILE NO. 2-72724
INVESTMENT COMPANY ACT FILE NO. 811-3205

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM N-1A

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933 /X/
Pre-Effective Amendment No. / /

Post-Effective Amendment No. 16 /X/

(Check appropriate box or boxes)

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

Amendment No. 17 /X/

(Check appropriate box or boxes)

CMA GOVERNMENT SECURITIES FUND

(EXACT NAME OF REGISTRANT AS SPECIFIED IN CHARTER)

<TABLE>

<S> 800 SCUDDERS MILL ROAD <C> 08536
PLAINSBORO, NEW JERSEY (ZIP CODE)
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

</TABLE>

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE (609) 282-2800

ARTHUR ZEIKEL
CMA GOVERNMENT SECURITIES FUND
800 SCUDDERS MILL ROAD, PLAINSBORO, NEW JERSEY

MAILING ADDRESS: P.O. BOX 9011, PRINCETON, NEW JERSEY 08543-9011

(NAME AND ADDRESS OF AGENT FOR SERVICE)

Copies to:

<TABLE>

<S> COUNSEL FOR THE FUND: <C> PHILIP L. KIRSTEIN, ESQ.
BROWN & WOOD FUND ASSET MANAGEMENT, L.P.
ONE WORLD TRADE CENTER NEW YORK, N.Y. 10048-0557 P.O. BOX 9011, PRINCETON, NEW JERSEY 08543-9011
ATTENTION: THOMAS R. SMITH, JR., ESQ.

</TABLE>

KEVIN J. MOYNIHAN, ESQ.
MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED
WORLD FINANCIAL CENTER, NORTH TOWER, NEW YORK, N.Y. 10281

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

- /X/ immediately upon filing pursuant to paragraph (b)
- / / on (date) pursuant to paragraph (b)
- / / 60 days after filing pursuant to paragraph (a)(1)
- / / on (date) pursuant to paragraph (a)(1)
- / / 75 days after filing pursuant to paragraph (a)(2)
- / / on (date) pursuant to paragraph (a)(2) of Rule 485.

IF APPROPRIATE, CHECK THE FOLLOWING BOX:

/ / this post-effective amendment designates a new effective date for a previously filed post-effective amendment.

The Registrant has registered an indefinite number of its shares of beneficial interest under the Securities Act of 1933 pursuant to Rule 24f-2 under the Investment Company Act of 1940. The notice required by such Rule for the Registrant's most recent fiscal year was filed on May 30, 1995.

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

<TABLE>

<Caption>

TITLE OF SECURITIES BEING REGISTERED	AMOUNT OF SHARES BEING REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER UNIT	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE	AMOUNT OF REGISTRATION FEE
<S>	<C>	<C>	<C>	<C>
Shares of Beneficial Interest (par value \$.10 per share).....	2,701,677,508	\$1.00	\$290,000*	\$100

</TABLE>

- * (1) The calculation of the maximum aggregate offering price is made pursuant to Rule 24e-2 under the Investment Company Act of 1940.
- (2) The total amount of securities redeemed or repurchased during the Registrant's previous fiscal year was 12,602,941,002 shares of beneficial interest.
- (3) 9,901,553,494 of the shares described in (2) above have been used for reduction pursuant to Rule 24e-2(a) or Rule 24f-2(c) under the Investment Company Act of 1940 in previous filings during the Registrant's current fiscal year.
- (4) 2,701,387,508 of the shares redeemed during the Registrant's previous fiscal year are being used for the reduction of the registration fee in this amendment to the Registration Statement.

CMA GOVERNMENT SECURITIES FUND

REGISTRATION STATEMENT ON FORM N-1A

CROSS REFERENCE SHEET

<TABLE>

<CAPTION>

N-1A ITEM NO.

LOCATION

<C>	<S>	<C>
PART A		
Item 1.	Cover Page.....	Cover Page
Item 2.	Synopsis.....	Fee Table
Item 3.	Condensed Financial Information.....	Financial Highlights; Yield Information
Item 4.	General Description of Registrant....	Investment Objective and Policies; Appendix-Additional Information-Organization of the Funds
Item 5.	Management of the Fund.....	Fee Table; Appendix-Management of the Funds; Appendix-Portfolio Transactions; Inside Back Cover Page
Item 5A.	Management's Discussion of Fund Performance.....	Not Applicable
Item 6.	Capital Stock and Other Securities...	Appendix-Additional Information-Organization of the Funds
Item 7.	Purchase of Securities Being Offered.....	Cover Page; Fee Table; Appendix-Purchase of Shares; Appendix-Redemption of Shares; Inside Back

		Cover Page
Item 8.	Redemption or Repurchase.....	Fee Table; Appendix-Purchase of Shares; Appendix-Redemption of Shares
Item 9.	Pending Legal Proceedings.....	Not Applicable
PART B		
Item 10.	Cover Page.....	Cover Page
Item 11.	Table of Contents.....	Cover Page
Item 12.	General Information and History.....	Not Applicable
Item 13.	Investment Objectives and Policies...	Investment Objectives and Policies
Item 14.	Management of the Fund.....	Management of the Funds
Item 15.	Control Persons and Principal Holders of Securities.....	Management of the Funds; General Information -- Additional Information
Item 16.	Investment Advisory and Other Services.....	Management of the Funds; Purchase and Redemption of Shares; General Information
Item 17.	Brokerage Allocation and Other Practices.....	Portfolio Transactions
Item 18.	Capital Stock and Other Securities...	General Information-Description of Shares
Item 19.	Purchase, Redemption and Pricing of Securities Being Offered.....	Purchase and Redemption of Shares; Determination of Net Asset Value
Item 20.	Tax Status.....	Taxes
Item 21.	Underwriters.....	Purchase and Redemption of Shares
Item 22.	Calculation of Performance Data.....	Yield Information
Item 23.	Financial Statements.....	Financial Statements

</TABLE>

PART C

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

CMA MONEY FUND
CMA GOVERNMENT SECURITIES FUND
CMA TAX-EXEMPT FUND
CMA TREASURY FUND

This document consists of the Prospectuses of CMA Money Fund, CMA Government Securities Fund, CMA Tax-Exempt Fund and CMA Treasury Fund, four of the money market mutual funds (collectively, the "CMA Funds") the shares of which are offered to participants in the Cash Management Account(R) ("CMA(R) account") financial service program of Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") to provide a medium for the investment of free credit balances held in CMA accounts, and an Appendix to such Prospectuses which constitutes a part of each Prospectus. A Table of Contents is contained on page 1 of each Prospectus.

A CMA account is a conventional Merrill Lynch cash securities account or margin securities account ("Securities Account") which is linked to the CMA Funds, to money market deposit accounts maintained with depository institutions and to a Visa(R) card/check account ("Visa(R) Account"). Merrill Lynch markets its margin account under the name Investor CreditLineSM service. Subscribers to the CMA service may automatically invest free credit balances held in their CMA accounts in shares of one of the CMA Funds, or such balances may be automatically deposited with a depository institution through the Insured SavingsSM Account (the "Insured Savings Account"). The CMA Funds and the Insured Savings Account are collectively referred to as the "Money Accounts".

Each CMA Fund is a no-load money market fund seeking current income, preservation of capital and liquidity available from investing in short-term securities. Of the CMA Funds offered by this Prospectus, CMA Money Fund invests in money market securities generally; CMA Government Securities Fund invests in direct U.S. Government obligations; CMA Tax-Exempt Fund invests in tax-exempt securities and pays dividends exempt from Federal income taxation; and CMA Treasury Fund invests in U.S. Treasury securities. The CMA Funds also include various series of CMA Multi-State Municipal Series Trust (the "CMA State Funds"), each of which invests in tax-exempt securities and pays dividends exempt, in the opinion of counsel to the issuer, from Federal income taxes, personal income taxes of the designated state and, in certain instances, local income taxes. At the date hereof, CMA State Funds exist with respect to Arizona, California, Connecticut, Massachusetts, Michigan, New Jersey, New York, North Carolina, Ohio and Pennsylvania.

Free credit balances held in CMA accounts will be automatically invested in or deposited through the Money Account selected by the CMA subscriber as his or her Primary Money Account. The subscriber may make manual investments in any of the CMA Funds as described under "Purchase of Shares" in the Appendix. The subscriber may change the Primary Money Account designation at any time by following the procedures set forth under "Purchase of Shares".

Merrill Lynch charges a program participation fee for the CMA service which presently is \$100 per year (an additional \$25 annual program fee is charged for participation in the CMA Visa(R) Gold Program described in the CMA Program Description). A different fee may be charged to certain group plans and special accounts. Merrill Lynch reserves the right to change the fee for the CMA service or the CMA Visa(R) Gold Program at any time. As described under "Purchase of Shares", shares of the CMA Funds may also be purchased directly through the CMA Funds' Transfer Agent by investors who are not subscribers to the CMA program. Shareholders of the CMA Funds not subscribing to the CMA program will not be charged the CMA program fee but will not receive any of the additional services available to CMA program subscribers.

The information in this document should be read in conjunction with the description of the Merrill Lynch Cash Management Account program which is furnished to all CMA subscribers. Reference is made to such description for information with respect to the CMA program, including the fees related thereto. Information concerning the other CMA Funds is contained in the prospectus relating to each of such Funds, and information concerning the Insured Savings Account is contained in the Insured Savings Account Fact Sheet. All CMA subscribers are furnished with the prospectuses of CMA Money Fund, CMA Government Securities Fund, CMA Tax-Exempt Fund and CMA Treasury Fund. The prospectuses of the CMA State Funds and the Insured Savings Account Fact Sheet are available from Merrill Lynch. For more information about the Merrill Lynch Cash Management Account program, call toll-free from anywhere in the U.S., 1-800-CMA-INFO (1-800-262-4636).

4

PROSPECTUS

JULY 28, 1995

CMA MONEY FUND

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

CMA Money Fund (the "Money Market Fund") is a no-load, diversified, open-end investment company seeking current income, preservation of capital and liquidity available from investing in a diversified portfolio of short-term money market securities. These securities will consist primarily of short-term U.S. Government securities, bank certificates of deposit, commercial paper and repurchase agreements. Dividends are declared and reinvested daily in the form of additional shares at net asset value. THE MONEY MARKET FUND SEEKS TO MAINTAIN A CONSTANT \$1.00 NET ASSET VALUE PER SHARE, ALTHOUGH THIS CANNOT BE ASSURED. AN INVESTMENT IN THE MONEY MARKET FUND IS NEITHER INSURED NOR GUARANTEED BY THE U.S. GOVERNMENT. The Money Market Fund has adopted a Distribution and Shareholder Servicing Plan in compliance with Rule 12b-1 under the Investment Company Act of 1940, as amended (the "Investment Company Act"). There can be no assurance that the investment objectives of the Money Market Fund will be realized.

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 Money Market Fund that is relevant to making an investment in the Money Market Fund. This Prospectus should be read carefully and retained for future reference. A statement containing additional information about the Money Market Fund, dated July 28, 1995 (the "Statement of Additional Information"), has been filed with the Securities and Exchange Commission and can be obtained, without charge, by calling or writing to the Money Market Fund at the above telephone number or address. The Statement of Additional Information is hereby incorporated by reference into this Prospectus.

TABLE OF CONTENTS

<TABLE>	
<CAPTION>	
	PAGE

<S>	<C>
Fee Table.....	2
Financial Highlights.....	3
Yield Information.....	4
Investment Objectives and Policies.....	4
Appendix.....	A-1
Purchase of Shares.....	A-1
Redemption of Shares.....	A-4
<CAPTION>	
	PAGE

<S>	<C>
Management of the Funds.....	A-7
Portfolio Transactions.....	A-9
Dividends.....	A-10
Determination of Net Asset Value.....	A-10
Taxes.....	A-11
Additional Information.....	A-13
</TABLE>	

5

FEE TABLE

<TABLE>		<C>	<C>
<S>			
MONEY MARKET FUND ANNUAL OPERATING EXPENSES (AS A PERCENTAGE OF AVERAGE NET ASSETS)			
FOR THE FISCAL YEAR ENDED MARCH 31, 1995:			
Management Fees (a).....			0.38%
Rule 12b-1 Fees (b).....			0.125%
Other Expenses:			
Dividend and Transfer Agency Fees (c).....	0.04%		
Other Fees.....	0.01%		

Total Other Expenses.....			0.05%

Total Money Market Fund Operating Expenses.....			0.56%
			=====
</TABLE>			

- (a) See "Management of the Funds--Investment Advisory Arrangements"--page A-8.
- (b) See "Purchase of Shares"--page A-1.
- (c) See "Management of the Funds--Transfer Agency Services"--page A-9.

EXAMPLE:

<TABLE>					
<CAPTION>					
		CUMULATIVE EXPENSES PAID FOR THE PERIOD OF:			

		1	3	5	10
		YEAR	YEARS	YEARS	YEARS
		-----	-----	-----	-----
<S>		<C>	<C>	<C>	<C>
An investor would pay the following expenses on a \$1,000 investment, assuming an operating expense ratio of 0.56% and a 5% annual return throughout the periods.....	\$6.00	\$18.00	\$31.00	\$70.00	
</TABLE>					

MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED ("MERRILL LYNCH")

CHARGES AN ANNUAL PROGRAM PARTICIPATION FEE, PRESENTLY \$100 FOR INDIVIDUALS, FOR THE CMA SERVICE (AN ADDITIONAL FEE, PRESENTLY \$25, IS CHARGED FOR PARTICIPATION IN THE CMA VISA(R) GOLD PROGRAM). SHAREHOLDERS OF THE MONEY MARKET FUND WHOSE ACCOUNTS ARE MAINTAINED DIRECTLY WITH THE MONEY MARKET FUND'S TRANSFER AGENT AND WHO ARE NOT SUBSCRIBERS TO THE CMA PROGRAM WILL NOT BE CHARGED THE CMA PROGRAM FEE BUT WILL NOT RECEIVE ANY OF THE ADDITIONAL SERVICES AVAILABLE TO CMA PROGRAM SUBSCRIBERS.

The foregoing Fee Table is intended to assist investors in understanding the costs and expenses that a shareholder in the Money Market Fund will bear directly or indirectly. The example set forth above assumes reinvestment of all dividends and distributions. The example should not be considered a representation of past or future expenses and actual expenses may be more or less than those assumed for purposes of the example.

Money Market Fund

2

6

FINANCIAL HIGHLIGHTS

Financial statements for the fiscal year ended March 31, 1995 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 financial statements of the Money Market Fund audited by Deloitte & Touche LLP, independent auditors.

<TABLE>
<CAPTION>

	FOR THE YEAR ENDED MARCH 31,						
	1995	1994	1993	1992	1991	1990	1989
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
INCREASE (DECREASE) IN NET ASSET VALUE:							
PER SHARE OPERATING PERFORMANCE:							
Net asset value, beginning of year.....	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Investment income--net.....	.0437	.0276	.0309	.0498	.0734	.0837	.0754
Realized and unrealized gain (loss) on investments--net....	.0005	(.0005)	.0019	.0019	.0017	(.0001)	(.0004)
Total from investment operations.....	.0442	.0271	.0328	.0517	.0751	.0836	.0750
Less dividends and distributions:							
Investment income--net.....	(.0437)	(.0276)	(.0309)	(.0498)	(.0734)	(.0836)	(.0750)
Realized gain on investments--net.....	(.0003)	(.0003)	(.0015)	(.0020)	(.0017)*	--	--
Total dividends and distributions.....	(.0440)	(.0279)	(.0324)	(.0518)	(.0751)	(.0836)	(.0750)
Net asset value, end of year.....	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
TOTAL INVESTMENT RETURN.....	4.50%	2.82%	3.30%	5.27%	7.81%	8.69%	7.79%
RATIOS TO AVERAGE NET ASSETS:							
Expenses, excluding distribution fees.....	.44%	.42%	.42%	.42%	.41%	.43%	.43%
Expenses.....	.56%	.55%	.55%	.54%	.54%	.55%	.55%
Investment income and realized gain on investments--net.....	4.42%	2.79%	3.25%	5.18%	7.51%*	8.33%*	7.53%*
SUPPLEMENTAL DATA:							
Net assets, end of year (in thousands).....	\$29,066,762	\$27,071,882	\$27,093,682	\$29,106,627	\$31,163,167	\$29,768,495	\$22,954,950

</TABLE>

<TABLE>
<CAPTION>

1988	1987	1986
-----	-----	-----

<S>	<C>	<C>	<C>
INCREASE (DECREASE) IN NET ASSET VALUE:			
PER SHARE OPERATING PERFORMANCE:			
Net asset value, beginning of year.....	\$ 1.00	\$ 1.00	\$ 1.00
Investment income--net.....	.0635	.0579	.0745
Realized and unrealized gain (loss) on investments--net....	.0004	.0002	.0030
Total from investment operations.....	.0639	.0581	.0775
Less dividends and distributions:			
Investment income--net.....	(.0635)	(.0579)	(.0745)
Realized gain on investments--net.....	(.0004)*	(.0002)*	(.0030)*
Total dividends and distributions.....	(.0639)	(.0581)	(.0775)
Net asset value, end of year....	\$ 1.00	\$ 1.00	\$ 1.00
TOTAL INVESTMENT RETURN.....	6.58%	5.97%	8.01%
RATIOS TO AVERAGE NET ASSETS:			
Expenses, excluding distribution fees.....	.43%	.43%	.43%
Expenses.....	.55%	.56%	.56%
Investment income and realized gain on investments--net.....	6.39%*	5.80%*	7.70%*
SUPPLEMENTAL DATA:			
Net assets, end of year (in thousands).....	\$20,557,461	\$19,029,720	\$17,957,576

</TABLE>

* Includes unrealized gain (loss).

Money Market Fund

3

7

YIELD INFORMATION

Set forth below is yield information as to the annualized and compounded annualized yield for the indicated seven-day periods.

<TABLE>
<CAPTION>

	SEVEN-DAY PERIOD ENDED	
	MARCH 31, 1995	JUNE 30, 1995
<S>	<C>	<C>
Annualized Yield:		
Including gains and losses.....	5.62%	5.52%
Excluding gains and losses.....	5.59%	5.51%
Compounded Annualized Yield.....	5.75%	5.66%
Average Maturity of Portfolio at End of Period.....	60 days	77 days

</TABLE>

The yield of the Money Market Fund refers to the income generated by an investment in the Money Market Fund over a stated seven-day period. This income is then annualized: that is, the amount of income generated by the investment during that week is assumed to be generated each week over a 52-week period and is shown as a percentage of the investment. The compounded annualized yield (which excludes gains and losses) is calculated similarly but, when annualized, the income earned by an investment in the Money Market Fund is assumed to be reinvested. The compounded annualized yield will be somewhat higher than the yield because of the effect of the assumed reinvestment.

The yield on Money Market Fund shares normally will fluctuate on a daily basis. Therefore, the yield for any given past period is not an indication or representation by the Money Market Fund of future yields or rates of return on its shares. The Money Market Fund's yield is affected by changes in interest rates on money market securities, average portfolio maturity, the types and quality of portfolio securities held and operating expenses. Current yield information may not provide a basis for comparison with bank deposits or other investments which pay a fixed yield over a stated period of time.

On occasion, the Money Market Fund may compare its yield to (i) industry averages compiled by Donoghue's Money Fund Report, a widely recognized independent publication that monitors the performance of money market mutual funds, (ii) the average yield reported by the Bank Rate Monitor National Index™ for money market deposit accounts offered by the 100 leading banks and thrift institutions in the ten largest standard metropolitan statistical areas, (iii) yield data published by Lipper Analytical Services, Inc., (iv) the yield on an investment in 90-day Treasury bills on a rolling basis, assuming quarterly compounding, (v) performance data published by Morningstar Publications, Inc., Money Magazine, U.S. News & World Report, Business Week, CDA Investment Technology, Inc., Forbes Magazine and Fortune Magazine or (vi) historical yield data relating to other central asset accounts similar to the CMA program. As with yield quotations, yield comparisons should not be considered indicative of the Money Market Fund's yield or relative performance for any future period.

INVESTMENT OBJECTIVES AND POLICIES

The investment objectives of the Money Market Fund are to seek current income, preservation of capital and liquidity available from investing in a diversified portfolio of short-term money market securities. There can be no assurance that the investment objectives of the Money Market Fund will be realized.

Money Market Fund

4

8

Investment in Money Market Fund shares offers several benefits. The Money Market Fund seeks to provide as high a yield potential, consistent with its objectives, as is available from short-term money market securities utilizing professional money market management, block purchases of securities and yield improvement techniques. It provides high liquidity because of its redemption features and seeks reduced risk resulting from diversification of assets. The shareholder is also relieved from administrative burdens associated with direct investment in short-term securities, such as coordinating maturities and reinvestments, safekeeping and making numerous buy-sell decisions. These benefits are at least partially offset by certain expenses borne by investors, including management fees, distribution fees, administrative costs and operational costs.

In managing the Money Market Fund's portfolio, Fund Asset Management, L.P. (the "Investment Adviser") will employ a number of professional money management techniques, including varying the composition of the Money Market Fund's investments and the average maturity of the portfolio based on its assessment of the relative values of the various money market instruments and future interest rate patterns. The Investment Adviser's assessments will respond to changing economic and money conditions and to shifts in fiscal and monetary policy. The Investment Adviser will also seek to improve yield by taking advantage of yield disparities that regularly occur in the money market. For example, market conditions frequently result in similar securities trading at different prices. Also, there are frequently yield disparities between the various types of money market securities. The Money Market Fund seeks to enhance yield by purchasing and selling securities based on these yield disparities.

The following is a description of the types of short-term money market securities in which the Money Market Fund may invest:

U.S. Government Securities: Marketable securities issued by or guaranteed as to principal and interest by the U.S. Government and supported by the full faith and credit of the United States.

U.S. Government Agency Securities: Debt securities issued by U.S. Government-sponsored enterprises, agencies and instrumentalities, including, but not limited to, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Student Loan Marketing Association and the Federal Agricultural Mortgage Corporation. Such securities may also include debt securities issued by international

organizations designated or supported by multiple governmental entities, such as the International Bank for Reconstruction and Development (the "World Bank"). Government Agency Securities are not direct obligations of the U.S. Government but involve various forms of U.S. Government sponsorship or guarantees and are issued, in general, under the authority of an act of Congress. The U.S. Government is not obligated to provide financial support to any of these agencies, instrumentalities or organizations.

Bank Money Instruments: U.S. dollar-denominated obligations of depository institutions such as certificates of deposit, including variable rate certificates of deposit, time deposits, deposit notes, bank notes and bankers' acceptances. The obligations of commercial banks may be issued by U.S. banks, foreign branches or subsidiaries of U.S. banks ("Eurodollar" obligations) or U.S. branches or subsidiaries of foreign banks ("Yankee-dollar" obligations). The Money Market Fund may invest only in Eurodollar obligations which by their terms are general obligations of the U.S. parent bank. Yankee-dollar obligations in which the Money Market Fund may invest must be issued by U.S. branches or subsidiaries of foreign

Money Market Fund

5

9

banks which are subject to state or Federal banking regulations in the U.S. and by their terms must be general obligations of the foreign parent.

Commercial Paper and Other Short-Term Obligations: Commercial paper (including variable amount master demand notes), which refers to short-term, unsecured promissory notes issued by corporations, partnerships, trusts or other entities to finance short-term credit needs, and non-convertible debt securities (e.g., bonds and debentures) with no more than 397 days (13 months) remaining to maturity at the date of purchase. Short-term obligations issued by trusts include mortgage-related or asset-backed debt instruments, including pass-through certificates such as participations in, or bonds and notes backed by, pools of mortgage, credit card, automobile or other types of receivables. These structured financings will be supported by sufficient collateral and other credit enhancements, including letters of credit, insurance, reserve funds and guarantees by third parties, to enable such instruments to obtain the requisite quality rating by a nationally recognized statistical rating organization, as described below.

Foreign Bank Money Instruments: U.S. dollar-denominated obligations of foreign depository institutions and their foreign branches and subsidiaries, such as certificates of deposit, bankers' acceptances, time deposits, bank notes and deposit notes. The obligations of such foreign branches and subsidiaries may be the general obligation of the parent bank or may be limited to the issuing branch or subsidiary by the terms of the specific obligation or by government regulation. Such investments will only be made if determined to be of comparable quality to other investments permissible for the Money Market Fund. The Money Market Fund will not invest more than 25% of its total assets (taken at market value at the time of each investment) in these obligations.

Foreign Short-Term Debt Instruments: U.S. dollar-denominated commercial paper and other short-term obligations issued by foreign entities. Such investments are subject to quality standards similar to those applicable to investments in comparable obligations of domestic issuers.

The following is a description of other types of investments or investment practices in which the Money Market Fund may invest or engage:

Repurchase Agreements: The Money Market Fund may invest in the money market securities described above pursuant to repurchase agreements. Repurchase agreements may be entered into only with a member bank of the Federal Reserve System or a primary dealer in U.S. Government securities or an affiliate thereof. Under such agreements, the bank or primary dealer or an affiliate thereof agrees, upon entering into the contract, to repurchase the security at a mutually agreed upon time and price, thereby determining the yield during the term of the agreement. This results in a fixed rate of return insulated from market fluctuations during such period.

Reverse Repurchase Agreements: The Money Market Fund may enter into reverse repurchase agreements which involve the sale of money market securities held by the Money Market Fund, with an agreement to repurchase the securities at an agreed upon price, date and interest payment. During the time a reverse repurchase agreement is outstanding, the Money Market Fund will maintain a segregated custodial account containing U.S.

Government or other appropriate high-grade debt securities having a value equal to the repurchase price.

Money Market Fund

6

10

Lending of Portfolio Securities: The Money Market Fund may lend portfolio securities (with a value not in excess of 33 1/3% of its total assets, taken at market value) to brokers, dealers and financial institutions and receive collateral in cash or securities issued or guaranteed by the U.S. 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. During the period of the loan, the Money Market Fund receives income on the loaned securities and either receives a fee or earns interest on any investments made with cash collateral and thereby increases its yield.

Preservation of capital is a prime investment objective of the Money Market Fund and, while the types of money market securities in which the Money Market Fund invests generally are considered to have low principal risk, such securities are not completely risk-free. There is a risk of the failure of issuers to meet their principal and interest obligations. Repurchase agreements may be construed to be collateralized loans by the purchaser to the seller secured by the securities transferred to the purchaser. In the event of default by the seller under a repurchase agreement construed to be a collateralized loan, the underlying securities are not owned by the Money Market Fund but only constitute collateral for the seller's obligation to pay the repurchase price. With respect to repurchase agreements, reverse repurchase agreements and the lending of portfolio securities by the Money Market Fund, there is also the risk of the failure of parties involved to repurchase at the agreed upon price or to return the securities involved in such transactions, in which event the Money Market Fund may suffer time delays and incur costs or possible losses in connection with such transactions.

Bank money market instruments in which the Money Market Fund invests must be issued by depository institutions with total assets of at least \$1 billion, except that the Money Market Fund may invest in certificates of deposit of smaller institutions if such certificates of deposit are Federally insured and if, as a result of such purchase, no more than 10% of total assets (taken at market value), are invested in such certificates of deposit.

The Money Market Fund's investments in short-term corporate, partnership and trust debt and bank money market instruments will be rated, or will be issued by issuers who have been rated, in one of the two highest rating categories for short-term debt obligations by a nationally recognized statistical rating organization (an "NRSRO") or, if not rated, will be of comparable quality as determined by the Trustees of the Money Market Fund. The Money Market Fund's investments in corporate, partnership and trust bonds and debentures (which must have maturities at the date of purchase of 397 days (13 months) or less) will be in issuers who have received from the requisite NRSROs a rating, with respect to a class of short-term debt obligations that is comparable in priority and security with the investment, in one of the two highest rating categories for short-term obligations or, if not rated, will be of comparable quality as determined by the Trustees of the Money Market Fund. Currently, there are six NRSROs: Duff & Phelps Credit Ratings Co., Fitch Investors Service, Inc., IBCA Limited and its affiliate IBCA, Inc., Moody's Investors Service, Inc., Standard & Poor's Ratings Group and Thomson BankWatch, Inc.

Securities and Exchange Commission regulations limit investments by the Money Market Fund in securities issued by any one issuer (other than the U.S. Government, its agencies or instrumentalities) ordinarily to not more than 5% of its total assets, or in the event that such securities do not have the highest rating, not more than 1% of its total assets. In addition, such regulations require that not more than 5% of the Money Market Fund's total assets be invested in securities that do not have the highest

Money Market Fund

7

11

rating, or are not of comparable quality to securities with the highest rating, as determined by the Trustees of the Money Market Fund.

The Money Market Fund may purchase money market securities on a forward commitment basis at fixed purchase terms. The purchase of money market securities on a forward commitment basis involves the risk that the yields available in the market when the delivery takes place may actually be higher than those obtained in the transaction itself; if yields increase, the value of the securities purchased on a forward commitment basis will generally decrease. A separate account of the Money Market Fund will be established with its custodian consisting of cash or liquid money market securities having a market value at all times at least equal to the amount of the forward commitment.

For purposes of its investment policies, the Money Market Fund defines short-term money market securities as having a maturity of no more than 762 days (25 months) in the case of U.S. Government and agency securities and no more than 397 days (13 months) in the case of all other securities. The dollar-weighted average maturity of the Money Market Fund's portfolio will not exceed 90 days. During the Money Market Fund's fiscal year ended March 31, 1995, the average maturity of its portfolio ranged from 40 days to 69 days.

Investment Restrictions. The Money Market Fund has adopted a number of 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 Money Market Fund's outstanding voting securities as defined in the Investment Company Act. Among the more significant restrictions, the Money Market Fund may not: (1) purchase any securities other than the types of money market securities and investments described under "Investment Objectives and Policies"; (2) 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 (other than U.S. Government securities, U.S. Government agency securities or domestic bank money market instruments); (3) purchase the securities of any one issuer, other than U.S. Government or U.S. Government agency securities, if immediately after such purchase, more than 5% of the value of its total assets (taken at market value) would be invested in such issuer, except that in the case of bank money market instruments or repurchase agreements with any one bank up to 25% of the value of the Money Market Fund's total assets may be invested without regard to such 5% limitation but shall instead be subject to a 10% limitation; (4) invest in the securities of any single issuer, if immediately after and as a result of such investment, the Money Market Fund would own more than 10% of the outstanding securities, or more than 10% of the outstanding voting securities, of such issuer; and (5) enter into repurchase agreements if, as a result thereof, more than 10% of the Money Market Fund's total assets (taken at market value at the time of each investment, together with any other investments deemed illiquid) would be subject to repurchase agreements maturing in more than seven days.

Money Market Fund

8

12

PROSPECTUS

JULY 28, 1995

CMA GOVERNMENT SECURITIES FUND

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

CMA Government Securities Fund (the "Government Fund") is a no-load, diversified, open-end investment company seeking preservation of capital, liquidity and current income available from investing exclusively in a diversified portfolio of short-term marketable securities which are direct obligations of the U.S. Government and repurchase agreements pertaining to such securities. Dividends are declared and reinvested daily in the form of additional shares at net asset value. THE GOVERNMENT FUND SEEKS TO MAINTAIN A CONSTANT \$1.00 NET ASSET VALUE PER SHARE, ALTHOUGH THIS CANNOT BE ASSURED. AN INVESTMENT IN THE GOVERNMENT FUND IS NEITHER INSURED NOR GUARANTEED BY THE U.S. GOVERNMENT. The Government Fund has adopted a Distribution and Shareholder Servicing Plan in compliance with Rule 12b-1 under the Investment Company Act of

1940 as amended (the "Investment Company Act"). There can be no assurance that the investment objectives of the Government Fund will be realized.

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 Government Fund that is relevant to making an investment in the Government Fund. This Prospectus should be read carefully and retained for future reference. A statement containing additional information about the Government Fund, dated July 28, 1995 (the "Statement of Additional Information"), has been filed with the Securities and Exchange Commission and can be obtained, without charge, by calling or writing to the Government Fund at the above telephone number or address. The Statement of Additional Information is hereby incorporated by reference into this Prospectus.

 TABLE OF CONTENTS

<TABLE>
 <CAPTION>

	PAGE

<S>	<C>
Fee Table.....	2
Financial Highlights.....	3
Yield Information.....	4
Investment Objectives and Policies.....	5
Appendix.....	A-1
Purchase of Shares.....	A-1
Redemption of Shares.....	A-4

<CAPTION>

	PAGE

<S>	<C>
Management of the Funds.....	A-7
Portfolio Transactions.....	A-9
Dividends.....	A-10
Determination of Net Asset Value.....	A-10
Taxes.....	A-11
Additional Information.....	A-13

</TABLE>

 FEE TABLE

<TABLE>
 <S>

	<C>	<C>
GOVERNMENT FUND ANNUAL OPERATING EXPENSES (AS A PERCENTAGE OF AVERAGE NET ASSETS) FOR THE FISCAL YEAR ENDED MARCH 31, 1995:		
Management Fees (a).....	0.40%	
Rule 12b-1 Fees (b).....	0.13%	
Other Expenses:		
Dividend and Transfer Agency Fees (c).....	0.02%	
Other Fees.....	0.03%	

Total Other Expenses.....	0.05%	

Total Government Fund Operating Expenses.....	0.58%	
	====	

</TABLE>

-
- (a) See "Management of the Funds--Investment Advisory Arrangements"--page A-8.
 - (b) See "Purchase of Shares"--page A-1.
 - (c) See "Management of the Funds--Transfer Agency Services"--page A-9.

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, assuming an operating expense ratio of 0.58% and a 5% annual return throughout the periods.....	\$6.00	\$19.00	\$32.00	\$73.00

</TABLE>

MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED ("MERRILL LYNCH") CHARGES AN ANNUAL PROGRAM PARTICIPATION FEE, PRESENTLY \$100 FOR INDIVIDUALS, FOR THE CMA SERVICE (AN ADDITIONAL FEE, PRESENTLY \$25, IS CHARGED FOR PARTICIPATION IN THE CMA VISA(R) GOLD PROGRAM). SHAREHOLDERS OF THE GOVERNMENT FUND WHOSE ACCOUNTS ARE MAINTAINED DIRECTLY WITH THE GOVERNMENT FUND'S TRANSFER AGENT AND WHO ARE NOT SUBSCRIBERS TO THE CMA PROGRAM WILL NOT BE CHARGED THE CMA PROGRAM FEE BUT WILL NOT RECEIVE ANY OF THE ADDITIONAL SERVICES AVAILABLE TO CMA PROGRAM SUBSCRIBERS.

The foregoing Fee Table is intended to assist investors in understanding the costs and expenses that a shareholder in the Government Fund will bear directly or indirectly. The example set forth above assumes reinvestment of all dividends and distributions. The example should not be considered a representation of past or future expenses and actual expenses may be more or less than those assumed for purposes of the example.

Government Fund

2

14

FINANCIAL HIGHLIGHTS

Financial statements for the fiscal year ended March 31, 1995 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 financial statements of the Government Fund audited by Deloitte & Touche LLP, independent auditors.

<TABLE>
<CAPTION>

FOR THE YEAR ENDED MARCH 31,

	1995	1994	1993	1992	1991	1990	1989
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
INCREASE (DECREASE) IN NET ASSET VALUE: PER SHARE OPERATING PERFORMANCE:							
Net asset value, beginning of year.....	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Investment income--net.....	.0419	.0271	.0294	.0473	.0704	.0819	.0737
Realized and unrealized gain (loss) on investments--net.....	.0008	(.0013)	.0038	.0034	.0014	.0006	(.0013)
Total from investment operations.....	.0427	.0258	.0332	.0507	.0718	.0825	.0724
Less dividends and distributions:							
Investment income--net.....	(.0419)	(.0271)	(.0294)	(.0473)	(.0704)	(.0819)	(.0724)
Realized gain on investments--net.....	(.0002)	(.0004)	(.0026)	(.0036)	(.0014)*	(.0006)*	--
Total dividends and distributions.....	(.0421)	(.0275)	(.0320)	(.0509)	(.0718)	(.0825)	(.0724)
Net asset value, end of year.....	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
TOTAL INVESTMENT RETURN.....	4.30%	2.79%	3.25%	5.17%	7.46%	8.57%	7.50%
RATIOS TO AVERAGE NET ASSETS:							
Expenses, excluding distribution fees.....	.45%	.43%	.43%	.43%	.43%	.45%	.46%
Expenses.....	.58%	.56%	.55%	.56%	.56%	.57%	.59%
Investment income and realized gain (loss) on investments--net.....	4.18%	2.75%	3.20%	5.05%	7.11%*	8.21%*	7.25%*

SUPPLEMENTAL DATA:

Net assets, end of year (in thousands)..... \$3,132,803 \$3,563,595 \$3,858,017 \$4,452,247 \$5,228,619 \$3,515,578 \$2,494,905

<CAPTION>

	1988	1987	1986
	<<C>	<C>	<C>
INCREASE (DECREASE) IN NET ASSET VALUE:			
PER SHARE OPERATING PERFORMANCE:			
Net asset value, beginning of year.....	\$ 1.00	\$ 1.00	\$ 1.00
Investment income--net.....	.0586	.0546	.0702
Realized and unrealized gain (loss) on investments--net.....	.0011	.0018	.0042
Total from investment operations.....	.0597	.0564	.0744
Less dividends and distributions:			
Investment income--net.....	(.0586)	(.0546)	(.0702)
Realized gain on investments--net.....	(.0011)*	(.0018)*	(.0042)*
Total dividends and distributions.....	(.0597)	(.0564)	(.0744)
Net asset value, end of year.....	\$ 1.00	\$ 1.00	\$ 1.00
TOTAL INVESTMENT RETURN.....	6.13%	5.80%	7.68%
RATIOS TO AVERAGE NET ASSETS:			
Expenses, excluding distribution fees.....	.47%	.46%	.48%
Expenses.....	.59%	.59%	.61%
Investment income and realized gain (loss) on investments--net.....	5.97%*	5.63%*	7.43%*
SUPPLEMENTAL DATA:			
Net assets, end of year (in thousands).....	\$2,362,766	\$2,076,907	\$1,903,593

</TABLE>

- - - - -

* Includes unrealized gains (losses).

Government Fund

YIELD INFORMATION

Set forth below is yield information as to the annualized and compounded annualized yield for the indicated seven-day periods.

<TABLE>

<CAPTION>

	SEVEN-DAY PERIOD ENDED	
	MARCH 31, 1995	JUNE 30, 1995
	<C>	<C>
<S>		
Annualized Yield:		
Including gains and losses.....	5.46%	5.46%
Excluding gains and losses.....	5.46%	5.44%
Compounded Annualized Yield.....	5.61%	5.59%
Average Maturity of Portfolio at End of Period.....	54 days	75 days

</TABLE>

The yield of the Government Fund refers to the income generated by an investment in the Government Fund over a stated seven-day period. This income is then annualized: that is, the amount of income generated by the investment during that week is assumed to be generated each week over a 52-week period and is shown as a percentage of the investment. The compounded annualized yield (which excludes gains and losses) is calculated similarly but, when annualized, the income earned by an investment in the Government Fund is assumed to be reinvested. The compounded annualized yield will be somewhat higher than the

yield because of the effect of the assumed reinvestment.

The yield on Government Fund shares normally will fluctuate on a daily basis. Therefore, the yield for any given past period is not an indication or representation by the Government Fund of future yields or rates of return on its shares. The Government Fund's yield is affected by changes in interest rates on money market securities, average portfolio maturity, the types and quality of portfolio securities held and operating expenses. The yield on Government Fund shares for various reasons may not be comparable to the yield on shares of other money market funds or other investments. Current yield information may not provide a basis for comparison with bank deposits or other investments which pay a fixed yield over a stated period of time.

On occasion, the Government Fund may compare its yield to (i) averages compiled by Donoghue's Money Fund Report, a widely recognized independent publication that monitors the performance of money market mutual funds, (ii) the average yield reported by the Bank Rate Monitor National IndexTM for money market deposit accounts offered by the 100 leading banks and thrift institutions in the ten largest standard metropolitan statistical areas, (iii) yield data reported by Lipper Analytical Services, Inc., (iv) the yield on an investment in 90-day Treasury bills on a rolling basis, assuming quarterly compounding, (v) performance data published by Morningstar Publications, Inc., Money Magazine, U.S. News and World Report, Business Week, CDA Investment Technology, Inc., Forbes Magazine and Fortune Magazine or (vi) historical yield data relating to other central asset accounts similar to the CMA program. As with yield quotations, yield comparisons should not be considered indicative of the Government Fund's yield or relative performance for any future period.

Government Fund

4

16

INVESTMENT OBJECTIVES AND POLICIES

The investment objectives of the Government Fund are to seek preservation of capital, liquidity and current income available from investing exclusively in a diversified portfolio of short-term marketable securities which are direct obligations of the U.S. Government and repurchase agreements pertaining to such securities. Direct U.S. Government obligations consist of securities issued, or guaranteed as to principal and interest, by the U.S. Government and which are backed by the full faith and credit of the United States. The Government Fund may not invest in securities issued or guaranteed by U.S. Government agencies, instrumentalities or Government-sponsored enterprises which are not backed by the full faith and credit of the United States. There can be no assurance that the investment objectives of the Government Fund will be realized.

Investment in Government Fund shares offers several benefits. The Government Fund seeks to provide as high a yield potential, consistent with its objectives, as is available from short-term U.S. Government securities utilizing professional money market management and block purchases of securities. It provides high liquidity because of its redemption features and seeks reduced market risk resulting from diversification of assets. The shareholder is also relieved from administrative burdens associated with direct investment in short-term U.S. Government securities, such as coordinating maturities and reinvestments, safekeeping and making numerous buy-sell decisions. These benefits are at least partially offset by certain expenses borne by investors, including management fees, distribution fees, administrative costs and operational costs.

The Government Fund may invest in the U.S. Government securities described above pursuant to repurchase agreements. Repurchase agreements may be entered into only with a member bank of the Federal Reserve System or a primary dealer in U.S. Government securities or an affiliate thereof. Under such agreements, the bank or primary dealer or an affiliate thereof agrees, upon entering into the contract, to repurchase the security from the Government Fund at a mutually agreed upon time and price, thereby determining the yield during the term of the agreement. This results in a fixed rate of return insulated from market fluctuations during such period.

Preservation of capital is a prime investment objective of the Government Fund and the direct U.S. Government obligations in which it will invest are generally considered to have the lowest principal risk among money market securities. Historically, direct U.S. Government obligations have generally had lower rates of return than other money market securities with less safety. Repurchase agreements may be construed to be collateralized loans by the purchaser to the seller secured by the securities transferred to the purchaser. In the event of default by the seller under a repurchase agreement construed to

be a collateralized loan, the underlying securities are not owned by the Government Fund but only constitute collateral for the seller's obligation to pay the repurchase price. With respect to repurchase agreements, there is also the risk of the failure of parties involved to repurchase at the agreed upon price, in which event the Government Fund may suffer time delays and incur costs or possible losses in connection with such transactions.

The Government Fund may purchase portfolio securities on a forward commitment basis at fixed purchase terms. The purchase of portfolio securities on a forward commitment basis involves the risk that the yields available in the market when the delivery takes place may actually be higher than those obtained in the transaction itself; if yields increase, the value of the securities purchased on a forward commitment basis will

Government Fund

5

17

generally decrease. A separate account of the Government Fund will be established with its custodian consisting of cash or liquid money market securities having a market value at all times at least equal to the amount of the forward commitment.

For purposes of its investment policies, the Government Fund defines short-term U.S. Government securities as securities having a maturity of not more than 762 days (25 months). Fund Asset Management, L.P. (the "Investment Adviser") expects that substantially all the assets of the Government Fund will be invested in securities maturing in not more than 397 days (13 months) but at times some portion may have maturities up to not more than 762 days (25 months). The dollar-weighted average maturity of the Government Fund's portfolio will not exceed 90 days. During the Government Fund's fiscal year ended March 31, 1995, the average maturity of its portfolio ranged from 34 days to 64 days.

Investment Restrictions. The Government Fund has adopted a number of 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 Government Fund's outstanding voting securities as defined in the Investment Company Act. Among the more significant restrictions, the Government Fund may not: (1) purchase any securities other than short-term marketable securities which are direct obligations of the U.S. Government and repurchase agreements pertaining to such securities; (2) enter into repurchase agreements with any one bank or primary dealer or an affiliate thereof, if immediately thereafter, more than 5% of the value of its total assets (taken at market value) would be invested in repurchase agreements with such bank or primary dealer or an affiliate thereof; and (3) enter into repurchase agreements if, as a result thereof, more than 10% of the Government Fund's total assets (taken at market value at the time of each investment) would be subject to repurchase agreements maturing in more than seven days.

Government Fund

6

18

PROSPECTUS

JULY 28, 1995

CMA TAX-EXEMPT FUND

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

CMA Tax-Exempt Fund (the "Tax-Exempt Fund") is a no-load, diversified, open-end investment company seeking current income exempt from Federal income taxes, preservation of capital and liquidity available from investing in a diversified portfolio of short-term high quality Tax-Exempt Securities (as defined herein). Portfolio securities will consist principally of short-term municipal notes, variable rate demand notes and short-term municipal commercial paper. All of the investments of the Tax-Exempt Fund will be in securities with remaining maturities of not more than 397 days (13 months). The dollar-weighted average maturity of the Tax-Exempt Fund's portfolio will be 90 days or less. Dividends are declared and reinvested daily in the form of additional shares at net asset value. THE TAX-EXEMPT FUND SEEKS TO MAINTAIN A CONSTANT \$1.00 NET

ASSET VALUE PER SHARE, ALTHOUGH THIS CANNOT BE ASSURED. AN INVESTMENT IN THE TAX-EXEMPT FUND IS NEITHER INSURED NOR GUARANTEED BY THE U.S. GOVERNMENT. The Tax-Exempt Fund has adopted a Distribution and Shareholder Servicing Plan in compliance with Rule 12b-1 under the Investment Company Act of 1940, as amended (the "Investment Company Act"). The Tax-Exempt Fund may invest in certain otherwise tax-exempt securities which are classified as "private activity bonds" which may be subject to an alternative minimum tax. See "Taxes". The Tax-Exempt Fund also may invest in derivative or synthetic municipal instruments. See "Investment Objectives and Policies--Portfolio Investments--Derivative Products". There can be no assurance that the investment objectives of the Tax-Exempt Fund will be realized.

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 Tax-Exempt Fund that is relevant to making an investment in the Tax-Exempt Fund. This Prospectus should be read carefully and retained for future reference. A statement containing additional information about the Tax-Exempt Fund, dated July 28, 1995 (the "Statement of Additional Information"), has been filed with the Securities and Exchange Commission and can be obtained, without charge, by calling or writing to the Tax-Exempt Fund at the above telephone number or address. The Statement of Additional Information is hereby incorporated by reference into this Prospectus.

 TABLE OF CONTENTS

<TABLE>	
<CAPTION>	
	PAGE

<S>	<C>
Fee Table.....	2
Financial Highlights.....	3
Yield Information.....	4
Investment Objectives and Policies.....	4
Appendix.....	A-1
Purchase of Shares.....	A-1
Redemption of Shares.....	A-4

<CAPTION>	
	PAGE

<S>	<C>
Management of the Funds.....	A-7
Portfolio Transactions.....	A-9
Dividends.....	A-10
Determination of Net Asset Value.....	A-10
Taxes.....	A-11
Additional Information.....	A-13

</TABLE>

FEE TABLE

<TABLE>		
<S>		
	<C>	<C>
TAX-EXEMPT FUND ANNUAL OPERATING EXPENSES (AS A PERCENTAGE OF AVERAGE NET ASSETS) FOR THE FISCAL YEAR ENDED MARCH 31, 1995:		
Management Fees (a).....		0.39%
Rule 12b-1 Fees (b).....		0.13%
Other Expenses:		
Dividend and Transfer Agency Fees (c).....	0.01%	
Other Fees.....	0.02%	

Total Other Expenses.....		0.03%

Total Tax-Exempt Fund Operating Expenses.....		0.55%
		====

</TABLE>

(a) See "Management of the Funds--Investment Advisory Arrangements"--page A-8.

(b) See "Purchase of Shares"--page A-1.

(c) See "Management of the Funds--Transfer Agency Services"--page A-9.

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, assuming an operating expense ratio of 0.55% and a 5% annual return throughout the periods.....	\$6.00	\$18.00	\$31.00	\$69.00

</TABLE>

MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED ("MERRILL LYNCH") CHARGES AN ANNUAL PROGRAM PARTICIPATION FEE, PRESENTLY \$100 FOR INDIVIDUALS, FOR THE CMA SERVICE (AN ADDITIONAL FEE, PRESENTLY \$25, IS CHARGED FOR PARTICIPATION IN THE CMA VISA(R) GOLD PROGRAM). SHAREHOLDERS OF THE TAX-EXEMPT FUND WHOSE ACCOUNTS ARE MAINTAINED DIRECTLY WITH THE TAX-EXEMPT FUND'S TRANSFER AGENT AND WHO ARE NOT SUBSCRIBERS TO THE CMA PROGRAM WILL NOT BE CHARGED THE CMA PROGRAM FEE BUT WILL NOT RECEIVE ANY OF THE ADDITIONAL SERVICES AVAILABLE TO CMA PROGRAM SUBSCRIBERS.

The foregoing Fee Table is intended to assist investors in understanding the costs and expenses that a shareholder in the Tax-Exempt Fund will bear directly or indirectly. The example set forth above assumes reinvestment of all dividends and distributions. The example should not be considered a representation of past or future expenses and actual expenses may be more or less than those assumed for purposes of the example.

Tax-Exempt Fund

2

20

FINANCIAL HIGHLIGHTS

Financial statements for the fiscal year ended March 31, 1995 and the independent auditor's report thereon are included in the Statement of Additional Information. The following per share data and ratios have been derived from information provided in financial statements of the Tax-Exempt Fund audited by Deloitte & Touche LLP, independent auditors.

<TABLE>

<CAPTION>

	FOR THE YEAR ENDED MARCH 31,						
	1995	1994	1993	1992	1991	1990	1989
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
INCREASE (DECREASE) IN NET ASSET VALUE: PER SHARE OPERATING PERFORMANCE:							
Net asset value, beginning of year.....	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Investment income--net.....	.03	.02	.02	.04	.05	.06	.05
Total from investment operations.....	.03	.02	.02	.04	.05	.06	.05
Less dividends:							
Investment income--net.....	(.03)	(.02)	(.02)	(.04)	(.05)	(.06)	(.05)
Net asset value, end of year.....	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
TOTAL INVESTMENT RETURN.....	2.76%	1.96%	2.36%	3.76%	5.39%	5.94%	5.25%
RATIOS TO AVERAGE NET ASSETS:							
Expenses, excluding distribution fees...	.43%	.42%	.42%	.42%	.41%	.42%	.42%
Expenses.....	.55%	.55%	.54%	.54%	.54%	.54%	.54%

Investment income--net.....	2.70%	1.94%	2.33%	3.70%	5.24%	5.79%	5.11%
SUPPLEMENTAL DATA:							
Net assets, end of year (in thousands)..	\$7,391,964	\$7,911,960	\$7,527,054	\$7,874,437	\$8,695,795	\$8,356,203	\$7,348,164

<CAPTION>

	1988	1987	1986
<S>	<<C>	<C>	<C>
INCREASE (DECREASE) IN NET ASSET VALUE:			
PER SHARE OPERATING PERFORMANCE:			
Net asset value, beginning of year.....	\$ 1.00	\$ 1.00	\$ 1.00
Investment income--net.....	.04	.04	.05
Total from investment operations.....	.04	.04	.05
Less dividends:			
Investment income--net.....	(.04)	(.04)	(.05)
Net asset value, end of year.....	\$ 1.00	\$ 1.00	\$ 1.00
TOTAL INVESTMENT RETURN.....	4.38%	3.97%	4.89%
RATIOS TO AVERAGE NET ASSETS:			
Expenses, excluding distribution fees...	.42%	.42%	.43%
Expenses.....	.54%	.55%	.56%
Investment income--net.....	4.32%	3.89%	4.80%
SUPPLEMENTAL DATA:			
Net assets, end of year (in thousands)..	\$8,277,540	\$8,534,034	\$7,171,113

</TABLE>

Tax-Exempt Fund

3

21

YIELD INFORMATION

Set forth below is yield information as to the annualized and compounded annualized yield and the tax-equivalent yield for the indicated periods.

<TABLE>
<CAPTION>

	SEVEN-DAY PERIOD ENDED	
	MARCH 31, 1995	JUNE 30, 1995
<S>	<C>	<C>
Annualized Yield.....	3.51%	3.70%
Compounded Annualized Yield.....	3.57%	3.77%
Average Maturity of Portfolio at End of Period.....	57 days	43 days

<TABLE>
<CAPTION>

	30-DAY PERIOD ENDED	
	MARCH 31, 1995	JUNE 30, 1995
<S>	<C>	<C>
Tax-equivalent Yield*.....	4.61%	4.64%

- - - - -

* Based upon a Federal income tax rate of 28%.

The yield of the Tax-Exempt Fund refers to the income generated by an investment in the Tax-Exempt Fund over a stated seven-day period. This income is then annualized: that is, the amount of income generated by the investment during that week is assumed to be generated each week over a 52-week period and is shown as a percentage of the investment. The compounded annualized yield is calculated similarly but, when annualized, the income earned by an investment in the Tax-Exempt Fund is assumed to be reinvested. The compounded annualized yield will be somewhat higher than the yield because of the effect of the assumed reinvestment.

The yield on Tax-Exempt Fund shares normally will fluctuate on a daily basis. Therefore, the yield for any given past period is not an indication or representation by the Tax-Exempt Fund of future yields or rates of return on its shares. The Tax-Exempt Fund's yield is affected by changes in interest rates on short-term Tax-Exempt Securities, average portfolio maturity, the types and quality of portfolio securities held and operating expenses. Current yield information may not provide a basis for comparison with bank deposits or other investments which pay a fixed yield over a stated period of time.

On occasion, the Tax-Exempt Fund may compare its yield to (i) the Donoghue's Tax-Free Funds Average, an average compiled by Donoghue's Money Fund Report, a widely recognized independent publication that monitors the performance of money market mutual funds, (ii) yield data published by Lipper Analytical Services, Inc., (iii) performance data published by Morningstar Publications, Inc., Money Magazine, U.S. News & World Report, Business Week, CDA Investment Technology, Inc., Forbes Magazine and Fortune Magazine, (iv) historical yield data relating to other central asset accounts similar to the CMA program or (v) the average yield reported by the Bank Rate Monitor National Index™ for money market deposit accounts offered by the 100 leading banks and thrift institutions in the ten largest standard metropolitan statistical areas. As with yield quotations, yield comparisons should not be considered indicative of the Tax-Exempt Fund's yield or relative performance for any future period.

INVESTMENT OBJECTIVES AND POLICIES

INVESTMENT OBJECTIVES

The investment objectives of the Tax-Exempt Fund are to seek current income exempt from Federal income taxes, preservation of capital and liquidity available from investing in a diversified portfolio of short-

Tax-Exempt Fund

4

22

term high quality Tax-Exempt Securities. The Tax-Exempt Fund seeks to achieve its objectives by investing in a diversified portfolio of obligations issued by or on behalf of states, territories and possessions of the United States and the District of Columbia and their political subdivisions, agencies and instrumentalities or derivative or synthetic municipal instruments, the interest from which is exempt from Federal income tax (such obligations are herein referred to as "Tax-Exempt Securities"). The Tax-Exempt Fund may invest in certain otherwise tax-exempt securities which are classified as "private activity bonds" which may be subject to an alternative minimum tax. See "Taxes". The investment objectives of the Tax-Exempt Fund described in this paragraph are a fundamental policy of the Tax-Exempt Fund and may not be changed without a vote of the majority of the outstanding shares of the Tax-Exempt Fund. There can be no assurance that the investment objectives of the Tax-Exempt Fund will be realized.

POTENTIAL BENEFITS

Investment in Tax-Exempt Fund shares offers several benefits. The Tax-Exempt Fund seeks to provide as high a tax-exempt yield potential, consistent with its objectives, as is available from the short-term Tax-Exempt Securities in which it invests utilizing professional management and block purchases of securities. It provides high liquidity because of its redemption features and seeks reduced risk resulting from diversification of assets. The shareholder is also relieved from administrative burdens associated with direct investment in short-term securities, such as coordinating maturities and reinvestments, safekeeping and making numerous buy-sell decisions. These benefits are at least partially offset by certain expenses borne by investors, including management fees, distribution fees, administrative costs and operational costs.

The Tax-Exempt Securities in which the Tax-Exempt Fund invests include municipal notes, municipal commercial paper and municipal bonds with a remaining maturity of not more than 397 days (13 months). The Tax-Exempt Fund will also invest in variable rate demand notes and participations therein (see "Variable Rate Demand Notes" below) and derivative or synthetic municipal instruments (see "Derivative Products" below). Municipal notes include tax anticipation notes, bond anticipation notes and revenue anticipation notes. Anticipation notes are sold as interim financing in anticipation of tax collection, bond sales or revenue receipts. Municipal commercial paper refers to short-term unsecured promissory notes issued generally to finance short-term credit needs. The Tax-Exempt Fund may invest in all types of tax-exempt instruments currently outstanding or to be issued in the future which satisfy the short-term maturity and quality standards of the Tax-Exempt Fund.

The Tax-Exempt Fund presently contemplates that it will not invest more than 25% of its total assets in Tax-Exempt Securities whose issuers are located in the same state. The Tax-Exempt Fund does not intend to invest more than 25% of its total assets in industrial development bonds or private activity bonds where the entities supplying the revenues from which the issues are to be paid are in the same industry.

Certain of the instruments in which the Tax-Exempt Fund invests, including variable rate demand notes ("VRDNs") and derivative or synthetic municipal instruments ("Derivative Products"), effectively provide the Tax-Exempt Fund with economic interests in long-term municipal bonds, coupled with rights to demand payment of the principal amounts of such instruments from designated counterparties. Under Securities and Exchange Commission rules, the Tax-Exempt Fund treats these instruments as having maturities shorter than the stated maturity dates of the notes, in the case of VRDNs, or the long-term bonds underlying Derivative

Tax-Exempt Fund

5

23

Products (the "Underlying Bonds"). Such maturities are sufficiently short-term to allow such instruments to qualify as eligible investments for money market funds such as the Tax-Exempt Fund. A demand right is dependent on the financial ability of the counterparty, which is typically a bank, broker-dealer or other financial institution, to purchase the instrument at its principal amount. In addition, the right of the Tax-Exempt Fund to demand payment from a counterparty may be subject to certain conditions, including the creditworthiness of the instrument or the Underlying Bond. If a counterparty is unable to purchase the instrument or, because of conditions on the right of the Tax-Exempt Fund to demand payment, the counterparty is not obligated to purchase the instrument on demand, the Tax-Exempt Fund may be required to dispose of the instrument or the Underlying Bond in the open market, which may be at a price which adversely affects the Tax-Exempt Fund's net asset value.

Variable Rate Demand Notes. VRDNs are tax-exempt obligations which utilize a floating or variable interest rate adjustment formula and provide an unconditional right of demand to receive payment of the unpaid principal balance plus accrued interest on a short notice period. The interest rates are adjustable at periodic intervals to some prevailing market rate for similar investments, such adjustment formula being calculated to maintain the market value of the VRDN at approximately the par value of the VRDN upon the adjustment date. The adjustments are frequently based on the prime rate of a bank or some other appropriate interest rate adjustment index.

The Tax-Exempt Fund may also invest in VRDNs in the form of participation interests ("Participating VRDNs") in variable rate tax-exempt obligations held by a financial institution, typically commercial banks ("institutions"). Participating VRDNs provide the Tax-Exempt Fund with a specified undivided interest (up to 100%) of the underlying obligations and the right to demand payment of the unpaid principal balance plus accrued interest on the Participating VRDNs from the institution upon a specified number of days' notice, presently not to exceed 30 days. In addition, each Participating VRDN is backed by an irrevocable letter of credit or similar commitment of the institution. The Tax-Exempt Fund has an undivided interest in the underlying obligation and thus participates on the same basis as the institution in such obligation except that the institution typically retains fees out of the

interest paid on the obligation for servicing the obligation, providing the letter of credit or issuing the repurchase commitment.

VRDNs that contain an unconditional right of demand to receive payment of the unpaid principal balance plus accrued interest on a notice period exceeding seven days may be deemed to be illiquid securities. A VRDN with a demand notice period exceeding seven days will therefore be subject to the Fund's restriction on illiquid investments unless, in the judgment of the Trustees, such VRDN is liquid. The Trustees may adopt guidelines and delegate to Fund Asset Management, L.P. (the "Investment Adviser") the daily function of determining and monitoring liquidity of such VRDNs. The Trustees, however, will retain sufficient oversight and be ultimately responsible for such determinations.

The Tax-Exempt Fund has been advised by its counsel that the Tax-Exempt Fund should be entitled to treat the income received on Participating VRDNs as interest from tax-exempt obligations provided that certain conditions are met. It is presently contemplated that the Tax-Exempt Fund will not invest more than a limited amount (not more than 20%) of its total assets in Participating VRDNs.

Derivative Products. The Tax-Exempt Fund may invest in a variety of Derivative Products. Derivative Products are typically structured by a bank, broker-dealer or other financial institution. A Derivative Product generally consists of a trust or partnership through which the Fund holds an interest in one or more Underlying

Tax-Exempt Fund

6

24

Bonds coupled with a conditional right to sell ("put") the Fund's interest in the Underlying Bonds at par plus accrued interest to a financial institution (a "Liquidity Provider"). Typically, a Derivative Product is structured as a trust or partnership which provides for pass-through tax-exempt income. There are currently three principal types of derivative structures: (1) "Tender Option Bonds", which are instruments which grant the holder thereof the right to put an Underlying Bond at par plus accrued interest at specified intervals to a Liquidity Provider; (2) "Swap Products", in which the trust or partnership swaps the payments due on an Underlying Bond with a swap counterparty who agrees to pay a floating municipal money market interest rate; and (3) "Partnerships", which allocate to the partners income, expenses, capital gains and losses in accordance with a governing partnership agreement. The Tax-Exempt Fund may also invest in other forms of Derivative Products.

Investments in Derivative Products raise certain tax, legal, regulatory and accounting issues which may not be presented by investments in other municipal bonds. There is some risk that certain issues could be resolved in a manner which could adversely impact the performance of the Tax-Exempt Fund. For example, the tax-exempt treatment of the interest paid to holders of Derivative Products is premised on the legal conclusion that the holders of such Derivative Products have an ownership interest in the Underlying Bonds. While the Fund receives an opinion of legal counsel to the effect that the income from each Derivative Product is tax-exempt to the same extent as the Underlying Bond, the Internal Revenue Service (the "IRS") has not issued a ruling on this subject. Were the IRS to issue an adverse ruling, there is a risk that the interest paid on such Derivative Products would be deemed taxable.

Municipal Lease Obligations. Also included within the general category of the Tax-Exempt Securities are participation certificates in a lease, an installment purchase contract or a conditional sales contract (hereinafter collectively called "lease obligations") entered into by a state or political subdivision to finance the acquisition or construction of equipment, land or facilities. Although lease obligations do not constitute general obligations of the issuer for which the lessee's unlimited taxing power is pledged, a lease obligation is frequently backed by the lessee's covenant to budget for, appropriate and make the payments due under the lease obligation. However, certain lease obligations contain "non-appropriation" clauses which provide that the lessee has no obligation to make lease or installment purchase payments in future years unless money is appropriated for such purpose on a yearly basis. Although "non-appropriation" lease obligations are secured by the leased property, disposition of the property in the event of foreclosure might prove difficult. These securities represent a relatively new type of financing that has not yet developed the depth of marketability associated with more conventional securities. Certain investments in lease obligations may be illiquid. The Tax-Exempt Fund may not invest in illiquid lease obligations if such investments, together with all other illiquid investments, would exceed 10% of the Tax-Exempt Fund's net assets. The Tax-Exempt Fund may, however, invest without regard to such limitation in lease obligations which the Investment Adviser, pursuant to guidelines which have been adopted by the Board of Trustees

and subject to the supervision of the Board, determines to be liquid. The Investment Adviser will deem lease obligations liquid if they are publicly offered and have received an investment grade rating of Baa or better by Moody's Investors Service, Inc. ("Moody's"), or BBB or better by Standard & Poor's Ratings Group ("Standard & Poor's") or Fitch Investors Service, Inc. ("Fitch"). Unrated lease obligations, or those rated below investment grade, will be considered liquid if the obligations come to the market through an underwritten public offering and at least two dealers are willing to give competitive bids. In reference to the unrated lease obligations, the Investment

Tax-Exempt Fund

7

25

Adviser must, among other things, also review the creditworthiness of the municipality obligated to make payment under the lease obligation and make certain specified determinations based on such factors as the existence of a rating or credit enhancement such as insurance, the frequency of trades or quotes for the obligation and the willingness of dealers to make a market in the obligation.

SHORT-TERM MATURITY STANDARDS

All of the investments of the Tax-Exempt Fund will be in securities with remaining maturities of not more than 397 days (13 months). The dollar-weighted average maturity of the Tax-Exempt Fund's portfolio will be 90 days or less. The maturity of VRDNs (including Participating VRDNs) is deemed to be the longer of (i) the notice period required before the Tax-Exempt Fund is entitled to receive payment of the principal amount of the VRDN upon demand or (ii) the period remaining until the VRDN's next interest rate adjustment. If not redeemed by the Tax-Exempt Fund through the demand feature, VRDNs mature on a specified date which may range up to 30 years from the date of issuance.

HIGH QUALITY STANDARDS

The Tax-Exempt Fund's portfolio investments in municipal notes and short-term tax-exempt commercial paper will be limited to those obligations which (i) are secured by a pledge of the full faith and credit of the United States, or (ii) are rated, or issued by issuers who have been rated, in one of the two highest rating categories for short-term municipal debt obligations by a nationally recognized statistical rating organization (an "NRSRO") or, if not rated, will be of comparable quality as determined by the Trustees of the Tax-Exempt Fund. The Tax-Exempt Fund's investments in municipal bonds (which must have maturities at the date of purchase of 397 days (13 months) or less) will be in issuers who have received from the requisite NRSROs a rating, with respect to a class of short-term debt obligations that is comparable in priority and security with the investment, in one of the two highest rating categories for short-term obligations or, if not rated, will be of comparable quality as determined by the Trustees of the Tax-Exempt Fund. Currently, there are three NRSROs which rate municipal obligations: Fitch, Moody's and Standard & Poor's. Certain tax-exempt obligations (primarily VRDNs and Participating VRDNs) may be entitled to the benefit of letters of credit or similar commitments issued by financial institutions and, in such instances, the Investment Adviser will take into account the obligation of the financial institution in assessing the quality of such instrument. The Tax-Exempt Fund may also purchase other types of tax-exempt instruments if, in the opinion of the Trustees, such obligations are equivalent to securities having the ratings described above.

Preservation of capital is a prime investment objective of the Tax-Exempt Fund, and, while the types of short-term Tax-Exempt Securities in which the Tax-Exempt Fund invests are not completely risk free, such securities are generally considered by the Investment Adviser to have low risk of the failure of issuers or credit enhancers to meet their principal and interest obligations. These securities have a lower principal risk compared to lower rated obligations and generally to longer term obligations which entail the risk of changing conditions over a longer period of time.

OTHER FACTORS

Management of the Tax-Exempt Fund will endeavor to be as fully invested as reasonably practicable in order to maximize the yield on the Tax-Exempt Fund's portfolio. Because the Tax-Exempt Fund does not intend to realize taxable investment income, it will not invest in taxable short-term money market securities.

Tax-Exempt Fund

8

Tax-Exempt Securities generally do not trade on the basis of same day settlements and, accordingly, a portfolio of such securities cannot be managed on a daily basis with the same flexibility as a portfolio of money market securities which can be bought and sold on a same day basis. There may be times when the Tax-Exempt Fund has uninvested cash resulting from an influx of cash due to large purchases of shares or maturities of portfolio securities. The Tax-Exempt Fund may also be required to maintain cash reserves or incur temporary bank borrowings to make redemption payments which are made on the same day the redemption request is received. Such inability to be fully invested would lower the yield on the portfolio.

The Tax-Exempt Fund's portfolio holdings represent a significant percentage of the market in short-term tax-exempt securities and the yield on the portfolio could be negatively impacted from time to time by the lack of availability of short-term high quality Tax-Exempt Securities. The Tax-Exempt Fund reserves the right to suspend or otherwise limit sales of its shares if, as a result of difficulties in acquiring portfolio securities, it is determined that it is not in the interests of the Tax-Exempt Fund's shareholders to issue additional shares.

Tax-Exempt Securities may at times be purchased or sold on a delayed delivery basis or on a when-issued basis. These transactions arise when securities are purchased or sold by the Tax-Exempt Fund with payment and delivery taking place in the future, often a month or more after the purchase. The payment obligation and the interest rate are each fixed at the time the buyer enters into the commitment. The Tax-Exempt Fund will only make commitments to purchase such securities with the intention of actually acquiring the securities, but the Fund may sell these securities prior to settlement date if it is deemed advisable. No new when-issued commitments will be made if more than 40% of the Tax-Exempt Fund's net assets would become so committed. Purchasing Tax-Exempt Securities on a when-issued basis involves the risk that the yields available in the market when the delivery takes place may actually be higher than those obtained in the transaction itself; if yields so increase, the value of the when-issued obligation will generally decrease. The Tax-Exempt Fund will maintain a separate account at its custodian bank consisting of cash or liquid Tax-Exempt Securities (valued on a daily basis) equal at all times to the amount of the when-issued commitment.

Investment Restrictions. The Tax-Exempt Fund has adopted a number of 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 Tax-Exempt Fund's outstanding shares as defined in the Investment Company Act. Among the more significant restrictions, the Tax-Exempt Fund may not: (1) purchase any securities other than Tax-Exempt Securities referred to under "Investment Objectives and Policies" herein and "Appendix-Information Concerning Tax-Exempt Securities" in the Statement of Additional Information; (2) invest more than 5% of its total assets (taken at market value at the time of each investment) in the securities of any one issuer except that such restriction shall not apply to securities backed (i.e., guaranteed) by the United States Government or its agencies or instrumentalities (for purposes of this restriction, the Tax-Exempt Fund will regard each state and each political subdivision, agency or instrumentality of such state and each multi-state agency of which such state is a member and each public authority which issues securities on behalf of a private entity as a separate issuer, except that if the security is backed only by the assets and revenues of a non-government entity then the entity with the ultimate responsibility for the payment of interest and principal may be regarded as the sole issuer); and (3) invest more than 5% of its total assets (taken at market value at the time of each investment) in industrial revenue bonds where the entity supplying the revenues from which the issue is to be paid, including predecessors, has a record of less than three years of continuous operation.

Tax-Exempt Fund

9

27

[This page is intentionally left blank.]

28

PROSPECTUS

JULY 28, 1995

CMA TREASURY FUND

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

CMA Treasury Fund (the "Treasury Fund") is a no-load, diversified, open-end investment company seeking preservation of capital, liquidity and current income available from investing exclusively in a diversified portfolio of short-term marketable securities which are direct obligations of the U.S. Treasury. Dividends are declared and reinvested daily in the form of additional shares at net asset value. THE TREASURY FUND SEEKS TO MAINTAIN A CONSTANT \$1.00 NET ASSET VALUE PER SHARE, ALTHOUGH THIS CANNOT BE ASSURED. AN INVESTMENT IN THE TREASURY FUND IS NEITHER INSURED NOR GUARANTEED BY THE U.S. GOVERNMENT. The Treasury Fund has adopted a Distribution and Shareholder Servicing Plan in compliance with Rule 12b-1 under the Investment Company Act of 1940, as amended (the "Investment Company Act"). There can be no assurance that the investment objectives of the Treasury Fund will be realized.

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 Treasury Fund that is relevant to making an investment in the Treasury Fund. This Prospectus should be read carefully and retained for future reference. A statement containing additional information about the Treasury Fund, dated July 28, 1995 (the "Statement of Additional Information"), has been filed with the Securities and Exchange Commission and can be obtained, without charge, by calling or writing to the Treasury Fund at the above telephone number or address. The Statement of Additional Information is hereby incorporated by reference into this Prospectus.

 TABLE OF CONTENTS

<TABLE>	
<CAPTION>	
	PAGE

<S>	<C>
Fee Table.....	2
Financial Highlights.....	3
Yield Information.....	4
Investment Objectives and Policies.....	5
Appendix.....	A-1
Purchase of Shares.....	A-1
Redemption of Shares.....	A-4

<CAPTION>	
	PAGE

<S>	<C>
Management of the Funds.....	A-7
Portfolio Transactions.....	A-9
Dividends.....	A-10
Determination of Net Asset Value.....	A-10
Taxes.....	A-11
Additional Information.....	A-13

</TABLE>

 FEE TABLE

<TABLE>		
<S>	<C>	<C>
TREASURY FUND ANNUAL OPERATING EXPENSES (AS A PERCENTAGE OF AVERAGE NET ASSETS) FOR THE FISCAL YEAR ENDED MARCH 31, 1995:		
Management Fees (a).....		0.44%
Rule 12b-1 Fees (b).....		0.13%
Other Expenses:		
Dividend and Transfer Agency Fees (c).....	0.02%	
Other Fees.....	0.03%	

Total Other Expenses.....		0.05%

Total Treasury Fund Operating Expenses.....		0.62%
		=====

</TABLE>

(a) See "Management of the Funds--Investment Advisory Arrangements"--page A-8.

(b) See "Purchase of Shares"--page A-1.

(c) See "Management of the Funds--Transfer Agency Services"--page A-9.

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, assuming an operating expense ratio of 0.62% and a 5% annual return throughout the periods.....	\$6.00	\$20.00	\$35.00	\$77.00

</TABLE>

MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED ("MERRILL LYNCH") CHARGES AN ANNUAL PROGRAM PARTICIPATION FEE, PRESENTLY \$100 FOR INDIVIDUALS, FOR THE CMA SERVICE (AN ADDITIONAL FEE, PRESENTLY \$25, IS CHARGED FOR PARTICIPATION IN THE CMA VISA(R) GOLD PROGRAM). SHAREHOLDERS OF THE TREASURY FUND WHOSE ACCOUNTS ARE MAINTAINED DIRECTLY WITH THE FUND'S TRANSFER AGENT AND WHO ARE NOT SUBSCRIBERS TO THE CMA PROGRAM WILL NOT BE CHARGED THE CMA PROGRAM FEE BUT WILL NOT RECEIVE ANY OF THE ADDITIONAL SERVICES AVAILABLE TO CMA PROGRAM SUBSCRIBERS.

The foregoing Fee Table is intended to assist investors in understanding the costs and expenses that a shareholder in the Treasury Fund will bear directly or indirectly. The example set forth above assumes reinvestment of all dividends and distributions. The example should not be considered a representation of past or future expenses and actual expenses may be more or less than those assumed for purposes of the example.

Treasury Fund

2

30

FINANCIAL HIGHLIGHTS

Financial statements for the fiscal year ended March 31, 1995 and the independent auditor's report thereon are included in the Statement of Additional Information. The following per share data and ratios have been derived from information provided in financial statements of the Treasury Fund audited by Deloitte & Touche LLP, independent auditors.

<TABLE>
<CAPTION>

	FOR THE YEAR ENDED MARCH 31,			FOR THE PERIOD
	1995	1994	1993	APRIL 15, 1991+ TO MARCH 31, 1992
<S>	<C>	<C>	<C>	<C>
INCREASE (DECREASE) IN NET ASSET VALUE: PER SHARE OPERATING PERFORMANCE:				
Net asset value, beginning of period.....	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Investment income--net.....	.0409	.0250	.0278	.0453
Realized and unrealized gain on investments--net.....	.0004	.0002	.0026	.0019
Total from investment operations.....	.0413	.0252	.0304	.0472
Less dividends and distributions:				
Investment income--net.....	(.0409)	(.0250)	(.0278)	(.0453)
Realized gain on investments--net.....	(.0002)	(.0004)	(.0024)	(.0020)

Total dividends and distributions.....	(.0411)	(.0254)	(.0302)	(.0473)
Net asset value, end of period.....	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
TOTAL INVESTMENT RETURN.....	4.18%	2.57%	3.07%	5.02%*
RATIOS TO AVERAGE NET ASSETS:				
Expenses, net of reimbursement and excluding distribution fees.....	.49%	.49%	.48%	.36%*
Expenses, net of reimbursement.....	.62%	.61%	.60%	.49%*
Expenses.....	.62%	.61%	.62%	.68%*
Investment income and realized gain on investments--net.....	4.20%	2.55%	3.01%	4.67%*
SUPPLEMENTAL DATA:				
Net Assets, end of period (in thousands).....	\$1,428,724	\$1,220,440	\$1,287,061	\$1,221,461

</TABLE>

- -----

+ Commencement of Operations.

* Annualized.

Treasury Fund

3

31

YIELD INFORMATION

Set forth below is yield information as to the annualized and compounded annualized yield for the indicated seven-day periods.

<TABLE>
<CAPTION>

	SEVEN-DAY PERIOD ENDED	
	MARCH 31, 1995	JUNE 30, 1995
<S>	<C>	<C>
Annualized Yield:		
Including gains and losses.....	5.32%	5.24%
Excluding gains and losses.....	5.30%	5.22%
Compounded Annualized Yield.....	5.44%	5.36%
Average Maturity of Portfolio at End of Period.....	52 days	80 days

</TABLE>

The yield of the Treasury Fund refers to the income generated by an investment in the Treasury Fund over a stated seven-day period. This income is then annualized; that is, the amount of income generated by the investment during that period is assumed to be generated each seven-day period over a 52-week period and is shown as a percentage of the investment. The compounded annualized yield (which excludes gains and losses) is calculated similarly but, when annualized, the income earned by an investment in the Treasury Fund is assumed to be reinvested. The compounded annualized yield will be somewhat higher than the yield because of the effect of the assumed reinvestment.

The yield on Treasury Fund shares normally will fluctuate on a daily basis. Therefore, the yield for any given past period is not an indication or representation by the Treasury Fund of future yields or rates of return on its shares. The Treasury Fund's yield is affected by changes in interest rates on Treasury securities, average portfolio maturity, the types and quality of portfolio securities held and operating expenses. The yield on Treasury Fund shares for various reasons may not be comparable to the yield on shares of other money market funds or other investments. Current yield information may not provide a basis for comparison with bank deposits or other investments which pay a fixed yield over a stated period of time.

On occasion, the Treasury Fund may compare its yield to (i) yield data reported by Donoghue's Money Fund Report (including Donoghue's U.S. Funds Average), a widely recognized independent publication that monitors the performance of money market mutual funds, (ii) the average yield reported by the Bank Rate Monitor National Index™ for money market deposit accounts offered by the 100 leading banks and thrift institutions in the ten largest standard metropolitan statistical areas, (iii) yield data reported by Lipper Analytical Services, Inc., (iv) the yield on an investment in 90-day Treasury bills on a rolling basis, assuming quarterly compounding, (v) performance data published by Morningstar Publications, Inc., Money Magazine, U.S. News & World Report, Business Week, CDA Investment Technology, Inc., Forbes Magazine and Fortune Magazine or (vi) historical yield data relating to other central asset accounts similar to the CMA program. As with yield quotations, yield comparisons should not be considered indicative of the Treasury Fund's yield or relative performance for any future period.

Treasury Fund

4

32

INVESTMENT OBJECTIVES AND POLICIES

The investment objectives of the Treasury Fund are to seek preservation of capital, liquidity and current income available from investing exclusively in a diversified portfolio of short-term marketable securities which are direct obligations of the U.S. Treasury. There can be no assurance that the investment objectives of the Treasury Fund will be realized.

Preservation of capital is a prime investment objective of the Treasury Fund and the direct U.S. Treasury obligations in which it will invest are generally considered to have the lowest principal risk among money market securities. Historically, direct U.S. Treasury obligations have generally had lower rates of return than other money market securities with less safety.

For purposes of its investment objectives, the Treasury Fund defines short-term marketable securities which are direct obligations of the U.S. Treasury as any U.S. Treasury obligations having maturities of no more than 762 days (25 months). The dollar-weighted average maturity of the Treasury Fund's portfolio will not exceed 90 days. During the year ended March 31, 1995, the average maturity of the Treasury Fund's portfolio ranged from 29 days to 61 days.

Investment in Treasury Fund shares offers several benefits. The Treasury Fund seeks to provide as high a yield potential, consistent with its objectives, as is available through investment in short-term U.S. Treasury obligations utilizing professional money market management and block purchases of securities. It provides high liquidity because of its redemption features and seeks reduced market risk resulting from diversification of assets. The shareholder is also relieved from administrative burdens associated with direct investment in U.S. Treasury securities, such as coordinating maturities and reinvestments, and making numerous buy-sell decisions. These benefits are at least partially offset by certain expenses borne by investors, including management fees, distribution fees, administrative costs and operational costs.

Forward Commitments. The Treasury Fund may purchase portfolio securities on a forward commitment basis at fixed purchase terms. The purchase of portfolio securities on a forward commitment basis involves the risk that the yields available in the market when the delivery takes place may actually be higher than those obtained in the transaction itself; if yields increase, the value of the securities purchased on a forward commitment basis will generally decrease. A separate account of the Treasury Fund will be established with its custodian consisting of cash or Treasury securities having a market value at all times at least equal to the amount of the forward commitment.

Investment Restrictions. The Treasury Fund has adopted a number of 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 Treasury Fund's outstanding voting securities as defined in the Investment Company Act. Among the more significant restrictions, the Treasury Fund may not purchase any securities other than direct obligations of the U.S. Treasury with remaining maturities of 762 days (25 months) or less.

[This page is intentionally left blank.]

Appendix

This Appendix constitutes a part of the Prospectuses of CMA Money Fund (the "Money Market Fund"), CMA Government Securities Fund (the "Government Fund"), CMA Tax-Exempt Fund (the "Tax-Exempt Fund") and CMA Treasury Fund (the "Treasury Fund"). The Money Market Fund, the Government Fund, the Tax-Exempt Fund and the Treasury Fund are referred to in this Appendix collectively as the "Funds". Unless otherwise indicated, the information set forth herein is applicable to each Fund. Management of the Funds has considered the possibility that the use of a combined prospectus may subject one Fund to liability for an alleged misstatement relating to another Fund. Management believes that this possibility is remote.

As described in the description of the Merrill Lynch Cash Management Account program, a subscriber to CMA financial services may also elect to have free credit balances in CMA accounts deposited in individual money market deposit accounts established for such subscriber at designated depository institutions pursuant to the Insured SavingsSM Account (the "Insured Savings Account"). In addition, investors may also have their free credit balances invested in certain series of CMA Multi-State Municipal Series Trust (the "CMA State Funds"), each of which is designed to provide income that is exempt from Federal income taxes, personal income taxes of the designated state and, in certain instances, local income taxes. For more information about the CMA State Funds, investors should contact their Merrill Lynch Financial Consultants. The Funds, the CMA State Funds and the Insured Savings Account are collectively referred to in this Appendix as the Money Accounts. However, this Appendix does not purport to describe the Insured Savings Account or the CMA State Funds. Prospective participants in the Insured Savings Account are referred to the fact sheet with respect thereto which is available from Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch"), and prospective investors in the CMA State Funds are referred to the prospectuses for those funds which are available from Merrill Lynch.

PURCHASE OF SHARES

The shares of the Funds are offered to participants in the CMA program to provide a medium for the investment of free credit balances held in CMA accounts and to individual investors maintaining accounts directly with the Funds' Transfer Agent. Persons subscribing to CMA services will have free credit balances invested in shares of the Money Market Fund, the Government Fund, the Tax-Exempt Fund or the Treasury Fund, depending on which Fund has been designated by the participant as the primary investment account (the "Primary Money Account"). Alternatively, subscribers may designate the Insured Savings Account or one of the CMA State Funds as their Primary Money Account.

Purchases of shares of a Fund designated as the Primary Money Account will be made pursuant to the CMA automatic or manual purchase procedures described below. Purchases of shares of the Funds may also be made by investors maintaining accounts with the Funds' Transfer Agent pursuant to the procedures described below.

The purchase price for shares of the Funds is the net asset value per share next determined after receipt by a Fund of an automatic or manual purchase order in proper form. Shares purchased will receive the next dividend declared after such shares are issued which will be immediately prior to the 12 noon, New York time, pricing on the following business day. A purchase order will not be effective until cash in the form of Federal funds becomes available to the Fund (see below for information as to when free credit balances held in CMA

A-1

accounts become available to the Funds). There are no minimum investment requirements for subscribers to the Cash Management Account program other than for manual purchases.

PURCHASE OF SHARES BY CASH MANAGEMENT ACCOUNT SUBSCRIBERS

Subscribers to the CMA service have the option to change the designation of their Primary Money Account at any time by notifying their Merrill Lynch Financial Consultants. At that time, a subscriber may instruct his or her Financial Consultant to redeem shares of a Fund designated as the Primary Money Account and to transfer the proceeds to the newly-designated Primary Money Account.

Automatic Purchases. Free credit balances arising in a CMA account are automatically invested in shares of a Fund designated as the Primary Money Account not later than the first business day of each week on which either the New York Stock Exchange or New York banks are open, which normally will be Monday. Free credit balances arising from the following transactions will be invested automatically prior to the automatic weekly sweeps. Free credit balances arising from the sale of securities which do not settle on the day of the transaction (such as most common and preferred stock transactions) and from principal repayments on debt securities become available to the Funds and will be invested in shares on the business day following receipt of the proceeds with respect thereto in the CMA account. Proceeds from the sale of shares of Merrill Lynch Ready Assets Trust and Merrill Lynch U.S.A. Government Reserves and from the sale of securities settling on a same day basis also become available to the Funds and will be invested in shares on the next business day following receipt. Free credit balances of \$1,000 or more arising from cash deposits into a CMA account, dividend and interest payments or any other source become available to the Funds and are invested in shares on the next business day following receipt in the CMA account unless such balance results from a cash deposit made after the cashing deadline of the Merrill Lynch office in which the deposit is made, in which case the resulting free credit balances are invested on the second following business day. A CMA participant desiring to make a cash deposit should contact his or her Merrill Lynch Financial Consultant for information concerning the local office's cashing deadline, which is dependent on such office's arrangements with its commercial banks. Free credit balances of less than \$1,000 are invested in shares in the automatic weekly sweep. Free credit balances of \$1.00 or more are invested daily in certain accounts including those established under the Working Capital Management™ account program or the CMA for Retirement Plans program. Additional information on these programs is available from Merrill Lynch.

Manual Purchases. Subscribers to the CMA service may make manual investments of \$1,000 or more at any time in shares of a Fund not selected as their Primary Money Account. Manual purchases shall be effective on the day following the day the order is placed with Merrill Lynch, except that orders involving cash deposits made on the date of a manual purchase shall become effective on the second business day thereafter if they are placed after the cashing deadline referred to in the preceding paragraph. As a result, CMA customers who enter manual purchase orders which include cash deposits made on that day after such cashing deadline will not receive the daily dividend which would have been received had their orders been entered prior to the deadline. In addition, manual purchases of \$500,000 or more can be made effective on the same day the order is placed with Merrill Lynch provided that requirements as to timely notification and transfer of a Federal funds wire in the proper amount are met. CMA customers desiring further information on this method of purchasing shares should contact their Merrill Lynch Financial Consultants.

Merrill Lynch reserves the right to terminate a subscriber's participation in the Cash Management Account program for any reason.

A-2

36

All purchases of the Funds' shares and dividend reinvestments will be confirmed to Cash Management Account subscribers (rounded to the nearest share) in the transaction statement which is sent to all participants in such Account monthly.

PURCHASE OF SHARES BY NON-CASH MANAGEMENT ACCOUNT SUBSCRIBERS

Shares of the Funds may be purchased by investors maintaining accounts directly with the Funds' Transfer Agent who are not subscribers to the Cash Management Account program. Shareholders of the Funds not subscribing to such program will not be charged the applicable program fee, but will not receive any of the services available to program subscribers, such as the Visa card/check account or the automatic investment of free credit balances. The minimum initial purchase for non-program subscribers is \$5,000 and the minimum subsequent purchase is \$1,000. Investors desiring to purchase shares directly through the Transfer Agent as described below should contact Merrill Lynch Financial Data

Payment to the Transfer Agent. Investors who are not subscribers to the CMA program may submit purchase orders directly by mail or otherwise to the Transfer Agent. Purchase orders by mail should be sent to Merrill Lynch Financial Data Services, Inc., P.O. Box 45290, Jacksonville, Florida 32232-5290. Purchase orders which are sent by hand should be delivered to Merrill Lynch Financial Data Services, Inc., 4800 Deer Lake Drive East, Jacksonville, Florida 32246-6484. Investors opening a new account must enclose a completed Purchase Application which is available from Merrill Lynch Financial Data Services, Inc. Existing shareholders should enclose the detachable stub from a monthly account statement which they have received. Checks should be made payable to Merrill Lynch, Pierce, Fenner & Smith Incorporated. Certified checks are not necessary, but checks are accepted subject to collection at full face value in U.S. funds and must be drawn in U.S. dollars on a U.S. bank. Payments for the accounts of corporations, foundations and other organizations may not be made by third party checks. Since there is a three-day settlement period applicable to the sale of most securities, delays may occur when an investor is liquidating other investments for investment in one of the Funds.

As described under "Investment Objectives and Policies" in its Prospectus, the Tax-Exempt Fund has reserved the right to suspend or otherwise limit sales of its shares if, as a result of difficulties in obtaining portfolio securities, it is determined that it is not in the interests of the Tax-Exempt Fund's shareholders to issue additional shares. If sales of shares of the Tax-Exempt Fund are suspended, shareholders who have designated such Fund as their Primary Money Account will be permitted to designate the Money Market Fund, the Government Fund, the Treasury Fund, one of the CMA State Funds (if available) or the Insured Savings Account as their Primary Money Account. Pending such an election, Merrill Lynch will consider various alternatives with respect to automatic investments for such accounts, including the investment of free credit balances in such accounts in shares of the Money Market Fund, the Government Fund or the Treasury Fund.

Each Fund has entered into a Distribution Agreement with Merrill Lynch pursuant to which Merrill Lynch acts as the distributor for the Fund.

Each Fund has adopted a Distribution and Shareholder Servicing Plan (each, a "Distribution Plan") in compliance with Rule 12b-1 under the Investment Company Act of 1940, as amended (the "Investment Company Act") pursuant to which Merrill Lynch receives a distribution fee under the Distribution

A-3

37

Agreement from each Fund at the end of each month at the annual rate of 0.125% of average daily net assets of such Fund attributable to subscribers to the CMA program and to investors maintaining securities accounts at Merrill Lynch or maintaining accounts directly with the Transfer Agent who are not subscribers to such program, except that the value of the Fund shares in accounts maintained directly with the Transfer Agent which are not serviced by Merrill Lynch Financial Consultants will be excluded. The fees reimburse Merrill Lynch only for actual expenses incurred in the fiscal year in which the fees are paid. The distribution fee is to compensate Merrill Lynch Financial Consultants and other directly involved branch office personnel for selling shares of each Fund and for providing direct personal services to shareholders. For the fiscal year ended March 31, 1995, \$49,152,733 was paid to Merrill Lynch pursuant to the Distribution Plans: \$34,206,694 by the Money Market Fund, \$4,013,060 by the Government Fund, \$9,357,280 by the Tax-Exempt Fund and \$1,575,699 by the Treasury Fund. The annual fee paid to Merrill Lynch for the fiscal year ended March 31, 1995 aggregated 0.125% of average daily net assets of each Fund. At June 30, 1995, the net assets of the Funds aggregated approximately \$42.6 billion. At this asset level, the annual fees payable to Merrill Lynch pursuant to the Distribution Plans would aggregate approximately \$38.3 million by the Money Market Fund, \$3.8 million by the Government Fund, \$9.1 million by the Tax-Exempt Fund and \$1.9 million by the Treasury Fund.

REDEMPTION OF SHARES

Each Fund is required to redeem for cash all full and fractional shares of the Fund. The redemption price is the net asset value per share next determined after receipt by the Transfer Agent of proper notice of redemption as described in accordance with either the automatic or manual procedures set forth below. If

such notice is received by the Transfer Agent prior to the 12 noon, New York time, pricing on any business day, the redemption will be effective on such day. Payment of the redemption proceeds will be made on the same day the redemption becomes effective. If the notice is received after 12 noon, New York time, the redemption will be effective on the next business day and payment will be made on such next day.

REDEMPTION OF SHARES BY CASH MANAGEMENT ACCOUNT SUBSCRIBERS

Automatic Redemptions. Redemptions will be effected automatically by Merrill Lynch to satisfy debit balances in the Securities Account created by activity therein or to satisfy debit balances created by Visa card purchases, card advances (which may be obtained through participating banks and automated teller machines) or checks written against the Visa Account. Each CMA account will be automatically scanned for debits each business day prior to 12 noon, New York time. After application of any free credit balances in the account to such debits, shares of the Funds (or the CMA State Funds, if applicable) will be redeemed at net asset value at the 12 noon, New York time pricing, and funds deposited pursuant to the Insured Savings Account will be withdrawn, to the extent necessary to satisfy any remaining debits in either the Securities Account or the Visa Account. Automatic redemptions or withdrawals will be made first from the participant's Primary Money Account and then, to the extent necessary, from Money Accounts not designated as the Primary Money Account. Unless otherwise requested, in those instances where shareholders request transactions that settle on a "same-day" basis (such as Federal Funds wire redemptions, branch office checks, transfers to other Merrill Lynch accounts and certain securities transactions) the Fund shares necessary to effect such transactions will be deemed to have been transferred to Merrill Lynch prior to the Fund's declaration of dividends on that day. In such instances, shareholders will receive all dividends declared and

A-4

38

reinvested through the date immediately preceding the date of redemption. Unless otherwise requested by the participant, redemptions or withdrawals from non-Primary Money Accounts will be made in the order the Money Accounts were established; thus, redemptions or withdrawals will first be made from the non-Primary Money Account which the participant first established. Margin loans through the Investor CreditLineSM service will be utilized to satisfy debits remaining after the liquidation of all funds invested in or deposited through Money Accounts, and shares of the Funds may not be purchased, nor may deposits be made pursuant to the Insured Savings Account, until all debits and margin loans in the account are satisfied.

Merrill Lynch, in conjunction with an affiliate, has introduced a modified feature, the CMA Visa(R) Gold Program, to the CMA account for individual shareholders. Participants in the CMA Visa(R) Gold Program may purchase goods or services at participating merchants with the Visa(R) Gold card. Such purchases may be paid for by automatic debit on the fourth Wednesday of each month. See the Merrill Lynch Cash Management Account Program Description for more information concerning the CMA Visa(R) Gold Program.

As set forth in the current description of the CMA program, a participant whose Securities Account is a margin account through the Investor CreditLineSM service may designate a minimum balance to be maintained in shares of the Funds or the CMA State Funds or deposits made pursuant to the Insured Savings Account (the "Minimum Money Accounts Balance"). If a participant designates a Minimum Money Accounts Balance, the shares or deposits representing such balance will not be redeemed or withdrawn until loans equal to the available margin loan value of securities in the Securities Account have been made. Participants considering the establishment of a Minimum Money Accounts Balance should review the description of this service contained in the description of the CMA program which is available from Merrill Lynch.

Shareholders of the Funds may arrange to have periodic investments made in certain other mutual funds sponsored by Merrill Lynch through the CMA Automated Investment Program. Under this program, the shareholder's Money Account will be automatically debited at periodic intervals in an amount of \$250 or more, as selected by the shareholder, and investment made in the fund the shareholder has designated. Further information on this program is available from Merrill Lynch.

Manual Redemptions. Shareholders may redeem shares of a Fund directly by submitting a written notice of redemption directly to Merrill Lynch, which will submit the requests to the Funds' Transfer Agent. Cash proceeds from the manual redemption of Fund shares will be ordinarily mailed to the shareholder at his or her address of record, or upon request, mailed or wired (if \$10,000 or more) to his or her bank account. Redemption requests should not be sent to the Fund or

the Transfer Agent. If inadvertently sent to the Fund or the Transfer Agent, redemption requests will be forwarded to Merrill Lynch. The notice requires the signatures of all persons in whose name the shares are registered, signed exactly as their names appear on their monthly statement. 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, 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, additional documents such as, but not limited to, trust instruments, death certificates, appointments as executor or administrator, or certificates of corporate authority may be required. CMA customers desiring to effect manual redemptions should contact their Merrill Lynch Financial Consultants.

A-5

39

All redemptions of Fund shares will be confirmed to Cash Management Account subscribers (rounded to the nearest share) in the CMA Transaction Statement which is sent to all CMA participants monthly.

REDEMPTION OF SHARES BY NON-CASH MANAGEMENT ACCOUNT SUBSCRIBERS

Shareholders may redeem shares of the Funds held in a Merrill Lynch securities account directly by submitting a written notice of redemption to Merrill Lynch, which will submit the requests to the Funds' Transfer Agent as described above under "Redemption of Shares--Redemption of Shares by Cash Management Account Subscribers-Manual Redemptions".

Shareholders maintaining an account directly with the Transfer Agent, who are not CMA program participants, may redeem shares of the Funds by submitting a written notice by mail directly to the Transfer Agent, Merrill Lynch Financial Data Services, Inc., P.O. Box 45290, Jacksonville, Florida 32232-5290. Redemption requests which are sent by hand should be delivered to Merrill Lynch Financial Data Services, Inc., 4800 Deer Lake Drive East, Jacksonville, Florida 32246-6484. Cash proceeds from the manual redemption of Fund shares will be mailed to the shareholder at his or her address of record. Redemption requests should not be sent to the Funds or Merrill Lynch. If inadvertently sent to the Funds or Merrill Lynch, such redemption requests will be forwarded to the Transfer Agent. The notice requires the signatures of all persons in whose names the shares are registered, signed exactly as their names appear on their monthly statement. The signature(s) on the notice must be guaranteed by an "eligible guarantor institution" as defined in Rule 17Ad-15 under the Securities Exchange Act of 1934, the existence and validity of which may be verified by the Transfer Agent by the use of industry publications. Notarized signatures are not sufficient. In certain instances, additional documents such as, but not limited to, trust instruments, death certificates, appointments as executor or administrator, or certificates of corporate authority may be required.

At various times the Funds may be requested to redeem shares, in manual or automatic redemptions, with respect to which good payment has not yet been received by Merrill Lynch. A Fund may delay, or cause to be delayed, the payment of the redemption proceeds until such time as it has assured itself that good payment has been collected for the purchase of such shares. Normally, this delay will not exceed 10 days. In addition, the Funds reserve the right not to effect automatic redemptions where the shares to be redeemed have been purchased by check within 15 days prior to the date the redemption request is received.

Merrill Lynch, in conjunction with another subsidiary of Merrill Lynch & Co., Inc. ("ML & Co."), has introduced a modified version of the CMA account which has been designed for corporations and other businesses. This account, the Working Capital Management™ account ("WCMA(R) account"), provides participants with the features of a regular CMA account and also optional lines of credit. A brochure describing the WCMA program, as well as information concerning charges for participation in the program, is available from Merrill Lynch.

Participants in the WCMA program are able to invest funds in one or more of the Funds designated by them. Checks and other funds transmitted to a WCMA account will generally be applied, first to the payment of pending securities transactions or other charges in the participant's securities account, second, to reduce outstanding balances in the lines of credit available through such program and, third, to purchase shares of the designated Fund. To the extent not otherwise applied, funds transmitted by Federal funds wire or an automated clearinghouse service will be invested in shares of the designated Fund on the business day following receipt of such funds by Merrill Lynch. Funds received in a WCMA account from the sale of securities will be invested in the designated Fund as described above. The amount payable on a check received in a WCMA

account prior to the cashiering deadline referred to above will be invested on the second business

A-6

40

day following receipt of the check by Merrill Lynch. Redemptions of Fund shares will be effected as described above to satisfy debit balances, such as those created by purchases of securities or by checks written against a bank providing checking services to WCMA participants. WCMA participants that have a line of credit will, however, be permitted to maintain a minimum Fund balance; for participants who elect to maintain such a balance, debits from check usage will be satisfied through the line of credit so that such balance is maintained. However, if the full amount of available credit is not sufficient to satisfy the debit, it will be satisfied from the minimum balance.

From time to time, Merrill Lynch also may offer the Funds to participants in certain other programs sponsored by Merrill Lynch. Some or all of the features of the CMA account may not be available in such programs. For more information on the services available under such programs, participants should contact their financial consultants.

MANAGEMENT OF THE FUNDS

TRUSTEES

The Trustees of each Fund consist of six individuals, five of whom are not "interested persons" of the Fund as defined in the Investment Company Act. The Trustees of each 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 Trustees of each Fund are:

ARTHUR ZEIKEL*--President of Fund Asset Management, L.P. (the "Investment Adviser"); Executive Vice President of ML & Co.; Executive Vice President of Merrill Lynch; President and Director of Princeton Services, Inc. ("Princeton Services"); and Director of Merrill Lynch Funds Distributor, Inc. (the "Distributor").

RONALD W. FORBES--Professor of Finance, School of Business, State University of New York at Albany.

CYNTHIA A. MONTGOMERY--Professor of Finance, Harvard Business School.

CHARLES C. REILLY--Self-employed financial consultant; former President and Chief Investment Officer of Verus Capital Inc.; former Senior Vice President of Arnhold and S. Bleichroeder, Inc.

KEVIN A. RYAN--Professor of Education, Boston University, founder and current Director of the Boston University Center for the Advancement of Ethics and Character.

RICHARD R. WEST--Professor of Finance and former Dean, New York University Leonard N. Stern School of Business Administration.

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

A-7

41

INVESTMENT ADVISORY ARRANGEMENTS

The Investment Adviser is owned and controlled by ML & Co., a financial services holding company and the parent of Merrill Lynch. The Investment Adviser or an affiliate of the Investment Adviser, Merrill Lynch Asset Management, L.P. ("MLAM"), acts as the investment adviser for more than 130 registered investment companies and provides investment advisory services to individuals and institutional accounts. As of June 30, 1995, MLAM and the Investment Adviser had a total of approximately \$182.4 billion in investment company and other portfolio assets under management, including accounts of certain affiliates of MLAM.

The investment advisory agreements with the Investment Adviser (the "Investment Advisory Agreements") provide that, subject to the direction of the

Trustees, the Investment Adviser is responsible for the actual management of the Funds' portfolios and constantly reviews the Funds' holdings in light of its own research analysis and that from other relevant sources. The responsibility for making decisions to buy, sell or hold a particular security rests with the Investment Adviser, subject to the review of the Board of Trustees. The Investment Adviser performs certain of the other administrative services and provides all of the office space, facilities, equipment and necessary personnel for portfolio management of the Funds.

As compensation for its services under the Investment Advisory Agreements, the Investment Adviser receives a fee from each Fund at the end of each month at the annual rates of 0.50% of the first \$500 million of average daily net assets of the Fund, 0.425% of average daily net assets in excess of \$500 million but not exceeding \$1 billion, and 0.375% of average daily net assets in excess of \$1 billion.

The following table sets forth information as to the advisory fees paid by each Fund for the fiscal year ended March 31, 1995 and the annual fees payable at the net asset level of each Fund as of June 30, 1995. The information does not include amounts paid under each Fund's Distribution Plan to Merrill Lynch.

<TABLE>
<CAPTION>

	PRO FORMA INFORMATION BASED UPON NET ASSET LEVEL AS OF JUNE 30, 1995					
	YEAR ENDED MARCH 31, 1995			NET ASSET LEVEL AS OF JUNE 30, 1995		
CMA FUND	FEE PAID (MILLIONS)	AVERAGE NET ASSETS (BILLIONS)	EFFECTIVE FEE RATE	NET ASSETS (BILLIONS)	EFFECTIVE FEE RATE	ANNUAL FEE PAYABLE (MILLIONS)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Money Market.....	\$104.1	\$27.5	0.38%	\$30.7	0.38%	\$115.9
Government.....	\$ 13.0	\$ 3.2	0.40%	\$ 3.1	0.40%	\$ 12.4
Tax-Exempt.....	\$ 29.1	\$ 7.5	0.39%	\$ 7.3	0.39%	\$ 28.3
Treasury.....	\$ 5.6	\$ 1.3	0.44%	\$ 1.5	0.43%	\$ 6.6

</TABLE>

The Investment Advisory Agreements obligate each Fund to pay certain expenses incurred in its operations, including, among other things, the investment advisory fee, legal and audit fees, unaffiliated Trustees' fees and expenses, registration fees, custodian and transfer agency fees, accounting and pricing costs, and certain of the costs of printing proxies, shareholder reports, prospectuses and statements of additional information. Accounting services are provided to each of the Funds by the Investment Adviser, and each Fund reimburses the Investment Adviser for its costs in connection with such services. For the fiscal year ended March 31, 1995, the amounts of such reimbursement paid by the Money Market Fund, the Government Fund, the Tax-Exempt Fund and the Treasury Fund aggregated \$1,110,858, \$193,217, \$411,464 and \$109,977, respectively. For the fiscal year ended March 31, 1995, the ratio of total expenses to average net assets was

A-8

42

0.56% for the Money Market Fund, 0.58% for the Government Fund, 0.55% for the Tax-Exempt Fund and 0.62% for the Treasury Fund (excluding payments under the Funds' Distribution Plans).

TRANSFER AGENCY SERVICES

Each of the Funds has entered into a Transfer Agency, Shareholder Servicing Agency and Proxy Agency Agreement (each, a "Transfer Agency Agreement") with Merrill Lynch Financial Data Services, Inc. (the "Transfer Agent"), a wholly-owned subsidiary of ML & Co. Pursuant to the Transfer Agency Agreements, 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 Agreements, the Funds pay the Transfer Agent a fee of \$10.00 per shareholder account and the Transfer Agent is entitled to reimbursement from the Funds for out-of-pocket expenses incurred by the Transfer Agent under the Transfer Agency Agreements. For the fiscal year ended March 31, 1995 (during a

portion of which a lower fee schedule was in effect), \$11,240,401 was paid to the Transfer Agent by the Money Market Fund, \$660,663 was paid to the Transfer Agent by the Government Fund, \$1,623,665 was paid to the Transfer Agent by the Tax-Exempt Fund and \$232,782 was paid to the Transfer Agent by the Treasury Fund pursuant to their Transfer Agency Agreements, including reimbursement of out-of-pocket expenses. At June 30, 1995, the Money Market Fund, the Government Fund, the Tax-Exempt Fund and the Treasury Fund had 1,118,562, 51,235, 130,785 and 21,360 shareholder accounts, respectively. At these levels of accounts, the annual fees payable to the Transfer Agent would aggregate approximately \$11,185,260, \$512,350, \$1,307,850 and \$213,600, respectively.

PORTFOLIO TRANSACTIONS

The portfolio securities in which the Funds invest are traded primarily in the over-the-counter market. Where possible, the Funds 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. Such dealers usually are acting as principals for their own accounts. On occasion, securities may be purchased directly from the issuer. Such portfolio securities generally are traded on a net basis and normally do not involve either brokerage commissions or transfer taxes. The cost of executing portfolio transactions primarily will consist of dealer spreads and underwriting commissions. Under the Investment Company Act, persons affiliated with the Funds are prohibited from dealing with the Funds as a principal in the purchase and sale of securities unless an exemptive order allowing such transactions is obtained from the Securities and Exchange Commission (the "Commission"). Affiliated persons of a Fund may serve as its broker in over-the-counter transactions conducted on an agency basis.

The Commission has issued exemptive orders permitting the Money Market Fund, the Government Fund, the Tax-Exempt Fund and the Treasury Fund to conduct certain principal transactions with Merrill Lynch Government Securities Inc., its subsidiary Merrill Lynch Money Markets Inc. and Merrill Lynch, subject to certain terms and conditions. During the fiscal year ended March 31, 1995, the Money Market Fund engaged in 383 transactions pursuant to such orders aggregating approximately \$23.9 billion; the Tax-Exempt Fund engaged in 13 transactions aggregating approximately \$130.1 million; the Government Fund engaged in 5 transactions aggregating approximately \$174.9 million; and the Treasury Fund engaged in 5 transactions pursuant to such order aggregating approximately \$112.0 million.

A-9

43

DIVIDENDS

All of the net income of each Fund is declared as dividends daily. Each Fund's net income for dividend purposes is determined by the Investment Adviser at 12 noon, New York time, on each day the New York Stock Exchange or New York banks are open for business immediately prior to the determination of the Fund's net asset value on that day (see "Determination of Net Asset Value"). Net income of the Money Market Fund, the Government Fund and the Treasury Fund (from the time of the immediately preceding determination thereof) consists of (i) interest accrued and/or discount earned (including both original issue and market discount), (ii) less the estimated expenses of the Fund (including the fees payable to the Investment Adviser) applicable to that dividend period and (iii) plus or minus all realized gains and losses on the portfolio securities. Net income of the Tax-Exempt Fund (from the time of the immediately preceding determination thereof) consists of interest accrued and/or original issue discount earned, less amortization of premium and the estimated expenses of the Tax-Exempt Fund (including the fees payable to the Investment Adviser) applicable to that dividend period. The amount of discount or premium on portfolio securities is fixed at the time of their purchase and consists of the difference between the purchase price for such securities and the principal amount of such securities. Unrealized gains and losses are reflected in the Tax-Exempt Fund's net assets and are not included in net income. Dividends are declared and reinvested daily in the form of additional full and fractional shares of the Funds at net asset value.

DETERMINATION OF NET ASSET VALUE

The net asset value of each Fund is determined by the Investment Adviser once daily, immediately after the daily declaration of dividends, as of 12 noon, New York time, on each day the New York Stock Exchange or New York banks are open for business.

The net asset value of the Money Market Fund, the Government Fund and the Treasury Fund is determined pursuant to the "penny-rounding" method by adding the fair value of all securities and other assets in each portfolio, deducting such portfolio's liabilities and dividing by the number of shares of that Fund outstanding. The result of this computation will be rounded to the nearest whole cent. It is anticipated that the net asset value per share will remain constant at \$1.00 per share, but no assurance can be offered in this regard. Securities with remaining maturities of greater than 60 days for which market quotations are readily available will be valued at market value. Securities with remaining maturities of 60 days or less will be valued on an amortized cost basis, i.e. by valuing the instrument at its cost and thereafter assuming a constant amortization to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of the instrument. Other securities held by the Money Market Fund, the Government Fund and the Treasury Fund will be valued at their fair value as determined in good faith by or under direction of the Board of Trustees.

The Tax-Exempt Fund values its portfolio securities based on their amortized cost. This involves valuing an instrument at its cost and thereafter assuming a constant amortization to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of the instrument.

A-10

44

TAXES

The Funds intend 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 the Money Market Fund, the Government Fund, the Treasury Fund or the Tax-Exempt Fund so qualifies, such 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 (see below) which it distributes to shareholders, in any taxable year in which it distributes at least 90% of its taxable net income and 90% of its tax-exempt net income. Each Fund intends to distribute substantially all of such income.

TAXATION OF MONEY MARKET FUND, GOVERNMENT FUND AND TREASURY FUND DIVIDENDS

Dividends paid by the Money Market Fund, the Government Fund and the Treasury Fund from their ordinary income and distributions of such Funds' net realized short-term capital gains (together referred to hereafter as "ordinary income dividends") are taxable to shareholders as ordinary income. Distributions made from such Funds' net realized long-term capital gains from the sale of securities ("capital gain dividends") are taxable to shareholders as long-term capital gains, regardless of the length of time the shareholder has owned Fund shares. Dividends are taxable to shareholders even though they are reinvested in additional shares of a Fund. Not later than 60 days after the close of its taxable year, each such Fund will provide its shareholders with a written notice designating the amounts of any ordinary income dividends or capital gain dividends.

If the value of assets held by the Money Market Fund, the Government Fund, the Treasury Fund or the Tax-Exempt Fund declines, the Board of Trustees may authorize a reduction in the number of outstanding shares in respective shareholders' accounts so as to preserve a net asset value of \$1.00 per share. After such a reduction, the basis of eliminated shares would be added to the basis of shareholders' remaining Fund shares, and any shareholders disposing of shares at that time may recognize a capital loss. Distributions paid by the Money Market Fund, the Government Fund and the Treasury Fund, including distributions reinvested in additional shares of the affected Fund, will nonetheless be fully taxable, even if the number of shares in shareholders' accounts has been reduced as described above.

TAXATION OF TAX-EXEMPT FUND DIVIDENDS

The Tax-Exempt Fund intends to qualify to pay "exempt-interest dividends" under the Code, and if it so qualifies, dividends derived from the interest earned on tax-exempt securities which are designated by such Fund as exempt-interest dividends will not be subject to Federal income taxes. To the extent that the dividends distributed to the Tax-Exempt Fund's shareholders are derived from interest income exempt from Federal tax and are properly designated as "exempt-interest dividends" by the Fund, they will be excludable from a shareholder's gross income for Federal income tax purposes. Exempt-interest

dividends are included, however, in determining the portion, if any, of a person's social security and railroad retirement benefits subject to Federal income taxes. Persons who may be "substantial users" (or "related persons" of substantial users) of facilities financed by industrial development bonds or private activity bonds held by the Tax-Exempt Fund should consult their tax advisers before purchasing Fund shares. The Fund will inform shareholders annually as to the portion of the Tax-Exempt Fund's distributions which constitutes exempt-interest dividends. Interest on indebtedness incurred or continued to purchase or carry shares of the Tax-Exempt Fund is not deductible for Federal income tax purposes to the extent attributable to exempt-interest dividends.

A-11

45

To the extent that the Tax-Exempt Fund's distributions are derived from interest on its taxable investments or from an excess of net short-term capital gains over net long-term capital losses ("ordinary income dividends"), such distributions are considered ordinary income for Federal income tax purposes. Distributions, if any, of net long-term capital gains from the sale of securities ("capital gain dividends") are taxable at long-term capital gains rates for Federal income tax purposes, regardless of the length of time the shareholder has owned Fund shares. Under the Revenue Reconciliation Act of 1993, all or a portion of the Tax-Exempt Fund's gain from the sale or redemption of tax-exempt obligations purchased at a market discount will be treated as ordinary income rather than capital gain. This rule may increase the amount of ordinary income dividends received by shareholders. Any loss upon the sale or exchange of shares held for six months or less will be disallowed to the extent of any exempt-interest dividends received by the shareholder.

The Code subjects interest received on certain otherwise tax-exempt securities to an alternative minimum tax. The alternative minimum tax applies to interest received on "private activity bonds" issued after August 7, 1986. Private activity bonds are bonds which, although tax-exempt, are used for purposes other than those generally performed by governmental units and which benefit non-governmental entities (e.g., bonds used for industrial development or housing purposes). Income received on such bonds is classified as an item of "tax preference", which could subject investors in such bonds, including shareholders of the Tax-Exempt Fund, to an alternative minimum tax. The Tax-Exempt Fund will purchase such "private activity bonds" and will report to shareholders within 60 days after its taxable year-end the portion of its dividends declared during the year which constitutes an item of tax preference for alternative minimum tax purposes. The Code further provides that corporations are subject to an alternative minimum tax based, in part, on certain differences between taxable income as adjusted for other tax preferences and the corporation's "adjusted current earnings", which more closely reflect a corporation's economic income. Because an exempt-interest dividend paid by the Tax-Exempt Fund will be included in adjusted current earnings, a corporate shareholder may be required to pay alternative minimum tax on exempt-interest dividends paid by the Tax-Exempt Fund.

The Revenue Reconciliation Act of 1993 added new marginal tax brackets of 36% and 39.6% for individuals and created a graduated structure of 26% and 28% for the alternative minimum tax applicable to individual taxpayers. These rate increases may affect an individual investor's after-tax return from an investment in the Tax-Exempt Fund as compared with such investor's return from taxable investments.

The Code provides that every shareholder required to file a tax return must include for information purposes on such return the amount of exempt-interest dividends received from all sources (including the Tax-Exempt Fund) during the taxable year.

GENERAL

If the Money Market Fund, the Government Fund, the Treasury Fund or the Tax-Exempt 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 such Fund and received by its shareholders on December 31 of the year in which such dividend was declared. Distributions by the Funds will not be eligible for the dividends received deduction allowed to corporations under the Code. Distributions in excess of a 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).

A-12

Ordinary income dividends paid by a 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 a 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 taxpayers may be subject to a 31% withholding tax on certain ordinary income dividends and on 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 a Fund or who, to such 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.

A loss realized on a sale or exchange of shares of any of the Funds will be disallowed if shares of the Fund 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 U.S. Government obligations. State law varies as to whether and what percentage of dividend income attributable to U.S. 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 any of the Funds.

ADDITIONAL INFORMATION

ORGANIZATION OF THE FUNDS

The Money Market Fund, the Government Fund and the Tax-Exempt Fund are unincorporated business trusts organized on June 5, 1989 under the laws of Massachusetts. The Money Market Fund is the successor to a Massachusetts business trust organized on September 19, 1977, the Government Fund is the successor to a Massachusetts business trust organized on August 3, 1981 and the Tax-Exempt Fund is the successor to a Massachusetts business trust organized on January 15, 1981. The Treasury Fund is an unincorporated business trust organized on October 24, 1990 under the laws of Massachusetts. Each Fund is a no-load, diversified, open-end investment company. The Declaration of Trust of each Fund permits the Trustees to issue an unlimited number of full and fractional shares of a single class. Upon liquidation of any of the Funds, shareholders of that Fund are entitled to share pro rata in the net assets of the Fund available for distribution

A-13

to shareholders. Shares are fully paid and nonassessable by the Funds. Shareholders are entitled to one vote for each full share held and fractional votes for fractional shares held and to vote in the election of Trustees and on other matters submitted to the vote of shareholders.

The Declarations of Trust do not require that the Funds hold annual meetings of shareholders. However, each Fund will be required to call special meetings of shareholders in accordance with the requirements of the Investment Company Act to seek approval of new management and advisory arrangements, of a

material increase in distribution fees or of a change in the fundamental policies, objectives or restrictions of such Fund. Each Fund also would be required to hold a special shareholders' meeting to elect new Trustees at such time as less than a majority of the Trustees holding office have been elected by shareholders. Each Declaration of Trust provides that a shareholders' meeting may be called for any reason at the request of 10% of the outstanding shares of the related Fund or by a majority of the Trustees. Except as set forth above, the Trustees shall continue to hold office and appoint successor Trustees.

The Declarations of Trust establishing the Funds refer to the Trustees under the Declarations of Trust collectively as Trustees, but not as individuals or personally; and no Trustee, shareholder, officer, employee or agent of any of the Funds shall be held to any personal liability, nor shall resort be had to their private property for the satisfaction of any obligation or claim of any Fund but the Trust Property only shall be liable. Copies of the Declarations of Trust, together with all amendments thereto, are on file in the office of the Secretary of the Commonwealth of Massachusetts.

SHAREHOLDER INQUIRIES

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

REPORTS TO SHAREHOLDERS

The fiscal year of each Fund ends on the last day of March of each year. Each Fund will send to its shareholders at least semi-annually reports showing its portfolio securities and other information. An annual report containing financial statements audited by independent auditors is sent to shareholders each year.

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:

Merrill Lynch Financial Data Services, Inc.

P.O. Box 45290

Jacksonville, FL 32232-5290

The written notification should include the shareholder's name, address, tax identification number and Merrill Lynch and/or mutual fund account numbers. If you have any questions regarding this please call your Merrill Lynch Financial Consultant or Merrill Lynch Financial Data Services, Inc. at (800) 221-7210.

A-14

48

Investment Adviser

Fund Asset Management

Administrative Offices:
800 Scudders Mill Road
Plainsboro, New Jersey
Mailing Address:

P.O. Box 9011

Princeton, New Jersey 08543-9011

Distributor
Merrill Lynch, Pierce, Fenner & Smith Incorporated
World Financial Center
North Tower
250 Vesey Street
New York, New York 10281

Custodian
State Street Bank and Trust Company
P.O. Box 1713
Boston, Massachusetts 02101

Transfer Agent

Administrative Offices:

4800 Deer Lake Drive East

Jacksonville, Florida 32246-6484

Mailing Address:

P.O. Box 45290

Jacksonville, Florida 32232-5290

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

49

No person has been authorized to give any information or to make any representations, other than those contained in these Prospectuses, in connection with the offers contained therein, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Funds, the Investment Adviser or Merrill Lynch, Pierce, Fenner & Smith Incorporated. These Prospectuses do not constitute an offering in any state in which such offering may not lawfully be made.

Code #10117-0795

CMA MONEY FUND
CMA GOVERNMENT
SECURITIES FUND
CMA TAX-EXEMPT
FUND
CMA TREASURY FUND

PROSPECTUSES

The enclosed prospectuses describe four fully managed money market funds. Shares of the Funds are offered to participants in the Cash Management Account (R) ("CMA(R) account") program of Merrill Lynch, Pierce, Fenner & Smith Incorporated and to investors maintaining accounts directly with the Transfer Agent.

Investors should be aware that the Cash Management Account service is not a bank account and that a shareholder's investment in the Funds is not insured by any governmental agency. As with any investment in securities, the value of a shareholder's investment in the Funds may fluctuate.

Principal Office of the Funds
800 Scudders Mill Road
Plainsboro, New Jersey 08536

July 28, 1995

(LOGO) Za

50

STATEMENT OF ADDITIONAL INFORMATION

CMA MONEY FUND
CMA GOVERNMENT SECURITIES FUND
CMA TAX-EXEMPT FUND
CMA TREASURY FUND

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

CMA Money Fund (the "Money Market Fund"), CMA Government Securities Fund

(the "Government Fund"), CMA Tax-Exempt Fund (the "Tax-Exempt Fund") and CMA Treasury Fund (the "Treasury Fund") are no-load money market funds whose shares are offered to participants in the Cash Management Account (R) ("CMA (R) account") financial service program of Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") to provide a medium for the investment of free credit balances held in CMA accounts. A CMA account is a conventional Merrill Lynch cash securities account or margin securities account ("Securities Account") which is linked to the Money Market Fund, the Government Fund, the Tax-Exempt Fund and the Treasury Fund (collectively, the "Funds"), money market deposit accounts maintained with depository institutions and to a Visa (R) card/check account ("Visa (R) Account"). In addition, investors may have their free credit balances invested in certain series of CMA Multi-State Municipal Series Trust, each of which is designed to provide income that is exempt from taxation in a particular state (the "CMA State Funds"). Merrill Lynch markets its margin account under the name Investor CreditLineSM service.

A customer of Merrill Lynch may subscribe to the CMA program with a minimum of \$20,000 in securities or cash. Subject to the conditions described in the Prospectuses referred to below, free credit balances in the Securities Account of CMA participants will be invested periodically in shares of one of the four Funds. This permits the subscriber to earn a return on such funds pending further investment in other aspects of the CMA program or utilization through the Visa (R) Account.

Merrill Lynch charges an annual program participation fee, presently \$100 for individuals, for the CMA service (an additional \$25 annual program fee is charged for participation in the CMA Visa (R) Gold Program described in the CMA Program Description). Merrill Lynch reserves the right to change the fee for the CMA service or the CMA Visa (R) Gold Program at any time. The shares of each Fund also may be purchased without the imposition of the annual program participation fee by investors maintaining accounts directly with the Transfer Agent who do not subscribe to the CMA program. The minimum initial purchase for non-CMA subscribers is \$5,000 and subsequent purchases must be \$1,000 or more. Such investors will not receive any of the additional services available to CMA program subscribers, such as a Visa card/check account or the automatic investment of free credit balances.

TABLE OF CONTENTS

<TABLE>
<CAPTION>

	PAGE

<S>	<C>
Investment Objectives and Policies.....	2
Money Market Fund.....	2
Government Fund.....	5
Tax-Exempt Fund.....	5
Treasury Fund.....	8
Management of the Funds.....	9
Purchase and Redemption of Shares.....	13
Portfolio Transactions.....	15
Determination of Net Asset Value.....	17
Yield Information.....	18
Taxes.....	19
<CAPTION>	
	PAGE

<S>	<C>
General Information.....	22
Appendix.....	25
Description of Commercial Paper, Bank Money Market Instruments and Corporate Bond Ratings.....	25
Financial Statements	
Money Market Fund.....	29
Government Fund.....	41
Tax-Exempt Fund.....	49
Treasury Fund.....	67

</TABLE>

This Statement of Additional Information of the Funds is not a prospectus and should be read in conjunction with the Prospectuses of the Funds dated July 28, 1995 (the "Prospectuses"), which have been filed with the Securities and Exchange Commission and can be obtained, without charge, by calling or writing to the Funds at the above telephone number or address. This Statement of Additional Information has been incorporated by reference into the Prospectuses.

INVESTMENT OBJECTIVES AND POLICIES

MONEY MARKET FUND

The Money Market Fund is a no-load money market fund. Reference is made to "Investment Objectives and Policies" in the Prospectus of the Money Market Fund for a discussion of the investment objectives and policies of such Fund.

As discussed in its Prospectus, the Money Market Fund may invest in money market securities pursuant to repurchase agreements. Repurchase agreements may be entered into only with a member bank of the Federal Reserve System or a primary dealer in U.S. Government securities or an affiliate thereof. Under such agreements, the bank or primary dealer or an affiliate thereof agrees, upon entering into the contract, to repurchase the security at a mutually agreed upon time and price, thereby determining the yield during the term of the agreement. This results in a fixed rate of return insulated from market fluctuations during such period. Such agreements usually cover short periods, such as under a week. The Money Market Fund will require the seller to provide additional collateral if the market value of the securities falls below the repurchase price at any time during the term of the repurchase agreement. In the event of a default by the seller, the Money Market Fund ordinarily will retain ownership of the securities underlying the repurchase agreement, and instead of a contractually fixed rate of return, the rate of return to the Money Market Fund shall be dependent upon intervening fluctuations of the market value of such securities and the accrued interest on the securities. In such event, the Money Market Fund would have rights against the seller for breach of contract with respect to any losses arising from market fluctuations following the failure of the seller to perform. In certain circumstances, repurchase agreements may be construed to be collateralized loans by the purchaser to the seller secured by the securities transferred to the purchaser. In the event of default by the seller under a repurchase agreement construed to be a collateralized loan, the underlying securities are not owned by the Money Market Fund but only constitute collateral for the seller's obligation to pay the repurchase price. Therefore, the Money Market Fund may suffer time delays and incur costs or possible losses in connection with the disposition of the collateral. From time to time, the Money Market Fund also may invest in money market securities pursuant to purchase and sale contracts. While purchase and sale contracts are similar to repurchase agreements, purchase and sale contracts are structured so as to be in substance more like a purchase and sale of the underlying security than is the case with repurchase agreements.

Also, as discussed in the Prospectus, the Money Market Fund may invest in obligations issued by commercial and savings banks and savings and loan associations. The obligations of commercial banks may be issued by U.S. banks, foreign branches or subsidiaries of U.S. banks ("Eurodollar" obligations) or U.S. branches or subsidiaries of foreign banks ("Yankee dollar" obligations). In addition, the Money Market Fund may also invest in other U.S. dollar-denominated obligations of foreign depository institutions and their subsidiaries. Eurodollar and Yankee dollar obligations must be general obligations of the parent bank. The obligations of other foreign depository institutions and their subsidiaries may be the general obligations of the parent bank or may be limited to the issuing branch or subsidiary by the terms of the specific obligation or by government regulation. The Money Market Fund may also invest in U.S. dollar-denominated commercial paper and other short-term obligations issued by foreign entities. Such investments are subject to quality standards similar to those applicable to investments in comparable obligations of domestic issuers.

Eurodollar and Yankee dollar obligations, as well as other obligations of foreign depository institutions and short-term obligations issued by other foreign entities, may involve additional investment risks, including adverse political and economic developments, the possible imposition of withholding taxes on interest income

payable on such obligations, the possible seizure or nationalization of foreign deposits and the possible establishment of exchange controls or other foreign governmental laws or restrictions which might adversely affect the repayment of principal and the payment of interest. The issuers of such obligations may not be subject to U.S. regulatory requirements. Foreign branches or subsidiaries of U.S. banks may be subject to less stringent reserve requirements than U.S.

banks. U.S. branches or subsidiaries of foreign banks are subject to the reserve requirements of the state in which they are located. There may be less publicly available information about a U.S. branch or subsidiary of a foreign bank or other issuer than about a U.S. bank or other issuer, and such entities may not be subject to the same accounting, auditing and financial record keeping standards and requirements as U.S. issuers. Evidence of ownership of Eurodollar and foreign obligations may be held outside of the United States and the Money Market Fund may be subject to the risks associated with the holding of such property overseas. Eurodollar and foreign obligations of the Money Market Fund held overseas will be held by foreign branches of the Money Market Fund's custodian or by other U.S. or foreign banks under subcustodian arrangements complying with the requirements of the Investment Company Act of 1940, as amended (the "Investment Company Act").

The investment adviser of the Money Market Fund, Fund Asset Management (the "Investment Adviser"), will carefully consider the above factors in making investments in Eurodollar obligations and Yankee dollar obligations of foreign depository institutions and other foreign short-term obligations, and will not knowingly purchase obligations which, at the time of purchase, are subject to exchange controls or withholding taxes. Generally, the Money Market Fund will limit its Yankee dollar investments to obligations of banks organized in Canada, France, Germany, Japan, the Netherlands, Switzerland, the United Kingdom and other western industrialized nations.

The Money Market Fund may enter into reverse repurchase agreements, as discussed in its Prospectus. The Money Market Fund will use the proceeds of reverse repurchase agreements to purchase other money market securities either maturing, or under an agreement to resell, at a date simultaneous with or prior to the expiration of the reverse repurchase agreements. The Money Market Fund will utilize reverse repurchase agreements when the interest income to be earned from the investment of the proceeds of the transaction is greater than the interest expense of the reverse repurchase transaction.

The Money Market Fund's investments in short-term corporate, partnership and trust debt and bank money instruments will be rated, or will be issued by issuers who have been rated, in one of the two highest rating categories for short-term debt obligations by a nationally recognized statistical rating organization (an "NRSRO") or, if not rated, will be of comparable quality as determined by the Trustees of the Money Market Fund. The Money Market Fund's investments in corporate, partnership and trust bonds and debentures (which must have maturities at the date of purchase of 397 days (13 months) or less) will be in issuers who have received from the requisite NRSROs a rating with respect to a class of short-term debt obligations that is comparable in priority and security with the investment in one of the two highest rating categories for short-term obligations or if not rated, will be of comparable quality as determined by the Trustees of the Money Market Fund. Currently, there are six NRSROs: Duff and Phelps Credit Ratings Co., Fitch Investors Service, Inc., IBCA Limited and its affiliate IBCA, Inc., Moody's Investors Service, Inc., Standard & Poor's Ratings Group and Thomson Bankwatch, Inc. See "Appendix -- Description of Commercial Paper, Bank Money Market Instruments and Corporate Bond Ratings".

As described in its Prospectus, the Money Market Fund may invest in variable amount master demand notes. These are demand obligations that permit the investment of fluctuating amounts at varying market

3

53

rates of interest pursuant to arrangements between the issuer and a commercial bank acting as agent for the payees of such notes whereby both parties have the right to vary the amount of the outstanding indebtedness at any time.

In addition to the investment restrictions set forth in its Prospectus, the Money Market 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 Money Market Fund's outstanding voting securities (which for this purpose means the lesser of (i) 67% of the shares represented at a meeting at which more than 50% of the outstanding shares are represented or (ii) more than 50% of the outstanding shares). The Money Market Fund may not: (1) make investments for the purpose of exercising control or management; (2) underwrite securities issued by other persons; (3) purchase securities of other investment companies, except in connection with a merger, consolidation, acquisition or reorganization; (4) purchase or sell real estate (other than money market securities secured by real estate or interests therein or money market securities issued by companies which invest in real estate or interests therein), commodities or commodity contracts, interests in oil, gas or other mineral exploration or development programs; (5) purchase any securities on

margin, except for use of short-term credit necessary for clearance of purchases and sales of portfolio securities; (6) make short sales of securities or maintain a short position or write, purchase or sell puts, calls, straddles, spreads or combinations thereof; (7) make loans to other persons, provided that the Money Market Fund may purchase money market securities or enter into repurchase agreements and lend securities owned or held by it pursuant to (8) below; (8) lend its portfolio securities in excess of 33 1/3% of its total assets, taken at market value, provided that such loans are made according to the guidelines set forth below; (9) borrow amounts in excess of 20% of its total assets, taken at market value (including the amount borrowed), and then only from banks as a temporary measure for extraordinary or emergency purposes (The borrowing provisions shall not apply to reverse repurchase agreements.) [Usually only "leverage" investment companies may borrow in excess of 5% of their assets; however, the Money Market Fund will not borrow to increase income but only to meet redemption requests which might otherwise require untimely dispositions of portfolio securities. The Money Market Fund will not purchase securities while borrowings are outstanding. Interest paid on such borrowings will reduce net income.]; (10) mortgage, pledge, hypothecate or in any manner transfer (except as provided in (8) above) as security for indebtedness any securities owned or held by the Money Market Fund except as may be necessary in connection with borrowings referred to in investment restriction (9) above, and then such mortgaging, pledging or hypothecating may not exceed 10% of the Money Market Fund's net assets, taken at market value; (11) invest in securities with legal or contractual restrictions on resale (except for repurchase agreements) or for which no readily available market exists if, regarding all such securities, more than 10% of its net assets (taken at market value) would be invested in such securities; (12) invest in securities of issuers (other than issuers of U.S. Government agency securities) 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; (13) enter into reverse repurchase agreements if, as a result thereof, the Money Market Fund's obligations with respect to reverse repurchase agreements would exceed one-third of its net assets (defined to be total assets, taken at market value, less liabilities other than reverse repurchase arrangements); and (14) purchase or retain the securities of any issuer, if those individual officers and Trustees of the Money Market Fund, the Investment Adviser 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 the issuer.

4

54

Lending of Portfolio Securities. Subject to investment restriction (8) above, the Money Market 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 U.S. 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, the income from which will increase the return to the Money Market Fund. Such loans will be terminable at any time. The Money Market Fund will have the right to regain record ownership of loaned securities to exercise beneficial rights. The Money Market Fund may pay reasonable fees in connection with the arranging of such loans.

GOVERNMENT FUND

The Government Fund is a no-load money market fund. Reference is made to "Investment Objectives and Policies" in the Prospectus of the Government Fund for a discussion of the investment objectives and policies of such Fund.

As discussed in its Prospectus, the Government Fund may invest in U.S. Government securities pursuant to repurchase agreements. Reference is made to "Investment Objectives and Policies--Money Market Fund" herein for a discussion of such repurchase agreements.

In addition to the investment restrictions set forth in its Prospectus, the Government 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 Government Fund's outstanding voting securities (which for this purpose means the lesser of (i) 67% of the shares represented at a meeting at which more than 50% of the outstanding shares are represented or (ii) more than 50% of the outstanding shares). The Government Fund may not: (1) act as an underwriter of securities issued by other persons; (2) purchase any securities on margin, except for use of short-term credit necessary for clearance of purchases and sales of portfolio securities; (3) make short sales of securities or maintain a short position or write, purchase or sell puts, calls, straddles, spreads or combinations thereof; (4) make loans to other persons, provided that the Government Fund may purchase short-term marketable securities which are direct obligations of the U.S. Government or enter into repurchase agreements pertaining thereto; (5) borrow amounts in excess of 20% of its total assets, taken at market value (including the amount borrowed), and then only from banks

as a temporary measure for extraordinary or emergency purposes. [Usually only "leveraged" investment companies may borrow in excess of 5% of their assets; however, the Government Fund will not borrow to increase income but only to meet redemption requests which might otherwise require untimely dispositions of portfolio securities. The Government Fund will not purchase securities while borrowings are outstanding. Interest paid on such borrowings will reduce net income.]; and (6) mortgage, pledge, hypothecate or in any manner transfer as security for indebtedness any securities owned or held by the Government Fund except as may be necessary in connection with borrowings mentioned in (5) above, and then such mortgaging, pledging or hypothecating may not exceed 10% of the Government Fund's net assets, taken at market value.

TAX-EXEMPT FUND

The Tax-Exempt Fund is a no-load tax-exempt money market fund. Reference is made to "Investment Objectives and Policies" in the Prospectus of the Tax-Exempt Fund for a discussion of the investment objectives and policies of such Fund.

5

55

As discussed in its Prospectus, the Tax-Exempt Fund may invest in variable rate demand notes ("VRDNs"). VRDNs are tax-exempt obligations which utilize a floating or variable interest rate adjustment formula and provide an unconditional right of demand to receive payment of the unpaid principal balance plus accrued interest on a short notice period. The interest rates are adjustable at periodic intervals to some prevailing market rate for similar investments, such adjustment formula being calculated to maintain the market value of the VRDN at approximately the par value of the VRDN on the adjustment date. The adjustments are frequently based upon the prime rate of a bank or some other appropriate interest rate adjustment index.

The Tax-Exempt Fund may also invest in VRDNs in the form of participation interests ("Participating VRDNs") in variable rate tax-exempt obligations held by a financial institution, typically commercial banks ("institutions"). Participating VRDNs provide the Tax-Exempt Fund with a specified undivided interest (up to 100%) of the underlying obligation and the right to demand payment of the unpaid principal balance plus accrued interest on the Participating VRDNs from the institution upon a specified number of days' notice, presently not to exceed 30 days. In addition, each Participating VRDN is backed by an irrevocable letter of credit or similar commitment of the institution. The Tax-Exempt Fund has an undivided interest in the underlying obligation and thus participates on the same basis as the institution in such obligation except that the institution typically retains fees out of the interest paid on the obligation for servicing the obligation, providing the letter of credit or issuing the repurchase commitment.

The Tax-Exempt Fund has been advised by its counsel that the interest received on Participating VRDNs will be treated as interest from tax-exempt obligations as long as the Tax-Exempt Fund does not invest more than a limited amount (not more than 20%) of its total assets in such investments and certain other conditions are met. It is contemplated that the Tax-Exempt Fund will not invest more than a limited amount of its total assets in Participating VRDNs.

The Tax-Exempt Fund can be expected to offer a lower yield than longer-term municipal bond funds since Tax-Exempt Securities with longer maturities tend to produce higher yields. Interest rates in the short-term Tax-Exempt Securities market also may fluctuate more widely from time to time than interest rates in the long-term municipal bond market. However, because of the shorter maturities, the market value of the Tax-Exempt Securities held by the Tax-Exempt Fund can be expected to fluctuate less in value as a result of changes in interest rates. Because of the interest rate adjustment formula on VRDNs (including Participating VRDNs), the VRDNs are not comparable to fixed rate securities. The Tax-Exempt Fund's yield on VRDNs will decline and its shareholders will forego the opportunity for capital appreciation during periods when prevailing interest rates have declined. On the other hand, during periods when prevailing interest rates have increased, the Tax-Exempt Fund's yield on VRDNs will increase and its shareholders will have a reduced risk of capital depreciation.

The Tax-Exempt Fund's portfolio of investments in municipal notes and short-term tax-exempt commercial paper will be limited to those obligations which (i) are secured by a pledge of the full faith and credit of the United States or (ii) are rated, or issued by issuers who have been rated, in one of the two highest rating categories for short-term municipal debt obligations by an NRSRO or, if not rated, will be of comparable quality as determined by the Trustees of the Tax-Exempt Fund. The Tax-Exempt Fund's investments in municipal bonds (which must have maturities at the date of purchase of 397 days (13 months) or less) will be in issuers who have received from the requisite NRSROs a rating, with respect to a class of short-term debt obligations that is comparable in priority and security with the investment, in one of the two

highest rating categories for short-term obligations or, if not rated, will be of comparable quality as determined by the Trustees of the Tax-Exempt Fund. Currently, there are three NRSROs which rate municipal obligations: Fitch Investors Service, Inc., Moody's Investors Service, Inc. and Standard & Poor's Ratings Group. Certain tax-exempt obligations (primarily VRDNs and Participating VRDNs) may be entitled to the benefit of standby letters of credit or similar commitments issued by financial institutions and, in such instances, the Board of Trustees and the Investment Adviser will take into account the obligation of the financial institution in assessing the quality of such instrument. The Tax-Exempt Fund may also purchase other types of tax-exempt instruments if, in the opinion of the Trustees, such obligations are equivalent to securities having the ratings described above. For a description of Tax-Exempt Securities and such ratings, see "Information Concerning Tax-Exempt Securities" in the Appendix.

Purchase or Sale of Tax-Exempt Securities on a Delayed Delivery Basis or on a When-Issued Basis. Tax-Exempt Securities may at times be purchased or sold on a delayed delivery basis or on a when-issued basis. These transactions arise when securities are purchased or sold by the Tax-Exempt Fund with payment and delivery taking place in the future, often a month or more after the purchase. The payment obligation and the interest rate are each fixed at the time the buyer enters into the commitment. The Tax-Exempt Fund will only make commitments to purchase such securities with the intention of actually acquiring the securities, but the Fund may sell these securities prior to settlement date if it is deemed advisable. No new when-issued commitments will be made if more than 40% of the Tax-Exempt Fund's net assets would become so committed. Purchasing Tax-Exempt Securities on a when-issued basis involves the risk that the yields available in the market when the delivery takes place may actually be higher than those obtained in the transaction itself; if yields so increase, the value of the when-issued obligation will generally decrease. The Tax-Exempt Fund will maintain a separate account at its custodian consisting of cash or liquid Tax-Exempt Securities (valued on a daily basis) equal at all times to the amount of the when-issued commitment.

Purchase of Securities with Fixed Price "Puts". The Tax-Exempt Fund has authority to purchase fixed rate Tax-Exempt Securities and, for a price, simultaneously acquire the right to sell such securities back to the seller at an agreed upon price at any time during a stated period or on a certain date. Such a right is generally denoted as a fixed price put. Puts with respect to fixed rate instruments are to be distinguished from the demand or repurchase features of VRDNs and Participating VRDNs which enable the Tax-Exempt Fund to dispose of the security at a time when the market value of the security approximates its par value. The Tax-Exempt Fund does not currently intend to enter into fixed price put transactions but reserves the right to do so in the future. No such transactions will be entered into unless such transactions are permissible under applicable rules under the Investment Company Act and the Trustees of the Tax-Exempt Fund have approved the proposed terms of such transactions.

In addition to the investment restrictions set forth in its Prospectus, the Tax-Exempt 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 Tax-Exempt Fund's outstanding shares (for this purpose a majority of the shares means the lesser of (i) 67% of the shares represented at a meeting at which more than 50% of the outstanding shares are represented or (ii) more than 50% of the outstanding shares). The Tax-Exempt 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; (3) purchase or sell real estate (provided that such restriction shall not apply to Tax-Exempt Securities secured by real estate or interests

therein or issued by companies which invest in real estate or interests therein), commodities or commodity contracts, interests in oil, gas or other mineral exploration or development programs; (4) purchase any securities on margin, except for use of short-term credit necessary for clearance of purchases and sales of portfolio securities; (5) make short sales of securities or maintain a short position or invest in put, call, straddle, or spread options or combinations thereof; provided, however, that the Tax-Exempt Fund shall have the authority to purchase Tax-Exempt Securities subject to put options as set forth under "Investment Objectives and Policies" and "Appendix-Information Concerning

Tax-Exempt Securities"; (6) make loans to other persons, provided that the Tax-Exempt Fund may purchase a portion of an issue of Tax-Exempt Securities (the acquisition of a portion of an issue of Tax-Exempt Securities or bonds, debentures or other debt securities which are not publicly distributed is considered to be the making of a loan under the Investment Company Act); (7) borrow amounts in excess of 20% of its total assets taken at market value (including the amount borrowed), and then only from banks as a temporary measure for extraordinary or emergency purposes. [Usually only "leveraged" investment companies may borrow in excess of 5% of their assets; however, the Tax-Exempt Fund will not borrow to increase income but only to meet redemption requests which might otherwise require untimely dispositions of portfolio securities. The Tax-Exempt Fund will not purchase securities while borrowings are outstanding. Interest paid on such borrowings will reduce net income.]; (8) mortgage, pledge, hypothecate or in any manner transfer as security for indebtedness any securities owned or held by the Tax-Exempt Fund except as may be necessary in connection with borrowings mentioned in (7) above, and then such mortgaging, pledging or hypothecating may not exceed 10% of its total assets, taken at value; (9) invest in securities with legal or contractual restrictions on resale or for which no readily available market exists if, regarding all such securities, more than 10% of its net assets (taken at value), would be invested in such securities; and (10) act as an underwriter of securities, except to the extent that the Tax-Exempt Fund may technically be deemed an underwriter when engaged in the activities described in (6) above or insofar as the Tax-Exempt Fund may be deemed an underwriter under the Securities Act of 1933 in selling portfolio securities.

TREASURY FUND

The Treasury Fund is a no-load money market fund. Reference is made to "Investment Objectives and Policies" in the Prospectus of the Treasury Fund for a discussion of the investment objectives and policies of the Treasury Fund.

The Treasury 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 Treasury Fund's outstanding voting securities (which for this purpose means the lesser of (i) 67% of the shares represented at a meeting at which more than 50% of the outstanding shares are represented or (ii) more than 50% of the outstanding shares). The Treasury Fund may not: (1) purchase any securities other than direct obligations of the U.S. Treasury having maturities of no more than 762 days (25 months), (2) act as an underwriter of securities issued by other persons; (3) purchase any securities on margin, except for use of short-term credit necessary for clearance of purchases and sales of portfolio securities; (4) make short sales of securities or maintain a short position or write, purchase or sell puts, calls, straddles, spreads or combinations thereof; (5) make loans to other persons, provided that the Treasury Fund may purchase short-term marketable securities which are direct obligations of the U.S. Treasury; (6) borrow amounts in excess of 20% of its total assets, taken at market value (including the amount borrowed), and then only from banks as a temporary measure for extraordinary or emergency purposes. [Usually only "leveraged"

8

58

investment companies may borrow in excess of 5% of their assets; however, the Treasury Fund will not borrow to increase income but only to meet redemption requests which might otherwise require untimely dispositions of portfolio securities. The Treasury Fund will not purchase securities while borrowings are outstanding. Interest paid on such borrowings will reduce net income.]; and (7) mortgage, pledge, hypothecate or in any manner transfer as security for indebtedness any securities owned or held by the Treasury Fund except as may be necessary in connection with borrowings mentioned in (6) above, and then such mortgaging, pledging or hypothecating may not exceed 10% of the Treasury Fund's net assets, taken at market value.

MANAGEMENT OF THE FUNDS

TRUSTEES AND OFFICERS

The Trustees and executive officers of the Funds, their ages and their principal occupations for at least the last five years are set forth below. With the exception of six officers, the persons named below hold the same positions with each of the Funds. Unless otherwise noted, the address of each Trustee and executive officer is P.O. Box 9011, Princeton, New Jersey 08543-9011.

ARTHUR ZEIKEL (63)--President and Trustee (1)(2)--President of the Investment Adviser (which term as used herein includes its corporate predecessors) since 1977; President of Merrill Lynch Asset Management ("MLAM",

which term as used herein includes its corporate predecessors) since 1977; 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 a Senior Vice President thereof from 1985 to 1990; Director of Merrill Lynch Funds Distributor, Inc. ("MLFD").

RONALD W. FORBES (54)--Trustee (2)--1400 Washington Avenue, Albany, New York 12222. Professor of Finance, School of Business, State University of New York at Albany since 1989 and Associate Professor prior thereto; Member, Task Force on Municipal Securities Markets, Twentieth Century Fund.

CYNTHIA A. MONTGOMERY (42)--Trustee (2)--Harvard Business School, Soldiers Field Road, Boston, Massachusetts 02163. Professor, Harvard Business School since 1989; Associate Professor, J.L. Kellogg Graduate School of Management, Northwestern University from 1985 to 1989; Assistant Professor, Graduate School of Business Administration, The University of Michigan from 1979 to 1985; Director, UNUM Corporation.

CHARLES C. REILLY (64)--Trustee (2)--9 Hampton Harbor Road, Hampton Bays, New York 11946. Self-employed financial consultant since 1990; President and Chief Investment Officer of Verus Capital, Inc. from 1979 to 1990; Senior Vice President of Arnhold and S. Bleichroeder, Inc. from 1973 to 1990; Partner, Small Cities CableVision since 1986; Adjunct Professor, Columbia University Graduate School of Business, 1990; Adjunct Professor, Wharton School, The University of Pennsylvania, 1990.

KEVIN A. RYAN (62)--Trustee (2)--127 Commonwealth Avenue, Chestnut Hill, Massachusetts 02167. Founder, current Director and Professor of The Boston University Center for the Advancement of Ethics and Character; Professor of Education at Boston University from 1982 until 1994; formerly taught on the faculties of The University of Chicago, Stanford University and Ohio State University.

RICHARD R. WEST (57)--Trustee (2)--482 Tepi Drive, Southbury, Connecticut 06488. Professor of Finance since 1984, and Dean from 1984 to 1993, New York University Leonard N. Stern School of Business Administration; Professor of Finance at the Amos Tuck School of Business Administration from 1976 to 1984

and Dean from 1976 to 1983; Director, Vornado, Inc. (real estate investment trust), Smith Corona Corporation (manufacturer of typewriters and word processors), Alexander's Inc. (real estate company) and Bowne & Co., Inc. (financial printer).

TERRY K. GLENN (54)--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 of MLFD since 1986 and Director thereof since 1991; President of Princeton Administrators, L.P. (and its corporate predecessor) since 1988.

VINCENT R. GIORDANO (50)--Senior Vice President of the Tax-Exempt Fund (1)(2)--Senior Vice President of the Investment Adviser and MLAM since 1984 and Vice President from 1980 to 1984.

JOSEPH T. MONAGLE, JR. (47)--Senior Vice President of the Money Market Fund, the Government Fund and the Treasury Fund (1)(2)--Senior Vice President of the Investment Adviser and MLAM since 1990; Vice President of MLAM from 1978 to 1990; Senior Vice President of Princeton Services since 1993.

DONALD C. BURKE (35)--Vice President (1)(2)--Vice President and Director of Taxation of the Investment Adviser since 1990; employee of Deloitte & Touche LLP

from 1982 to 1990.

DONALDO S. BENITO (49)--Vice President of the Government Fund (1)--Vice President of MLAM since 1986; Assistant Vice President of MLAM from 1984 to 1986.

PETER J. HAYES (36)--Vice President of the Tax-Exempt Fund (1) (2)--Vice President of MLAM since 1988.

MARIE HEUMILLER (31)--Vice President of the Treasury Fund (1) (2)--Vice President and Portfolio Manager of MLAM since 1991; employed by MLAM since 1985.

KENNETH A. JACOB (44)--Vice President of the Tax-Exempt Fund (1) (2)--Vice President of MLAM since 1984.

KEVIN J. MCKENNA (38)--Vice President of the Money Market Fund, the Government Fund and the Treasury Fund (1) (2)--Vice President of MLAM since 1985.

HELEN MARIE SHEEHAN (35)--Vice President of the Tax-Exempt Fund (1) (2)--Vice President of MLAM since 1991; Assistant Vice President of MLAM from 1989 to 1991; employee of MLAM since 1985.

GERALD M. RICHARD (46)--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; Vice President of MLFD since 1981 and Treasurer since 1984.

ROBERT HARRIS (43)--Secretary (1) (2)--Vice President of MLAM since 1984; Secretary of MLFD since 1982.

- - - - -

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

At June 30, 1995 the Trustees and officers of the Funds as a group (18 persons) owned an aggregate of less than 1% of the outstanding shares of beneficial interest of the Funds. At such date, Mr. Zeikel and the other officers of the Funds owned an aggregate of less than 1% of the outstanding shares of common stock of ML & Co.

COMPENSATION OF TRUSTEES

Pursuant to the terms of its Investment Advisory Agreements (the "Investment Advisory Agreements") with the Funds, the Investment Adviser pays all compensation of officers and employees of the Funds as well as the fees of all Trustees of the Funds who are affiliated persons of ML & Co. or its subsidiaries. Each Fund pays each unaffiliated Trustee an annual fee plus a fee for each meeting attended and pays all Trustees' actual out-of-pocket expenses relating to attendance at meetings. Each Fund also compensates members of its audit and nominating committee, which consists of all of the non-affiliated Trustees. The fees and expenses paid by the Money Market Fund, the Government Fund, the Tax-Exempt Fund and the Treasury Fund for the fiscal year ended March 31, 1995 aggregated \$64,068, \$25,068, \$57,568, and \$37,664, respectively.

The following table sets forth for the fiscal year ended March 31, 1995 compensation paid by the Funds to the non-interested Trustees and for the

calendar year ended December 31, 1994 the aggregate compensation paid by all investment companies advised by MLAM and its affiliate, FAM ("MLAM/FAM-Advised Funds") to the non-interested Trustees:

<TABLE>
<CAPTION>

NAME OF TRUSTEE	COMPENSATION				PENSION	AGGREGATE
	FROM MONEY MARKET FUND	COMPENSATION FROM GOVERNMENT FUND	COMPENSATION FROM TAX-EXEMPT FUND	COMPENSATION FROM TREASURY FUND	OR RETIREMENT BENEFITS ACCRUED AS PART OF FUND EXPENSE	COMPENSATION FROM FUND AND MLAM/FAM-ADVISED FUNDS PAID TO TRUSTEES (1)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Ronald W. Forbes(1).....	\$16,000	\$ 8,500	\$10,000	\$7,000	None	\$154,400
Cynthia A. Montgomery(1).....	\$27,000(2)	\$13,000(2)	\$16,000(2)	\$7,000	None	\$133,817
Charles C. Reilly(1).....	\$16,000	\$ 8,500	\$10,000	\$7,000	None	\$276,900
Kevin A. Ryan(1).....	\$16,000	\$ 8,500	\$10,000	\$7,000	None	\$154,400
Richard R. West(1).....	\$17,000	\$ 9,500	\$11,000	\$8,000	None	\$300,900

(1) In addition to the Fund, the Trustees served on the boards of other MLAM/FAM-Advised Funds as follows: Mr. Forbes (36 funds); Ms. Montgomery (36 funds); Mr. Reilly (53 funds); Mr. Ryan (36 funds); and Mr. West (53 funds).

(2) Reflects a pro-rata annual retainer for a portion of the fiscal year 1995 and the full annual retainer for the fiscal year 1996.

INVESTMENT ADVISORY ARRANGEMENTS

Reference is made to "Management of the Funds--Investment Advisory Arrangements" in the Appendix to the Prospectuses of the Funds for certain information concerning the investment advisory arrangements of the Funds.

Subject to the direction of the Board of Trustees, the Investment Adviser is responsible for the actual management of the Funds' portfolio and constantly reviews the Funds' holdings in light of its own research analysis and that from other relevant sources. The responsibility for making decisions to buy, sell or hold a particular security rests with the Investment Adviser, subject to the review of the Board of Trustees. The Investment Adviser performs certain of the other administrative services and provides all of the office space, facilities, equipment and necessary personnel for portfolio management of the Funds.

Securities held by the Funds may also be held by, or be appropriate investments for, other funds or clients (collectively referred to as "clients") for which the Investment Adviser or MLAM acts as an investment

adviser. Because of 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 security. If purchases or sales of securities for the Funds or other clients arise for consideration at or about the same time, transactions in such securities will be made, insofar as feasible, for the respective clients in a manner deemed equitable to all by the Investment Adviser or MLAM. 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.

The Investment Adviser presently receives a fee from each Fund at the end of each month at the annual rates of 0.50% of the first \$500 million of average daily net assets of the Fund, 0.425% of the average daily net assets in excess of \$500 million but not exceeding \$1 billion, and 0.375% of average daily net assets in excess of \$1 billion. The State of California imposes limitations on the expenses of the Fund. This annual expense limitation applicable to each Fund requires that the Investment Adviser reimburse the Fund in any amount necessary to prevent such operating expenses (excluding interest, taxes, distribution fees, brokerage fees and commissions and extraordinary charges such as litigation costs) of the Fund 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. No fee payment will be made to the Investment Adviser during the year which will cause such expenses to exceed the pro rata expense limitation at the time of such payment.

Money Market Fund. For the fiscal years ended March 31, 1993, 1994 and 1995 the total advisory fees paid by the Money Market Fund to the Investment Adviser aggregated \$103,584,527, \$101,568,034 and \$104,060,839, respectively.

Government Fund. For the fiscal years ended March 31, 1993, 1994 and 1995 the total advisory fees paid by the Government Fund to the Investment Adviser aggregated \$16,323,136, \$14,779,998 and \$12,979,282, respectively.

Tax-Exempt Fund. For the fiscal years ended March 31, 1993, 1994 and 1995 the total advisory fees paid by the Tax-Exempt Fund to the Investment Adviser aggregated \$29,159,137, \$29,468,384 and \$29,119,924, respectively.

Treasury Fund. For the fiscal years ended March 31, 1993, 1994 and 1995 the total advisory fees paid by the Treasury Fund to the Investment Adviser aggregated \$5,629,043, \$5,591,419 and \$5,626,244, respectively.

The Investment Advisory Agreements obligate the Investment Adviser to provide investment advisory services, to furnish administrative services, office space and facilities for management of the affairs of each Fund, to pay all compensation of and furnish office space for officers and employees of the Fund, as well as the fees of all Trustees of the Funds who are affiliated persons of ML & Co. or any of its subsidiaries. Except for certain expenses incurred by Merrill Lynch (see "Purchase and Redemption of Shares"), the Funds pay all other expenses incurred in their operations, including, among other things, taxes, expenses for legal and auditing services, costs of printing proxies, reports, prospectuses and statements of additional information sent to current shareholders (except to the extent paid for by the Distributor), charges of the custodian and 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 Trustees, accounting and pricing costs (including the daily calculation of net asset value), insurance, interest, brokerage

12

62

costs, litigation and other extraordinary or non-recurring expenses, and other expenses properly payable by the Funds. Accounting services are provided by the Investment Adviser and each Fund reimburses the Investment Adviser for its costs in connection with such services provided to that Fund.

For information as to the distribution fee to be paid by each Fund to Merrill Lynch pursuant to the Distribution Agreements, see "Purchase and Redemption of Shares" below.

Duration and Termination. Unless earlier terminated as described below, each Investment Advisory Agreement will continue in effect from year to year if approved annually (a) by the Trustees of the Fund or by a majority of the outstanding voting shares of the Fund and (b) by a majority of the Trustees 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 thereto or by the vote of the shareholders of the Fund.

PURCHASE AND REDEMPTION OF SHARES

Reference is made to "Purchase of Shares" and "Redemption of Shares" in the Appendix to the Prospectuses of the Funds for certain information as to the purchase and redemption of Fund shares.

Each Fund has entered into a distribution agreement (each, a "Distribution Agreement") with Merrill Lynch as the distributor. The Distribution Agreements obligate Merrill Lynch to pay certain expenses in connection with the offering of the shares of the Funds. After the prospectuses, statements of additional information and periodic reports have been prepared, set in type and mailed to shareholders, Merrill Lynch will pay for the printing and distribution of copies thereof used in connection with the offering to investors. Merrill Lynch will also pay 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 Agreements described above.

Each Fund has adopted a Distribution and Shareholder Servicing Plan (each, a "Distribution Plan") in compliance with Rule 12b-1 under the Investment Company Act pursuant to which Merrill Lynch receives a distribution fee under the Distribution Agreement from each Fund at the end of each month at the annual rate of 0.125% of average daily net assets of such Fund attributable to subscribers to the CMA program and to investors maintaining securities accounts with Merrill Lynch or maintaining accounts directly with the Transfer Agent who are not subscribers to such program, except that the value of Fund shares in accounts maintained directly with the Transfer Agent which are not serviced by Merrill Lynch Financial Consultants will be excluded. The Distribution Plans reimburse Merrill Lynch only for actual expenses incurred in the fiscal year in which the fees are paid. The distribution fees are principally to provide compensation to Merrill Lynch Financial Consultants and other Merrill Lynch personnel for selling shares of each Fund and for providing direct personal services to shareholders of the Funds. The distribution fee is not compensation for the administrative and operational services rendered to shareholders by Merrill Lynch which are covered by Investment Advisory Agreements (see "Management of the Funds--Investment Advisory Arrangements") between each Fund and the Investment Adviser.

The Trustees believe that each Fund's expenditures under its Distribution Plan benefit such Fund and its shareholders by providing better shareholder services and by facilitating the sale and distribution of Fund shares. For the years ended March 31, 1993, 1994 and 1995, the Money Market Fund paid \$33,934,955,

13

63

\$33,387,092 and \$34,206,694, respectively, to Merrill Lynch pursuant to its Distribution Plan. For the years ended March 31, 1993, 1994 and 1995, the Government Fund paid \$5,101,796, \$4,610,312 and \$4,013,060, respectively, to Merrill Lynch pursuant to its Distribution Plan. For the years ended March 31, 1993, 1994 and 1995, the Tax-Exempt Fund paid \$9,361,603, \$9,483,835 and \$9,357,280, respectively, to Merrill Lynch pursuant to its Distribution Plan. For the years ended March 31, 1993, 1994 and 1995, the Treasury Fund paid \$1,576,608, \$1,561,956 and \$1,575,699, respectively, to Merrill Lynch pursuant to the Distribution Plan. All of the amounts expended under the Distribution Plans for the years ended March 31, 1993, 1994 and 1995 were allocated to Merrill Lynch Financial Consultants, other Merrill Lynch personnel and related administrative costs.

Among other things, each Distribution Plan provides that Merrill Lynch shall provide and the Trustees of each Fund shall review quarterly reports of the distribution expenses made by Merrill Lynch pursuant to the Distribution Plan. In their consideration of each Distribution Plan, the Trustees must consider all factors they deem relevant, including information as to the benefits of the Distribution Plan to the related Fund and its shareholders. Each Distribution Plan further provides that, so long as the Distribution Plan remains in effect, the selection and nomination of Trustees of the Fund who are not "interested persons" of the Fund as defined in the Investment Company Act ("Independent Trustees") shall be committed to the discretion of the Independent Trustees then in office. Each Distribution Plan can be terminated at any time, without penalty, by the vote of a majority of the Independent Trustees or by the vote of the holders of a majority of the outstanding voting securities of each Fund. Finally, the Distribution Plans cannot be amended to increase materially the amount to be spent by the Fund thereunder without shareholder approval, and all material amendments are required to be approved by vote of the Trustees of the Fund, including a majority of the Independent Trustees, cast in person at a meeting called for that purpose.

The right to receive payment with respect to any redemption of Fund shares may be suspended by each Fund for a period of up to seven days. Suspensions of more than seven days may not be made except (1) for any period (A) during which the New York Stock Exchange is closed other than customary weekend and holiday closings or (B) during which trading on the New York Stock Exchange is restricted; (2) for any period during which an emergency exists as a result of which (a) disposal by the Fund of securities owned by it is not reasonably practicable or (b) it is not reasonably practicable for the Fund fairly to determine the value of its net assets; or (3) for such other periods as the Securities and Exchange Commission may by order permit for the protection of securityholders of the Fund. The Commission shall by rules and regulations determine the conditions under which (i) trading shall be deemed to be restricted and (ii) an emergency shall be deemed to exist within the meaning of

clause (2) above.

Merrill Lynch has offered the CMA program since September, 1977. While no significant problems have occurred to date, no predictions can be made as to the rate of purchases and redemptions of shares which will result from the automatic features of the CMA program. The portfolio securities of the Funds are highly liquid and the Funds have the right to borrow up to 20% of their total assets on a temporary basis to meet unexpected redemptions. Nevertheless, an erratic redemption pattern could force the Investment Adviser to invest in securities or maintain an average portfolio maturity which might lessen the yield that would otherwise be available to the Funds.

14

64

PORTFOLIO TRANSACTIONS

The Funds have no obligations to deal with any dealer or group of dealers in the execution of transactions in portfolio securities. Subject to policy established by the Trustees and officers of each Fund, the Investment Adviser is primarily responsible for the Fund's portfolio decisions and the placing of the Fund's portfolio transactions. In placing orders, it is the policy of the Funds to obtain the best net results taking into account such factors as price of the securities offered, the type of transaction involved, the firm's general execution and operational facilities, and the firm's risk in positioning the securities involved. While the Investment Adviser generally seeks reasonably competitive spreads or commissions, the Funds will not necessarily be paying the lowest spread or commission available. The Fund's policy of investing in securities with short maturities will result in high portfolio turnover.

The securities in which each Fund invests are traded primarily in the over-the-counter market. Where possible, the Funds 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. Such dealers usually are acting as principals for their own accounts. On occasion, securities may be purchased directly from the issuer. The money market securities in which the Money Market Fund, the Government Fund and the Treasury Fund invest and the tax-exempt securities in which the Tax-Exempt Fund invests are generally traded on a net basis and do not normally involve either brokerage commissions or transfer taxes. The cost of executing portfolio securities transactions of the Funds primarily will consist of dealer spreads and underwriting commissions. Under the Investment Company Act, a person affiliated with the Funds is prohibited from dealing with the Funds as a principal in the purchase and sale of securities unless an exemptive order allowing such transactions is obtained from the Securities and Exchange Commission. Since over-the-counter transactions are usually principal transactions, an affiliated person of the Funds may not serve as the Funds' dealer in connection with such transactions, except pursuant to the exemptive order described below. However, affiliated persons of the Funds may serve as the Funds' broker in over-the-counter transactions conducted on an agency basis. The Funds may not purchase securities from any underwriting syndicate of which Merrill Lynch is a member, except in accordance with applicable rules under the Investment Company Act.

The Securities and Exchange Commission has issued an exemptive order permitting the Money Market Fund, the Government Fund and the Treasury Fund to conduct principal transactions with Merrill Lynch Government Securities Inc. ("GSI") in U.S. Government and U.S. Government agency securities, with Merrill Lynch Money Markets Inc. ("MMI") in certificates of deposit and other short-term bank money market instruments and commercial paper and with Merrill Lynch in fixed income securities including medium-term notes. The order contains a number of conditions, including conditions designed to insure that the price to the Money Market Fund, the Government Fund and the Treasury Fund from GSI, MMI or Merrill Lynch is equal to or better than that available from other sources. GSI, MMI and Merrill Lynch have informed such Funds that they will in no way, at any time, attempt to influence or control the activities of the Fund or the Investment Adviser in placing such principal transactions. The exemptive order allows GSI, MMI or Merrill Lynch to receive a dealer spread on any transaction with the Money Market Fund, the Government Fund or the Treasury Fund no greater than its customary dealer spread for transactions of the type involved. Generally such spreads do not exceed 0.25% of the principal amount of the securities involved. During the fiscal year ended March 31, 1993, the Money Market Fund engaged in 609 such transactions aggregating approximately \$23.5 billion, the Government Fund engaged in three such transactions aggregating approximately \$35.2 million and the Treasury Fund engaged in 19 such transactions aggregating approximately \$380.9 million. During the fiscal year ended March 31, 1994, the Money Market Fund engaged

15

65

in 402 such transactions aggregating approximately \$19.9 billion, the Government Fund engaged in 131 such transactions aggregating approximately \$5.0 billion and the Treasury Fund engaged in 29 such transactions aggregating approximately \$478.8 million. During the fiscal year ended March 31, 1995, the Money Market Fund engaged in 383 such transactions aggregating approximately \$23.9 billion, the Government Fund engaged in 5 such transactions aggregating approximately \$174.9 million and the Treasury Fund engaged in 5 such transactions aggregating approximately \$112.0 million.

Prior to the receipt of a separate exemptive order also described below, the Tax-Exempt Fund could not purchase securities in principal transactions with Merrill Lynch, although it could purchase tax-exempt securities from underwriting syndicates of which Merrill Lynch was a member under certain conditions in accordance with the provisions of a rule adopted under the Investment Company Act. In 1987, the Securities and Exchange Commission issued an exemptive order permitting the Tax-Exempt Fund to conduct principal transactions with Merrill Lynch in Tax-Exempt Securities with remaining maturities of one year or less. This order contains a number of conditions, including conditions designed to insure that the price to the Tax-Exempt Fund from Merrill Lynch is equal to or better than that available from other sources. Merrill Lynch has informed the Tax-Exempt Fund that it will in no way, at any time, attempt to influence or control the activities of the Fund or the Investment Adviser in placing such principal transactions. The exemptive order allows Merrill Lynch to receive a dealer spread on any transaction with the Tax-Exempt Fund no greater than its customary dealer spread for transactions of the type involved. During the fiscal year ended March 31, 1993, the Tax-Exempt Fund engaged in 50 principal transactions with Merrill Lynch, aggregating approximately \$1.2 billion. During the fiscal year ended March 31, 1994, the Tax-Exempt Fund engaged in 35 principal transactions with Merrill Lynch, aggregating approximately \$603.6 million. During the fiscal year ended March 31, 1995, the Tax-Exempt Fund engaged in 13 principal transactions with Merrill Lynch, aggregating approximately \$130.1 million.

The Trustees of each Fund have considered the possibilities of recapturing for the benefit of the Funds expenses of possible portfolio transactions, such as dealers' spreads and underwriting commissions, by conducting such portfolio transactions through affiliated entities, including Merrill Lynch. After considering all factors deemed relevant, the Trustees made a determination not to seek such recapture. The Trustees will reconsider this matter from time to time. The Investment Adviser has arranged for the Funds' custodian to receive any tender offer solicitation fees on behalf of the Funds payable with respect to portfolio securities of the Funds.

The Funds do not expect to use one particular dealer, but, subject to obtaining the best price and execution, dealers who provide supplemental investment research to the Investment Adviser may receive orders for transactions by the Funds. Information so received will be in addition to and not in lieu of the services required to be performed by the Investment Adviser under its 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.

16

66

DETERMINATION OF NET ASSET VALUE

MONEY MARKET FUND, GOVERNMENT FUND AND TREASURY FUND

The net asset value of the Money Market Fund, the Government Fund and the Treasury Fund is determined by the Investment Adviser at 12:00 noon, New York time, on each day during which the New York Stock Exchange or New York banks are open for business, immediately after the daily declaration of dividends. As a result of this procedure, the net asset value is determined each day except for days on which both the New York Stock Exchange and New York banks are closed. Both the New York Stock Exchange and New York banks are closed for New Year's Day, President's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. The net asset value per share of the Money Market Fund, the Government Fund and the Treasury Fund is determined under the "penny rounding" method by adding the value of all securities and other assets in each Fund's portfolio, deducting such Fund's liabilities, dividing by the number of shares of the Fund outstanding and rounding the result to the nearest whole cent. It is anticipated that the net asset value per share of each Fund will remain constant at \$1.00 per share, but no assurance can be offered in this regard. Securities with remaining maturities of greater than 60 days for which market quotations are readily available will be valued at market value. Securities with remaining maturities of 60 days or less will be valued on an amortized cost basis. Other securities held by the Money Market Fund, the Government Fund and the Treasury Fund will be valued at their fair value as

determined in good faith by or under direction of the Board of Trustees.

TAX-EXEMPT FUND

The net asset value of the Tax-Exempt Fund for the purpose of pricing orders for the purchase and redemption of shares is determined by the Investment Adviser at 12:00 noon, New York time, on each day the New York Stock Exchange or New York banks are open for business, immediately after the daily declaration of dividends. As a result of this procedure, the net asset value is determined each day except for days on which both the New York Stock Exchange and New York banks are closed. Both the New York Stock Exchange and New York banks are closed on New Year's Day, President's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. The net asset value is determined by adding the value of all securities and other assets in the portfolio, deducting its liabilities and dividing by the number of shares outstanding. It is anticipated that the net asset value per share of the Tax-Exempt Fund will remain constant at \$1.00 per share, but no assurance can be offered in this regard.

The Tax-Exempt Fund values its portfolio securities based upon their amortized cost in accordance with the terms of a rule adopted by the Securities and Exchange Commission. This involves valuing an instrument at its cost and thereafter assuming a constant amortization to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of the instrument. While this method provides certainty in valuation, it may result in periods during which value, as determined by amortized cost, is higher or lower than the price the Tax-Exempt Fund would receive if it sold the instrument.

In accordance with the Securities and Exchange Commission rule applicable to the valuation of portfolio securities, the Funds will maintain a dollar-weighted average portfolio maturity of 90 days or less and will purchase instruments having remaining maturities of not more than 397 days (13 months), with the exception of U.S. Government and U.S. Government agency securities, which may have remaining maturities of up to

17

67

762 days (25 months). The Funds will invest only in securities determined by the Trustees to be of high quality with minimal credit risks. In addition, the Trustees have established procedures designed to stabilize, to the extent reasonably possible, each Fund's price per share as computed for the purpose of sales and redemptions at \$1.00. Deviations of more than an insignificant amount between the net asset value calculated using market quotations and that calculated on a "penny rounded" basis or, in the case of the Tax-Exempt Fund, an amortized cost basis, will be reported to the Trustees of the Fund by the Investment Adviser. In the event the Trustees determine that a deviation exists with respect to any Fund which may result in material dilution or other unfair results to investors or existing shareholders of that Fund, the Fund will take such corrective action as it regards necessary and appropriate, including the reduction of the number of outstanding shares of the Fund by having each shareholder proportionately contribute shares to the Fund's capital; the sale of portfolio instruments prior to maturity to realize capital gains or losses or to shorten average portfolio maturity; withholding dividends; or establishing a net asset value per share solely by using available market quotations. If the number of outstanding shares is reduced in order to maintain a constant net asset value of \$1.00 per share, the shareholders will contribute proportionately to the Fund's capital. Each shareholder will be deemed to have agreed to such contribution by such shareholder's investment in such Fund.

Since the net income of the Funds is determined and declared as a dividend immediately prior to each time the net asset value of each Fund is determined, the net asset value per share of the Funds normally remains at \$1.00 per share immediately after each such dividend declaration. Any increase in the value of a shareholder's investment in a Fund, representing the reinvestment of dividend income, is reflected by an increase in the number of shares of the Fund in the account and any decrease in the value of a shareholder's investment may be reflected by a decrease in the number of shares in the account. See "Taxes" below.

YIELD INFORMATION

Each Fund normally computes its annualized yield by determining the net income for a seven-day base period for a hypothetical pre-existing account having a balance of one share at the beginning of the base period, dividing the net income by the net asset value of the account at the beginning of the base

period to obtain the base period return, multiplying the result by 365 and then dividing by seven. Under this calculation, the yield on the Money Market Fund, the Government Fund and the Treasury Fund shares reflects, and the yield on the Tax-Exempt Fund does not reflect, realized gains and losses on portfolio securities. In accordance with regulations adopted by the Securities and Exchange Commission, each Fund is required to disclose its annualized yield for certain seven-day periods in a standardized manner which does not take into consideration any realized or unrealized gains or losses on portfolio securities. The Securities and Exchange Commission also permits the calculation of a standardized effective or compounded yield. This is computed by compounding the unannualized base period return which is done by adding one to the base period return, raising the sum to a power equal to 365 divided by seven and subtracting one from the result. In the case of the Money Market Fund, the Government Fund and the Treasury Fund, this compounded yield calculation also reflects realized gains or losses on portfolio securities. Realized gains and losses are not reflected in the compounded yield calculation of the Tax-Exempt Fund.

The yield on the Funds' shares normally will fluctuate on a daily basis. Therefore, the yield for any given past period is not an indication or representation by the Fund of future yields or rates of return on its shares. The yield is affected by such factors as changes in interest rates on money market securities (or short-term Tax-Exempt Securities in the case of the Tax-Exempt Fund), average portfolio maturity, the types and quality

18

68

of portfolio securities held and operating expenses. The yield on Government Fund shares and Treasury Fund shares for various reasons may not be comparable to the yield on shares of other money market funds or other investments.

TAXES

FEDERAL

The Funds intend 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 the Money Market Fund, the Government Fund, the Treasury Fund or the Tax-Exempt Fund so qualifies, such 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 (see below) which it distributes to shareholders in any taxable year in which it distributes at least 90% of its taxable net income and 90% of its tax-exempt net income. The Funds intend to distribute substantially all of such income.

Taxation of Money Market Fund, Government Fund and Treasury Fund Dividends

Dividends paid by the Money Market Fund, the Government Fund and the Treasury Fund from their ordinary income and distributions of such Funds' net realized short-term capital gains (together referred to hereafter as "ordinary income dividends") are taxable to shareholders as ordinary income. Distributions made from such Funds' net realized long-term capital gains from the sale of securities ("capital gain dividends") are taxable to shareholders as long-term capital gains, regardless of the length of time the shareholder has owned the Money Market Fund, the Government Fund or the Treasury Fund shares.

Dividends are taxable to shareholders even though they are reinvested in additional shares of a Fund. Not later than 60 days after the close of their taxable years, the Money Market Fund, the Government Fund and the Treasury Fund will provide their respective shareholders with a written notice designating the amounts of any ordinary income or capital gain dividends.

If the value of assets held by the Money Market Fund, the Government Fund, the Treasury Fund or the Tax-Exempt Fund declines, the Board of Trustees may authorize a reduction in the number of outstanding shares in the respective shareholders' accounts so as to preserve a net asset value of \$1.00 per share. After such a reduction, the basis of eliminated shares would be added to the basis of shareholders' remaining Fund shares, and any shareholders disposing of shares at that time may recognize a capital loss. Distributions paid by the Money Market Fund, the Government Fund and the Treasury Fund, including distributions reinvested in additional shares of an affected Fund, will nonetheless be fully taxable, even if the number of shares in shareholders' accounts has been reduced as described above.

Taxation of Tax-Exempt Fund Dividends

The Tax-Exempt Fund intends to qualify to pay "exempt-interest dividends" as defined in Section 852(b)(5) of the Code. Under such section if, at the close of each quarter of its taxable year, at least 50% of the value of its total assets consists of obligations exempt from Federal income tax ("tax-exempt obligations") under Section 103(a) of the Code (relating generally to obligations of a state or local governmental unit), the Tax-Exempt Fund shall be qualified to pay exempt-interest dividends to its shareholders. Exempt-interest dividends are dividends or any part thereof paid by the Tax-Exempt Fund which are attributable to interest on

19

69

tax-exempt obligations and designated by the Tax-Exempt Fund as exempt-interest dividends in a written notice mailed to the Tax-Exempt Fund's shareholders within sixty days after the close of its taxable year. To the extent that the dividends distributed to the Fund's shareholders are derived from interest income exempt from Federal income tax under Code Section 103(a) and are properly designated as exempt-interest dividends, they will be excludable from a shareholder's gross income for Federal income tax purposes. Exempt-interest dividends are included, however, in determining the portion, if any, of a person's social security and railroad retirement benefits subject to Federal income taxes. Interest on indebtedness incurred or continued to purchase or carry shares of a RIC paying exempt-interest dividends, such as the Tax-Exempt Fund, will not be deductible by the investor for Federal income tax purposes. Shareholders are advised to consult their tax advisers with respect to whether exempt-interest dividends retain the exclusion under Code Section 103(a) if a shareholder would be treated as a "substantial user" or "related person" under Code Section 147(a) with respect to property financed with the proceeds of an issue of "industrial development bonds" or "private activity bonds", if any, held by the Tax-Exempt Fund. The Tax-Exempt Fund will inform shareholders annually regarding the portion of its distributions which constitutes exempt-interest dividends.

To the extent that the Tax-Exempt Fund's distributions are derived from interest on its taxable investments or from an excess of net short-term capital gains over net long-term capital losses ("ordinary income dividends"), such distributions are considered ordinary income for Federal income tax purposes. Distributions, if any, of net long-term capital gains from the sale of securities ("capital gain dividends") are taxable as long-term capital gains for Federal income tax purposes, regardless of the length of time the shareholder has owned Fund shares. Under the Revenue Reconciliation Act of 1993, all or a portion of the Tax-Exempt Fund's gain from the sale or redemption of tax-exempt obligations purchased at a market discount will be treated as ordinary income rather than capital gain. This rule may increase the amount of ordinary income dividends received by shareholders. Any loss upon the sale or exchange of Tax-Exempt Fund shares held for six months or less will be disallowed to the extent of any exempt-interest dividends received by the shareholder.

The Code subjects interest received on certain otherwise tax-exempt securities to an alternative minimum tax. The alternative minimum tax applies to interest received on "private activity bonds" issued after August 7, 1986. Private activity bonds are bonds which, although tax exempt, are used for purposes other than those generally performed by governmental units and which benefit non-governmental entities (e.g., bonds used for industrial development or housing purposes). Income received on such bonds is classified as an item of "tax preference", which could subject investors in such bonds, including shareholders of the Tax-Exempt Fund, to an alternative minimum tax. The Tax-Exempt Fund will purchase such "private activity bonds" and will report to shareholders within 60 days after its taxable year-end the portion of the Tax-Exempt Fund's dividends declared during the year which constitutes an item of tax preference for alternative minimum tax purposes. The Code further provides that corporations are subject to an alternative minimum tax based, in part, on certain differences between taxable income as adjusted for other tax preferences and the corporation's "adjusted current earnings", which more closely reflect a corporation's economic income. Because an exempt-interest dividend paid by the Tax-Exempt Fund will be included in adjusted current earnings, a corporate shareholder may be required to pay alternative minimum tax on exempt-interest dividends paid by the Tax-Exempt Fund.

20

70

The Revenue Reconciliation Act of 1993 added new marginal tax brackets of 36% and 39.6% for individuals and created a graduated structure of 26% and 28% for the alternative minimum tax applicable to individual taxpayers. These rate increases may affect an individual investor's after-tax return from an

investment in the Tax-Exempt Fund as compared with such investor's return from taxable investments.

The Code provides that every shareholder required to file a tax return must include for information purposes on such return the amount of exempt-interest dividends received from all sources (including the Tax-Exempt Fund) during the taxable year.

Environmental Tax. The Code imposes a deductible tax (the "Environmental Tax") on a corporation's modified alternative minimum taxable income (computed without regard to the alternative tax net operating loss deduction and the deduction for the Environmental Tax) at a rate of \$12 per \$10,000 (0.12%) of alternative minimum taxable income in excess of \$2,000,000. The Environmental Tax is imposed for taxable years beginning after December 31, 1986 and before January 1, 1996. The Environmental Tax is imposed even if the corporation is not required to pay an alternative minimum tax because the corporation's regular income tax liability exceeds its minimum tax liability. The Code provides, however, that a RIC, such as the Tax-Exempt Fund, is not subject to the Environmental Tax. However, exempt-interest dividends paid by the Tax-Exempt Fund that create alternative minimum tax preferences for corporate shareholders (as described above) may subject corporate shareholders of the Tax-Exempt Fund to the Environmental Tax.

General Taxation

If the Money Market Fund, the Government Fund, the Treasury Fund or the Tax-Exempt 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 such Fund and received by its shareholders on December 31 of the year in which such dividend was declared. Dividends by the Funds will not be eligible for the dividends received deduction allowed to corporations under the Code. Distributions in excess of a 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). Any loss upon the sale or exchange of Fund shares held for six months or less will be treated as long-term capital loss to the extent of any capital gain dividends received by the shareholder.

Ordinary income dividends paid by a 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 a 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 certain ordinary income dividends and on 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 a Fund or who, to such 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.

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. The required distributions, however, are based only on the taxable income of a RIC. The excise tax, therefore, will generally not apply to the Tax-Exempt Fund to the extent that it pays exempt-interest dividends. Although the Funds intend to distribute their 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 Funds' taxable ordinary income and capital gains will be distributed to avoid entirely the imposition of the tax. In such event, any such Fund will be liable for the tax only on the amount by which it does not meet the foregoing distribution requirements.

A loss realized on a sale or exchange of shares of any of the Funds will be disallowed if shares of the Fund 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 dividends 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 in whole or in part from interest on U.S. Government obligations. State law varies as to whether and what percentage of dividend income attributable to U.S. 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 Funds.

GENERAL INFORMATION

DESCRIPTION OF SHARES

The Declaration of Trust of each Fund permits the Trustees to issue an unlimited number of full and fractional shares of a single class and to divide or combine the shares into a greater or lesser number of shares without thereby changing the proportionate beneficial interest in the Fund. Each share represents an equal proportionate interest in the Fund with each other share. Upon liquidation of the Fund, shareholders are entitled to share pro rata in the net assets of the Fund available for distribution to shareholders. Shares have no preemptive or conversion rights. The rights of redemption and exchange are described elsewhere herein and in the Prospectuses of the Funds. Shares of each Fund are fully paid and non-assessable by the Fund.

Shareholders are entitled to one vote for each full share held and fractional votes for fractional shares held in the election of Trustees and on other matters submitted to the vote of shareholders. Voting rights are not cumulative, so that the holders of more than 50% of the shares voting in the election of Trustees can, if they choose to do so, elect all of the Trustees of a Fund, in which event the holders of the remaining shares are unable to elect any person as a Trustee. No amendment may be made to any Declaration of Trust without the affirmative vote of a majority of the outstanding shares of the related Fund except under certain limited circumstances set forth in the Declaration of Trust.

The Investment Adviser provided the initial capital for each Fund by purchasing 100,000 shares of such Fund for \$100,000. Such shares were acquired for investment and can only be disposed of by redemption. The organizational expenses of the Money Market Fund, the Government Fund and the Tax-Exempt Fund were paid by each respective Fund and were amortized over a period not exceeding five years from such Fund's commencement of operations. The organizational expenses of the Treasury Fund (\$64,239) were paid by the Treasury Fund and are being amortized over a period not exceeding five years. The proceeds realized by the Investment Adviser on the redemption of any of the shares initially purchased by it will be or have been reduced by the proportionate amount of unamortized organizational expenses which the number of shares redeemed bears or bore to the number of shares initially purchased.

CUSTODIAN

State Street Bank and Trust Company, P.O. Box 1713, Boston, Massachusetts 02101 (the "Custodian"), acts as Custodian of the Funds' assets. The Custodian is responsible for safeguarding and controlling the Funds' cash and securities, handling the receipt and delivery of securities and collecting interest on the Funds' investments.

TRANSFER AGENT

Merrill Lynch Financial Data Services, Inc., 4800 Deer Lake Drive East, Jacksonville, Florida 32246-6484 (the "Transfer Agent"), acts as the Funds' transfer agent. The Transfer Agent is responsible for the issuance, transfer and redemption of shares and the opening, maintenance and servicing of shareholder accounts.

INDEPENDENT AUDITORS

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

LEGAL COUNSEL

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

23

73

REPORT TO SHAREHOLDERS

The fiscal year of each Fund ends on the last day of March of each year. Each Fund will send to its shareholders at least semi-annually reports showing its portfolio and other information. An annual report containing financial statements audited by independent auditors is sent to the shareholders each year.

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:

Merrill Lynch Financial Data Services, Inc.
P.O. Box 45290
Jacksonville, FL 32232-5290

The written notification should include the shareholder's name, address, tax identification number and Merrill Lynch and/or mutual fund account numbers. If you have any questions regarding this please call your Merrill Lynch Financial Consultant or Merrill Lynch Financial Data Services, Inc. at (800) 221-7210.

ADDITIONAL INFORMATION

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

The Declarations of Trust establishing the Funds refer to the Trustees under the Declarations of Trust collectively as Trustees, but not as individuals or personally; and no Trustee, shareholder, officer, employee or agent of any of the Funds shall be held to any personal liability, nor shall resort be had to their private property for the satisfaction of any obligation or claim of any Fund but the Trust Property only shall be liable. Copies of the Declarations of Trust, together with all amendments thereto, are on file in the office of the Secretary of the Commonwealth of Massachusetts.

To the knowledge of the Funds, no person owned beneficially 5% or more of any Fund's shares on July 1, 1995.

APPENDIX

DESCRIPTION OF COMMERCIAL PAPER, BANK
MONEY MARKET INSTRUMENTS AND CORPORATE BOND RATINGS

COMMERCIAL PAPER AND BANK MONEY MARKET INSTRUMENTS

Commercial paper with the greatest capacity for timely payment is rated A by Standard & Poor's Ratings Group ("Standard & Poor's"). Issues within this category are further redefined with designations 1, 2 and 3 to indicate the relative degree of safety; A-1+, the highest, indicates that an issue has been determined to possess extremely strong safety characteristics; A-1 indicates the degree of safety is strong; A-2 indicates that capacity for timely repayment is satisfactory.

Moody's Investors Service, Inc. ("Moody's") employs the designations of Prime-1, Prime-2 and Prime-3 to indicate the relative capacity of the rated issuers to repay punctually. Prime-1 issues have a superior capacity for repayment. Prime-2 issues have a strong capacity for repayment, but to a lesser degree than Prime-1.

Commercial paper rated A.1+ by IBCA Limited or its affiliate IBCA, Inc. (together, "IBCA") are obligations supported by the highest capacity for timely repayment. Commercial paper rated A.1 has a very strong capacity for timely repayment. Commercial paper rated A.2 has a strong capacity for timely repayment, although such capacity may be susceptible to adverse changes in business, economic or financial conditions.

Fitch Investors Service, Inc. ("Fitch") employs the rating F-1+ to indicate issues regarded as having the strongest degree of assurance for timely payment. The rating F-1 reflects an assurance of timely payment only slightly less in degree than issues rated F-1+, while the rating F-2 indicates a satisfactory degree of assurance for timely payment, although the margin of safety is not as great as indicated by the F-1+ and F-1 categories.

Duff & Phelps Credit Ratings Co. ("Duff & Phelps") employs the designation of Duff 1 with respect to top grade commercial paper and bank money instruments. Duff 1+ indicates the highest certainty of timely payment: short-term liquidity is outstanding, and safety is just below risk-free U.S. Treasury short-term obligations. Duff 1- indicates high certainty of timely payment. Duff 2 indicates good certainty of timely payment: liquidity factors and company fundamentals are sound.

Thomson BankWatch, Inc. ("TBW") employs the designations TBW-1, TBW-2, TBW-3 and TBW-4 as ratings for commercial paper, other senior short-term obligations and deposit obligations of the entities to which the rating has been assigned. TBW-1 is the highest category and indicates a very high degree of likelihood that principal and interest will be paid on a timely basis. TBW-2 is the second highest category and indicates that while the degree of safety regarding timely repayment of principal and payment of interest is strong, the relative degree of safety is not as high as for issues rated TBW-1.

CORPORATE BONDS

Bonds rated AAA have the highest rating assigned by Standard & Poor's to a debt obligation. Capacity to pay interest and repay principal is extremely strong. Bonds rated AA have a very strong capacity to pay interest and repay principal and differ from the highest rated issues only in a small degree.

Bonds rated Aaa by Moody's are judged to be of the best quality. Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. Bonds rated Aa are judged to be of high quality by all standards. They are rated lower than the best bonds because the margins of protection may not be as large or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in Aaa securities. Moody's applies

numerical modifiers 1, 2 and 3 in each generic rating classification from Aa through B in its corporate bond rating system. The modifier 1 indicates that the security ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates that the issue ranks in the lower end of its generic rating category.

Bonds rated AAA by IBCA are obligations for which there is the lowest expectation of investment risk. Capacity for timely repayment of principal and interest is substantial, such that adverse changes in business, economic or financial conditions are unlikely to increase investment risk significantly. Bonds rated AA are obligations for which there is a very low expectation of investment risk. Capacity for timely repayment of principal and interest is substantial. Adverse changes in business, economic or financial conditions may increase investment risk albeit not very significantly.

Bonds rated AAA by Fitch are considered to be investment grade and of the highest credit quality. The obligor has an exceptionally strong ability to pay interest and repay principal, which is unlikely to be affected by reasonably foreseeable events. Bonds rated AA are considered to be investment grade and of very high credit quality. The obligor's ability to pay interest and repay principal is very strong, although not quite as strong as bonds rated AAA.

Bonds rated AAA by Duff & Phelps are deemed to be of the highest credit quality: the risk factors are negligible, being only slightly more than for risk-free U.S. Treasury debt. AA indicates high credit quality: protection factors are strong, and risk is modest but may vary slightly from time to time because of economic conditions.

Bonds rated AAA by TBW are accorded the highest rating category which indicates that the ability to repay principal and pay interest on a timely basis is very high. AA is the second highest rating category and indicates a superior ability to repay principal and pay interest on a timely basis with limited incremental risk versus issues rated in the highest rating category.

INFORMATION CONCERNING TAX-EXEMPT SECURITIES

DESCRIPTION OF TAX-EXEMPT SECURITIES

Tax-Exempt Securities include debt obligations issued to obtain funds for various public purposes, including construction of a wide range of public facilities, refunding of outstanding obligations and obtaining of funds for general operating expenses and loans to other public institutions and facilities. In addition certain types of industrial development bonds are issued by or on behalf of public authorities to finance various facilities operated for private profit, including pollution control facilities. Such obligations are included within the term Tax-Exempt Securities if the interest paid thereon is exempt from Federal income tax.

The two principal classifications of Tax-Exempt Securities are "general obligation" bonds and "revenue" or "special obligation" bonds. General obligation bonds are secured by the issuer's pledge of its faith, credit,

and taxing power for the repayment of principal and the payment of interest. Revenue or special obligation bonds are payable only from the revenues derived from a particular facility or class of facilities or, in some cases, from the proceeds of a special excise tax or other specific revenue source such as from the user of the facility being financed. Industrial development bonds are in most cases revenue bonds and do not generally constitute the pledge of the credit or taxing power of the issuer of such bonds. The repayment of the principal and the payment of interest on such industrial revenue bonds depends solely on the ability of the user of the facilities financed by the bonds to meet its financial obligations and the pledge, if any, of real and personal property so financed as security for such payment. The portfolio may generally include "moral obligation" bonds which are normally issued by special purpose public authorities. If an issuer of moral obligations bonds is unable to meet its debt service obligations from current revenues, it may draw on a reserve fund, the restoration of which is a moral commitment but not a legal obligation of the state or municipality which created the issuer.

Yields on Tax-Exempt Securities are dependent on a variety of factors, including the general condition of the money market and of the municipal bond market, the size of a particular offering, the maturity of the obligation, and the rating of the issue. The ability of the Tax-Exempt Fund to achieve its investment objective is also dependent on the continuing ability of the issuers of the Tax-Exempt Securities in which the Tax-Exempt Fund invests to meet their obligations for the payment of interest and repayment of principal when due. There are variations in the risks involved in holding Tax-Exempt Securities, both within a particular classification and between classifications, depending on numerous factors. Furthermore, the rights of holders of Tax-Exempt Securities

and the obligations of the issuers of such Tax-Exempt Securities may be subject to applicable bankruptcy, insolvency and similar laws and court decisions affecting the rights of creditors generally, and such laws, if any, which may be enacted by Congress or state legislatures affecting specifically the rights of holders of Tax-Exempt Securities.

From time to time, proposals have been introduced before Congress for the purpose of restricting or eliminating the Federal income tax exemption for interest on Tax-Exempt Securities. Similar proposals may be introduced in the future. If such a proposal were enacted, the ability of the Tax-Exempt Fund to pay "exempt-interest dividends" would be adversely affected and the Tax-Exempt Fund would re-evaluate its investment objective and policies and consider changes in its structure. See "Taxes".

RATINGS OF MUNICIPAL NOTES AND SHORT-TERM TAX-EXEMPT COMMERCIAL PAPER

Commercial paper with the greatest capacity for timely payment is rated A by Standard & Poor's. Issues within this category are further redefined with designations 1, 2 and 3 to indicate the relative degree of safety; A-1 indicates the degree of safety is strong; issues that possess extremely strong safety characteristics will be given an A-1+ designation; A-2 indicates that capacity for timely repayment is satisfactory. A Standard & Poor's rating with respect to certain municipal note issues with a maturity of less than three years reflects the liquidity concerns and market access risks unique to notes. SP-1, the highest note rating, indicates a very strong, or strong, capacity to repay principal and pay interest. Issues that possess overwhelming safety characteristics will be given an "SP-1+" designation. SP-2, the second highest note rating, indicates a satisfactory capacity to repay principal and pay interest.

Moody's employs the designations of Prime-1, Prime-2 and Prime-3 with respect to commercial paper to indicate the relative capacity of the rated issuers (or related supporting institutions) to repay punctually. Prime-1 issues have a superior capacity for repayment. Prime-2 issues have a strong capacity for repayment, but to a lesser degree than Prime-1. Moody's highest rating for short-term notes and VRDOs is

27

77

MIG-1/VMIG-1; MIG-1/VMIG-1 denotes "best quality", enjoying "strong protection by established cash flows"; MIG-2/VMIG-2 denotes "high quality" with margins of protection that are ample although not so large as MIG-1/VMIG-1.

Fitch employs the rating F-1+ to indicate short-term debt issues regarded as having the strongest degree of assurance for timely payment. The rating F-1 reflects an assurance of timely payment only slightly less in degree than issues rated F-1+. The rating F-2 indicates a satisfactory degree of assurance for timely payment, although the margin of safety is not as great as indicated by the F-1+ and F-1 categories.

RATINGS OF MUNICIPAL BONDS

Bonds rated AAA have the highest rating assigned by Standard & Poor's to a debt obligation. Capacity to pay interest and repay principal is extremely strong. Bonds rated AA have a very strong capacity to pay interest and repay principal and differ from the highest rated issues only in a small degree. A Standard & Poor's municipal debt rating is a current assessment of the creditworthiness of an obligor with respect to a specific obligation. This assessment may take into consideration obligors such as guarantors and insurers of lessees.

Bonds rated Aaa by Moody's are judged to be of the best quality. Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. Bonds rated Aa are judged to be of high quality by all standards. They are rated lower than the best bonds because the margins of protection may not be as large or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in Aaa securities. Moody's applies the numerical modifier 1 to the classifications Aa through B to indicate that Moody's believes the issue possesses the strongest investment attributes in its rating category. Bonds for which the security depends upon the completion of some act or the fulfillment of some condition are rated conditionally. These are bonds secured by (a) earnings of projects under construction, (b) earnings of projects unseasoned in operating experience, (c) rentals which begin when facilities are completed, or (d) payments to which some other limiting condition attaches. Parenthetical rating denotes probable credit stature upon completion of construction or elimination of basis of condition.

Bonds rated AAA by Fitch are considered to be investment grade and of the highest credit quality. The obligor has an exceptionally strong ability to pay interest and repay principal, which is unlikely to be affected by reasonably foreseeable events. Bonds rated AA are considered to be investment grade and of very high credit quality. The obligor's ability to pay interest and repay

principal is very strong, although not quite as strong as bonds rated AAA. The ratings take into consideration special features of the issue, its relationship to other obligations of the issuer, the current and prospective financial condition and operative performance of the issuer and of any guarantor, as well as the economic and political environment that might affect the issuer's future financial strength and credit quality. Bonds that have the same rating are of similar but not necessarily identical credit quality since the rating categories do not fully reflect small differences in the degrees of credit risk.

28

78

INDEPENDENT AUDITORS' REPORT

The Board of Trustees and Shareholders,
CMA MONEY FUND:

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of CMA Money Fund as of March 31, 1995, 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 March 31, 1995 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 CMA Money Fund as of March 31, 1995, 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

May 2, 1995

29

79

<TABLE>
CMA MONEY FUND
SCHEDULE OF INVESTMENTS AS OF MARCH 31, 1995 (IN THOUSANDS)
<CAPTION>

Issue <S>	Face Amount <C>	Interest Rate* <C>	Maturity Date <C>	Value (Note 1a) <C>
Bank Notes--1.0%				
Banc One, Columbus	\$ 90,000	6.025%	5/02/95	\$ 89,953
Bank of New York	94,000	6.25	4/11/95	94,000
Trust Company Bank, Atlanta	100,000	6.50	3/21/96	99,740
Total Bank Notes (Cost--\$283,898)				283,693
Certificates of Deposit--0.1%				
American Express Centurion Bank	25,000	6.01	4/24/95	25,000

Total Certificates of Deposit
(Cost--\$25,000) 25,000

Certificates of Deposit--European--3.2%

ABN-AMRO Bank N.V.	45,000	6.32	8/31/95	45,001
Abbey National PLC, London	100,000	6.22	4/20/95	99,994
Bankers Trust NY Corp.	300,000	5.75	4/19/95	299,895
Bayerische Landesbank	40,000	6.25	4/12/95	39,999
Commerzbank AG, London	41,000	6.22	4/26/95	41,000
Deutsche Bank	50,000	6.63	3/22/96	49,986
J.P. Morgan & Co., London	50,000 200,000	6.28 6.29	4/11/95 4/11/95	49,999 199,997
National Westminster Bank PLC	20,000	6.32	8/31/95	20,000
NationsBank North Carolina	45,000	5.47	5/19/95	44,939
Westpac Banking Corp., London	30,000	6.06	4/27/95	30,000

Total Certificates of Deposit--European
(Cost--\$921,005) 920,810

Certificates of Deposit--Yankee--3.7%

ABN-AMRO Bank N.V., NY	35,000	6.13	4/18/95	34,997
Bank of Montreal, Chicago	95,000	6.37	4/04/95	95,000
Bank of Nova Scotia, Portland	36,000 50,000	6.36 6.33	4/05/95 4/06/95	36,000 50,000
Bank of Tokyo, Portland	15,000	6.14	5/15/95	14,999
Banque Nationale de Paris, NY	30,000 50,000	6.02 5.70	4/03/95 4/17/95	30,000 49,983
Commerzbank AG, NY	10,000 50,000	5.71 5.687	4/12/95 4/18/95	9,998 49,982

</TABLE>

<TABLE>

CMA MONEY FUND
SCHEDULE OF INVESTMENTS AS OF MARCH 31, 1995 (IN THOUSANDS)
<CAPTION>

Issue <S>	Face Amount <C>	Interest Rate* <C>	Maturity Date <C>	Value (Note 1a) <C>
Certificates of Deposit--Yankee (concluded)				
Creditanstalt Bankverein, NY	\$ 125,000	6.23 %	4/20/95	\$ 124,993
Dai-Ichi Kangyo Bank, NY	10,000	6.08	4/28/95	10,000
Mitsubishi Bank, NY	75,000	6.05	4/03/95	75,000
Sanwa Bank, NY	10,000 115,000 25,000	6.06 6.07 6.08	4/03/95 4/03/95 4/27/95	10,000 115,000 25,000
Societe General, NY	72,000 65,000	6.06 6.60	4/03/95 5/04/95	72,000 65,021
Sumitomo Bank, NY	50,000	6.43	4/05/95	50,000

20,000	6.10	4/10/95	20,000
75,000	6.37	4/10/95	75,000
55,000	6.06	4/27/95	55,000

Total Certificates of Deposit--Yankee
(Cost--\$1,068,003)

1,067,973

Commercial Paper--40.8%

ABN-AMRO North America Finance, Inc.	13,000	5.99	4/25/95	12,946
ANZ (Delaware), Inc.	50,000	6.25	4/05/95	49,957
APRECO, Inc.	9,100	6.25	4/03/95	9,095
	30,000	6.25	4/05/95	29,974
	50,000	6.00	4/25/95	49,792
ARCO Coal Australia Inc.	6,000	6.25	4/05/95	5,995
Allomon Funding Corp.	10,034	6.00	4/03/95	10,029
	10,036	6.00	4/04/95	10,029
	25,102	6.00	4/17/95	25,031
American Express Company	16,500	6.05	5/01/95	16,414
	24,000	6.05	5/04/95	23,863
American Express Credit Corp.	350,000	6.04	5/30/95	346,459
	100,000	6.08	6/12/95	98,763
	100,000	6.10	7/14/95	98,215
American General Corp.	15,000	6.00	4/20/95	14,950
	13,986	6.00	4/21/95	13,937
Asset Securitization Cooperative Corp.	100,000	6.20	4/06/95	99,898
	10,000	6.15	4/24/95	9,959
	100,000	6.12	5/02/95	99,460
Avco Financial Services, Inc.	35,000	6.23	4/06/95	34,964
	50,000	5.99	4/26/95	49,784
BOC Group, Inc.	10,000	6.05	4/10/95	9,983
BTR Dunlop Finance Inc.	20,000	5.97	4/03/95	19,990
	12,000	6.25	4/04/95	11,992
	40,216	5.99	4/24/95	40,055
Bank of Nova Scotia	25,000	6.21	4/05/95	24,979

30

80

<TABLE>
CMA MONEY FUND
SCHEDULE OF INVESTMENTS AS OF MARCH 31, 1995 (CONTINUED) (IN THOUSANDS)
<CAPTION>

Issue <S>	Face Amount <C>	Interest Rate* <C>	Maturity Date <C>	Value (Note 1a) <C>
Commercial Paper (continued)				
Bank of Scotland	\$ 50,000	6.25%	4/05/95	\$ 49,957
Bankers Trust NY Corp.	50,000	5.58	4/12/95	49,898
	150,000	6.14	4/27/95	149,314
Bass Finance (C.I.) Ltd.	18,892	6.18	4/05/95	18,876
Bayerische Landesbank Girozentrale	50,000	6.22	4/10/95	49,915
Bayerische Vereinsbank AG	30,000	5.99	4/21/95	29,895
Bear Stearns Cos., Inc.	31,000	5.98	4/03/95	30,985
	25,000	6.02	4/03/95	24,987
	100,000	6.26	4/03/95	99,949
	47,000	6.26	4/04/95	46,968
	75,000	6.22	4/05/95	74,936
	22,000	6.15	4/24/95	21,911
	50,000	6.15	4/25/95	49,788

Beneficial Corp.	50,000	6.25	4/04/95	49,966
	50,000	6.25	4/05/95	49,957
Beta Finance Inc.	12,500	5.57	4/03/95	12,494
	19,000	6.27	4/05/95	18,984
	41,000	5.99	4/13/95	40,911
	14,000	5.99	4/20/95	13,953
	8,800	6.00	4/20/95	8,771
	5,000	6.05	4/21/95	4,982
	20,000	5.57	4/24/95	19,919
	25,000	6.00	4/24/95	24,900
	20,000	6.02	5/01/95	19,896
	20,000	6.05	5/01/95	19,896
Bowater PLC	33,600	5.97	4/03/95	33,583
	10,000	6.25	4/03/95	9,995
	14,178	6.22	4/06/95	14,163
	10,000	5.99	4/24/95	9,960
Budget Funding Corp.	25,000	6.01	4/03/95	24,987
	32,000	6.02	5/08/95	31,797
CIT Group Holdings, Inc. (The)	100,000	5.99	4/24/95	99,601
	100,000	5.99	4/25/95	99,584
	125,000	6.04	5/25/95	123,850
	125,000	6.04	5/26/95	123,829
	100,000	6.12	7/12/95	98,249
	100,000	6.12	7/13/95	98,232
CS First Boston Inc.	20,000	6.00	4/18/95	19,940
	60,000	6.13	4/24/95	59,756
	30,000	6.14	4/25/95	29,873
CSW Credit, Inc.	40,000	6.18	4/11/95	39,925
	25,000	6.12	4/17/95	24,927
	16,300	6.02	4/20/95	16,245

</TABLE>

<TABLE>
CMA MONEY FUND
SCHEDULE OF INVESTMENTS AS OF MARCH 31, 1995 (CONTINUED) (IN THOUSANDS)
<CAPTION>

Issue	Face Amount	Interest Rate*	Maturity Date	Value (Note 1a)
<S>	<C>	<C>	<C>	<C>
Commercial Paper (continued)				
CXC Inc.	\$ 50,000	6.00%	4/12/95	\$ 49,900
	35,000	6.00	4/13/95	34,924
	40,000	5.99	4/20/95	39,867
	50,000	6.00	4/21/95	49,825
	25,000	5.99	4/25/95	24,896
Caisse des Depots et Consignations	48,000	5.98	4/03/95	47,976
Cargill Inc.	19,945	6.00	4/25/95	19,862
Central and South West Corp.	43,775	6.20	4/10/95	43,700
	30,000	6.12	4/17/95	29,913
Cheltenham & Glouster Building Society	15,000	6.04	5/30/95	14,848
Ciesco L.P.	20,000	6.20	4/10/95	19,966
Commercial Credit Corp.	50,000	5.99	4/27/95	49,775
Commerzbank US Finance Inc.	55,000	6.25	4/03/95	54,972
	7,340	6.22	4/18/95	7,317
	22,000	6.03	4/28/95	21,897
	114,500	6.05	5/01/95	113,903
Corporate Asset Funding Co. Inc.	25,000	6.20	4/06/95	24,974
Corporate Asset Securitization Australia Ltd., Inc.	25,000	6.12	4/19/95	24,919
	19,200	6.03	5/08/95	19,078
Corporate Receivables	5,100	6.22	4/10/95	5,091

Corp.	15,000	6.15	4/19/95	14,951
	40,000	5.99	4/20/95	39,867
	30,000	6.02	4/28/95	29,860
	39,200	6.02	5/02/95	38,990
Daimler-Benz North American Corp.	60,000	5.57	4/10/95	59,898
	25,000	6.12	4/17/95	24,927
Dean Witter, Discover & Co.	100,000	6.02	4/26/95	99,565
Deer Park Refining L.P.	10,000	6.00	4/17/95	9,972
	15,000	6.00	4/21/95	14,948
	25,000	6.02	4/24/95	24,900
Delaware Funding Corp.	16,326	6.20	4/06/95	16,309
	74,096	6.135	4/17/95	73,881
	9,578	6.05	5/22/95	9,494
Dun & Bradstreet Corp.	16,000	6.17	9/11/95	15,548
ESC Securitization Inc.	10,000	5.98	4/04/95	9,993
	40,000	6.22	4/06/95	39,959
	40,000	5.99	4/25/95	39,834

</TABLE>

31

81

<TABLE>
CMA MONEY FUND
SCHEDULE OF INVESTMENTS AS OF MARCH 31, 1995 (CONTINUED) (IN THOUSANDS)
<CAPTION>

Issue <S>	Face Amount <C>	Interest Rate* <C>	Maturity Date <C>	Value (Note 1a) <C>
Commercial Paper (continued)				
Eiger Capital Corp.	\$ 22,000	6.00 %	4/03/95	\$ 21,989
	9,040	5.99	4/17/95	9,014
	17,000	6.00	4/17/95	16,952
	19,962	5.99	4/18/95	19,902
	31,998	5.99	4/20/95	31,892
Eli Lilly and Company	60,000	6.18	9/06/95	58,357
	50,000	6.18	9/11/95	48,588
Falcon Asset Securitization Corp.	15,300	6.02	4/04/95	15,290
	25,650	6.02	4/05/95	25,629
	40,000	6.00	4/17/95	39,887
	52,050	5.99	4/20/95	51,877
	9,375	6.00	4/20/95	9,344
	9,900	6.00	4/21/95	9,865
	12,500	6.17	5/03/95	12,430
Ford Motor Credit Co.	150,000	6.00	4/03/95	149,925
	250,000	5.97	4/10/95	249,585
	70,000	6.12	4/11/95	69,868
	25,500	6.22	4/19/95	25,417
	150,000	6.35	4/19/95	149,513
	150,000	6.35	4/20/95	149,488
	7,900	6.22	4/21/95	7,872
	100,000	6.35	4/21/95	99,641
	150,000	6.10	5/01/95	149,216
	35,000	6.15	8/18/95	34,162
General Electric Capital Corp.	110,000	6.20	4/06/95	109,887
	50,000	5.57	4/10/95	49,915
	18,150	6.22	4/13/95	18,110
	100,000	6.15	4/19/95	99,675
	100,000	6.14	5/02/95	99,460
	100,000	6.47	5/04/95	99,427
	100,000	6.25	5/11/95	99,309
	100,000	6.25	5/12/95	99,292
	75,000	6.38	8/02/95	73,409
	100,000	6.30	8/16/95	97,639
Generale Bank, Inc.	50,000	5.98	4/03/95	49,975
	35,000	6.00	4/26/95	34,848
Glaxo Holdings PLC	50,000	6.00	4/21/95	49,825
	50,000	6.00	4/27/95	49,775
Goldman Sachs Group,	100,000	5.99	4/24/95	99,601

L.P.	100,000	5.99	4/27/95	99,551
	200,000	6.05	6/19/95	197,289
Halifax Building Society	150,000	6.22	4/03/95	149,923
Hanson Finance (UK)	18,000	6.25	4/03/95	17,991
PLC	17,000	6.28	4/03/95	16,991
	25,000	6.25	4/04/95	24,983
	76,000	6.27	4/04/95	75,948
	47,500	6.20	4/06/95	47,451
	62,000	6.12	4/17/95	61,820
	51,500	6.125	4/26/95	51,273

</TABLE>

<TABLE>
CMA MONEY FUND
SCHEDULE OF INVESTMENTS AS OF MARCH 31, 1995 (CONTINUED) (IN THOUSANDS)
<CAPTION>

Issue <S>	Face Amount <C>	Interest Rate* <C>	Maturity Date <C>	Value (Note 1a) <C>
Commercial Paper (continued)				
Hertz Corp.	\$ 58,600	6.00 %	4/03/95	\$ 58,571
	20,000	6.12	4/18/95	19,939
	20,000	6.12	4/19/95	19,935
International Nederlanden (US) Funding Corp.	123,000	6.00	4/17/95	122,652
	27,000	6.01	4/18/95	26,919
Kingdom of Sweden	70,000	6.135	4/17/95	69,797
	130,000	6.12	4/18/95	129,600
Knight-Ridder, Inc.	20,000	6.05	5/01/95	19,896
Kredietbank North American Finance Corp.	36,000	6.04	5/31/95	35,629
Leeds Permanent Building Society	50,000	6.25	4/05/95	49,957
	50,000	6.28	4/05/95	49,957
MCA Funding Corp.	30,000	5.58	4/12/95	29,939
	40,000	6.14	4/27/95	39,817
Matterhorn Capital Corp.	41,158	5.99	4/12/95	41,076
	45,600	5.99	4/17/95	45,471
	30,011	5.99	4/18/95	29,921
McKenna Triangle National Corp.	25,000	5.96	4/03/95	24,988
	10,000	5.98	4/03/95	9,995
	15,110	6.00	4/03/95	15,102
	11,400	6.00	4/04/95	11,392
	10,000	5.60	4/11/95	9,981
	25,000	5.58	4/12/95	24,949
	35,000	5.99	4/20/95	34,884
	12,156	6.00	4/20/95	12,115
	10,000	5.99	4/24/95	9,960
	25,000	5.99	4/26/95	24,892
	25,000	6.15	8/15/95	24,414
	10,000	6.15	8/21/95	9,755
Miles Inc.	25,000	6.02	4/18/95	24,925
National Australia Funding (Delaware) Inc.	41,000	6.22	4/04/95	40,972
	50,000	6.21	4/06/95	49,949
	74,299	6.12	4/18/95	74,071
New Center Asset Trust	154,000	6.18	4/10/95	153,737
	50,000	6.21	4/10/95	49,915
	60,000	6.02	4/19/95	59,809
	17,000	6.14	4/27/95	16,922
	67,000	6.13	7/18/95	65,758
	40,000	6.20	7/19/95	39,252
	50,000	6.20	7/21/95	49,048
	62,000	6.15	7/27/95	60,756
	50,000	6.35	8/11/95	48,862
	100,000	6.15	8/15/95	97,656
New South Wales Treasury Corp.	70,000	6.25	4/03/95	69,964
	50,000	6.25	4/04/95	49,966
	45,100	6.12	8/21/95	43,996

</TABLE>

<TABLE>
CMA MONEY FUND
SCHEDULE OF INVESTMENTS AS OF MARCH 31, 1995 (CONTINUED) (IN THOUSANDS)
<CAPTION>

Issue <S>	Face Amount <C>	Interest Rate* <C>	Maturity Date <C>	Value (Note 1a) <C>
Commercial Paper (continued)				
Nomura Holding America, Inc.	\$ 25,000	6.22 %	4/05/95	\$ 24,979
	25,000	6.22	4/06/95	24,974
	25,000	6.20	4/10/95	24,957
	25,000	6.20	4/11/95	24,953
	11,000	6.12	4/17/95	10,968
	10,000	6.14	4/24/95	9,959
	25,000	6.11	6/05/95	24,720
Ontario Hydro	100,000	6.22	4/06/95	99,898
PHH Corp.	35,000	6.07	4/21/95	34,876
Paribas Finance, Inc.	58,000	5.97	4/03/95	57,971
	42,000	6.02	4/03/95	41,979
Preferred Receivable Funding Corp.	25,000	6.00	4/03/95	24,988
	11,050	6.00	4/10/95	11,032
	19,275	6.20	4/10/95	19,242
	104,350	5.99	4/25/95	103,916
	45,500	5.99	4/26/95	45,303
	13,350	6.15	5/01/95	13,280
Premium Funding, Inc. (Series A--Q)	14,314	6.00	4/03/95	14,307
	6,686	6.00	4/13/95	6,672
	39,000	6.17	4/28/95	38,815
RTZ America Inc.	12,600	6.20	4/06/95	12,587
	30,300	6.15	4/20/95	30,196
Reed Elsevier PLC	20,000	6.25	4/03/95	19,990
	11,500	6.20	4/04/95	11,492
	20,000	6.25	4/05/95	19,983
	35,000	6.15	4/17/95	34,898
Riverwoods Funding Corp.	9,000	6.00	4/19/95	8,972
	16,000	6.15	4/26/95	15,930
Santander Finance Ltd.	40,000	6.185	4/10/95	39,932
Schering-Plough Corp.	28,290	6.14	8/09/95	27,656
Sheffield Receivables Corp.	9,550	6.00	4/05/95	9,542
	38,000	6.18	4/10/95	37,935
	48,000	6.12	4/19/95	47,844
	129,000	5.99	4/21/95	128,549
Siemens Capital Corp.	20,000	6.25	4/03/95	19,990
Societe General North America, Inc.	100,000	6.22	4/04/95	99,932
Southwestern Bell Capital Corp.	27,000	6.14	4/27/95	26,876
Svenska Handels- banken, Inc.	50,000	6.00	4/28/95	49,767
	50,000	6.12	6/05/95	49,441
Swedish Export Credit Corp.	25,000	6.25	4/05/95	24,979

<TABLE>
CMA MONEY FUND
SCHEDULE OF INVESTMENTS AS OF MARCH 31, 1995 (CONTINUED) (IN THOUSANDS)
<CAPTION>

Issue <S>	Face Amount <C>	Interest Rate* <C>	Maturity Date <C>	Value (Note 1a) <C>
Commercial Paper (concluded)				
Toshiba America Corp.	\$ 25,000	6.25 %	4/06/95	\$ 24,974

Transamerica Finance Corp.	50,000	6.25	4/04/95	49,966
	70,000	5.56	4/17/95	69,797
US Borax Inc.	6,700	6.22	4/06/95	6,693
	18,600	6.12	4/19/95	18,540
	17,000	6.15	4/19/95	16,945
	8,500	6.12	4/20/95	8,471
	15,000	6.12	8/21/95	14,633
	15,000	6.12	8/22/95	14,630
USAA Capital Corp.	28,000	6.25	4/03/95	27,986
USL Capital Corp.	16,000	6.02	5/02/95	15,914
Vattenfall Treasury Inc.	41,000	5.99	4/24/95	40,836
WCP Funding Inc.	14,200	6.00	4/18/95	14,157
Westdeutsche Landesbank Girozentrale	50,000	6.22	4/07/95	49,940
Windmill Funding Corp.	50,000	6.15	4/21/95	49,821
	73,000	6.02	4/25/95	72,695
	27,000	6.02	4/26/95	26,883
Wool International	10,000	6.12	8/18/95	9,760
Xerox Corp.	176,000	5.97	4/03/95	175,912
	24,000	5.99	4/24/95	23,904
Total Commercial Paper (Cost--\$11,850,177)				11,850,384

Master Notes--1.7%

Goldman Sachs Group, L.P.	300,000	6.07	5/26/95	300,000
	130,000	6.07	11/24/95	130,000
Smith Barney Inc.	75,000	6.05	6/09/95	75,000
Total Master Notes (Cost--\$505,000)				505,000

Medium-Term Notes--1.1%

Abbey National Treasury Services	150,000	7.05	3/01/96	150,375
Beta Finance Inc.	38,000	6.66	3/29/96	37,947
General Electric Capital Corp.	86,850	6.55	3/25/96	86,685
	50,000	6.55	3/28/96	49,885
Total Medium-Term Notes (Cost--\$324,687)				324,892

Time Deposits--0.9%

Swiss Bank Corp.	270,672	6.375	4/03/95	270,672
Total Time Deposits (Cost--\$ 270,672)				270,672

</TABLE>

33

83

<TABLE>

CMA MONEY FUND

SCHEDULE OF INVESTMENTS AS OF MARCH 31, 1995 (CONTINUED) (IN THOUSANDS)

<CAPTION>

Issue	Face Amount	Interest Rate*	Maturity Date	Value (Note 1a)
<S>	<C>	<C>	<C>	<C>
US Government & Agency Obligations-- Discount Notes--20.3%				
Federal Farm Credit Bank	\$ 23,000	6.03 %	9/14/95	\$ 22,352
	25,000	6.10	11/16/95	24,024
	25,000	6.06	3/21/96	23,450
Federal Home Loan Banks	32,000	6.02	4/19/95	31,900
	143,100	6.03	4/24/95	142,532
	790	5.00	5/15/95	784
	7,345	6.145	8/07/95	7,186

	101,330	6.00	9/27/95	98,255
	9,615	6.13	11/08/95	9,253
	265,000	6.13	11/27/95	254,161
	155,000	6.09	1/16/96	147,270
	99,800	6.08	1/17/96	94,805
	22,000	6.08	1/23/96	20,876
	50,000	6.10	2/14/96	47,244
	38,950	6.13	3/22/96	36,528
Federal Home Loan Mortgage Corp.	22,206	5.91	4/04/95	22,191
	70,905	5.91	4/14/95	70,742
	38,578	6.10	5/02/95	38,374
	93,000	6.10	5/03/95	92,492
	93,230	5.975	6/19/95	91,991
	45,000	5.99	6/19/95	44,402
	96,010	5.975	6/20/95	94,718
	50,000	5.98	6/20/95	49,327
	36,780	6.02	7/03/95	36,202
Federal National Mortgage Association	197,490	5.92	4/10/95	197,161
	50,000	5.47	4/18/95	49,851
	100,000	5.99	4/20/95	99,669
	30,000	6.00	4/24/95	29,881
	50,000	6.03	4/24/95	49,802
	126,500	6.05	4/27/95	125,940
	387,000	6.10	5/03/95	384,886
	50,000	5.99	6/13/95	49,385
	400,000	5.98	6/16/95	394,884
	50,000	5.99	7/24/95	49,038
	400,000	6.08	9/14/95	388,737
	300,000	6.04	9/21/95	291,199
	50,000	6.00	9/29/95	48,466
	100,000	6.02	10/24/95	96,504
	35,000	6.07	12/07/95	33,502
International Bank for Reconstruction and Development	22,000	6.00	4/03/95	21,989
Student Loan Marketing Association	80,000	6.10	5/03/95	79,563
US Treasury Bills	472,000	5.971	4/20/95	470,669
	300,000	5.375	4/27/95	298,733
	100,000	5.43	4/27/95	99,578
	100,000	5.04	5/04/95	99,460
	285,000	5.10	6/01/95	282,188

</TABLE>

<TABLE>
CMA MONEY FUND
SCHEDULE OF INVESTMENTS AS OF MARCH 31, 1995 (CONTINUED) (IN THOUSANDS)
<CAPTION>

Issue	Face Amount	Interest Rate*	Maturity Date	Value (Note 1a)
<S>	<C>	<C>	<C>	<C>
US Government & Agency Obligations-- Discount Notes (concluded)				
US Treasury Bills (concluded)	\$ 100,000	5.26%	8/24/95	\$ 97,628
	100,000	5.265	8/24/95	97,628
	200,000	5.27	8/24/95	195,255
	50,000	5.28	8/24/95	48,814
	100,000	5.97	4/04/96	93,817
	250,000	6.02	4/04/96	234,543

Total US Government & Agency Obligations--
Discount Notes (Cost--\$5,912,075) 5,909,829

US Government & Agency Obligations--
Non-Discount Notes--29.4%

Federal Farm Credit Bank++	10,000	7.11	2/01/96	10,040
Federal Home Loan Banks++	86,600	6.06	4/27/95	86,588
	116,000	5.79	4/28/95	115,985
	44,120	5.78	6/05/95	44,104
	168,000	6.43	6/21/95	168,000
	277,000	4.625	8/09/95	275,227
	280,000	6.43	12/28/95	280,000
	20,000	7.16	2/01/96	20,088
	179,500	7.13	2/09/96	180,272
	20,000	6.85	2/28/96	20,042

	16,000	9.80	3/25/96	16,469
	274,000	6.46	6/17/96	274,000
	109,000	6.46	6/21/96	109,000
	60,000	5.885	8/05/96	59,873
	38,500	6.42	12/23/96	38,530
	88,000	7.10	4/03/97	87,639
	25,000	6.35	1/26/98	24,771
	50,000	6.35	1/29/98	49,541
Federal Home Loan Mortgage Corp.++	277,000	4.635	8/09/95	275,227
	250,000	6.36	9/01/95	249,980
	149,000	6.37	9/01/95	148,994
	165,000	6.45	4/08/96	164,522
	58,400	6.33	5/06/96	58,400
	55,000	6.50	5/13/98	55,000
Federal National Mortgage Association++	531,000	5.80	6/01/95	530,967
	120,000	6.40	12/20/95	120,000
	95,000	6.37	1/26/96	94,952
	185,000	5.92	2/07/96	184,984
	52,500	6.72	2/28/96	52,553
	125,240	6.86	2/28/96	125,516
	50,000	6.67	3/15/96	49,998
	135,000	6.46	3/27/96	134,744
	374,000	6.33	5/13/96	374,000
	270,000	6.33	5/24/96	270,000
	173,000	5.943	7/18/96	172,826
	624,000	6.03	10/11/96	624,000
	445,000	6.04	2/21/97	445,000
	267,700	6.45	5/19/97	267,700
	267,000	6.50	5/14/98	267,000

</TABLE>

34

84

<TABLE>

CMA MONEY FUND
SCHEDULE OF INVESTMENTS AS OF MARCH 31, 1995 (CONCLUDED) (IN THOUSANDS)
<CAPTION>

Issue	Face Amount	Interest Rate*	Maturity Date	Value (Note 1a)
<S>	<C>	<C>	<C>	<C>
US Government & Agency Obligations-- Non-Discount Notes (concluded)				
Student Loan	\$ 50,000	6.42 %	4/17/95	\$ 50,010
Marketing	6,000	6.12	6/02/95	6,002
Association++	70,000	6.17	8/07/95	70,027
	25,000	6.29	8/07/95	25,021
	129,000	5.85	8/10/95	128,983
	25,000	5.87	9/14/95	24,997
	120,500	6.17	3/20/96	120,549
	39,100	6.04	4/16/96	39,132
	50,000	6.00	5/14/96	50,043
	15,000	6.27	8/22/96	15,060
	710,000	6.03	9/20/96	710,000
	150,000	6.18	1/14/97	150,000
	7,095	6.22	1/23/97	7,101
US Treasury Notes	205,000	3.875	4/30/95	204,559
	100,000	5.875	5/15/95	99,977
	65,000	3.875	8/31/95	64,391
	175,000	4.625	2/15/96	172,262
	40,000	5.875	5/31/96	39,662
	50,000	6.875	2/28/97	50,031
Total US Government & Agency Obligations-- Non-Discount Notes (Cost--\$8,559,875)				8,554,339

</TABLE>

<TABLE>

CMA MONEY FUND
SCHEDULE OF INVESTMENTS AS OF MARCH 31, 1995 (CONCLUDED) (IN THOUSANDS)
<CAPTION>

Face Amount	Issue	Value (Note 1a)
<S>	<C>	<C>
Repurchase Agreements***-1.2%		
\$150,000	Fuji Securities, Inc., purchased on 3/31/95 to yield 6.35% to 4/03/95	\$ 150,000

200,000	Nomura Securities International Inc., purchased on 3/31/95 to yield 6.30% to 4/03/95	200,000
Total Repurchase Agreements (Cost--\$350,000)		350,000
Total Investments (Cost--\$30,070,392)--103.4%		30,062,592
Liabilities in Excess of Other Assets--(3.4%)		(995,830)
Net Assets--100.0%		\$29,066,762 =====

<FN>

*Commercial Paper and certain US Government & Agency Obligations are traded on a discount basis; the interest rates shown are the discount rates paid at the time of purchase by the Fund. Other securities bear interest at the rates shown, payable at fixed dates through maturity. Interest rates on variable rate securities are adjusted periodically based on appropriate indexes; the interest rates shown are the rates in effect at March 31, 1995.

**Repurchase Agreements are fully collateralized by US Government Obligations.

++Variable Rate Notes.

See Notes to Financial Statements.

</TABLE>

35

85

<TABLE>

CMA MONEY FUND

STATEMENT OF ASSETS AND LIABILITIES AS OF MARCH 31, 1995

<S>

	<C>	<C>
Assets:		
Investments, at value (identified cost--\$30,070,392,434++) (Note 1a)		\$ 30,062,592,047
Cash		200,055
Interest receivable		102,635,363
Prepaid registration fees and other assets (Note 1d)		461,587
Total assets		----- 30,165,889,052 -----
Liabilities:		
Payables:		
Securities purchased	\$ 1,077,329,406	
Investment adviser (Note 2)	9,312,034	
Distributor (Note 2)	8,989,741	
Beneficial interest redeemed	74,236	
Dividends to shareholders (Note 1e)	12,752	1,095,718,169
Accrued expenses and other liabilities		----- 3,409,198 -----
Total liabilities		----- 1,099,127,367 -----
Net Assets		----- \$ 29,066,761,685 =====
Net Assets Consist of:		
Shares of beneficial interest, \$.10 par value, unlimited number of shares authorized		\$ 2,907,456,207
Paid-in capital in excess of par		26,167,105,865
Unrealized depreciation on investments--net		(7,800,387)
Net Assets--Equivalent to \$1.00 per share based on 29,074,562,072 shares of beneficial interest outstanding		----- \$ 29,066,761,685 =====

<FN>

++Cost for Federal income tax purposes. As of March 31, 1995, net unrealized depreciation for Federal income tax purposes amounted to \$7,800,387, of which \$1,503,212 related to appreciated securities and \$9,303,599 related to depreciated securities.

See Notes to Financial Statements.
</TABLE>

36

86

<TABLE>		
CMA MONEY FUND		
STATEMENT OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 1995		
<S>		
Investment Income (Note 1c):	<C>	<C>
Interest and amortization of premium and discount earned		\$ 1,363,472,207
Expenses:		
Investment advisory fees (Note 2)	\$ 104,060,839	
Distribution fees (Note 2)	34,206,694	
Transfer agent fees (Note 2)	11,240,401	
Registration fees (Note 1d)	2,015,308	
Accounting services (Note 2)	1,110,858	
Custodian fees	726,354	
Printing and shareholder reports	519,284	
Professional fees	101,621	
Trustees' fees and expenses	64,068	
Other	146,594	

Total expenses		154,192,021

Investment income--net		1,209,280,186
Realized Gain on Investments--Net (Note 1c)		7,984,282
Change in Unrealized Depreciation on Investments--Net		5,456,273

Net Increase in Net Assets Resulting from Operations		\$ 1,222,720,741
		=====

</TABLE>

<TABLE>		
CMA MONEY FUND		
STATEMENTS OF CHANGES IN NET ASSETS		
For the Year Ended March 31,		
<S>		
Increase (Decrease) in Net Assets:	<C>	<C>
<S>		
Operations:		
Investment income--net	\$ 1,209,280,186	\$ 740,582,482
Realized gain on investments--net	7,984,282	7,543,550
Change in unrealized appreciation/depreciation on investments--net	5,456,273	(21,286,112)
	-----	-----
Net increase in net assets resulting from operations	1,222,720,741	726,839,920
	-----	-----
Dividends & Distributions to Shareholders (Note 1e):		
Investment income--net	(1,209,280,186)	(740,582,482)
Realized gain on investments--net	(7,984,282)	(7,543,550)
	-----	-----
Net decrease in net assets resulting from dividends and distributions to shareholders	(1,217,264,468)	(748,126,032)
	-----	-----
Beneficial Interest Transactions (Note 3):		
Net proceeds from sale of shares	114,576,757,341	106,435,848,948
Net asset value of shares issued to shareholders in reinvestment of dividends (Note 1e)	1,214,458,420	746,378,060
	-----	-----
	115,791,215,761	107,182,227,008
Cost of shares redeemed	(113,801,792,385)	(107,182,740,698)
	-----	-----
Net increase (decrease) in net assets derived from beneficial interest transactions	1,989,423,376	(513,690)
	-----	-----
Net Assets:		
Total increase (decrease) in net assets	1,994,879,649	(21,799,802)
Beginning of year	27,071,882,036	27,093,681,838
	-----	-----
End of year	\$ 29,066,761,685	\$ 27,071,882,036
	=====	=====

See Notes to Financial Statements.
</TABLE>

37

<TABLE>
 CMA MONEY FUND
 FINANCIAL HIGHLIGHTS
 <CAPTION>

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

Increase (Decrease) in Net Asset Value: <S>	For the Year Ended March 31,				
	1995 <C>	1994 <C>	1993 <C>	1992 <C>	1991 <C>
Per Share Operating Performance:					
Net asset value, beginning of year	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Investment income--net	.0437	.0276	.0309	.0498	.0734
Realized and unrealized gain (loss) on investments--net	.0005	(.0005)	.0019	.0019	.0017
Total from investment operations	.0442	.0271	.0328	.0517	.0751
Less dividends and distributions:					
Investment income--net	(.0437)	(.0276)	(.0309)	(.0498)	(.0734)
Realized gain on investments--net	(.0003)	(.0003)	(.0015)	(.0020)	(.0017) *
Total dividends and distributions	(.0440)	(.0279)	(.0324)	(.0518)	(.0751)
Net asset value, end of year	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Total Investment Return	4.50%	2.82%	3.30%	5.27%	7.81%
Ratios to Average Net Assets:					
Expenses, excluding distribution fees	.44%	.42%	.42%	.42%	.41%
Expenses	.56%	.55%	.55%	.54%	.54%
Investment income and realized gain on investments--net	4.42%	2.79%	3.25%	5.18%	7.51%
Supplemental Data:					
Net assets, end of year (in thousands)	\$29,066,762	\$27,071,882	\$27,093,682	\$29,106,627	\$31,163,167

<FN>

*Includes unrealized gain (loss).

See Notes to Financial Statements.

</TABLE>

38

88

CMA MONEY FUND
 NOTES TO FINANCIAL STATEMENTS

1. Significant Accounting Policies:

CMA Money Fund (the "Fund") is registered under the Investment Company Act of 1940 as a no load, diversified, open-end management investment company. The following is a summary of significant accounting policies followed by the Fund.

(a) Valuation of investments--Investments maturing more than sixty days after the valuation date are valued at the most recent bid price or yield equivalent as obtained from dealers that make markets in such securities. When securities are valued with sixty days or less to maturity, the difference between the valuation existing on the sixty-first day before maturity and maturity value is amortized on a straight-line basis to maturity. Investments maturing within sixty days from their date of acquisition are valued at amortized cost, which approximates market value.

For the purpose of valuation, the maturity of variable rate certificates of deposit, variable rate commercial paper, short-term corporate bond notes and variable rate corporate notes is deemed to be the next coupon date on which the interest rate is to be adjusted. 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 Trustees of the Fund.

(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 all of its taxable income to

its shareholders. Therefore, no Federal income tax provision is required.

(c) Security transactions and investment income--Security transactions are recorded on the dates the transactions are entered into (the trade dates). Interest income, including amortization of premium and 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) Dividends to shareholders--The Fund declares dividends daily and reinvests daily such dividends (net of non-resident alien tax and back-up withholding tax withheld) in additional fund shares at net asset value. Dividends are declared from the total of net investment income and net realized gain or loss on investments.

2. Investment Advisory Agreement and Transactions with Affiliates: The Fund has entered into an Investment Advisory Agreement with Fund Asset Management, L.P. ("FAM" or "Adviser"). The general partner of FAM is Princeton Services, Inc. ("PSI"), an indirect wholly-owned subsidiary of Merrill Lynch & Co., Inc. ("ML & Co."), which is the limited partner.

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 net assets at the following annual rates: 0.50% of the Fund's average daily net assets not exceeding \$500 million; 0.425% of the average daily net assets in excess of \$500 million, but not exceeding \$1 billion; and 0.375% of the average daily net assets in excess of \$1 billion. The most restrictive annual expense limitation requires that the Adviser 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 next \$70 million of average daily net assets and 1.5% of the average daily net assets in excess thereof.

39

89

CMA MONEY FUND
NOTES TO FINANCIAL STATEMENTS (CONCLUDED)

No fee payment will be made to the Adviser during the year which will cause such expenses to exceed the pro rata expense limitation at the time of such payment.

The Fund has adopted a Distribution and Shareholder Servicing Plan in compliance with Rule 12b-1 under the Investment Company Act of 1940, pursuant to which Merrill Lynch, Pierce, Fenner & Smith Inc. ("MLPF&S") receives a distribution fee under the Distribution Agreement from the Fund at the end of each month at the annual rate of 0.125% of average daily net assets of the Fund for shareholders who maintain their accounts through MLPF&S. The distribution fee is to compensate MLPF&S financial consultants and other directly involved branch office personnel for selling shares of the Fund and for providing direct personal services to shareholders. The distribution fee is not compensation for the administrative and operational services rendered to the Fund by MLPF&S in processing share orders and administering shareholder accounts.

At March 31, 1995, the Fund owed affiliated brokers \$113,056,674 for securities purchased.

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 trustees of the Fund are officers and/or directors of FAM, PSI, MLPF&S, FDS, and/or ML & Co.

3. Shares of Beneficial Interest:

The number of shares purchased and redeemed during the periods corresponds to the amounts included in the Statements of Changes in Net Assets for net proceeds from sale of shares and cost of shares redeemed, respectively, since shares are recorded at \$1.00 per share.

INDEPENDENT AUDITORS' REPORT

The Board of Trustees and Shareholders,
CMA GOVERNMENT SECURITIES FUND:

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of CMA Government Securities Fund as of March 31, 1995, 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 March 31, 1995 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 CMA Government Securities Fund as of March 31, 1995, 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

April 28, 1995

<TABLE>
CMA GOVERNMENT SECURITIES FUND
SCHEDULE OF INVESTMENTS AS OF MARCH 31, 1995 (IN THOUSANDS)
<CAPTION>

Issue <S>	Face Amount <C>	Interest Rate <C>	Maturity Date <C>	Value (Note 1a) <C>
	US Government Obligations*--51.4%			
US Treasury Bills	\$ 35,000	5.90	% 4/20/95	\$ 34,902
	50,000	5.395	4/27/95	49,789
	20,000	5.47	4/27/95	19,916
	50,000	5.49	5/04/95	49,730
	65,000	5.54	5/04/95	64,649
	125,000	5.66	5/04/95	124,325
	50,000	5.83	5/04/95	49,730
	95,000	5.68	5/11/95	94,385
	25,000	6.16	7/27/95	24,526
	35,000	6.17	7/27/95	34,337
	90,000	6.09	8/10/95	88,069
	50,000	6.10	8/10/95	48,927
	15,000	6.12	8/17/95	14,661
	30,000	5.21	8/24/95	29,288
	15,000	5.29	8/24/95	14,644
	50,000	5.855	8/31/95	48,750
	15,000	5.86	8/31/95	14,625
	20,000	5.38	9/21/95	19,430
	50,000	5.83	10/05/95	48,501
	15,000	5.723	10/19/95	14,499
	15,000	5.82	10/19/95	14,499

	15,000	6.11	4/04/96	14,073
US Treasury	135,000	3.875	4/30/95	134,736
Notes	235,000	5.875	5/15/95	234,946
	5,000	8.50	5/15/95	5,014
	40,000	4.125	5/31/95	39,875
	65,000	4.25	7/31/95	64,624
	105,000	3.875	10/31/95	103,573
	25,000	4.25	11/30/95	24,668
	55,000	7.875	2/15/96	55,619
	32,000	5.50	4/30/96	31,640

Total US Government Obligations
(Cost--\$1,611,017) 1,610,950

<CAPTION>
Face Value
Amount Issue (Notes 1a & 1e)
<C> <S> <C>

Repurchase Agreements***--50.3%

\$135,000	Bear Stearns & Co., Inc., purchased on 3/31/95 to yield 6.23% to 4/03/95	135,000
130,000	CS First Boston Corp., purchased on 3/31/95 to yield 6.30% to 4/03/95	130,000

</TABLE>

<TABLE>
CMA GOVERNMENT SECURITIES FUND
SCHEDULE OF INVESTMENTS AS OF MARCH 31, 1995 (IN THOUSANDS)
<CAPTION>
Face Value
Amount Issue (Notes 1a & 1e)
<C> <S> <C>

Repurchase Agreements** (concluded)

\$120,000	Chase Securities Inc., purchased on 3/31/95 to yield 6.15% to 4/03/95	\$ 120,000
130,000	Chemical Securities, Inc., purchased on 3/31/95 to yield 6.23% to 4/03/95	130,000
100,000	Citicorp Securities Inc., purchased on 3/31/95 to yield 6.20% to 4/03/95	100,000
130,000	Daiwa Securities America, Inc., purchased on 3/31/95 to yield 6.25% to 4/03/95	130,000
135,000	Fuji Securities Inc., purchased on 3/31/95 to yield 6.25% to 4/03/95	135,000
35,000	HSBC Securities Inc., purchased on 3/31/95 to yield 6.30% to 4/03/95	35,000
141,417	Lehman Government Securities, Inc., purchased on 3/31/95 to yield 6.23% to 4/03/95	141,417
125,000	Nikko Securities International, Inc., purchased on 3/31/95 to yield 6.15% to 4/03/95	125,000
135,000	Nomura Securities International, Inc., purchased on 3/31/95 to yield 6.25% to 4/03/95	135,000
128,000	SBC Capital Market Inc., purchased on 3/31/95 to yield 6.23% to 4/03/95	128,000
130,000	Smith Barney Inc., purchased on 3/31/95 to yield 6.25% to 4/03/95	130,000

Total Repurchase Agreements
(Cost--\$1,574,417) 1,574,417

Total Investments
(Cost--\$3,185,434)--101.7% 3,185,367

Liabilities in Excess of Other Assets--(1.7%) (52,564)

<FN>

*US Treasury Bills are traded on a discount basis; the interest rates shown are the discount rates paid at the time of purchase by the Fund. US Treasury Notes bear interest at the rates shown, payable at fixed dates or upon maturity.

**Repurchase Agreements are fully collateralized by US Government Obligations.

See Notes to Financial Statements.

</TABLE>

42

92

<TABLE>

CMA GOVERNMENT SECURITIES FUND

STATEMENT OF ASSETS AND LIABILITIES AS OF MARCH 31, 1995

<S>

	<C>	<C>
Assets:		
Investments, at value (identified cost--\$3,185,433,937++) (Note 1a & 1e)		\$ 3,185,367,418
Cash		114
Receivables:		
Securities sold	\$ 35,519,546	
Interest	11,820,993	47,340,539

Prepaid registration fees and other assets (Note 1d)		155,107

Total assets		3,232,863,178

Liabilities:		
Payables:		
Securities purchased	97,502,108	
Investment adviser (Note 2)	1,068,696	
Distributor (Note 2)	1,034,223	99,605,027

Accrued expenses and other liabilities		455,099

Total liabilities		100,060,126

Net Assets		\$ 3,132,803,052
		=====
Net Assets Consist of:		
Shares of beneficial interest, \$.10 par value, unlimited number of shares authorized		\$ 313,286,957
Paid-in capital in excess of par		2,819,582,614
Unrealized depreciation on investments--net		(66,519)

Net Assets--Equivalent to \$1.00 per share based on 3,132,869,571 shares of beneficial interest outstanding		\$ 3,132,803,052
		=====

<FN>

++Cost for Federal income tax purposes. As of March 31, 1995, net unrealized depreciation for Federal income tax purposes amounted to \$66,519, of which \$459,058 related to appreciated securities and \$525,577 related to depreciated securities.

See Notes to Financial Statements.

</TABLE>

43

93

<TABLE>

CMA GOVERNMENT SECURITIES FUND

STATEMENT OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 1995

<S>

	<C>	<C>
Investment Income (Note 1c):		
Interest and amortization of premium and discount earned		\$ 153,123,533
Expenses:		
Investment advisory fees (Note 2)	\$ 12,979,282	

Distribution fees (Note 2)	4,013,060	
Transfer agent fees (Note 2)	660,663	
Custodian fees	310,401	
Registration fees (Note 1d)	278,964	
Accounting services (Note 2)	193,217	
Professional fees	90,230	
Printing and shareholder reports	75,355	
Trustees' fees and expenses	25,068	
Other	51,480	

Total expenses		18,677,720

Investment income--net		134,445,813
Realized Gain on Investments--Net (Note 1c)		607,823
Change in Unrealized Depreciation on Investments--Net		1,913,030

Net Increase in Net Assets Resulting from Operations		\$ 136,966,666
		=====

See Notes to Financial Statements.

</TABLE>

44

94

<TABLE>

CMA GOVERNMENT SECURITIES FUND
STATEMENTS OF CHANGES IN NET ASSETS
<CAPTION>

Increase (Decrease) in Net Assets:	For the Year Ended March 31,	
	1995	1994
<S>	<C>	<C>
Operations:		
Investment income--net	\$ 134,445,813	\$ 100,362,237
Realized gain on investments--net	607,823	1,638,506
Change in unrealized appreciation/depreciation on investments--net	1,913,030	(6,268,035)
	-----	-----
Net increase in net assets resulting from operations	136,966,666	95,732,708
	-----	-----
Dividends & Distributions to Shareholders (Note 1f):		
Investment income--net	(134,445,813)	(100,362,237)
Realized gain on investments--net	(607,823)	(1,638,506)
	-----	-----
Net decrease in net assets resulting from dividends and distributions to shareholders	(135,053,636)	(102,000,743)
	-----	-----
Beneficial Interest Transactions (Note 3):		
Net proceeds from sale of shares	12,035,321,698	13,417,186,906
Net asset value of shares issued to shareholders in reinvestment of dividends and distributions (Note 1f)	134,913,910	101,906,587
	-----	-----
Cost of shares redeemed	12,170,235,608	13,519,093,493
	(12,602,941,002)	(13,807,246,615)
	-----	-----
Net decrease in net assets derived from beneficial interest transactions	(432,705,394)	(288,153,122)
	-----	-----
Net Assets:		
Total decrease in net assets	(430,792,364)	(294,421,157)
Beginning of year	3,563,595,416	3,858,016,573
	-----	-----
End of year	\$ 3,132,803,052	\$ 3,563,595,416
	=====	=====

See Notes to Financial Statements.

</TABLE>

45

95

<TABLE>

CMA GOVERNMENT SECURITIES FUND
FINANCIAL HIGHLIGHTS
<CAPTION>

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

For the Year Ended March 31,

Increase (Decrease) in Net Asset Value: <S>	1995 <C>	1994 <C>	1993 <C>	1992 <C>	1991 <C>
Per Share Operating Performance:					
Net asset value, beginning of year	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Investment income--net	.0419	.0271	.0294	.0473	.0704
Realized and unrealized gain (loss) on investments--net	.0008	(.0013)	.0038	.0034	.0014
Total from investment operations	.0427	.0258	.0332	.0507	.0718
Less dividends and distributions:					
Investment income--net	(.0419)	(.0271)	(.0294)	(.0473)	(.0704)
Realized gain on investments--net	(.0002)	(.0004)	(.0026)	(.0036)	(.0014) *
Total dividends and distributions	(.0421)	(.0275)	(.0320)	(.0509)	(.0718)
Net asset value, end of year	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Total Investment Return	4.30%	2.79%	3.25%	5.17%	7.46%
Ratios to Average Net Assets:					
Expenses, excluding distribution fees	.45%	.43%	.43%	.43%	.43%
Expenses	.58%	.56%	.55%	.56%	.56%
Investment income and realized gain on investments--net	4.18%	2.75%	3.20%	5.05%	7.11%*
Supplemental Data:					
Net assets, end of year (in thousands)	\$3,132,803	\$3,563,595	\$3,858,017	\$4,452,247	\$5,228,619

<FN>

*Includes unrealized gain (losses).

See Notes to Financial Statements.

</TABLE>

CMA GOVERNMENT SECURITIES FUND
NOTES TO FINANCIAL STATEMENTS

1. Significant Accounting Policies:

CMA Government Securities Fund (the "Fund") is registered under the Investment Company Act of 1940 as a no load, diversified, open-end investment company. The following is a summary of significant accounting policies followed by the Fund.

(a) Valuation of investments--Investments maturing more than sixty days after the valuation date are valued at the most recent bid price or yield equivalent as obtained from dealers that make markets in such securities. When securities are valued with sixty days or less to maturity, the difference between the valuation existing on the sixty-first day before maturity and maturity value is amortized on a straight-line basis to maturity. Investments maturing within sixty days from their date of acquisition are valued at amortized cost, which approximates market value. 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 Trustees of the Fund.

(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.

(c) Security transactions and investment income--Security transactions are recorded on the dates the transactions are entered into (the trade dates). Interest income (including amortization of premium and 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) Repurchase agreements--The Fund invests in US Government securities pursuant to repurchase agreements with a member bank of the Federal Reserve System or a primary dealer in US Government

securities. Under such agreements, the bank or primary dealer agrees to repurchase the security at a mutually agreed upon time and price. The Fund takes possession of the underlying securities, marks to market such securities daily and, if necessary, receives additional securities to ensure that the contract is adequately collateralized.

(f) Dividends and distributions to shareholders--The Fund declares dividends daily and reinvests daily such dividends (net of non-resident alien tax withheld) in additional fund shares at net asset value. Dividends and distributions are declared from the total of net investment income and net realized gain or loss on investments.

2. Investment Advisory Agreement and Transactions with Affiliates:

The Fund has entered into an Investment Advisory Agreement with Fund Asset

47

97

CMA GOVERNMENT SECURITIES FUND NOTES TO FINANCIAL STATEMENTS (CONCLUDED)

Management, L.P. ("FAM" or "Adviser"). The general partner of FAM is Princeton Services, Inc. ("PSI"), an indirect wholly-owned subsidiary of Merrill Lynch & Co., Inc. ("ML & Co."), which is the limited partner.

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 net assets, at the following annual rates: 0.50% of the Fund's average daily net assets not exceeding \$500 million; 0.425% of the average daily net assets in excess of \$500 million but not exceeding \$1 billion; and 0.375% of the average daily net assets in excess of \$1 billion. The most restrictive annual expense limitation requires that the Adviser 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 Adviser during any year which will cause such expenses to exceed the pro rata expense limitation at the time of such payment.

The Fund has adopted a Distribution and Shareholder Servicing Plan in compliance with Rule 12b-1 under the Investment Company Act of 1940, pursuant to which Merrill Lynch, Pierce, Fenner & Smith Inc. ("MLPF&S") receives a distribution fee from the Fund at the end of each month at the annual rate of 0.125% of average daily net assets of the Fund for shareholders who maintain their accounts through MLPF&S. The distribution fee is to compensate MLPF&S financial consultants and other directly involved branch office personnel for selling shares of the Fund and for providing direct personal services to shareholders. The distribution fee is not compensation for the administrative and operational services rendered to the Fund by MLPF&S in processing share orders and administering shareholder accounts.

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 trustees of the Fund are officers and/or directors of FAM, PSI, MLPF&S, FDS, and/or ML & Co.

3. Transactions in Shares of Beneficial Interest:

The number of shares purchased and redeemed during the periods corresponds to the amounts included in the Statements of Changes in Net Assets for net proceeds from sale of shares and cost of shares redeemed, respectively, since shares are recorded at \$1.00 per share.

48

98

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders,

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of CMA Tax-Exempt Fund as of March 31, 1995, 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 March 31, 1995 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 CMA Tax-Exempt Fund as of March 31, 1995, 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

April 28, 1995

49

99

<TABLE>

CMA TAX-EXEMPT FUND

SCHEDULE OF INVESTMENTS AS OF MARCH 31, 1995

(IN THOUSANDS)

<CAPTION>

State <S>	Face Amount <C>	Issue <S>	Value (Note 1a) <C>
Alabama-- 0.9%	\$ 25,000	Birmingham, Alabama, Medical Clinic Board Revenue Bonds, VRDN, 4.30% due 12/01/2026 (a)	\$ 25,000
	37,900	McIntosh, Alabama, IDB (Ciba-Geigy Corporation Project), VRDN, 4.25% due 7/01/2004 (a)	37,900
	7,600	McIntosh, Alabama, IDB, PCR (Ciba-Geigy Corporation Project), VRDN, Series A, 4.10% due 12/01/2003 (a)	7,600
	2,200	Mobile, Alabama, IDB, Solid Waste Disposal Revenue Bonds (Scott Paper Company), VRDN, Series E, 4.15% due 12/01/2019 (a)	2,200
Alaska-- 3.3%	80,000	Alaska Housing Finance Corporation Revenue Bonds, VRDN (a): Series A, 4.25% due 12/01/2024	80,000
	35,000	Series C, 4.15% due 6/01/2026	35,000
	10,650	Alaska Industrial Development and Export Authority Revenue Bonds (Pacific Corp. Project), VRDN, 4.25% due 12/01/1995 (a) Valdez, Alaska, Marine Terminal Revenue Refunding Bonds (Exxon Pipeline Co. Project):	10,650
	60,000	CP, Series B, 4.50% due 5/15/1995	60,028
	8,275	Series C, 4.15% due 4/06/1995	8,275
	19,000	VRDN, Series A, 3.90% due 5/15/1995 (a)	19,000
	30,000	VRDN, Series A, 4.10% due 5/15/1995 (a)	30,000
Arizona-- 2.8%	26,300	Apache County, Arizona, IDA (Tucson Electric Power Co.), VRDN, Series B, 4.25% due 12/15/2018 (a)	26,300
	10,200	Arizona Educational Loan Marketing Revenue Bonds, VRDN, AMT, Series A, 4.15% due 3/01/2015 (a)	10,200
	8,000	Coconino County, Arizona, Revenue Bonds (Arizona Public Service Co.--Navajo Project), VRDN, Series A, 4.55% due 10/01/2029 (a)	8,000
	5,300	Maricopa County, Arizona, IDA, Hospital Facilities Revenue Bonds (Samaritan Health Service Hospital), VRDN, Series B2, 4.20% due 12/01/2008 (a)	5,300
	1,100	Maricopa County, Arizona, IDA, PCR (Motorola Inc. Project), VRDN, 4.15% due 10/01/1995 (a)	1,100

		Maricopa County, Arizona, PCR, Refunding (Arizona Public Service Co.), VRDN (a):	
	35,600	Series A, 4.25% due 5/01/2029	35,600
	18,000	Series C, 4.25% due 5/01/2029	18,000
	13,200	Series F, 4.25% due 5/01/2029	13,200
	54,950	Maricopa County, Arizona, TAN, GO, 5% due 7/28/1995	55,070
		Phoenix, Arizona, GO, VRDN (a):	
	6,700	Series 1, 4.25% due 6/01/2018	6,700
	7,800	Series 2, 4.25% due 6/01/2018	7,800
	20,750	Salt River Project, Arizona, Agricultural Improvement and Power District, CP, 3.85% due 5/11/1995	20,750
Arkansas--	3,800	Arkansas State Student Loan Authority Revenue Bonds, VRDN, AMT, Series B-4, 4.05% due 6/01/2013 (a)	3,800
0.4%	19,000	Little River County, Arkansas, Solid Waste Disposal Revenue Bonds (Nekoosa Paper Project), VRDN, AMT, 4.275% due 2/01/2025 (a)	19,000

</TABLE>

Portfolio Abbreviations for CMA Tax-Exempt Fund

ACES SM	Adjustable Convertible Extendable Securities
AMT	Alternative Minimum Tax (subject to)
COP	Certificates of Participation
CP	Commercial Paper
DATES	Daily Adjustable Tax-Exempt Securities
EDA	Economic Development Authority
GO	General Obligation Bonds
HFA	Housing Finance Agency
IDA	Industrial Development Authority
IDB	Industrial Development Board
IDR	Industrial Development Revenue Bonds
LIBOR	London Interbank Offered Rate
M/F	Multi-Family
PCR	Pollution Control Revenue Bonds
RAN	Revenue Anticipation Notes
S/F	Single-Family
TAN	Tax Anticipation Notes
TRAN	Tax Revenue Anticipation Notes
UPDATES	Unit Priced Adjustable Tax-Exempt Securities
UT	Unlimited Tax
VRDN	Variable Rate Demand Notes

50

100

<TABLE>
CMA TAX-EXEMPT FUND
SCHEDULE OF INVESTMENTS AS OF MARCH 31, 1995 (CONTINUED) (IN THOUSANDS)
<CAPTION>

State	Face Amount	Issue	Value (Note 1a)
<S>	<C>	<S>	<C>
California--	\$ 3,620	California HFA, Home Mortgage Revenue Bonds, AMT, Series II, 4.30% due 5/01/1995	\$ 3,620
10.2%		California Higher Education Loan Authority, Inc., Student Loan Revenue Bonds, AMT, Series C:	
	65,375	3.85% due 6/01/1995	65,375
	21,000	4% due 7/01/1995	21,000
		California Higher Education Loan Authority, Inc., Student Loan Revenue Refunding Bonds:	
	25,000	Senior Lien, Series A-1, 3.90% due 7/01/1995	25,000
	5,000	Senior Lien, Series A-2, 3.60% due 5/01/1995	5,000
	33,650	Series A, 3.60% due 5/01/1995	33,650
	33,000	VRDN, AMT, Series E-1, 4.20% due 12/01/2022 (a)	33,000
		California Pollution Control Financing Authority, PCR, Refunding (Pacific Gas & Electric Co.), AMT:	
	21,800	Series A, 4.15% due 4/07/1995	21,800
	23,100	Series B, 3.75% due 4/04/1995	23,100
	4,600	California Pollution Control Financing Authority, Solid Waste Disposal Revenue Bonds (Shell Oil Co. Project), VRDN, AMT, Series A, 4.45% due 10/01/2024 (a)	4,600
	50,000	California Public Capital Improvements Financing Authority Revenue Bonds, Series D, 4.30% due 6/15/1995	50,000
		California State RAN:	
	70,000	Series A, 5% due 6/28/1995	70,134
	120,000	Series C, 5.75% due 4/25/1996	121,035
	10,000	Chula Vista, California, IDR (San Diego Gas & Electric Co.), CP, AMT, Series D, 3.95% due 5/08/1995	10,000
	17,800	Eastern Municipal Water District, California, Water and Sewer Revenue Refunding Bonds, VRDN, COP, Series B, 4% due 7/01/2020 (a)	17,800
	114,714	FB California Floating Rate Trust Certificates, VRDN, Series 9, 4.35% due 4/25/1996 (a)	114,714
	23,000	Kern County, California, TRAN, 4.25% due 7/14/1995 (c)	23,033

30,975	Los Angeles County, California, TRAN, 4.50% due 6/30/1995	30,994
12,600	Riverside County, California, TRAN, 4.25% due 6/30/1995 (c)	12,620
54,750	San Diego County, California, TAN, Series A, 4.25% due 6/30/1995 (c)	54,833
10,000	Santa Clara County, California, TRAN, 4.25% due 7/07/1995 (c)	10,012

Colorado--
4.1%

	Arapahoe County, Colorado, Capital Improvement Trust Fund, Highway Revenue Bonds (E-470 Project):	
62,155	Series H, 4.45% due 8/31/1995	62,155
60,645	Series I, 4.45% due 8/31/1995	60,645
27,340	Series J, 4.45% due 8/31/1995	27,340
56,700	Series K, 4.45% due 8/31/1995	56,700
6,660	Series L, 4.45% due 8/31/1995	6,660
9,345	Series M, 4.45% due 8/31/1995	9,345
6,900	Colorado Health Facilities Authority Revenue Bonds (North Colorado Medical Center), 4% due 5/15/2020	6,900
	Denver, Colorado, City and County Airport Revenue Bonds, AMT:	
7,520	CP, Sub-Series B, 4.45% due 4/05/1995	7,520
11,000	CP, Sub-Series C, 4.45% due 4/05/1995	11,000
15,000	CP, Sub-Series C, 4.45% due 4/07/1995	15,000
10,500	VRDN, Series F, 4.45% due 11/15/2025 (a)	10,500
11,500	VRDN, Series G, 4.45% due 11/15/2025 (a)	11,500
4,755	Moffat County, Colorado, PCR, Refunding (Pacific Corporation Project), VRDN, 4.20% due 5/01/2013 (a)	4,755
3,800	Pitkin County, Colorado, IDR, Refunding (Aspen Skiing Co. Project), VRDN, Series A, 4.35% due 4/01/2016 (a)	3,800
8,000	Westminster, Colorado, IDR, Refunding (Ball Corp. Project), VRDN, 4.15% due 6/01/2005 (a)	8,000

</TABLE>

51

101
<TABLE>
CMA TAX-EXEMPT FUND
SCHEDULE OF INVESTMENTS AS OF MARCH 31, 1995 (CONTINUED) (IN THOUSANDS)
<CAPTION>

State	Face Amount	Issue	Value (Note 1a)
<S>	<C>	<S>	<C>
Connecticut-- 2.3%	\$ 15,000	Connecticut State Economic Recovery Notes, Series A, 5.40% due 12/15/1995	\$ 15,087
		Connecticut State HFA (Mortgage Finance Project):	
	35,155	Series D, Sub-Series D-1, 3.55% due 5/15/1995	35,155
	1,365	Series G, Sub-Series G-1, 3.55% due 5/15/1995	1,365
	104,000	Connecticut State Special Assessment Unemployment Compensation, Advanced Fund Revenue Bonds, Series C, 3.85% due 7/01/1995	104,000
	1,800	Connecticut State Special Tax Obligation Revenue Bonds (Transportation Infrastructure), Second Lien, VRDN, Series 1, 4.35% due 12/01/2010 (a)	1,800
	16,200	Eagle Tax Exempt Trust, Connecticut, VRDN, 4.35% due 8/15/2012 (a)	16,200
Delaware-- 0.1%		Delaware State, EDA, Revenue Bonds (Delmarva Power & Light Co. Project), VRDN, AMT (a):	
	4,400	4.50% due 10/01/2017	4,400
	2,100	Series A, 4.50% due 10/01/2017	2,100
District of Columbia-- 1.0%		District of Columbia, General Fund Recovery Bonds, VRDN (a):	
	7,000	Series B-2, 4.80% due 6/01/2003	7,000
	2,300	Series B-3, 4.80% due 6/01/2003	2,300
	17,800	District of Columbia, Hospital Revenue Bonds (Providence Hospital-- Daughters of Charity), VRDN, Series 89A, 4.25% due 12/01/2019 (a)	17,800
	2,900	District of Columbia, Refunding Bonds, VRDN, Series A-2, 4.55% due 10/01/2007 (a)	2,900
	12,500	District of Columbia, Revenue Bonds: (George Washington University), VRDN, Series A, 4.20% due 3/01/2006 (a)	12,500
	6,500	(Student Loan), 4.05% due 7/01/1995	6,500
	26,700	Eagle Tax Exempt Trust, District of Columbia, VRDN, Series 1994-A, 4.35% due 6/01/2005 (a)	26,700
Florida-- 2.5%	3,400	Broward County, Florida, HFA, M/F Housing Revenue Bonds (Margate Investments Projects), VRDN, 4% due 11/01/2005 (a)	3,400
	37,425	Dade County, Florida, Aviation Revenue Refunding Bonds, VRDN, Series V, 4.25% due 10/01/2007 (a)	37,425
	11,700	Dade County, Florida, IDA, Exempt Facilities Revenue Refunding Bonds (Florida Power & Lighting Co.), VRDN, 4.40% due 6/01/2021 (a)	11,700
		Dade County, Florida, Solid Waste Authority, IDR (Montenay-Dade Limited Project), VRDN (a):	
	15,590	AMT, 4.40% due 12/01/2010	15,590
	900	Series A, 4.40% due 12/01/2013	900
	8,500	Dade County, Florida, Special Obligation Capital Asset Acquisition Revenue Bonds, 4.30% due 10/01/2010	8,500
		First Municipal Loan Council, Florida, Revenue Bonds (Florida League-- Project 2), ACES, CP:	
	9,000	3.85% due 5/11/1995	9,000
	10,000	3.85% due 5/12/1995	10,000

8,000	Floating Rate Trust Certificate, Florida, VRDN, Series 1992-D, 4.35% due 7/01/1995 (a)	8,000
	Hillsborough County, Florida, IDA, PCR, Refunding (Tampa Electric Company Project), VRDN (a):	
5,000	4.25% due 5/15/2018	5,000
400	4.20% due 9/01/2025	400
3,100	Manatee County, Florida, PCR, Refunding (Florida Power & Lighting Co. Project), VRDN, 4.25% due 9/01/2024 (a)	3,100
7,000	Martin County, Florida, PCR, Refunding (Florida Power & Lighting Co. Project), VRDN, 4.25% due 9/01/2024 (a)	7,000
900	Pinellas County, Florida, Health Facilities Authority, Revenue Refunding Bonds(Pooled Hospital Loan Program), DATES, 4.25% due 12/01/2015 (a)	900
	Saint Lucie County, Florida, PCR, Refunding (Florida Power & Lighting Co. Project):	
10,000	CP, 4% due 4/26/1995	10,000
21,500	CP, Series A, 4.20% due 4/04/1995	21,500
31,000	VRDN, 4.25% due 1/01/2026 (a)	31,000
6,860	Volusia County, Florida, Health Facilities Authority Revenue Bonds (Pooled Hospital Loan Program), VRDN, 4.25% due 11/01/2015 (a)	6,860

</TABLE>

<TABLE>
CMA TAX-EXEMPT FUND
SCHEDULE OF INVESTMENTS AS OF MARCH 31, 1995 (CONTINUED) (IN THOUSANDS)
<CAPTION>

State	Face Amount	Issue	Value (Note 1a)
<S>	<C>		<C>
Georgia-- 1.6%		Burke County, Georgia, Development Authority, PCR (Georgia Power Company--Plant Vogtle Project), VRDN (a):	
	\$ 4,300	3rd Series, 4.40% due 7/01/2024	\$ 4,300
	4,500	4th Series, 4.30% due 7/01/2024	4,500
	9,648	Georgia Municipal Association, Pooled Bonds, COP, VRDN, 4.125% due 12/15/2020 (a)	9,648
	10,800	Georgia Municipal Gas Authority, Gas Revenue Bonds (Southern Portfolio I Project), CP, Series D, 4.25% due 5/19/1995	10,800
	12,505	Georgia State Residential Finance Authority, Home Ownership Mortgage Revenue Bonds, Series A, 4.40% due 6/01/1995	12,505
	5,855	Georgia State Residential Finance Authority, S/F Industrial Mortgage Revenue Bonds, Series A, 4.40% due 6/01/1995	5,855
	14,320	Municipal Electric Authority, Georgia, General Resolution Revenue Bonds, Series B, 3.85% due 6/01/1995	14,320
	4,000	Municipal Electric Authority, Georgia, Money Market Municipal Bonds (Project 1), CP, Series B, 3.90% due 5/08/1995	4,000
		Municipal Electric Authority, Georgia (Project One), CP:	
	10,700	Sub-Series D, 4.15% due 4/10/1995	10,700
	7,800	Sub-Series D, 4.25% due 4/25/1995	7,800
	25,000	Sub-Series E, 4.15% due 4/10/1995	25,000
Idaho--0.1%	7,500	Custer County, Idaho, PCR (Amoco Project), 4.20% due 10/01/1995	7,500
Illinois-- 9.6%		Chicago, Illinois, O'Hare International Airport Revenue Bonds (a):	
	7,100	(American Airlines), DATES, Series C, 4.35% due 12/01/2017	7,100
	5,700	(American Airlines), DATES, Series D, 4.35% due 12/01/2017	5,700
	35,300	(General Airport Second Lien), VRDN, AMT, Series A, 4.35% due 1/01/2018	35,300
	20,700	(General Airport Second Lien), VRDN, Series C, 4.10% due 1/01/2018	20,700
	14,800	Chicago, Illinois, O'Hare International Airport, Special Facilities Revenue Bonds(Compagnie Nationale, Air France), VRDN, 4.40% due 5/01/2018 (a)	14,800
	5,720	Chicago, Illinois, School Financing Authority, Refunding (School Assistance), 8.70% due 6/01/1995 (b)	5,878
		Chicago, Illinois, Tender Notes:	
	21,250	Series A-2, 4.15% due 7/19/1995	21,250
	28,000	Series C, 4.15% due 5/04/1995	28,000
	35,000	Series C-1, 4.15% due 5/04/1995	35,000
	15,640	VRDN, 4.10% due 1/01/2010 (a)	15,640
	63,400	VRDN, Series B, 4.05% due 10/31/1995 (a)	63,400
	23,600	VRDN, Series B, 4.10% due 1/01/2012 (a)	23,600
		Illinois Development Finance Authority, VRDN (a):	
	12,700	PCR (Diamond Star Motors Project), 4.30% due 12/01/2008	12,700
	3,800	PCR (Illinois Power Co.), AMT, Series C, 4.25% due 3/01/2017	3,800
	36,200	PCR, Refunding (Commonwealth Edison Company Project), Series B, 4.10% due 10/15/2014	36,200
	22,100	Revenue Bonds (Lyric Opera Chicago Project), 4.15% due 12/01/2028	22,100
	8,860	Revenue Bonds (Residential Rental-River Oaks Project), AMT, 4.30% due 12/15/2019	8,860
	16,300	Illinois Educational Facilities Authority Revenue Bonds, VRDN (a): (Art Institute of Chicago), 4.25% due 3/01/2027	16,300

5,200	(Chicago Historical Society), 4.15% due 12/01/2025	5,200
7,500	(Cultural Pooled Financing Program), 4.20% due 12/01/2025	7,500
15,200	(Illinois Institute of Technology), Series A, 4.15% due 9/01/2025	15,200

</TABLE>

53

103
 <TABLE>
 CMA TAX-EXEMPT FUND
 SCHEDULE OF INVESTMENTS AS OF MARCH 31, 1995 (CONTINUED) (IN THOUSANDS)
 <CAPTION>

State <S>	Face Amount <C>	Issue <S>	Value (Note 1a) <C>
Illinois (concluded)	\$ 31,100	Illinois Health Facilities Authority Revenue Bonds: (Evangelical Hospital Corporation), VRDN, Series A, 4.05% due 1/01/2010 (a)	\$ 31,100
	15,000	(Highland Park Hospital), VRDN, Series B, 3.75% due 6/01/1995 (a)	15,000
	8,700	(Hospital Sisters Services, Inc.), UPDATES, Series E, 4% due 12/01/2014 (a)	8,700
	20,000	(Lutheran Institute), VRDN, Series C, 3.85% due 4/01/2015 (a)	20,000
	6,200	(Resurrection Health Care System), VRDN, 4.35% due 5/01/2011 (a)	6,200
	7,000	(Revolving Fund, Pooled Financing Program), VRDN, Series F, 4.10% due 8/01/2015 (a)	7,000
		Illinois Health Facilities Authority Revenue Bonds (Evanston Hospital Corporation Project):	
	35,000	CP, 4.10% due 4/27/1995	35,000
	25,000	CP, 4.20% due 8/15/1995	25,000
	30,000	Series A, 4.25% due 5/31/1995	30,000
	10,000	Series A, 4.80% due 11/30/1995	10,000
	10,000	Series B, 4.80% due 11/30/1995	10,000
	10,000	Series C, 4.80% due 11/30/1995	10,000
	10,000	Series D, 4.80% due 11/30/1995	10,000
	2,600	Series E, 4.80% due 11/30/1995	2,600
	33,000	UPDATES, Series B, 4.65% due 2/15/1996 (a)	33,000
		Illinois State Toll Highway Authority Revenue Bonds (Toll Highway Priority):	
	12,750	7.375% due 1/01/1996 (b)	13,265
	31,200	Refunding, VRDN, Series B, 4.25% due 1/01/2010 (a)	31,200
Indiana-- 2.9%		Fort Wayne, Indiana, Hospital Authority Revenue Bonds (Parkview Memorial Hospital), VRDN (a):	
	1,645	Series B, 4.25% due 1/01/2016	1,645
	2,700	Series B, 4.25% due 1/01/2020	2,700
	3,505	Series C, 4.25% due 1/01/2016	3,505
	5,670	Series D, 4.25% due 1/01/2016	5,670
	30,000	Indiana Bond Bank, Floating Notes (Advance Funding Program), Series A-3, 4.165% due 1/10/1996	30,000
		Indiana Health Facilities Financing Authority, Hospital Revenue Bonds, VRDN (a):	
	5,400	(Daughters of Charity National Health System), Series A, 4.25% due 11/01/2022	5,400
	1,700	(Daughters of Charity National Health System), Series B, 4.25% due 11/01/2022	1,700
	7,900	(Methodist Hospital of Indiana, Inc.), Series B, 4.25% due 9/01/2022	7,900
	34,200	(Methodist Hospital of Indiana, Inc.), Series C, 4.25% due 9/01/2022	34,200
		Indiana Secondary Market Educational Loans Incorporated, Student Loan Revenue Bonds, VRDN, AMT, Series B (a):	
	26,900	4.20% due 12/01/2013	26,900
	22,500	4.20% due 12/01/2014	22,500
	14,900	Jasper County, Indiana, PCR, Refunding (Northern Indiana Public Service Co.), VRDN, Series C, 4.20% due 4/01/2019 (a)	14,900
	47,065	Marion County, Indiana, Hospital Authority, Hospital Facility Revenue Bonds (Saint Vincent's Hospital and Healthcare Center--Daughters of Charity), 4.25% due 11/01/2013	47,065
	5,000	Purdue University, Indiana, University Revenue Bonds, VRDN, Series K, 4.05% due 7/01/2020 (a)	5,000

</TABLE>

54

104
 <TABLE>
 CMA TAX-EXEMPT FUND
 SCHEDULE OF INVESTMENTS AS OF MARCH 31, 1995 (CONTINUED) (IN THOUSANDS)
 <CAPTION>

State <S>	Face Amount <C>	Issue <S>	Value (Note 1a) <C>
Iowa-- 0.7%	\$ 5,000	Chillicothe, Iowa, PCR, Refunding (Iowa-Illinois Gas & Electric Project), VRDN, 4.15% due 1/01/2023 (a)	\$ 5,000
		Iowa Finance Authority, Solid Waste Disposal Revenue Bonds	

		(Cedar River Paper Company Project), VRDN, Series A (a):	
	11,600	4.50% due 7/01/2023	11,600
	6,800	AMT, 4.50% due 6/01/2024	6,800
	4,100	Iowa Higher Education Loan Authority Revenue Bonds (Private College Facilities), VRDN, 4.30% due 12/01/2015 (a)	4,100
	14,500	Iowa Student Loan Liquidity Corporation, Student Loan Revenue Bonds, VRDN, AMT, Series B, 4.20% due 12/01/2013 (a)	14,500
Kansas--	3,000	Kansas State, Department of Transportation, Highway Revenue Bonds, VRDN, Series B, 4.10% due 9/01/2014 (a)	3,000
1.2%		Wichita, Kansas, Hospital Revenue Bonds (CSJ Health Systems), VRDN (a):	
	1,600	4.25% due 10/01/2002	1,600
	15,300	4.25% due 10/01/2008	15,300
	70,000	Wichita, Kansas, Temporary Notes (Renewal and Improvement Project), GO, UT, Series 185, 5.25% due 8/31/1995	70,165
Kentucky--	5,100	Ashland, Kentucky, PCR (Merck & Co./Calgon Carbon Project), VRDN, 4.375% due 10/01/2006 (a)	5,100
0.6%		Carroll County, Kentucky, Solid Waste Disposal Facilities Revenue Bonds (Kentucky Utilities Co. Project), VRDN, AMT, Series A, 4.50% due 11/01/2024 (a)	8,000
		Davies County, Kentucky, Solid Waste Disposal Facilities Revenue Bonds (Scott Paper Co. Project), VRDN, AMT (a):	
	7,200	Series A, 4.50% due 12/01/2023	7,200
	14,500	Series B, 4.55% due 12/01/2023	14,500
	4,500	Series B, 4.55% due 5/01/2024	4,500
Louisiana--	8,800	Eagle Tax Exempt Trust, Louisiana, VRDN, Series 94, Class 3803, 4.35% due 5/01/2008 (a)	8,800
2.8%		Louisiana Public Facilities Authority, Hospital Revenue Bonds (Hospital Equipment Financing and Refunding Program), VRDN, Series A, 4.45% due 12/01/2005 (a)	5,200
		Louisiana State Offshore Terminal Authority, Deepwater Port Revenue Refunding Bonds (Loop Inc.), VRDN (a):	
	6,500	4.30% due 9/01/2006	6,500
	12,485	Series A, 4.20% due 9/01/2008	12,485
	9,300	New Orleans, Louisiana, Exhibition Hall Authority Revenue Bonds (Hotel Occupancy Tax), VRDN, Series B, 4.25% due 7/01/2018 (a)	9,300
	4,320	New Orleans, Louisiana, Levee District, Levee Improvement Revenue Bonds, VRDN, 4.20% due 11/01/2014 (a)	4,320
		Saint Charles Parish, Louisiana, PCR, VRDN (a):	
	17,100	(Shell Oil Company--Norco Project), AMT, 4.50% due 11/01/2021	17,100
	4,400	(Shell Oil Company Project), 3.85% due 6/01/2005	4,400
	13,600	(Shell Oil Company Project), AMT, Series A, 4.50% due 10/01/2022	13,600
		Saint James Parish, Louisiana, PCR, Refunding (Texaco Project), CP:	
	75,000	Series A, 3.80% due 5/09/1995	75,000
	46,030	Series B, 3.80% due 5/09/1995	46,030
Maine--	15,635	Jay, Maine, Solid Waste Disposal Revenue Bonds (International Paper), AMT, Series A, 3.95% due 6/01/1995	15,635
0.4%		Maine Health and Higher Educational Facilities Authority Revenue Bonds (VHA New England Inc.), VRDN (a):	
	1,250	Series B, 4.10% due 12/01/2025	1,250
	1,450	Series F, 4.10% due 12/01/2025	1,450
	18,000	Maine State, TAN, 4.50% due 6/30/1995	18,035
Maryland--		Maryland State Health and Higher Educational Facilities Authority Revenue Bonds, VRDN (a):	
0.5%		(Pooled Loan Program), Series A, 4.15% due 4/01/2035	12,300
	12,300	(Saint Agnes Hospital--Daughters of Charity), 4.25% due 7/01/2013	12,300
	25,000		25,000

</TABLE>

<TABLE>			
CMA TAX-EXEMPT FUND			
SCHEDULE OF INVESTMENTS AS OF MARCH 31, 1995 (CONTINUED)			
<CAPTION>			(IN THOUSANDS)
State	Face Amount	Issue	Value (Note 1a)
<S>	<C>	<S>	<C>
Massachusetts--	\$ 32,131	Clipper Tax Exempt Trust, Massachusetts, VRDN, Class A, 4.17% due 10/17/2002 (a)	\$ 32,131
2.6%		Eagle Tax Exempt Trust, Massachusetts, VRDN (a):	
	25,000	4.35% due 10/01/2007	25,000
	20,900	Series J, 4.35% due 8/01/2005	20,900
	64,100	Massachusetts Bay Transportation Authority Notes, Series B, 5% due 9/08/1995	64,313
	14,600	Massachusetts State, Health and Educational Facilities Authority Revenue Bonds(Boston University), CP, Series H, Sub-Series 2, 3.90% due 4/07/1995	14,600
	33,210	Massachusetts State HFA, S/F Housing, Convertible Option Revenue	

		Bonds, Series 35, 3.75% due 6/01/1995	33,210
	2,000	Massachusetts State, Municipal Wholesale Electric Company, Power Supply System Revenue Bonds, VRDN, Series C, 4% due 7/01/2019 (a)	2,000
	1,400	Massachusetts State, UPDATES, Series E, 4.35% due 12/01/1997 (a)	1,400
Michigan-- 1.8%	6,500	Delta County, Michigan, Economic Development Corporation, Environmental Improvement Revenue Bonds (Mead Escambia Paper), VRDN, Series D, 4.30% due 12/01/2023 (a)	6,500
	17,700	Eagle Tax Exempt Trust, Michigan, VRDN, Series 1994, Class 2201, 4.15% due 6/01/2021 (a)	17,700
	1,000	Grand Rapids, Michigan, Water Supply System, Revenue Refunding Bonds, VRDN, 4.30% due 1/01/2020 (a)	1,000
	100	Kent Hospital Finance Authority, Michigan, Hospital Facilities Revenue Bonds(Butterworth Hospital), VRDN, Series A, 4.25% due 1/15/2020 (a)	100
		Michigan Municipal Bond Authority Revenue Notes:	
	21,000	Series A, 4.25% due 5/05/1995	21,015
	24,250	Series B, 4.75% due 7/20/1995	24,303
	30,000	Michigan State Building Authority Revenue Bonds, CP, Series 1, 4.10% due 4/27/1995	30,001
		Michigan State Hospital Finance Authority Revenue Bonds, VRDN (a):	
	4,300	(Providence Hospital--Daughters of Charity Systems, Incorporated), 4.25% due 11/01/2014	4,300
	14,000	(Saint Mary's Hospital--Daughters of Charity Systems, Incorporated), 4.25% due 11/01/2013	14,000
	5,000	Michigan State Strategic Fund, Limited Obligation Revenue Refunding Bonds(Consumers Power Company Project), VRDN, Series A, 4.25% due 6/15/2010 (a)	5,000
	1,000	Michigan State Strategic Fund, Solid Waste Disposal Revenue Bonds (Grayling Generating Project), VRDN, AMT, 4.25% due 1/01/2014 (a)	1,000
	9,800	University of Michigan, University Revenue Refunding Bonds, VRDN, Series A, 4.20% due 12/01/2019 (a)	9,800
Minnesota-- 1.0%		Eagle Tax Exempt Trust, Minnesota, VRDN (a):	
	14,500	Series 1994-C-5, 4.35% due 2/01/2015	14,500
	45,000	Series A, 4.35% due 8/01/2006	45,000
	13,700	Minneapolis, Minnesota, Community Development Agency Revenue Bonds (Riverplace Project--Pinnacle Apartments), VRDN, 4.25% due 2/01/2012 (a)	13,700
Mississippi-- 0.6%	10,000	Harrison County, Mississippi, PCR, Refunding (E.I. du Pont de Nemours & Co.), VRDN, 4.20% due 9/01/2010 (a)	10,000
	12,100	Jackson County, Mississippi, PCR, Refunding (Chevron USA, Inc. Project), VRDN, 4.10% due 12/01/2016 (a)	12,100
	600	Jackson County, Mississippi, Port Facility Revenue Refunding Bonds (Chevron USA, Inc. Project), VRDN, 4.35% due 6/01/2023 (a)	600
	3,000	Mississippi Hospital Equipment and Facilities Authority Revenue Bonds (Mississippi Baptist Medical Center), VRDN, Series B, 4.10% due 7/01/2012 (a)	3,000
	19,800	Perry County, Mississippi, PCR, Refunding (Leaf River Forest Project), VRDN, 4.15% due 3/01/2002 (a)	19,800
Missouri-- 2.0%	30,000	Eagle Tax Exempt Trust, Missouri, VRDN, Series 1993-E, 4.35% due 8/01/2006 (a)	30,000
		Missouri Higher Education Loan Authority, Student Loan Revenue Bonds, VRDN, AMT (a):	
	7,800	Series A, 4.15% due 6/01/2017	7,800
	11,700	Series B, 4.15% due 6/01/2020	11,700

</TABLE>

56

106

<TABLE>
CMA TAX-EXEMPT FUND
SCHEDULE OF INVESTMENTS AS OF MARCH 31, 1995 (CONTINUED) (IN THOUSANDS)
<CAPTION>

State	Face Amount	Issue	Value (Note 1a)
<S>	<C>	<S>	<C>
Missouri (concluded)		Missouri State Health and Educational Facilities Authority, Health Facilities Revenue Bonds (Sisters of Mercy Health System), VRDN (a):	
	\$ 5,000	Series A, 4% due 6/01/2019	\$ 5,000
	15,500	Series C, 4% due 6/01/2019	15,500
	6,200	Series D, 4% due 6/01/2019	6,200
		Missouri State Health and Educational Facilities Authority Revenue Bonds (Washington University Project), VRDN (a):	
	1,300	Series A, 4.15% due 9/01/2010	1,300
	16,830	Series A, 4.30% due 3/01/2017	16,830
	19,200	Series B, 4.30% due 3/01/2017	19,200
	28,700	Saint Louis County, Missouri, IDA, Hospital Revenue Bonds (DePaul Hospital--Daughters of Charity), VRDN, 4.25% due 11/01/2014 (a)	28,700
Nebraska--		Nebraska Higher Education Loan Program, Multiple Mode Student Loan	

1.5%		Revenue Bonds, VRDN (a):	
	12,800	Series A, 4.10% due 12/01/2015	12,800
	13,600	Series B, 4.10% due 12/01/2015	13,600
	3,100	Series C, 4.10% due 12/01/2015	3,100
	17,600	Series D, 4.10% due 12/01/2015	17,600
	27,800	Series N, 4.10% due 12/01/2015	27,800
		Nebraska Higher Education Loan Program, Student Loan Revenue Bonds, VRDN, AMT (a):	
	3,550	Series A, 4.20% due 12/01/2016	3,550
	30,150	Series C, 4.20% due 8/01/2018	30,150
New Hampshire-- 0.8%	1,400	New Hampshire Higher Educational and Health Facilities Authority Revenue Bonds (VHA New England Inc.), VRDN, Series D, 4.10% due 12/01/2025 (a)	1,400
		New Hampshire State, Business Finance Authority, PCR:	
	20,750	(New England Power Co. Project), CP, Series B, 4.15% due 4/20/1995	20,750
	38,400	Refunding (Public Service Co.), VRDN, Series E, 4.20% due 5/01/2021 (a)	38,400
New Jersey-- 1.1%	9,400	New Jersey Sports and Exposition Authority, State Contract Revenue Bonds, VRDN, Series C, 4% due 9/01/2024 (a)	9,400
		New Jersey State, CP:	
	21,300	3.75% due 5/09/1995	21,300
	24,500	Series 94, 3.70% due 5/04/1995	24,500
	10,600	Series D, 3.80% due 5/12/1995	10,600
	23,000	New Jersey State, Transportation Trust Fund Authority, CP, 3.75% due 5/05/1995	23,000
	1,200	Port Authority of New York and New Jersey, Special Obligation Revenue Bonds (Versatile Structure Obligation), VRDN, Series 1, 4.40% due 8/01/2028 (a)	1,200
New Mexico-- 1.3%	5,800	Farmington, New Mexico, PCR (Arizona Public Service Co.), VRDN (a):	5,800
	44,900	AMT, Series C, 4.50% due 9/01/2024	44,900
	18,750	Refunding, Series A, 4.20% due 5/01/2024	18,750
	16,000	Refunding, Series B, 4.30% due 9/01/2024	16,000
	4,900	Hurley, New Mexico, PCR (Kennecott Santa Fe), VRDN, 4.35% due 12/01/2015 (a)	4,900
	2,480	New Mexico Educational Assistance Foundation, Student Loan Revenue Bonds, VRDN, AMT, Series B, 4.30% due 4/01/2005 (a)	2,480
		New Mexico State Hospital Equipment Loan Council, Hospital Equipment and Improvement Revenue Bonds (Health Facilities), VRDN, 4.25% due 5/01/2009 (a)	
New York-- 3.7%	15,000	Nassau County, New York, RAN, 4% due 4/14/1995	15,000
		New York City, New York, CP:	
	34,100	4.15% due 5/08/1995	34,100
	25,000	4.15% due 5/09/1995	25,000
	19,300	4.15% due 5/10/1995	19,300
	62,000	New York City, New York, Floating Rate LIBOR Notes, VRDN, 4.063% due 6/30/1995 (a)	62,000

</TABLE>

<TABLE>
CMA TAX-EXEMPT FUND
SCHEDULE OF INVESTMENTS AS OF MARCH 31, 1995 (CONTINUED) (IN THOUSANDS)
<CAPTION>

State	Face Amount	Issue	Value (Note 1a)
<S>	<C>	<S>	<C>
New York (concluded)	\$ 7,400	New York City, New York, GO, VRDN (a):	\$ 7,400
	20,000	Refunding, Series D, 4.35% due 8/01/1995	20,000
	8,400	Series B, Sub-Series B-7, 4.25% due 8/15/2018	8,400
	1,300	Series D, 4.30% due 2/01/2021	1,300
	3,000	Sub-Series A-5, 4.35% due 8/01/2016	3,000
	10,300	Sub-Series A-7, 4.30% due 8/01/2019	10,300
	200	Sub-Series A-10, 4.35% due 8/01/2016	200
	10,000	New York City, New York, IDA, IDR (Japan Airlines Company Ltd. Project), VRDN, AMT, 4.20% due 11/01/2015 (a)	10,000
	14,525	New York City, New York, Municipal Water Finance Authority, Water and Sewer System Revenue Bonds, CP, 4% due 5/17/1995	14,525
	5,900	New York City, New York, RAN, Series B, 4.75% due 6/30/1995	5,900
		New York State Dormitory Authority Revenue Bonds (Cornell University), VRDN, Series B, 4.20% due 7/01/2025 (a)	
	160	New York State Energy Research and Development Authority, PCR, VRDN (a):	160
	22,500	(Niagara Mohawk Corporation Project), Series A, 4.25% due 3/01/2027	22,500
	9,300	(Niagara Power Corporation Project), AMT, Series B, 4.40% due 7/01/2027	9,300
	15,800	New York State Local Government Assistance Corporation Revenue Bonds, VRDN, Series B, 3.85% due 4/01/2023 (a)	15,800
		Triborough Bridge and Tunnel Authority, New York, Special Obligation Revenue Bonds, VRDN, 3.80% due 1/01/2024 (a)	

North Carolina-- 2.4%	Craven County, North Carolina, Industrial Facilities and Pollution Control Financing Authority Revenue Bonds (Cravenwood Energy Project), VRDN, AMT (a):	
6,300	Series B, 4.30% due 5/01/2011	6,300
16,000	Series C, 4.30% due 5/01/2011	16,000
2,600	Halifax County, North Carolina, Industrial Facilities and Pollution Control Financing Authority Revenue Bonds (Westmoreland Project), VRDN, 4.35% due 12/01/2019 (a)	2,600
9,995	North Carolina Eastern Municipal Power Agency, Power System Revenue Bonds (Putters), VRDN, Series 5, 4.50% due 1/01/2018 (a)	9,995
	North Carolina Educational Facilities Finance Agency Revenue Bonds, VRDN (a):	
23,950	(Bowman Grey School of Medicine Project), 4.10% due 9/01/2020	23,950
20,240	(Duke University Project), Series A, 4.075% due 6/01/2027	20,240
15,000	(Duke University Project), Series B, 4.075% due 12/01/2021	15,000
	North Carolina Medical Care Commission, Hospital Revenue Bonds, VRDN (a):	
5,700	(Carol Woods Project), 4.30% due 4/01/2021	5,700
1,700	(Duke University Hospital), Series B, 4.075% due 6/01/2015	1,700
2,000	(Duke University Hospital Project), Series C, 4.075% due 6/01/2015	2,000
18,500	(North Carolina Baptist Hospital Project), Series B, 4.10% due 6/01/2022	18,500
17,600	(Pooled Equipment Financing Project), 4.20% due 12/01/2025	17,600
9,000	(Pooled Financing Project), 4.20% due 4/01/2012	9,000
5,500	(Pooled Financing Project), Series B, 4.30% due 10/01/2013	5,500
9,000	Refunding (Moses H. Cone Memorial Hospital Project), 4.10% due 10/01/2023	9,000
9,300	Person County, North Carolina, Industrial Facilities and Pollution Control Financing Authority, Solid Waste Disposal Revenue Bonds (Carolina Power and Light Company), DATES, 4.40% due 11/01/2016 (a)	9,300
17,000	Wake County, North Carolina, Industrial Facilities and Pollution Control Financing Authority Revenue Bonds (Carolina Power and Light Company Project), DATES, 4.45% due 3/01/2017 (a)	17,000
Ohio-- 0.1%	2,200 Cuyahoga County, Ohio, Hospital Revenue Improvement Bonds (Cleveland University Hospital), VRDN, 4.25% due 1/01/2016 (a)	2,200
1,100	Franklin County, Ohio, Health System Revenue Bonds (Franciscan Sister--Saint Anthony Medical Center), VRDN, Series B, 4.25% due 7/01/2015 (a)	1,100
1,865	Ohio HFA, M/F Housing Revenue Bonds (Kenwood Congregate Retirement Program), VRDN, 4% due 12/01/2015 (a)	1,865
3,000	Scioto County, Ohio, Hospital Facilities Revenue Bonds (VHA Central Inc. Capital Asset), VRDN, Series C, 4% due 12/01/2025 (a)	3,000
6,100	Scioto County, Ohio, Marine Terminal Facility, Revenue Refunding Bonds (Norfolk Southern Corporation Project), VRDN, 4.15% due 8/15/2013 (a)	6,100

</TABLE>

58

State	Face Amount	Issue	Value (Note 1a)
<S>	<C>	<S>	<C>
Oklahoma-- 0.5%	\$ 12,400	Muskogee, Oklahoma, Industrial Trust, PCR, Refunding (Oklahoma Gas and Electric Co.), VRDN, Series A, 4.20% due 1/01/2025 (a)	\$ 12,400
	10,200	Oklahoma City, Oklahoma, Industrial and Cultural Facilities Revenue Bonds, VRDN, Series A, 4.30% due 6/01/2006 (a)	10,200
	16,875	Oklahoma State, Industrial Authority Revenue Bonds (Baptist Center Health System), Series A, CP, 4.10% due 5/18/1995	16,875
Oregon-- 1.1%	9,300	Medford, Oregon, Hospital Facilities Authority Revenue Bonds (Gross--Rogue Valley Health Services), VRDN, 4.30% due 10/01/2016 (a)	9,300
	53,000	Oregon State GO, Veterans' Welfare Bonds, VRDN (a): Series 73-E, 4.15% due 12/01/2016	53,000
	15,000	Series 73-G, 4.25% due 12/01/2018	15,000
	7,300	Port of Portland, Oregon, Public Grain Elevator Revenue Bonds (Columbia Grain Incorporated Project), VRDN, Series A, 4.375% due 12/01/2014 (a)	7,300
Pennsylvania-- 8.2%		Allegheny County, Pennsylvania, Hospital Development Authority Revenue Bonds (Presbyterian Health Center), VRDN (a):	
	8,000	Series A, 4.20% due 3/01/2020	8,000
	1,400	Series C, 4.20% due 3/01/2020	1,400
	15,000	Allegheny County, Pennsylvania, IDA, PCR (Duquesne Light Project), CP, Series A: 4.40% due 12/07/1995	15,000
	12,000	4.75% due 12/07/1995	12,000
	800	Authority Improvement Municipalities of Allegheny County, Pennsylvania, Hospital Revenue Bonds (Pooled Hospital Equipment Leasing), VRDN, 4.20% due 9/01/1995 (a)	800
	2,500	Butler County, Pennsylvania, IDA, IDR, Refunding (Wetterau Finance Co. Project), VRDN, 4.20% due 12/01/2014 (a)	2,500

3,000	Delaware County, Pennsylvania, IDA, Solid Waste Revenue Bonds (Scott Paper Company), VRDN, Series B, 4.30% due 12/01/2018 (a)	3,000
17,000	Eagle Tax Exempt Trust, Pennsylvania, VRDN, Series 94, Class 3803, 4.35% due 5/01/2008 (a)	17,000
	Emmaus, Pennsylvania, General Authority Revenue Bonds (Local Government Pool), VRDN (a):	
6,400	Series A, 4.25% due 3/01/2024	6,400
9,000	Series C, 4.25% due 3/01/2024	9,000
10,100	Series D, 4.25% due 3/01/2024	10,100
25,000	Series E, 4.25% due 3/01/2024	25,000
22,300	Geisinger Authority, Pennsylvania, Health Systems Revenue Bonds, Series B, VRDN, 4.20% due 7/01/2022 (a)	22,300
5,700	Montgomery County, Pennsylvania, Higher Education and Health Authority, Hospital Revenue Bonds (Holy Redeemer Hospital), VRDN, 4.10% due 9/01/2018 (a)	5,700
17,150	Pennsylvania Energy Development Authority Revenue Bonds (B&W Edensburg Project), VRDN, AMT, 4.25% due 12/01/2011 (a)	17,150
77,520	Pennsylvania Floating Rate Trust Certificates, GO, VRDN, Series I, 4.35% due 10/02/1999 (a)	77,520
	Pennsylvania State Higher Education Assistance Agency, Student Loan Revenue Bonds, VRDN (a):	
11,000	AMT, Series A, 4.20% due 1/01/2018	11,000
66,000	AMT, Series A, 4.20% due 12/01/2024	66,000
27,300	AMT, Series B, 4.20% due 7/01/2018	27,300
54,300	Series A, 3.85% due 12/01/2000	54,300
34,900	Series C, 4.20% due 7/01/2018	34,900
30,800	Series E, 4.20% due 7/01/2018	30,800
	Pennsylvania State Higher Educational Facilities Authority, College and University Revenue Bonds, VRDN (a):	
8,000	(Carnegie-Mellon University), Series A, 4.10% due 11/01/2015	8,000
11,400	(Temple University), 4.20% due 10/01/2009	11,400

</TABLE>

<TABLE>
CMA TAX-EXEMPT FUND
SCHEDULE OF INVESTMENTS AS OF MARCH 31, 1995 (CONTINUED) (IN THOUSANDS)
<CAPTION>

State	Face Amount	Issue	Value (Note 1a)
<S>	<C>	<S>	<C>
Pennsylvania (concluded)		Pennsylvania State Higher Educational Facilities Authority, Health Services Revenue Bonds:	
	\$ 5,225	(Putters), VRDN, Series 4B, 4.50% due 1/01/2009 (a)	\$ 5,225
	15,000	(University of Pennsylvania), VRDN, Series B, 4.20% due 1/01/2024 (a)	15,000
		Pennsylvania State Higher Educational Facilities Authority, Revenue Refunding Bonds(Thomas Jefferson University), ACES:	
	7,650	Series B, 3.20% due 6/01/1995	7,650
	34,500	Series C, 3.70% due 6/01/1995	34,500
	15,000	Pennsylvania State, TAN, 4.75% due 6/30/1995	15,013
	20,750	Philadelphia, Pennsylvania, Hospital and Higher Education Facilities Authority, Hospital Revenue Bonds (Children's Hospital of Philadelphia Project), VRDN, 4.20% due 3/01/2027 (a)	20,750
		Philadelphia, Pennsylvania, IDA, Revenue Bonds:	
	10,200	(30th Street Station Project), VRDN, AMT, 3.50% due 1/01/2011 (a)	10,200
	8,500	(Institute for Cancer Research Project), CP, Series A, 4.20% due 7/01/2013	8,500
	9,000	(Philadelphia Airport Hotel), UPDATES, AMT, 4.15% due 12/01/2017 (a)	9,000
	20,880	Sayre, Pennsylvania, Health Care Facilities Authority Revenue Bonds (VHA of Pennsylvania, Inc., Capital Assets Financing Project), VRDN, Series L, 4% due 12/01/2020 (a)	20,880
South Carolina-- 1.1%	2,000	Berkeley County, South Carolina, PCR, Facilities Refunding Bonds (Amoco Chemical Co. Project), VRDN, 4.35% due 7/01/2012 (a)	2,000
	5,900	Charleston County, South Carolina, IDR, Refunding (Massey Coal Terminal SC Corporation), VRDN, 4.30% due 1/01/2007 (a)	5,900
	19,800	Charleston County, South Carolina, School District, TAN, 4.50% due 4/13/1995	19,806
	12,100	Orangeburg County, South Carolina, Solid Waste Disposal Facilities Revenue Bonds(South Carolina Electric & Gas), VRDN, AMT, 4.30% due 11/01/2024 (a)	12,100
		South Carolina Jobs EDA, Revenue Bonds, VRDN (a):	
	4,600	(Saint Francis Hospital Project), 4.25% due 7/01/2022	4,600
	5,400	(Wellman, Inc. Project), 4.40% due 12/01/2010	5,400
	14,100	(Wellman, Inc. Project), AMT, 4.40% due 12/01/2012	14,100
	7,200	(Wellman, Inc Project), AMT, 4.25% due 3/01/2015	7,200
Tennessee-- 0.6%	9,400	Cleveland, Tennessee, IDB, Revenue Bonds (Newly Wed Foods Incorporated Project), VRDN, AMT, 4.35% due 1/01/2012 (a)	9,400
	8,100	Loudon, Tennessee, IDB, PCR, Refunding (A.E. Staley Manufacturing	

	Co. Project), VRDN, 4.25% due 9/01/2001 (a)	8,100
	Memphis, Tennessee (Putters), VRDN (a):	
6,695	Series 3A, 4.50% due 10/01/2013	6,695
3,680	Series 3B, 4.50% due 10/01/2014	3,680
14,955	Morristown, Tennessee, IDB, PCR, Refunding (Akzo Chemicals, Inc. Project), VRDN, 4.25% due 8/01/2001 (a)	14,955
12,000	Volunteer State Student Funding Corporation, Tennessee, Student Loan Revenue Bonds, VRDN, AMT, Series A-1, 4.25% due 12/01/2017 (a)	12,000
Texas--		
14.4%		
23,500	Brazos, Texas, Higher Education Authority Incorporated, Student Loan Revenue Bonds, AMT, Series B-1, 3.80% due 6/01/1995	23,500
4,000	Corpus Christi, Texas, IDR (Dedietrich USA Incorporated Project), VRDN, AMT, 4.20% due 11/01/2008 (a)	4,000
8,910	Galveston County, Texas, Health Facilities Development Corporation Revenue Bonds (Devereux Foundation Project), VRDN, 4.25% due 1/01/2016 (a)	8,910
13,800	Grapevine, Texas, IDR, Airport Revenue Refunding Bonds (Southern Air Transportation Project), VRDN, 4.10% due 3/01/2010 (a)	13,800
	Gulf Coast Waste Disposal Authority, Texas, PCR (Amoco Oil Co. Project), VRDN, AMT (a):	
22,500	4.50% due 5/01/2023	22,500
2,800	4.50% due 6/01/2024	2,800
	Gulf Coast Waste Disposal Authority, Texas, Solid Waste Disposal Revenue Bonds (Amoco Oil Co. Project), AMT:	
2,100	4.30% due 10/01/1995	2,100
14,300	Refunding, VRDN, 4.50% due 8/01/2023 (a)	14,300

</TABLE>

60

110

<TABLE>
CMA TAX-EXEMPT FUND
SCHEDULE OF INVESTMENTS AS OF MARCH 31, 1995 (CONTINUED) (IN THOUSANDS)
<CAPTION>

State	Face Amount	Issue	Value (Note 1a)
<S>	<C>	<S>	<C>
Texas (concluded)		Harris County, Texas, Health Facilities Development Corporation, Hospital Revenue Bonds, VRDN (a):	
	\$ 242,800	(Methodist Hospital), 4.25% due 12/01/2025	\$ 242,800
	18,300	(Saint Luke's Episcopal Hospital), Series B, 4.25% due 2/15/2016	18,300
	23,800	(Saint Luke's Episcopal Hospital), Series C, 4.25% due 2/15/2016	23,800
	3,800	(Saint Luke's Episcopal Hospital), Series D, 4.25% due 2/15/2016	3,800
	6,900	Harris County, Texas, Health Facilities Development Corporation, Special Facilities Revenue Bonds (Texas Medical Center Project), VRDN, 4.25% due 2/15/2022 (a)	6,900
	7,100	Harris County, Texas, Industrial Development Corporation, PCR (Exxon Project), DATES, Series A, 4.25% due 3/01/2024 (a)	7,100
	15,000	Harris County, Texas, Toll Road Revenue Bonds, VRDN (a):	
	25,000	Sublien D, 4.10% due 8/01/2015	15,000
		Sublien H, 4.10% due 8/01/2020	25,000
	11,440	Hockley County, Texas, Industrial Development Corporation, PCR (Amoco Project), 3.90% due 5/01/1995	11,439
	7,000	Houston, Texas, Public Improvement Bonds, VRDN, Series A, 4.15% due 4/01/2013 (a)	7,000
	54,150	Houston, Texas, TRAN, 4.50% due 6/29/1995	54,266
	22,800	Lubbock, Texas, Health Facilities Development Corporation Revenue Bonds (Saint Joseph Health System), VRDN, Series A, 4.20% due 7/01/2013 (a)	22,800
		North Texas Higher Education Authority Incorporated, Student Loan Revenue Bonds, VRDN (a):	
	5,000	AMT, 4.35% due 12/01/2005	5,000
	13,700	AMT, Series F, 4.20% due 4/01/2020	13,700
	3,000	Refunding, 4.20% due 3/01/1999	3,000
	23,700	Refunding, 4.20% due 3/01/2005	23,700
	29,000	Refunding, Series A, 4.20% due 4/01/2005	29,000
	5,000	Refunding, Series A, 4.20% due 4/01/2020	5,000
	18,500	Panhandle Plains, Texas, Higher Education Authority Incorporated, Student Loan Revenue Bonds, AMT, Series A, 3.80% due 6/01/1995	18,500
	18,700	San Antonio, Texas, Higher Education Authority Revenue Refunding Bonds (Trinity University Project), VRDN, 4.20% due 4/01/2004 (a)	18,700
	6,900	Southwest Texas, Higher Education Authority Incorporated, Revenue Refunding Bonds (Southern Methodist University), VRDN, 4.35% due 7/01/2015 (a)	6,900
	8,800	Texas A&M University, University System Revenue Bonds (Financing System), CP, Series B, 3.90% due 5/16/1995	8,800
	11,800	Texas State, Agricultural Financing Authority Revenue Bonds, CP, Series A, 4.10% due 4/18/1995	11,800
	28,400	Texas State, Multi-Modal Water Development Board, VRDN, Series A, 4.30% due 3/01/2015 (a)	28,400
	261,700	Texas State, TRAN, UT, 5% due 8/31/1995	262,392
	27,920	Travis County, Texas, Health Facility Development Corporation	

		Revenue Bonds(Daughters of Charity--Seton Medical Center), VRDN, 4.25% due 11/01/2013 (a)	27,920
		Waco, Texas, Health Facilities Development Corporation, Health Facilities Revenue Bonds (Daughters of Charity--Providence Hospital), VRDN (a):	
	18,485	4.25% due 11/01/2013	18,485
	12,300	Series 88A, 4.25% due 11/01/2018	12,300
	5,000	West Side Calhoun County, Texas, Development Corporation, PCR (Sohio Chemical Company Project), UPDATES, 4.25% due 12/01/2015 (a)	5,000
	5,265	Yoakum County, Texas, Industrial Development Corporation, PCR (Amoco Project), 3.90% due 5/01/1995	5,264
Utah-- 1.2%	53,000	Emery County, Utah, PCR, Refunding (Pacific Corporation Projects), VRDN, 4.40% due 11/01/2024 (a)	53,000
	12,000	Intermountain Power Agency, Utah, Power Supply Revenue Bonds, CP, Series F, 4.05% due 5/16/1995	12,000
	15,100	Salt Lake County, Utah, PCR, Refunding (Service Station Holdings Project), VRDN, Series B, 4.25% due 8/01/2007 (a)	15,100
	6,000	Utah State Board of Regents, Student Loan Revenue Bonds, VRDN, AMT, Series C, 4.20% due 11/01/2013 (a)	6,000

</TABLE>

61

111
<TABLE>
CMA TAX-EXEMPT FUND
SCHEDULE OF INVESTMENTS AS OF MARCH 31, 1995 (CONCLUDED) (IN THOUSANDS)
<CAPTION>

State <S>	Face Amount <C>	Issue <S>	Value (Note 1a) <C>
Vermont-- 0.0%	\$ 1,100	Vermont Higher Educational and Health Buildings, Financing Agency Revenue Bonds(VHA-New England), VRDN, Series G, 4.10% due 12/01/2025 (a)	\$ 1,100
Virginia-- 0.7%	5,700	Loudoun County, Virginia, IDA, Residential Care Facility Revenue Bonds (Falcons Landing Project), VRDN, Series B, 4.30% due 11/01/2024 (a)	5,700
	3,200	Peninsula Ports Authority, Virginia, Revenue Refunding Bonds (Port Facility--Shell Oil Company Project), UPDATES, Series A, 4.15% due 12/01/2005 (a)	3,200
	2,400	Roanoke, Virginia, IDA, Hospital Revenue Bonds (Roanoke Memorial Hospital Project), VRDN, Series A, 4.25% due 7/01/2017 (a)	2,400
	1,000	Rockingham County, Virginia, IDA, Revenue Bonds, VRDN (a): 4.625% due 10/01/2022	1,000
	16,000	(Merck & Co. Project), Series A, 4.375% due 10/01/2020	16,000
	27,300	Virginia State Housing Development Authority, Commonwealth Mortgage Revenue Bonds, AMT, Series I, Sub-Series I, 4.20% due 5/11/1995	27,300
Washington-- 1.1%	9,200	Port Anacortes, Washington, Industrial Development Corporation Revenue Bonds (Texaco Project), CP, 3.85% due 5/09/1995	9,200
	24,500	Washington State Public Power Supply System, Revenue Refunding Bonds (Nuclear Project No. 3), VRDN (a): Series 3A-1, 4.20% due 7/01/2018	24,500
	9,300	Series 3A-2, 4.25% due 7/01/2018	9,300
	11,400	Washington Student Loan Finance Association Revenue Bonds (Guaranteed Student Loan Program), VRDN (a): AMT, Series A, 4.25% due 12/01/2002	11,400
	6,000	AMT, Series B, 4.25% due 12/01/2002	6,000
	10,680	AMT, Series B, 4.15% due 1/01/2004	10,680
	10,400	Second Series, 4% due 1/01/2001	10,400
West Virginia-- 0.2%	11,220	Hancock County, West Virginia, County Commission, IDR, Refunding (The Boc Group Inc. Project), VRDN, 4.25% due 8/01/2005 (a)	11,220
Wisconsin-- 1.3%	30,300	Eagle Tax Exempt Trust, Wisconsin, VRDN (a): Series 1993-H, 4% due 11/01/2008	30,300
	6,900	Series 94, Class 4901, 4.35% due 9/01/2015	6,900
	24,300	Series 94, Class 4905, 4.35% due 10/01/2005	24,300
	18,450	Milwaukee, Wisconsin, RAN, Series A, 5.50% due 2/22/1996	18,568
	16,000	Sheboygan, Wisconsin, PCR, Refunding (Wisconsin Power and Light Company Project), VRDN, Series A, 4.35% due 9/01/2015 (a)	16,000
	2,250	Wisconsin State Health Facilities Authority Revenue Bonds (Saint Mary's Hospital of Milwaukee--Daughters of Charity), VRDN, 4.25% due 11/06/2016 (a)	2,250
Wyoming-- 1.2%	4,800	Carbon County, Wyoming, PCR (Amoco Project), 3.90% due 5/01/1995	4,799
	17,500	Sweetwater County, Wyoming, PCR, Refunding (Pacific Corporation Project), VRDN, 4.25% due 7/01/2015 (a)	17,500
	41,855	Uinta County, Wyoming, PCR: (Amoco Oil Company Project), Series A, 4.27% due 12/01/1995	41,743
	23,500	Refunding (Chevron USA Inc. Project), VRDN, 4.10% due 8/15/2020 (a)	23,500
	1,500	Refunding (Chevron USA Inc. Project), VRDN, 4.10% due 12/01/2022 (a)	1,500
Puerto Rico-- 0.8%	60,000	Puerto Rico Commonwealth, Government Development Bank Revenue Bonds,CP, 3.75% due 5/10/1995	60,000

Total Investments (Cost--\$7,340,935*)--99.3%	7,340,935
Other Assets Less Liabilities--0.7%	51,029
Net Assets--100.0%	\$7,391,964

<FN>

(a)The interest rate is subject to change periodically based on certain indexes. The interest rate shown is the rate in effect at March 31, 1995.

(b)Prerefunded; to be called.

(c)MBIA Insured.

*Cost for Federal income tax purposes was \$7,340,877 (in thousands).

See Notes to Financial Statements.

</TABLE>

62

112		
<TABLE>		
CMA TAX-EXEMPT FUND		
STATEMENT OF ASSETS AND LIABILITIES AS OF MARCH 31, 1995		
<S>	<C>	<C>
Assets:		
Investments, at value (identified cost--\$7,340,935,254) (Note 1a)		\$ 7,340,935,254
Cash		124,472
Receivables:		
Interest	\$ 64,146,460	
Securities sold	10,987,795	
Beneficial interest sold	3,975,650	79,109,905

Prepaid registration fees and other assets (Note 1d)		254,786

Total assets		7,420,424,417

Liabilities:		
Payables:		
Securities purchased	22,755,438	
Investment adviser (Note 2)	2,456,160	
Distributor (Note 2)	2,416,500	27,628,098

Accrued expenses and other liabilities		832,660

Total liabilities		28,460,758

Net Assets		\$ 7,391,963,659

Net Assets Consist of:		
Shares of beneficial interest, \$.10 par value, unlimited number of shares authorized		\$ 739,756,643
Paid-in capital in excess of par		6,657,809,787
Undistributed investment income--net		57,789
Accumulated realized capital losses--net (Note 4)		(5,660,560)

Net Assets--Equivalent to \$1.00 per share based on 7,397,566,430 shares of beneficial interest outstanding		\$ 7,391,963,659
		=====

</TABLE>

<TABLE>		
CMA TAX-EXEMPT FUND		
STATEMENT OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 1995		
<S>	<C>	<C>
Investment Income (Note 1c):		
Interest and amortization of premium and discount earned		\$ 246,217,013
Expenses:		
Investment advisory fees (Note 2)	\$ 29,119,924	
Distribution fees (Note 2)	9,357,280	
Transfer agent fees (Note 2)	1,623,665	
Registration fees (Note 1d)	526,090	
Accounting services (Note 2)	411,464	
Custodian fees	189,859	
Printing and shareholder reports	167,469	
Professional fees	81,707	
Trustees' fees and expenses	57,568	
Pricing fees	49,670	
Other	172,131	

Total expenses		41,756,827

Investment income--net	204,460,186
Realized Loss on Investments--Net (Note 1c)	(1,362,814)
Net Increase in Net Assets Resulting from Operations	\$ 203,097,372

See Notes to Financial Statements.
</TABLE>

63

113

<TABLE>
CMA TAX-EXEMPT FUND
STATEMENTS OF CHANGES IN NET ASSETS
<CAPTION>

Increase (Decrease) in Net Assets:	For the Year Ended March 31,	
	1995	1994
<S>	<C>	<C>
Operations:		
Investment income--net	\$ 204,460,186	\$ 148,192,450
Realized gain (loss) on investments--net	(1,362,814)	51,826
Net increase in net assets resulting from operations	203,097,372	148,244,276
Dividends to Shareholders (Note 1e):		
Investment income--net	(204,366,652)	(147,847,067)
Net decrease in net assets resulting from dividends to shareholders	(204,366,652)	(147,847,067)
Beneficial Interest Transactions (Note 3):		
Net proceeds from sale of shares	23,571,897,187	25,164,582,052
Net asset value of shares issued to shareholders in reinvestment of dividends (Note 1e)	204,370,799	147,842,729
Cost of shares redeemed	23,776,267,986	25,312,424,781
	(24,294,994,658)	(24,927,916,358)
Net increase (decrease) in net assets derived from beneficial interest transactions	(518,726,672)	384,508,423
Net Assets:		
Total increase (decrease) in net assets	(519,995,952)	384,905,632
Beginning of year	7,911,959,611	7,527,053,979
End of year*	\$ 7,391,963,659	\$ 7,911,959,611
<FN>		
*Undistributed investment income-- net (Note 1f)	\$ 57,789	\$ 239,945

</TABLE>

<TABLE>
CMA TAX-EXEMPT FUND
FINANCIAL HIGHLIGHTS
<CAPTION>

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

Increase (Decrease) in Net Asset Value:	For the Year Ended March 31,				
	1995	1994	1993	1992	1991
<S>	<C>	<C>	<C>	<C>	<C>
Per Share Operating Performance:					
Net asset value, beginning of year	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Investment income--net	.03	.02	.02	.04	.05
Less dividends from investment income--net	(.03)	(.02)	(.02)	(.04)	(.05)
Net asset value, end of year	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Total Investment Return	2.76%	1.96%	2.36%	3.76%	5.39%
Ratios to Average Net Assets:					
Expenses, excluding distribution fees	.43%	.42%	.42%	.42%	.41%
Expenses	.55%	.55%	.54%	.54%	.54%
Investment income--net	2.70%	1.94%	2.33%	3.70%	5.24%
Supplemental Data:					
Net assets, end of year (in thousands)	\$7,391,964	\$7,911,960	\$7,527,054	\$7,874,437	\$8,695,795

See Notes to Financial Statements.
</TABLE>

114
CMA TAX-EXEMPT FUND
NOTES TO FINANCIAL STATEMENTS

1. Significant Accounting Policies:

CMA Tax Exempt Fund (the "Fund") is registered under the Investment Company Act of 1940 as a no-load, diversified, open-end management investment company. The following is a summary of significant accounting policies followed by the Fund.

(a) Valuation of investments--Investments are valued at amortized cost, which approximates market value. For the purpose of valuation, the maturity of the variable rate demand instrument is deemed to be the next coupon date on which the interest rate is to be adjusted. In the case of a floating rate instrument, the remaining maturity is the demand notice payment period.

(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.

(c) Security transactions and investment income--Security transactions are recorded on the dates the transactions are entered into (the trade dates). Interest income (including amortization of premium and 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) Dividends to shareholders--The Fund declares dividends daily and reinvests daily such dividends (net of non-resident alien tax withheld) in additional fund shares at net asset value. Dividends are declared from the total of net investment income, excluding discounts earned other than original price discounts. Net realized capital gains, if any, are normally distributed annually after deducting prior years' loss carryforward. The Fund may distribute capital gains more frequently than annually in order to maintain the Fund's net asset value at \$1.00 per share.

(f) Reclassification--Generally accepted accounting principles require that certain differences between undistributed net investment income for financial reporting and tax purposes, if permanent, be reclassified to accumulated net realized capital losses. Accordingly, current year's permanent book/tax differences of \$275,690 have been reclassified from undistributed net investment income to accumulated net realized capital losses. These reclassifications have no effect on net assets or net asset value per share.

2. Investment Advisory Agreement and Transactions with Affiliates:

The Fund has entered into an Investment Advisory Agreement with Fund Asset Management, L.P. ("FAM"). The general partner of FAM is Princeton Services, Inc. ("PSI"), an indirect wholly-owned subsidiary of Merrill Lynch & Co., Inc. ("ML & Co."), which is the limited partner.

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 net assets, at the following annual rates: 0.50% of the Fund's average daily net assets not exceeding \$500 million; 0.425% of the average daily net assets in excess of \$500 million but not exceeding \$1 billion; and 0.375% of the average daily net assets in excess of \$1 billion. 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 Adviser during any year which will cause such expenses to exceed the pro rata expense limitation at the time of such payment.

Pursuant to the Distribution and Shareholder Servicing Plan in compliance with Rule 12b-1 under the Investment Company Act of 1940, Merrill Lynch, Pierce, Fenner & Smith Inc. ("MLPF&S") receives a distribution fee from the Fund at the end of each month at the annual rate of 0.125% of average daily net assets of the

65

115
CMA TAX-EXEMPT FUND
NOTES TO FINANCIAL STATEMENTS (CONCLUDED)

Fund. The distribution fee is to compensate MLPF&S financial consultants and other directly involved branch office personnel for selling shares of the Fund and for providing direct personal services to shareholders. The distribution fee is not compensation for the administrative and operational services rendered to the Fund by MLPF&S in processing share orders and administering shareholder accounts.

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 trustees of the Fund are officers and/or directors of FAM, PSI, MLPF&S, FDS, and/or ML & Co.

3. Transactions in Shares of

Beneficial Interest:

The number of shares purchased and redeemed during the periods corresponds to the amounts included in the Statements of Changes in Net Assets for net proceeds from sale of shares and cost of shares redeemed, respectively, since shares are recorded at \$1.00 per share.

4. Capital Loss Carryforward:

At March 31, 1995, the Fund had a net capital loss carryforward of approximately \$5,227,000, of which \$2,969,000 expires in 1997, \$1,358,000 expires in 1998, \$210,000 expires in 1999, and \$690,000 expires in 2003. These amounts will be available to offset like amounts of any future taxable gains.

66

116

INDEPENDENT AUDITORS' REPORT

The Board of Trustees and Shareholders,
CMA TREASURY FUND:

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of CMA Treasury Fund as of March 31, 1995, 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 three-year period then ended and for the period April 15, 1991 (commencement of operations) to March 31, 1992. 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 March 31, 1995 by correspondence with the custodian. 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 CMA Treasury Fund as

of March 31, 1995, 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

April 28, 1995

67

117

CMA TREASURY FUND
SCHEDULE OF INVESTMENTS AS OF MARCH 31, 1995 (IN THOUSANDS)

Issue	Face Amount	Interest Rate	Maturity Date	Value (Note 1a)
US Government Obligations*--99.7%				
US Treasury Bills	\$ 3,150	5.53 %	4/06/95	\$ 3,147
	25,000	5.535	4/06/95	24,976
	20,000	5.555	4/06/95	19,981
	3,638	5.61	4/06/95	3,635
	3,859	5.78	4/06/95	3,855
	20,000	5.34	4/20/95	19,937
	8,123	5.68	4/20/95	8,097
	50,000	5.725	4/20/95	49,842
	110,000	5.73	4/20/95	109,652
	70,000	5.735	4/20/95	69,778
	15,000	5.425	4/27/95	14,937
	15,000	5.49	4/27/95	14,937
	10,000	5.045	5/04/95	9,946
	10,000	5.06	5/04/95	9,946
	1,500	5.105	5/04/95	1,492
	5,103	5.51	5/04/95	5,075
	94,320	5.66	5/04/95	93,810
	2,019	5.665	5/04/95	2,008
	1,908	5.67	5/04/95	1,898
	1,931	5.68	5/04/95	1,921
	3,892	5.69	5/04/95	3,871
	1,263	5.70	5/04/95	1,256
	12,000	5.74	5/04/95	11,935
	5,682	5.75	5/04/95	5,651
	3,330	5.845	5/04/95	3,312
	50,000	5.99	5/04/95	49,730
	34,675	6.00	5/04/95	34,488
	25,000	6.015	5/04/95	24,865
	15,000	5.58	5/11/95	14,902

Issue	Face Amount	Interest Rate	Maturity Date	Value (Note 1a)
US Government Obligations* (concluded)				
US Treasury Bills (concluded)	\$ 1,276	5.65 %	5/11/95	\$ 1,268
	7,156	5.675	5/11/95	7,109
	750	5.70	5/11/95	745
	2,948	5.72	5/11/95	2,929
	25,000	5.82	5/11/95	24,837
	14,378	5.67	5/18/95	14,269
	24,000	5.685	5/18/95	23,817
	15,019	5.69	5/18/95	14,904
	4,962	5.70	5/18/95	4,924
	37,081	5.715	5/18/95	36,798
	10,000	5.85	5/25/95	9,914
	10,000	5.855	5/25/95	9,913
	25,000	5.10	6/01/95	24,753
	25,000	6.10	8/10/95	24,464
	15,000	6.23	11/16/95	14,429
	5,000	6.125	4/04/96	4,691
US Treasury Notes	130,000	3.875	4/30/95	129,760
	148,000	5.875	5/15/95	147,966
	77,000	8.50	5/15/95	77,213
	90,000	4.25	7/31/95	89,480
	107,650	4.625	8/15/95	107,078
	25,000	3.875	10/31/95	24,660
	10,000	7.875	2/15/96	10,112

Total US Government Obligations (Cost--\$1,424,824)	1,424,913
Total Investments (Cost--\$1,424,824++)--99.7%	1,424,913
Other Assets Less Liabilities--0.3%	3,811

Net Assets--100.0%	\$1,428,724
	=====

[FN]

*US Treasury Bills are traded on a discount basis; the interest rates shown are the discount rates paid at the time of purchase by the Fund. US Treasury Notes bear interest at the rates shown, payable at fixed dates through maturity.

++Cost for Federal income tax purposes.

See Notes to Financial Statements.

68

118

<TABLE>		
CMA TREASURY FUND		
STATEMENT OF ASSETS AND LIABILITIES AS OF MARCH 31, 1995		
<S>		
Assets:	<C>	<C>
Investments, at value (identified cost--\$1,424,823,880++) (Note 1a)		\$ 1,424,913,220
Cash		25,969
Interest receivable		9,555,184
Deferred organization expenses (Note 1d)		10,561
Prepaid registration fees and other assets (Note 1d)		78,620

Total assets		1,434,583,554

Liabilities:		
Payables:		
Securities purchased	\$ 4,690,347	
Investment adviser (Note 2)	526,621	
Distributor (Note 2)	429,420	5,646,388

Accrued expenses and other liabilities		213,277

Total liabilities		5,859,665

Net Assets		\$ 1,428,723,889
		=====
Net Assets Consist of:		
Shares of beneficial interest, \$.10 par value, unlimited number of shares authorized		\$ 142,863,455
Paid-in capital in excess of par		1,285,771,094
Unrealized appreciation on investments-- net		89,340

Net Assets--Equivalent to \$1.00 per share based on 1,428,634,550 shares of beneficial interest outstanding		\$ 1,428,723,889
		=====

<FN>

++Cost for Federal income tax purposes. As of March 31, 1995, net unrealized appreciation for Federal income tax purposes amounted to \$89,340, of which \$181,244 related to appreciated securities and \$91,904 related to depreciated securities.

See Notes to Financial Statements.

</TABLE>

69

119

<TABLE>		
CMA TREASURY FUND		
STATEMENT OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 1995		
<S>		
Investment Income (Note 1c):	<C>	<C>
Interest and amortization of premium and discount earned		\$ 60,768,157
Expenses:		

Investment advisory fees (Note 2)	\$ 5,626,244
Distribution fees (Note 2)	1,575,699
Transfer agent fees (Note 2)	232,782
Accounting services (Note 2)	109,977
Registration fees (Note 1d)	106,896
Professional fees	50,692
Trustees' fees and expenses	37,664
Custodian fees	35,321
Printing and shareholder reports	31,498
Amortization of organization expenses (Note 1d)	9,565
Other	13,848

Total expenses	7,830,186

Investment income--net	52,937,971
Realized Gain on Investments--Net (Note 1c)	239,944
Change in Unrealized Depreciation on Investments--Net	231,517

Net Increase in Net Assets Resulting from Operations	\$ 53,409,432
	=====

See Notes to Financial Statements.
</TABLE>

70

120

<TABLE>
CMA TREASURY FUND
STATEMENTS OF CHANGES IN NET ASSETS
<CAPTION>

	For the Year Ended March 31,	
	1995	1994
Increase (Decrease) in Net Assets:		
<S>	<C>	<C>
Operations:		
Investment income--net	\$ 52,937,971	\$ 31,549,137
Realized gain on investments--net	239,944	484,458
Change in unrealized depreciation on investments--net	231,517	(282,540)
	-----	-----
Net increase in net assets resulting from operations	53,409,432	31,751,055
	-----	-----
Dividends & Distributions to Shareholders (Note 1e):		
Investment income--net	(52,937,971)	(31,549,137)
Realized gain on investments--net	(239,944)	(484,458)
	-----	-----
Net decrease in net assets resulting from dividends and distributions to shareholders	(53,177,915)	(32,033,595)
	-----	-----
Beneficial Interest Transactions (Note 3):		
Net proceeds from sale of shares	6,534,376,700	6,005,046,894
Net asset value of shares issued to shareholders in reinvestment of dividends (Note 1e)	53,133,860	32,008,483
	-----	-----
Cost of shares redeemed	6,587,510,560	6,037,055,377
	(6,379,458,214)	(6,103,394,111)
	-----	-----
Net increase (decrease) in net assets derived from beneficial interest transactions	208,052,346	(66,338,734)
	-----	-----
Net Assets:		
Total increase (decrease) in net assets	208,283,863	(66,621,274)
Beginning of year	1,220,440,026	1,287,061,300
	-----	-----
End of year	\$ 1,428,723,889	\$ 1,220,440,026
	=====	=====

See Notes to Financial Statements.
</TABLE>

71

121

<TABLE>

CMA TREASURY FUND
 FINANCIAL HIGHLIGHTS
 <CAPTION>

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

	For the Year Ended March 31,			For the Period
	1995	1994	1993	April 15, 1991++
	<C>	<C>	<C>	<C>
Increase (Decrease) in Net Asset Value:				
<S>				
Per Share Operating Performance:				
Net asset value, beginning of period	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Investment income--net	.0409	.0250	.0278	.0453
Realized and unrealized gain on investments--net	.0004	.0002	.0026	.0019
Total from investment operations	.0413	.0252	.0304	.0472
Less dividends and distributions:				
Investment income--net	(.0409)	(.0250)	(.0278)	(.0453)
Realized gain on investments--net	(.0002)	(.0004)	(.0024)	(.0020)
Total dividends and distributions	(.0411)	(.0254)	(.0302)	(.0473)
Net asset value, end of period	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Total Investment Return	4.18%	2.57%	3.07%	5.02%*
Ratios to Average Net Assets:				
Expenses, net of reimbursement and excluding distribution fees	.49%	.49%	.48%	.36%*
Expenses, net of reimbursement	.62%	.61%	.60%	.49%*
Expenses	.62%	.61%	.62%	.68%*
Investment income and realized gain on investments--net	4.20%	2.55%	3.01%	4.67%*
Supplemental Data:				
Net assets, end of period (in thousands)	\$1,428,724	\$1,220,440	\$1,287,061	\$1,221,461

<FN>

*Annualized.

++Commencement of Operations.

See Notes to Financial Statements.

</TABLE>

CMA TREASURY FUND
 NOTES TO FINANCIAL STATEMENTS

1. Significant Accounting Policies:

CMA Treasury Fund (the "Fund") is registered under the Investment Company Act of 1940 as a no-load, diversified, open-end management investment company. The following is a summary of significant accounting policies followed by the Fund.

(a) Valuation of investments--Investments maturing more than sixty days after the valuation date are valued at the most recent bid price or yield equivalent as obtained from dealers that make markets in such securities. When securities are valued with sixty days or less to maturity, the difference between the valuation existing on the sixty-first day before maturity and maturity value is amortized on a straight-line basis to maturity. Investments maturing within sixty days from their date of acquisition are valued at amortized cost, which approximates market. 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 Trustees of the Fund.

(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 all of its taxable income to its shareholders. Therefore, no Federal income tax provision is required.

(c) Security transactions and investment income--Security

transactions are recorded on the dates the transactions are entered into (the trade dates). Interest income (including amortization of premium and discount) is recognized on the accrual basis. Realized gains and losses on security transactions are determined on the identified cost basis.

(d) Deferred organization expenses and prepaid registration fees--Deferred organization expenses are charged to expense on a straight-line basis over a five-year period. Prepaid registration fees are charged to expense as the related shares are issued.

(e) Dividends to shareholders--The Fund declares dividends daily and reinvests daily such dividends (net of non-resident alien tax and back-up withholding tax withheld) in additional fund shares at net asset value. Dividends are declared from the total of net investment income and net realized gain or loss on investments.

2. Investment Advisory Agreement and Transactions with Affiliates:

The Fund has entered into an Investment Advisory Agreement with Fund Asset Management, L.P. ("FAM" or "Adviser"). The general partner of FAM is Princeton Services, Inc. ("PSI"), an indirect wholly-owned subsidiary of Merrill Lynch & Co., Inc. ("ML & Co."), which is the limited partner.

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 net assets at the following annual rates: 0.50% of the Fund's average daily net assets not exceeding \$500 million; 0.425% of the average daily net assets in excess of \$500 million, but not exceeding \$1 billion; and 0.375% of the average daily net assets in excess of \$1 billion. The most restrictive annual expense limitation requires that the Adviser 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 next \$70 million of average daily net assets, and 1.5% of the average daily net assets in excess

73

123

NOTES TO FINANCIAL STATEMENTS (CONCLUDED)

thereof. No fee payment will be made to the Adviser during the year which will cause such expenses to exceed the pro rata expense limitation at the time of such payment.

The Fund has adopted a Distribution and Shareholder Servicing Plan in compliance with Rule 12b-1 under the Investment Company Act of 1940, pursuant to which Merrill Lynch, Pierce, Fenner & Smith Inc. ("MLPF&S") receives a distribution fee under the Distribution Agreement from the Fund at the end of each month at the annual rate of 0.125% of average daily net assets of the Fund for shareholders who maintain their accounts through MLPF&S. The distribution fee is to compensate MLPF&S financial consultants and other directly involved branch office personnel for selling shares of the Fund and for providing direct personal services to shareholders. The distribution fee is not compensation for the administrative and operational services rendered to the Fund by MLPF&S in processing share orders and administering shareholder accounts.

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 trustees of the Fund are officers and/or directors of FAM, PSI, MLPF&S, FDS, and/or ML & Co.

3. Shares of Beneficial Interest:

The number of shares purchased and redeemed during the period corresponds to the amounts included in the Statements of Changes in Net Assets for net proceeds from sale of shares and cost of shares redeemed, respectively, since shares are recorded at \$1.00 per share.

74

124

Code #10116-0795

CMA MONEY FUND
CMA GOVERNMENT
SECURITIES FUND
CMA TAX-EXEMPT
FUND
CMA TREASURY FUND

STATEMENT OF
ADDITIONAL INFORMATION

July 28, 1995

(LOGO)Za

125

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

126

PART C: OTHER INFORMATION

ITEM 24. FINANCIAL STATEMENTS AND EXHIBITS.

(A) FINANCIAL STATEMENTS:

Contained in Part A:

Financial Highlights for each of the years in the ten-year period ended
March 31, 1995.

Contained in Part B:

Schedule of Investments as of March 31, 1995.
Statement of Assets and Liabilities as of March 31, 1995.
Statement of Operations for the year ended March 31, 1995.
Statements of Changes in Net Assets for the years ended March 31, 1994
and 1995.
Financial Highlights for each of the years in the five-year period ended
March 31, 1995.

(B) EXHIBITS:

<TABLE>

<CAPTION>

EXHIBIT NUMBER	DESCRIPTION
-----	-----
<C> <S>	<C> <C>
1	-- Declaration of Trust of the Registrant dated June 5, 1989. (a)
2	-- By-Laws of the Registrant. (a)
3	-- None.
4	-- Portions of the Declaration of Trust and By-Laws of the Registrant defining the rights of holders of shares of the Registrant. (b)
5 (a)	-- Management Agreement between the Registrant and Fund Asset Management, Inc. (c)
(b)	-- Supplement to Management Agreement with Fund Asset Management, L.P. (c)
6	-- Form of Distribution Agreement between the Registrant and Merrill Lynch, Pierce, Fenner & Smith Incorporated. (a)
7	-- None.
8 (a)	-- Custody Agreement between the Registrant and State Street Bank and Trust Company. (a)
(b)	-- Amendment to Custody Agreement dated December 12, 1988. (a)
9 (a)	-- Amended Transfer Agency Agreement between the Registrant and Financial Data

- Services, Inc.(a)
- (b) -- Form of Cash Management Account Agreement.(a)
- 10 -- Opinion of Brown & Wood, counsel to the Registrant.
- 11 -- Consent of Deloitte & Touche LLP, independent auditors for the Registrant.
- 12 -- None.
- 13 -- None.
- 14 -- None.
- 15 -- Form of Distribution and Shareholder Servicing Plan of the Registrant.(a)
- 16 -- Schedule for computation of each performance quotation provided in the Registration Statement in response to Item 22.(a)
- 17 -- Financial Data Schedule.

</TABLE>

- - - - -

- (a) Refiled pursuant to the Electronic Data Gathering, Analysis and Retrieval (EDGAR) phase-in requirements.
- (b) Reference is made to Article II, Section 2.3 and Articles III, V, VI, VIII, IX, X and XI of the Registrant's Declaration of Trust, filed as Exhibit 1 to Post-Effective Amendment No. 16 to the Registrant's Registration Statement under the Securities Act of 1933, as amended (the "Registration Statement"); and to Articles I, V and VI of the Registrant's By-Laws, filed as Exhibit 2 to Post-Effective Amendment No. 16 to the Registration Statement.
- (c) Filed on July 28, 1994 as an exhibit to Post-Effective Amendment No. 15 to the Registration Statement.

C-1

127

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

None.

ITEM 26. NUMBER OF HOLDERS OF SECURITIES.

<TABLE>
<CAPTION>

TITLE OF CLASS	NUMBER OF HOLDERS AT JUNE 30, 1995
<S> Shares of beneficial interest, par value \$0.10 per share.....	51,235

</TABLE>

- - - - -

Note: The number of holders shown above includes holders of record plus beneficial owners, whose shares are held of record by Merrill Lynch, Pierce, Fenner & Smith Incorporated.

ITEM 27. INDEMNIFICATION.

Section 5.3 of the Registrant's Declaration of Trust provides as follows:

"The Trust shall indemnify each of its Trustees, officers, employees, and agents (including persons who serve at its request as directors, officers or trustees of another organization in which it has any interest as a shareholder, creditor or otherwise) against all liabilities and expenses (including amounts paid in satisfaction of judgments, in compromise, as fines and penalties, and as counsel fees) reasonably incurred by him in connection with the defense or disposition of any action, suit or other proceeding, whether civil or criminal, in which he may be involved or with which he may be threatened, while in office or thereafter, by reason of his being or having been such a trustee, officer, employee or agent, except with respect to any matter as to which he shall have been adjudicated to have acted in bad faith, willful misfeasance, gross negligence or reckless disregard of his duties; provided, however, that as to any matter disposed of by a compromise payment by such person, pursuant to a consent decree or otherwise, no indemnification either for said payment or for any other expenses shall be provided unless the Trust shall have received a written opinion from independent legal counsel approved by the Trustees to the effect that if either the matter of willful misfeasance, gross negligence or reckless disregard of duty, or the matter of good faith and reasonable belief as to the best interests of the Trust, had been adjudicated, it would have been adjudicated in favor of such person. The rights accruing to any person under these provisions shall not exclude any other right to which he may be lawfully entitled; provided that no person may satisfy any right of indemnity or reimbursement granted herein or in Section 5.1 or to which he may be otherwise entitled except out of the property of the Trust, and no Shareholder shall be personally liable to any person with respect to any claim for indemnity or reimbursement or otherwise. The Trustees may make advance payments in connection with indemnification under this Section 5.3, provided that the indemnified person shall have given a written undertaking to reimburse the Trust in the

event it is subsequently determined that he is not entitled to such indemnification."

The Registrant's By-Laws provide that insofar as the conditional advancing of indemnification moneys pursuant to Section 5.3 of the Declaration of Trust for actions based upon the Investment Company Act of 1940 may be concerned, such payments will be made only on the following conditions: (i) the advances must be limited to amounts used, or to be used, for the preparation or presentation of a defense to the action, including costs connected with the preparation of a settlement; (ii) advances may be made only upon receipt of a written promise by, or on behalf of, the recipient to repay that amount of the advance which exceeds the amount to which it is ultimately determined he is entitled to receive from the Registrant by reason of indemnification; and (iii) (a) such promise must be secured by a surety bond, other suitable insurance or an equivalent form of security which assures that any repayments may be obtained by the Registrant without delay or litigation, which bond, insurance or other form of security must be provided by the recipient of the advance, or (b) a majority of a quorum of the Registrant's disinterested, non-party Trustees, or an independent legal counsel in a written opinion, shall determine, based upon a review of readily available facts, that the recipient of the advance ultimately will be found entitled to indemnification.

In Section 8 of the Distribution Agreement relating to the securities being offered hereby, the Registrant agrees to indemnify the Distributor and each person, if any, who controls the Distributor within the meaning of

C-2

128

the Securities Act of 1933 (the "1933 Act"), against certain types of civil liabilities arising in connection with the Registration Statement or Prospectus.

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

ITEM 28. BUSINESS AND OTHER CONNECTIONS OF INVESTMENT ADVISER.

Fund Asset Management (the "Manager" or "FAM") acts as the investment adviser for the following open-end investment companies: CBA Money Fund, CMA Money Fund, CMA Multi-State Municipal Series Trust, CMA Tax-Exempt Fund, CMA Treasury Fund, The Corporate Fund Accumulation Program, Inc., Financial Institutions Series Trust, Merrill Lynch Basic Value Fund, Inc., Merrill Lynch California Municipal Series Trust, Merrill Lynch Corporate Bond Fund, Inc., Merrill Lynch Federal Securities Trust, Merrill Lynch Funds for Institutions Series, Merrill Lynch Multi-State Limited Maturity Municipal Series Trust, Merrill Lynch Multi-State Municipal Series Trust, Merrill Lynch Municipal Bond Fund, Inc., Merrill Lynch Phoenix Fund, Inc., Merrill Lynch Special Value Fund, Inc., Merrill Lynch World Income Fund, Inc. and The Municipal Fund Accumulation Program, Inc., and the following closed-end investment companies: Apex Municipal Fund, Inc., Corporate High Yield Fund, Inc., Corporate High Yield Fund II, Inc., Emerging Tigers Fund, Inc., Income Opportunities Fund 1999, Inc., Income Opportunities Fund 2000, Inc., MuniAssets Fund, Inc., MuniEnhanced Fund, Inc., MuniInsured Fund, Inc., MuniVest Fund, Inc., MuniVest Fund II, Inc., MuniVest California Insured Fund, Inc., MuniVest Florida Fund, Inc., MuniVest Michigan Fund, Inc., MuniVest New Jersey Fund, Inc., MuniVest New York Insured Fund, Inc., MuniVest Pennsylvania Insured Fund, MuniYield Arizona Fund, Inc., MuniYield California Fund, Inc., MuniYield California Insured Fund, Inc., MuniYield California Insured Fund II, Inc., MuniYield Florida Fund, MuniYield Florida Insured Fund, MuniYield Fund, Inc., MuniYield Insured Fund, Inc., MuniYield Insured Fund II, Inc., MuniYield Michigan Insured Fund, Inc., MuniYield New Jersey Fund, Inc., MuniYield New Jersey Insured Fund, Inc., MuniYield New York Insured Fund, Inc., MuniYield New York Insured Fund II, Inc., MuniYield New York Insured Fund III, Inc., MuniYield Pennsylvania Fund, MuniYield Quality Fund, Inc., MuniYield Quality Fund II, Inc., Senior High Income Portfolio, Inc., Senior High Income Portfolio II, Inc., Senior Strategic Income Fund, Inc., Taurus MuniCalifornia Holdings, Inc., Taurus MuniNewYork Holdings, Inc. and Worldwide DollarVest Fund, Inc.

Merrill Lynch Asset Management L.P. ("MLAM"), an affiliate of FAM, acts as investment adviser for the following open-end investment companies: Merrill

Lynch Adjustable Rate Securities Fund, Inc., Merrill Lynch Americas Income Fund, Inc., Merrill Lynch Asset Builder Program, Inc., Merrill Lynch Asset Growth Fund, Inc., Merrill Lynch Asset Income Fund, Inc., Merrill Lynch Balanced Fund for Investment and Retirement, Inc., Merrill Lynch Capital Fund, Inc., Merrill Lynch Developing Capital Markets Fund, Inc., Merrill Lynch Dragon Fund, Inc., Merrill Lynch EuroFund, Merrill Lynch Fundamental Growth Fund, Inc., Merrill Lynch Fund for Tomorrow, Inc., Merrill Lynch Global Allocation Fund, Inc., Merrill Lynch Global Bond Fund for Investment and Retirement, Merrill Lynch Global Convertible Fund, Inc., Merrill Lynch Global Holdings, Inc., Merrill Lynch Global Resources Trust, Merrill Lynch Global SmallCap Fund, Inc., Merrill Lynch Global Utility Fund, Inc., Merrill Lynch Growth Fund for Investment and Retirement, Merrill Lynch Healthcare Fund, Inc., Merrill Lynch Institutional Intermediate Fund, Merrill Lynch International Equity Fund, Merrill Lynch Latin America Fund, Inc., Merrill Lynch Middle East/Africa Fund, Inc., Merrill

C-3

129

Lynch Municipal Series Trust, Merrill Lynch Pacific Fund, Inc., Merrill Lynch Ready Assets Trust, Merrill Lynch Retirement Series Trust, Merrill Lynch Series Fund, Inc., Merrill Lynch Short-Term Global Income Fund, Inc., Merrill Lynch Strategic Dividend Fund, Merrill Lynch Technology Fund, Inc., Merrill Lynch U.S.A. Government Reserves, Merrill Lynch U.S. Treasury Money Fund, Merrill Lynch Utility Income Fund, Inc. and Merrill Lynch Variable Series Fund, Inc., and the following closed-end investment companies: Convertible Holdings, Inc., Merrill Lynch High Income Municipal Bond Fund, Inc. and Merrill Lynch Senior Floating Rate Fund, Inc. The address of each of these investment companies is P.O. Box 9011, Princeton, New Jersey 08543-9011, except that the address of Merrill Lynch Institutional Intermediate Fund and Merrill Lynch Funds for Institutions Series is One Financial Center, 15th Floor, Boston, Massachusetts 02111-2646. The address of the Investment Adviser and MLAM is also P.O. Box 9011, Princeton, New Jersey 08543-9011. The address of Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") and Merrill Lynch & Co., Inc. ("ML & Co.") is World Financial Center, North Tower, 250 Vesey Street, New York, New York 10281. The address of Merrill Lynch Financial Data Services, Inc. ("MLFDS") is 4800 Deer Lake Drive East, Jacksonville, Florida 32246-6484.

Set forth below is a list of each executive officer and partner of the Investment Adviser indicating each business, profession, vocation or employment of a substantial nature in which each such person or entity has been engaged since April 1, 1993 for his or her or its own account or in the capacity of director, officer, partner or trustee. In addition, Mr. Zeikel is President, Mr. Glenn is Executive Vice President and Mr. Richard is Treasurer of all or substantially all of the investment companies described in the preceding paragraph. Messrs. Zeikel, Glenn and Richard also hold the same position with substantially all of the investment companies advised by MLAM as they do with those advised by the Manager and Messrs. Giordano, Harvey, Hewitt, Kirstein and Monagle are directors or officers of one or more of such companies.

<TABLE>
<CAPTION>

NAME	POSITION(S) WITH MANAGER	OTHER SUBSTANTIAL BUSINESS, PROFESSION, VOCATION OR EMPLOYMENT
<S>	<C>	<C>
ML & Co.	Limited Partner	Financial Services Holding Company; Limited Partner of MLAM
Princeton Services, Inc. ("Princeton Services").....	General Partner	General Partner of MLAM
Arthur Zeikel.....	President	President of MLAM; President and Director of Princeton Services; Director of Merrill Lynch Funds Distributor, Inc. ("MLFD"); Executive Vice President of ML & Co.; Executive Vice President of Merrill Lynch
Terry K. Glenn.....	Executive Vice President and Director	Executive Vice President of MLAM; Executive Vice President and Director of Princeton Services; President and Director of MLFD; Director of FDS; President of Princeton Administrators, L.P.
Vincent R. Giordano.....	Senior Vice President	Senior Vice President of MLAM; Senior Vice President of Princeton Services
Elizabeth Griffin.....	Senior Vice President	Senior Vice President of MLAM
Norman R. Harvey.....	Senior Vice President	Senior Vice President of MLAM; Senior Vice President of Princeton Services
N. John Hewitt.....	Senior Vice President	Senior Vice President of MLAM; Senior Vice President of Princeton Services
Philip L. Kirstein.....	Senior Vice President, General Counsel and Secretary	Senior Vice President, General Counsel and Secretary of MLAM; Senior Vice President, General Counsel, Director and Secretary of Princeton Services; Director of MLFD

Ronald M. Kloss.....	Senior Vice President and Controller	Senior Vice President and Controller of MLAM; Senior Vice President and Controller of Princeton Services
Stephen M.M. Miller.....	Senior Vice President	Executive Vice President of Princeton Administrators, L.P.

</TABLE>

C-4

130

<TABLE>
<CAPTION>

NAME	POSITION(S) WITH MANAGER	OTHER SUBSTANTIAL BUSINESS, PROFESSION, VOCATION OR EMPLOYMENT
<S>	<C>	<C>
Joseph T. Monagle, Jr.....	Senior Vice President	Senior Vice President of MLAM; Senior Vice President of Princeton Services
Richard L. Reller.....	Senior Vice President	Senior Vice President of MLAM; Senior Vice President of Princeton Services
Gerald M. Richard.....	Senior Vice President and Treasurer	Senior Vice President and Treasurer of MLAM; Senior Vice President and Treasurer of Princeton Services; Vice President and Treasurer of MLFD
Ronald L. Welburn.....	Senior Vice President	Senior Vice President of MLAM; Senior Vice President of Princeton Services
Anthony Wiseman.....	Senior Vice President	Senior Vice President of MLAM; Senior Vice President of Princeton Services

</TABLE>

ITEM 29. PRINCIPAL UNDERWRITERS.

(a) Merrill Lynch acts as the principal underwriter for the Registrant. Merrill Lynch also acts as the principal underwriter for each of the following open-end investment companies referred to in the first paragraph of Item 28: CBA Money Fund, CMA Multi-State Municipal Series Trust, CMA Tax-Exempt Fund, CMA Treasury Fund and CMA Money Fund, The Corporate Fund Accumulation Program, Inc. and The Municipal Fund Accumulation Program, Inc., and also acts as the principal underwriter for each of the closed-end investment companies referred to in the first paragraph of Item 28, and as the depositor of the following unit investment trusts: The Corporate Income Fund, Municipal Investment Trust Fund, The ML Trust for Government Guaranteed Securities and The Government Securities Income Fund.

(b) With the exception of Arthur Zeikel, the President and a Trustee of the Registrant who is an Executive Vice President of Merrill Lynch and ML & Co., none of the Trustees or officers of the Registrant is a director, officer or employee of Merrill Lynch.

(c) Not applicable.

ITEM 30. LOCATION OF ACCOUNTS AND RECORDS.

All accounts, books and other documents required to be maintained by Section 31(a) of the Investment Company Act of 1940, as amended, and the rules thereunder will be maintained at the offices of the Registrant, 800 Scudders Mill Road, Plainsboro, New Jersey 08536, and MLFDS, 4800 Deer Lake Drive East, Jacksonville, Florida 32246-6484.

ITEM 31. MANAGEMENT SERVICES.

Other than as set forth under the caption "Management of the Funds--Investment Advisory Arrangements" in the Appendix to the Prospectus constituting Part A of the Registration Statement and under the caption "Management of the Funds--Investment Advisory Arrangements" in the Statement of Additional Information constituting Part B of the Registration Statement, Registrant is not a party to any management-related services contract.

ITEM 32. UNDERTAKINGS.

(a) Not applicable.

(b) Not applicable.

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

C-5

131

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933 AND THE INVESTMENT COMPANY ACT OF 1940, THE REGISTRANT CERTIFIES THAT IT MEETS ALL OF THE REQUIREMENTS FOR EFFECTIVENESS OF THIS POST-EFFECTIVE AMENDMENT TO THE REGISTRATION STATEMENT PURSUANT TO RULE 485(B) UNDER THE SECURITIES ACT OF 1933 AND HAS DULY CAUSED THIS POST-EFFECTIVE AMENDMENT TO THE REGISTRATION STATEMENT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THERETO DULY AUTHORIZED, IN THE TOWNSHIP OF PLAINSBORO AND STATE OF NEW JERSEY ON THE 26TH DAY OF JULY, 1995.

CMA GOVERNMENT SECURITIES FUND
(Registrant)

By /s/ TERRY K. GLENN

(TERRY K. GLENN, EXECUTIVE VICE
PRESIDENT)

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THIS POST-EFFECTIVE AMENDMENT TO THE REGISTRATION STATEMENT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS IN THE CAPACITIES AND ON THE DATES INDICATED.

<TABLE>
<CAPTION>

SIGNATURE	TITLE	DATE
----- <S> ARTHUR ZEIKEL* ----- (ARTHUR ZEIKEL)	<C> President (Principal Executive Officer) and Trustee	<C>
----- GERALD M. RICHARD* ----- (GERALD M. RICHARD)	Treasurer (Principal Financial and Accounting Officer)	
----- RONALD W. FORBES* ----- (RONALD W. FORBES)	Trustee	
----- CYNTHIA A. MONTGOMERY* ----- (CYNTHIA A. MONTGOMERY)	Trustee	
----- CHARLES C. REILLY* ----- (CHARLES C. REILLY)	Trustee	
----- KEVIN A. RYAN* ----- (KEVIN A. RYAN)	Trustee	
----- RICHARD R. WEST* ----- (RICHARD R. WEST)	Trustee	
*By /s/ TERRY K. GLENN		July 26, 1995
----- (TERRY K. GLENN, ATTORNEY-IN-FACT)		

</TABLE>

C-6

132

EXHIBIT INDEX

<TABLE>
<CAPTION>

EXHIBIT NUMBER	DESCRIPTION
<C> <S>	<C> <C>
1	-- Declaration of Trust of the Registrant dated June 5, 1989. (a)
2	-- By-Laws of the Registrant. (a)
6	-- Form of Distribution Agreement between the Registrant and Merrill Lynch, Pierce, Fenner & Smith Incorporated. (a)
8 (a)	-- Custody Agreement between the Registrant and State Street Bank and Trust Company. (a)
(b)	-- Amendment to Custody Agreement dated December 12, 1988. (a)
9 (a)	-- Amended Transfer Agency Agreement between the Registrant and Financial Data Services, Inc. (a)
(b)	-- Form of Cash Management Account Agreement. (a)
10	-- Opinion of Brown & Wood, counsel to the Registrant.
11	-- Consent of Deloitte & Touche LLP, independent auditors for the Registrant.
15	-- Form of Distribution and Shareholder Servicing Plan of the Registrant. (a)

16 -- Schedule for computation of each performance quotation provided in the
Registration Statement in response to Item 22.(a)
17 -- Financial Data Schedule.

</TABLE>

- -----

(a) Refiled pursuant to the Electronic Data Gathering, Analysis and Retrieval
(EDGAR) phase-in requirements.

DECLARATION OF TRUST
OF
NEW CMA GOVERNMENT SECURITIES FUND

THE DECLARATION OF TRUST of new CMA Government Securities Fund is made the 5th day of June, 1989 by the parties signatory hereto, as trustees such persons, so long as they shall continue in office in accordance with the terms of this Declaration of Trust, and all other persons who at the time in question have been duly elected or appointed as trustees in accordance with the provisions of this Declaration of Trust and are then in office, being hereinafter called the "Trustees")

W I T N E S S E T H

WHEREAS, the Trustees desire to form a trust fund under the of Massachusetts for the investment and reinvestment of funds contributed thereto; and

WHEREAS, it is proposed that the beneficial interest in the trust assets be divided into transferable shares of beneficial interest as hereinafter provided;

NOW, THEREFORE, the Trustees hereby declare that they will hold in trust, all money and property contributed to the trust fund to manage and dispose of the same for the benefit of the holders from time to time of the shares of beneficial interest issued hereunder and subject to the provisions hereof, to wit:

ARTICLE I

The Trust

1.1. Name. The name of the trust created hereby (the "Trust") shall be "new CMA government Securities Fund", and so far as may be practicable the Trustees shall conduct the activities of the Trust, execute all documents and sue or be sued under that name, which name (and the word "Trust" wherever hereinafter used) shall refer to the Trustees as Trustees, and not individually, and shall not refer to the officers, agents, employees or Shareholders of the Trust. However, should the Trustees determine that the use of the

name of the Trust is not advisable, they may select such other name for the Trust as they deem proper and the Trust may conduct its activities under such other name. Any name change shall be effective upon the execution by a majority of the then Trustees of an instrument setting forth the new name. Any such instrument shall have the status of an amendment to this Declaration.

1.2. Definitions. As used in this Declaration, the following terms shall have the following meanings:

The terms "Affiliated Person", "Assignment", "Commission", "Interested Person", "Majority Shareholder Vote" (the 67% or more than 50% requirement of the third sentence of Section 2(a)(42) of the 1940 Act, whichever may be applicable) and "Principal Underwriter" shall have the meanings given them in the 1940 Act.

"Declaration" shall mean this Declaration of Trust as amended from time to time. References in this Declaration to "Declaration", "hereof", "herein" and "hereunder" shall be deemed to refer to the Declaration rather than the article or section in which such words appear.

"Fundamental Policies" shall mean the investment restrictions set forth in the Prospectus and designated as fundamental policies therein.

"Person" shall mean and include individuals, corporations, partnerships, trusts, associations, joint ventures and other entities, whether or not legal entities, and governments and agencies and political subdivisions thereof.

"Prospectus" shall mean the currently effective Prospectus of the Trust under the Securities Act of 1933, as amended, including the Statement of Additional Information incorporated by reference therein.

2.

3

"Shareholders" shall mean as of any particular time all holders of record of outstanding Shares at such time.

"Shares" shall mean the equal proportionate transferable units of interest into which the beneficial interest in the Trust shall be divided from time to time and includes fractions of Shares as

well as whole Shares.

"Trustees" shall mean the signatories to this Declaration of Trust, so long as they shall continue in office in accordance with the terms hereof, and all other persons who at the time in question have been duly elected or appointed and have qualified as trustees accordance with the provisions hereof and are then in office, are herein referred to as the "Trustees", and reference in this Declaration of Trust to a Trustee or Trustees shall refer to such person or persons in their capacity as Trustees hereunder.

"Trust Property" shall mean as of any particular time any and all property, real or personal, tangible or intangible, which at such time is owned or held by or for the account of the Trust or the Trustees.

The "1940 Act" refers to the Investment Company Act of 1940 and the regulations promulgated thereunder, as amended from time to time.

3.

4

ARTICLE II

Trustees

2.1. Number and Qualification. The number of Trustees shall fixed from time to time by written instrument signed by a majority of the Trustees then in office, provided, however, that the number of Trustees shall in no event be less than three or more than fifteen (except prior to the first public offering of Shares). Any vacancy created by an increase in Trustees may, to the extent permitted by the 1940 Act, be filled by the appointment of an individual having the qualifications described in this Article made by a written instrument signed by a majority of the Trustees then in office. Any such appointment shall not become effective, however, until the individual named in the written instrument of appointment shall have accepted in writing such appointment and agreed in writing to be bound by the terms of this Declaration. No reduction in the number of Trustees shall have the effect of removing any Trustee from office prior to the expiration of his term. Whenever a vacancy in the number of Trustees shall occur,

until such vacancy is filled as provided in Section 2.4 hereof, the Trustees in office, regardless of their number, shall have all the powers granted to the Trustees and shall discharge all the duties imposed upon the Trustees by this Declaration. A Trustee shall be an individual at least 21 years of age who is not under legal disability. Trustees need not own Shares.

2.2. Term of Office. Each Trustee shall (except in the event of resignations or removals or vacancies pursuant to Section 2.3 or 2.4 hereof) hold office until his successor has been elected and is qualified to serve as Trustee.

2.3. Resignation and Removal. Any Trustee may resign his trust (without need for prior or subsequent accounting) by an instrument in writing signed by him and delivered or mailed to the Chairman, if any, the President or the Secretary and such resignation shall be effective upon such delivery, or at a later date according to the terms of the instrument. Any of the Trustees may be removed (provided the aggregate number of Trustees after such removal shall not be less than the number required by Section 2.1 hereof) with cause, by the action of two-thirds of the remaining Trustees. Any Trustee may be removed at any special meeting of the Shareholders by a vote of two-thirds of the outstanding Shares. Upon the resignation or removal of a Trustee, or his otherwise ceasing to be a Trustee, he shall execute and deliver such documents as the remaining Trustees shall require for the purpose of conveying to the successor Trustee or the remaining Trustees any Trust Property held in the name of the resigning or removed Trustee. Upon the incapacity or death of any Trustee, his legal representative shall execute and deliver on his behalf such

4.

5

documents as the remaining Trustees shall require as provided in preceding sentence.

2.4. Vacancies. The term of office of a Trustee shall terminate and a vacancy shall occur in the event of the death, resignation, bankruptcy, adjudicated incompetence or other incapacity to perform the duties of the office, or removal, of a Trustee. No such vacancy shall operate to annul this Declaration or to revoke any existing agency created pursuant to the terms of this Declaration. In the case of a vacancy, the Shareholders, acting at any meeting of Shareholders held in accordance with Section 10.2 hereof, or, to the extent permitted by the 1940 Act, a majority of the Trustees continuing in office acting by written instrument or instruments, may fill such vacancy, and any Trustee so elected by the Trustees shall hold office as provided in this

Declaration.

2.5. Meetings. Meetings of the Trustees shall be held from time to time upon the call of the Chairman, if any, the President, the Secretary or any two Trustees. Regular meetings of the Trustees may be held without call or notice at a time and place fixed by the By-Laws or by resolution of the Trustees. Notice of any other meeting shall be mailed or otherwise given not less than 48 hours before the meeting but may be waived in writing by any Trustee either before or after such meeting. The attendance of a Trustee at a meeting shall constitute a waiver of notice of such meeting except where a Trustee attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting has not been lawfully called or convened. The Trustees may act with or without a meeting. A quorum for all meetings of the Trustees shall be a majority of the Trustees. Unless provided otherwise in this Declaration of Trust, any action of the Trustees may be taken at a meeting by vote of a majority of the Trustees present (a quorum being present) or without a meeting by written consents of a majority of the Trustees.

Any committee of the Trustees, including an executive committee, if any, may act with or without a meeting. A quorum for all meetings of any such committee shall be a majority of the members thereof. Unless provided otherwise in this Declaration, any action of any such committee may be taken at a meeting by vote of a majority of the members present (a quorum being present) or without a meeting by written consent of a majority of the members.

With respect to actions of the Trustees and any committee of the Trustees, Trustees who are Interested Persons of the Trust Within the meaning of Section 1.2 hereof or otherwise interested in any action to be taken may be counted for quorum purposes under this Section and shall be entitled to vote to the extent permitted by the 1940 Act.

5.

6

To the extent permitted by the 1940 Act, all or any one or more Trustees may participate in a meeting of the Trustees or any committee thereof by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other and participation in a meeting pursuant to such communications systems shall constitute presence in person at such meeting.

2.6. Officers. The Trustees shall annually elect a

president, a Secretary and a Treasurer and may elect a Chairman. The Trustees may elect or appoint or authorize the Chairman, if any, or President to appoint such other officers or agents with such powers as the Trustees may deem to be advisable. The Chairman and President shall be and the Secretary and Treasurer may, but need not, be a Trustee.

2.7. By-Laws. The Trustees may adopt and from time to time amend or repeal the By-Laws for the conduct of the business of the Trust.

6.

7

ARTICLE III

Powers of Trustees

3.1. General. The Trustees shall have exclusive and absolute control over the Trust Property and over the business of the Trust to the same extent as if the Trustees were the sole owners of the Trust Property and business in their own right, but with such powers of delegation as may be permitted by this Declaration. The Trustees may perform such acts as in their sole discretion are proper for conducting the business of the Trust. The enumeration of any specific power herein shall not be construed as limiting the aforesaid power. Such powers of the Trustees may be exercised without order of or resort to any court.

3.2. Investments. The Trustees shall have power, subject to the Fundamental Policies, to:

(a) conduct, operate and carry on the business of an investment company;

(b) subscribe for, invest in, reinvest in, purchase or otherwise acquire, hold, pledge, sell, assign, transfer, exchange, distribute or otherwise deal in or dispose of negotiable or non-negotiable instruments, obligations, evidences of indebtedness, certificates of deposit or indebtedness, commercial paper, repurchase agreements, reverse repurchase agreements and other securities,

including, without limitation, those issued, guaranteed or sponsored by any state, territory or possession of the United States and the District of Columbia and their political subdivisions, agencies and instrumentalities, or by the United States Government or its agencies or instrumentalities, or international instrumentalities, or by any bank, savings institution, corporation or other business entity organized under the laws of the United States and, to the extent provided in the Prospectus and not prohibited by the Fundamental Policies, organized under foreign laws; and to exercise any and all rights, powers and privileges of ownership or interest in respect of any and all such investments of every kind and description, including, without limitation, the right to consent and otherwise act with respect thereto, with power to designate one or more persons, firms, associations or corporations to exercise any of said rights, powers and privileges in respect of any of said instruments; and the Trustees shall be deemed to have the foregoing powers with respect to any additional securities in which the Trust may invest should the investment policies set forth in the Prospectus or the Fundamental Policies be amended.

7.

8

The Trustees shall not be limited to investing in obligations maturing before the possible termination of the Trust, nor shall the Trustees be limited by any law limiting the investments which may be made by fiduciaries.

3.3. Legal Title. Legal title to all the Trust Property shall be vested in the Trustees as joint tenants except that the Trustees shall have power to cause legal title to any Trust property to be held by or in the name of one or more of the Trustees, or in the name of the Trust, or in the name of any other person as nominee, on such terms as the Trustees may determine, provided that the interest of the Trust therein is appropriately protected.

The right, title and interest of the Trustees in the Trust Property shall vest automatically in each person who may hereafter become a Trustee upon his due election and qualification. Upon the resignation, removal or death of a Trustee he shall automatically cease to have any right, title or interest in any of the Trust Property, and the right, title and interest of such Trustee in the Trust Property shall vest automatically in the remaining Trustees. Such vesting and cessation of title shall be effective whether or

not conveyancing documents have been executed and delivered.

3.4. Issuance and Repurchase of Securities. The Trustees shall have the power to issue, sell, repurchase, redeem, retire, cancel, acquire, hold, resell, reissue, dispose of, transfer, and other-wise deal in, Shares, including shares in fractional denominations, and, subject to the more detailed provisions set forth in Articles VIII and IX, to apply to any such repurchase, redemption, retirement, cancellation or acquisition of Shares any funds or property of the Trust whether capital or surplus or otherwise, to the full extent now or hereafter permitted by the laws of the Commonwealth of Massachusetts governing business corporations.

3.5. Borrow Money. Subject to the Fundamental Policies, the Trustees shall have power to borrow money or otherwise obtain credit and to secure the same by mortgaging, pledging or otherwise subjecting as security the assets of the Trust, including the lending of portfolio securities, and to endorse, guarantee, or undertake the performance of any obligation, contract or engagement of any other person, firm, association or corporation.

3.6. Delegation; Committees. The Trustees shall have power, consistent with their continuing exclusive authority over the management of the Trust and the Trust Property, to delegate from time to time to such of their number or to officers, employees or agents of the Trust the doing of such things and the execution of such instruments either in the name of the Trust or the names of the Trustees or otherwise as the Trustees may deem expedient, to

8.

9

the same extent as such delegation is permitted to directors of a Massachusetts business corporation and is permitted by the 1940 Act.

3.7. Collection and Payment. The Trustees shall have power to collect all property due to the Trust; to pay all claims, including taxes, against the Trust Property; to prosecute, defend, Compromise or abandon any claims relating to the Trust Property; to foreclose any security interest securing any obligation, by virtue of which any property is owed to the Trust; and to enter into releases, agreements and other instruments.

3.8. Expenses. The Trustees shall have power to incur and pay any expenses which in the opinion of the Trustees are necessary or incidental to carry out any of the purposes of this Declaration of Trust, and to pay reasonable compensation from the funds of the

Trust to themselves as Trustees. The Trustees shall fix the compensation of all officers, employees and Trustees. The Trustees may pay themselves such compensation for special services, including legal, underwriting, syndicating and brokerage services, as they in good faith may deem reasonable and reimbursement for expenses reasonably incurred by themselves on behalf of the Trust.

3.9. Miscellaneous Powers. The Trustees shall have the power to: (a) employ or contract with such Persons as the Trustees may deem desirable for the transaction of the business of the Trust; (b) enter into joint ventures, partnerships and any other combinations or associations; (c) purchase, and pay for out of Trust Property, insurance policies insuring the Shareholders, Trustees, officers, employees, agents, investment advisors, distributors, selected dealers or independent contractors of the Trust against all claims arising by reason of holding any such position or by reason of any action taken or omitted by any such Person in such capacity, whether or not constituting negligence, or whether or not the Trust would have the power to indemnify such Person against such liability; (d) establish pension, profit-sharing, share purchase, and other retirement, incentive and benefit plans for any Trustees, officers, employees and agents of the Trust; (e) make donations, irrespective of benefit to the Trust, for charitable, religious, educational, scientific, civic or similar purposes; (f) to the extent permitted by law, indemnify any Person with whom the Trust has dealings, including any advisor, administrator, manager, distributor and selected dealers, to such extent as the Trustees shall determine; (g) guarantee indebtedness Or contractual obligations of others; (h) determine and change the fiscal year of the Trust and the method in which its accounts shall be kept; and (i) adopt a seal for the Trust but the absence of such seal shall not impair the validity of any instrument executed on behalf of the Trust.

9.

10

3.10. Further Powers. The Trustees shall have power to conduct the business of the Trust and carry on its operations in any and all of its branches and maintain offices both within and without the Commonwealth of Massachusetts, in any and all states of the United States of America, in the District of Columbia, and in any and all commonwealths, territories, dependencies, colonies, possessions, agencies or instrumentalities of the United States of America and of foreign governments, and to do all such other things and execute all such instruments as they deem necessary, proper or

desirable in order to promote the interests of the Trust although such things are not herein specifically mentioned. Any determination as to what is in the interests of the Trust made by the Trustees in good faith shall be conclusive. In construing the provisions of this Declaration, the presumption shall be in favor of a grant of power to the Trustees. The Trustees will not be required to obtain any court order to deal with the Trust Property.

10.

11

ARTICLE IV

Advisory, Management and Distribution Arrangements

4.1. Advisory and Management Arrangements. Subject to a Majority Shareholder Vote, as required by the 1940 Act, the Trustees may in their discretion from time to time enter into advisory or management contracts whereby the other party to such contract shall undertake to furnish the Trustees such advisory and management services as the Trustees shall from time to time consider desirable and all upon such terms and conditions as the Trustees may in their discretion determine. Notwithstanding any provisions of this Declaration of Trust, the Trustees may authorize any adviser or manager (subject to such general or specific instructions as the Trustees may from time to time adopt) to effect purchases, sales, loans or exchanges of portfolio securities of the Trust on behalf of the Trustees or may authorize any officer, employee or Trustee to effect such purchases, sales, loans or exchanges pursuant to recommendations of any such advisor, administrator or manager (and all without further action by the Trustees). Any such purchases, sales, loans and exchanges shall be deemed to have been authorized by all of the Trustees.

4.2. Distribution Arrangements. The Trustees may in their discretion from time to time enter into a contract, providing for the sale of the Shares of the Trust to net the Trust not less than the par value per share, whereby the Trust may either agree to sell the Shares to the other party to the contract or appoint such other party its sales agent for such Shares. In either case, the contract shall be on such terms and conditions as the Trustees may in their discretion determine not inconsistent with the provisions of this Article IV or the By-Laws; and such contract may also

provide for the repurchase or sale of Shares by such other party as principal or as agent of the Trust and may provide that such other party may enter into selected dealer agreements with registered securities dealers to further the purpose of the distribution or repurchase of the Shares.

4.3. Parties to Contract. Any contract of the character described in Section 4.1 and 4.2 of this Article IV or in Article VII hereof may be entered into with any corporation, firm, trust or association, although one or more of the Trustees or officers of the Trust may be an officer, director, Trustee, shareholder, or member of such other party to the contract, and no such contract shall be invalidated or rendered voidable by reason of the existence of any such relationship, nor shall any person holding such relationship be liable merely by reason of such relationship for any loss or expense to the Trust under or by reason of said contract or accountable for any profit realized directly or indirectly therefrom, provided that the contract when entered into was

11.

12

reasonable and fair and not inconsistent with the provisions of this Article IV or the By-Laws. The same person (including a firm, corporation, trust, or association) may be the other party to contracts entered into pursuant to Sections 4.1 and 4.2 above or Article VII, and any individual may be financially interested or otherwise affiliated with persons who are parties to any or all of the contracts mentioned in this Section 4.3.

4.4. Provisions and Amendments. Any contract entered into pursuant to Section 4.1 and 4.2 of this Article IV shall be consistent with and subject to the requirements of Section 15 of the 1940 Act with respect to its continuance in effect, its termination, and the method of authorization and approval of such contract or renewal thereof, and no amendment to any contract entered into pursuant to Section 4.1 shall be effective unless assented to by a majority Shareholder Vote.

12.

ARTICLE V

Limitations of Liability of Shareholders,
Trustees and Others

5.1. No Personal Liability of Shareholders, Trustees, etc. No Shareholder shall be subject to any personal liability whatsoever to any Person in connection with Trust Property or the acts, obligations or affairs of the Trust. No Trustee, officer, employee or agent of the Trust shall be subject to any personal liability whatsoever to any Person, other than the Trust or its Shareholders, in connection with Trust Property or the affairs of the Trust, save only that arising from his bad faith, willful misfeasance, gross negligence or reckless disregard of his duty to such Person; and all such Persons shall look solely to the Trust property for satisfaction of claims of any nature arising in connection with the affairs of the Trust. If any Shareholder, Trustee, officer, employee, or agent, as such, of the Trust, is made a party to any suit or proceeding to enforce any such liability, he shall not on account thereof, be held to any personal liability. The Trust shall indemnify and hold each Shareholder harmless from and against all claims and liabilities, to which such Shareholder may become subject by reason of his being or having been a Shareholder, and shall reimburse such Shareholder for all legal and other expenses reasonably incurred by him in connection with any such claim or liability. The rights accruing to a Shareholder under this Section 5.1 shall not exclude any other right to which such Shareholder may be lawfully entitled, nor shall anything herein contained restrict the right of the Trust to indemnify or reimburse a Shareholder in any appropriate situation even though not specifically provided herein.

5.2. Non-Liability of Trustees, etc. No Trustee, officer, employee or agent of the Trust shall be liable to the Trust, its Shareholders, or to any Shareholder, Trustee, officer, employee, or agent thereof for any action or failure to act (including without limitation the failure to compel in any way any former or acting Trustee to redress any breach of trust) except for his own bad faith, willful misfeasance, gross negligence or reckless disregard of his duties.

5.3. Mandatory Indemnification. The Trust shall indemnify each of its Trustees, officers, employees, and agents (including persons who serve at its request as directors, officers or trustees Of another organization in which it has any interest, as a shareholder, creditor or otherwise) against all liabilities and expenses (including amounts paid in satisfaction of judgments, in compromise, as fines and penalties, and as counsel fees) reasonably incurred by him in connection with the defense or disposition of

any action, suit or other proceeding, whether civil or criminal, in

13.

14

which he may be involved or with which he may be threatened, while in office or thereafter, by reason of his being or having been such a trustee, officer, employee or agent, except with respect to any matter as to which he shall have been adjudicated to have acted in bad faith, willful misfeasance, gross negligence or reckless disregard of his duties; provided, however, that as to any matter disposed of by a compromise payment by such person, pursuant to a consent decree or otherwise, no indemnification either for said payment or for any other expenses shall be provided unless the Trust shall have received a written opinion from independent legal counsel approved by the Trustees to the effect that if either the matter of willful misfeasance, gross negligence or reckless disregard of duty, or the matter of good faith and reasonable belief as to the best interests of the Trust, had been adjudicated, it would have been adjudicated in favor of such person. The rights accruing to any Person under these provisions shall not exclude any other right to which he may be lawfully entitled; provided that no Person may satisfy any right of indemnity or reimbursement granted herein or in Section 5.1 or to which he may be otherwise entitled expect out of the property of the Trust, and no Shareholder shall be personally liable to any Person with respect to any claim for indemnity or reimbursement or otherwise. The Trustees may make advance payments in connection with indemnification under this Section 5.3 provided that the indemnified person shall have given a written undertaking to reimburse the Trust in the event it is subsequently determined that he is not entitled to such indemnification.

5.4. No Bond Required of Trustees. No Trustee shall, as such, be obligated to give any bond or security or other security for the performance of any of his duties hereunder.

5.5. No Duty of Investigation; Notice in Trust Instruments, etc. No purchaser, lender, transfer agent or other person dealing with the Trustees or any officer, employee or agent of the Trust shall be bound to make any inquiry concerning the validity of any transaction purporting to be made by the Trustees or by said officer, employee or agent or be liable for the application of money or property paid, loaned, or delivered to or on the order of the Trustees or of said officer, employee or agent. Every obligation, contract, undertaking, instrument, certificate, Share, other security of the Trust, and every other act or thing whatsoever executed in connection with the Trust shall be conclusively taken to have been executed or done by the executors

thereof only in their capacity as Trustees under this Declaration Of Trust or in their capacity as officers, employees or agents of the Trust. Every written obligation, contract, undertaking, instrument, certificate, Share, other security of the Trust made or issued by the Trustees or by any officers, employees or agents of the Trust, in their capacity as such, shall contain an appropriate recital to the effect that the Shareholders, Trustees, officers,

14.

15

employees and agents of the Trust shall not personally be bound by or liable thereunder, nor shall resort be had to their private property for the satisfaction of any obligation or claim thereunder, and appropriate references shall be made therein to the Declaration of Trust, and may contain any further recital which they may deem appropriate, but the omission of such recital shall not Operate to impose personal liability on any of the Trustees, Shareholders, officers, employees or agents of the Trust. The Trustees may maintain insurance for the protection of the Trust property, its Shareholders, Trustees, officers, employees and agents in such amount as the Trustees shall deem adequate to cover possible tort liability, and such other insurance as the Trustees in their sole judgment shall deem advisable.

5.6. Reliance on Experts, etc. Each Trustee and officer or employee of the Trust shall, in the performance of his duties, be fully and completely justified and protected with regard to any act or any failure to act resulting from reliance in good faith upon the books of account or other records of the Trust, upon an opinion of counsel, or upon reports made to the Trust by any of its officers or employees or by any investment adviser, administrator, manager, distributor, selected dealer, accountant, appraiser or other expert or consultant selected with reasonable care by the Trustees, officers or employees of the Trust, regardless of whether such counsel or expert may also be a Trustee.

15.

16

ARTICLE VI

Shares of Beneficial Interest

6.1. Beneficial Interest. The interest of the beneficiaries hereunder shall be divided into transferable shares of beneficial interest, all of one class, with par value \$0.10 per share. The number of such shares of beneficial interest authorized hereunder us unlimited. All Shares issued hereunder including, without limitation, Shares issued in connection with a dividend in Shares or a split of Shares, shall be fully paid and nonassessable.

6.2. Rights of Shareholders. The ownership of the Trust property of every description and the right to conduct any business hereinbefore described are vested exclusively in the Trustees, and the Shareholders shall have no interest therein other than the beneficial interest conferred by their Shares, and they shall have no right to call for any partition or division of any property, profits, rights or interests of the Trust nor can they be called upon to share or assume any losses of the Trust or suffer an assessment of any kind by virtue of their ownership of Shares. The Shares shall be personal property giving only the rights in this Declaration specifically set forth. The Shares shall not entitle the holder to preference, preemptive, appraisal, conversion or exchange rights (except for rights of appraisal specified in Section 11.4).

6.3. Trust Only. It is the intention of the Trustees to create only the relationship of Trustee and beneficiary between the Trustees and each Shareholder from time to time. It is not the intention of the Trustees to create a general partnership, limited partnership, joint stock association, corporation, bailment or any form of legal relationship other than a trust. Nothing in this Declaration of Trust shall be construed to make the Shareholders, either by themselves or with the Trustees, partners or members of a joint stock association.

6.4. Issuance of Shares. The Trustees, in their discretion, may from time to time without vote of the Shareholders issue Shares, in addition to the then issued and outstanding Shares and Shares held in the treasury, to such party or parties and for such amount not less than par value and type of consideration, including cash or property, at such time or times (including, without limitation, each business day in accordance with the maintenance of a constant net asset value per share as set forth in Section 9.3 hereof), and on such terms as the Trustees may deem best, and may in such manner acquire other assets (including the acquisition of assets subject to, and in connection with the assumption of, liabilities) and businesses. In connection with any issuance of Shares, the Trustees may issue fractional Shares. The Trustees may

17

from time to time divide or combine the Shares into a greater or lesser number without thereby changing the proportionate beneficial interests of the Trust. Reductions in the number of outstanding shares may be made pursuant to the constant net asset value per share formula set forth in Section 9.3. Contributions to the Trust may be accepted for, and Shares shall be redeemed as, whole Shares and/or 1/1,000ths of a Share or multiples thereof.

6.5. Register of Shares. A register shall be kept at the Trust or any transfer agent duly appointed by the Trustees under the direction of the Trustees which shall contain the names and addresses of the Shareholders and the number of Shares held by them respectively and a record of all transfers thereof. Such register shall be conclusive as to who are the holders of the Shares and who shall be entitled to receive dividends or distributions or otherwise to exercise or enjoy the rights of Shareholders. No Shareholder shall be entitled to receive payment of any dividend or distribution, nor to have notice given to him as herein provided, until he has given his address to a transfer agent or such other officer or agent of the Trustees as shall keep the register for entry thereon. It is not contemplated that certificates will be issued for the Shares; however, the Trustees, in their discretion, may authorize the issuance of share certificates and promulgate appropriate rules and regulations as to their use.

6.6. Transfer Agent and Registrar. The Trustee shall have power to employ a transfer agent or transfer agents, and a registrar or registrars, with respect to the Shares. The transfer agent or transfer agents may keep the applicable register and record therein the original issues and transfers, if any, of the said Shares. Any such transfer agent and registrars shall perform the duties usually performed by transfer agents and registrars of certificates of stock in a corporation, except as modified by the Trustees.

6.7. Transfer of Shares. Shares shall be transferable on the records of the Trust only by the record holder thereof or by his agent thereto duly authorized in writing, upon delivery to the Trustees or a transfer agent of the Trust of a duly executed instrument of transfer, together with such evidence of the genuineness of each such execution and authorization and of other matters as may reasonably be required. Upon such delivery the transfer shall be recorded on the applicable register of the Trust. Until such record is made, the Shareholder of record shall be deemed to be the holder of such Shares for all purposes hereof and neither the Trustees nor any transfer agent or registrar nor any officer, employee or agent of the Trust shall be affected by any

notice of the proposed transfer.

Any person becoming entitled to any Shares in consequence of the death, bankruptcy, or incompetence of any Shareholder, or

17.

18

otherwise by operation of law, shall be recorded on the register of shares as the holder of such Shares upon production of the proper evidence thereof to the Trustees or a transfer agent of the Trust, but until such record is made, the Shareholder of record shall be deemed to be the holder of such Shares for all purposes hereof and neither the Trustees nor any transfer agent or registrar nor any officer or agent of the Trust shall be affected by any notice of such death, bankruptcy or incompetence, or other operation of law.

6.8. Notices. Any and all notices to which any Shareholder hereunder may be entitled and any and all communications shall be deemed duly served or given if mailed, postage prepaid, addressed to any Shareholder of record at his last known address as recorded on the register of the Trust.

18.

19

ARTICLE VII

Custodian

7.1. Appointment and Duties. The Trustees shall at all times employ a custodian or custodians, meeting the qualifications for custodians for portfolio securities of investment companies contained in the 1940 Act, as custodian with respect to the Trust. Any custodian shall have authority as agent of the Trust, but subject to such restrictions, limitations and other requirements, if any as may be contained in the By-Laws of the Trust and the 1940 Act:

(1) to hold the securities owned by the Trust and

deliver the same upon written order;

(2) to receive and receipt for any moneys due to the Trust and deposit the same in its own banking department (if a bank) or elsewhere as the Trustees may direct;

(3) to disburse such funds upon orders or vouchers;

(4) if authorized by the Trustees, to keep the books and accounts of the Trust and furnish clerical and accounting services; and

(5) if authorized to do so by the Trustees, to compute the net income of the Trust;

all upon such basis of compensation as may be agreed upon between the Trustees and the custodian. If so directed by a Majority Shareholder Vote, the custodian shall deliver and pay over all property of the Trust held by it as specified in such vote.

The Trustees may also authorize each custodian to employ one or more sub-custodians from time to time to perform such of the acts and services of the custodian and upon such terms and conditions, as may be agreed upon between the custodian and such sub-custodian and approved by the Trustees, provided that in every case such sub-custodian shall meet the qualifications for custodians contained in the 1940 Act.

7.2. Central Certificate System. Subject to such rules, regulations and order as the Commission may adopt, the Trustees may direct the custodian to deposit all or any part of the securities owned by the Trust in a system for the central handling of securities established by a national securities exchange or a national securities association registered with the Commission under the Securities Exchange Act of 1934, or such other person as may be permitted by the Commission, or otherwise in accordance with

19.

20

the 1940 Act, pursuant to which system all securities of any particular class or series of any issuer deposited within the system are treated as fungible and may be transferred or pledged by bookkeeping entry without physical delivery of such securities, provided that all such deposits shall be subject to withdrawal only upon the order of the Trust.

ARTICLE VIII

Redemption

8.1. Redemptions. All outstanding Shares may be redeemed at the option of the holders thereof, upon and subject to the terms and conditions provided in this Article VIII. The Trust shall, upon application of any Shareholder or pursuant to authorization from any Shareholder, redeem or repurchase from such Shareholder outstanding Shares for an amount per share determined by the application of a formula adopted for such purpose by the Trustees (which formula shall be consistent with the 1940 Act); provided that (a) such amount per share shall not exceed the cash equivalent of the proportionate interest of each share in the assets of the Trust at the time of the purchase or redemption and (b) if so authorized by the Trustees, the Trust may, at any time and from time to time, charge fees for effecting such redemption, at such rates as the Trustees may establish, as and to the extent permitted under the 1940 Act, and may, at any time and from time to time, pursuant to such Act, suspend such right of redemption. The procedures for effecting redemption shall be as set forth in the Prospectus with respect to the applicable Series from time to time.

8.2. Redemption of Shares; Disclosure of Holding. If the Trustees shall, at any time and in good faith, be of the opinion that direct or indirect ownership of Shares or other securities of the Trust has or may become concentrated in any person to an extent which would disqualify the Trust as a regulated investment company under the Internal Revenue Code, then the Trustees shall have the power by lot or other means deemed equitable by them (i) to call for redemption a number, or principal amount, of Shares or other securities of the Trust sufficient, in the opinion of the Trustees, to maintain or bring the direct or indirect ownership of Shares or other securities of the Trust into conformity with the requirements for such qualification and (ii) to refuse to transfer or issue Shares or other securities of the Trust to any Person whose acquisition of the Shares or other securities of the Trust in question would in the opinion of the Trustees result in such disqualification. The redemption shall be effected at a redemption price determined in accordance with Section 8.1.

The holders of Shares or other securities of the Trust shall upon demand disclose to the Trustees in writing such information with respect to direct and indirect ownership of Shares or other securities of the Trust as the Trustees deem necessary to comply with the provisions of the Internal Revenue Code, or to comply with the requirements of any other taxing authority.

8.3. Redemptions of Accounts of Less than \$1,000. Due to the relatively high cost of maintaining investment accounts of less

21.

22

than \$1,000, the Trustees shall have the power to redeem shares at a redemption price determined in accordance with Section 8.1 if at any time the total investment in such account does not have a value of at least \$1,000; provided, however, that the Trustees may not exercise such power with respect to Shares if the Prospectus does not describe such power. In the event the Trustees determine to exercise their power to redeem Shares provided in this Section 8.3, shareholders shall be notified that the value of their account is less than \$1,000 and allowed 60 days to make an additional investment before redemption is processed.

8.4. Redemptions Pursuant to Constant Net Asset Value Formula. The Trust may also reduce the number of outstanding Shares pursuant to the provisions of Section 9.3.

2 2 .

23

ARTICLE IX

Determination of Net Asset Value, Net Income and Distributions

9.1. Net Asset Value. The net asset value of each outstanding Share of the Trust shall be determined at such time or times on such days as the Trustees may determine, in accordance ,With the 1940 Act. The method of determination of net asset value

shall be determined by the Trustees and shall be as set forth in the Prospectus. The power and duty to make the daily calculations may be delegated by the Trustees to the adviser, administrator, manager, custodian, transfer agent or such other person as the Trustees may determine. The Trustees may suspend the daily determination of net asset value to the extent permitted by the 1940 Act.

9.2. Distributions to Shareholders. The Trustees shall from time to time distribute ratably among the Shareholders such proportion of the net profits, surplus (including paid-in surplus) capital, or assets held by the Trustees as they may deem proper. such distribution may be made in cash or property (including without limitation any type of obligations of the Trust or any assets thereof), and the Trustees may distribute ratably among the Shareholders additional Shares in such manner, at such times, and on such terms as the Trustees may deem proper. Such distributions may be among the Shareholders of record at the time of declaring a distribution or among the Shareholders of record at such later date as the Trustees shall determine. The Trustees may always retain from the net profits such amount as they may deem necessary to pay the debts or expenses of the Trust or to meet obligations of the Trust, or as they may deem desirable to use in the conduct of its affairs or to retain for future requirements or extensions of the business. The Trustees may adopt and offer to Shareholders such dividend reinvestment plans, cash dividend payout plans or related plans as the Trustees shall deem appropriate.

Inasmuch as the computation of net income and gains for Federal income tax purposes may vary from the computation thereof on the books, the above provisions shall be interpreted to give the Trustees the power in their discretion to distribute for any fiscal year as ordinary dividends and as capital gains distributions, respectively, additional amounts sufficient to enable the Trust to avoid or reduce liability for taxes.

9.3. Constant Net Asset Value; Reduction of outstanding Shares. The Trustees shall have the power to determine the net Income of the Trust on each day the net asset value is determined as provided in Section 9.1 and at each such determination declare Such net income as dividends with the result that the net asset

24
value per share of the Trust shall remain at a constant dollar value. The determination of net income and the resultant declaration of dividends shall be as set forth in the Prospectus.

In such event fluctuations in value may be reflected in the number of outstanding Shares in each shareholder's account. It is expected that the Trust will have a positive net income at the time of each determination. If for any reason such net income is a negative amount, the Trust may offset such amount against dividends accrued in the account of the Shareholder. If and to the extent such negative amount exceeds such accrued dividends, the Trust shall have authority to reduce the number of the outstanding Shares. Such reduction will be effected by having each Shareholder proportionately contributing to capital the necessary Shares that represent the amount of the excess upon such determination. Each Shareholder will be deemed to have agreed to such contribution in these circumstances by his investment in the Trust. This procedure will permit the net asset value per share of the Trust to be maintained at a constant dollar value per share.

The Trustees, by resolution, may discontinue or amend the practice of maintaining the net asset value per share at a constant dollar amount at any time and such modification shall be evidenced by appropriate changes in the Prospectus.

9.4. Power to Modify Foregoing Procedures. Notwithstanding any of the foregoing provisions of this Article IX, the Trustees may prescribe, in their absolute discretion, such other bases and times for determining the per share net asset value of the Trust's Shares or net income, or the declaration and payment of dividends and distributions as they may deem necessary or desirable to enable the Trust to comply with any provision of the 1940 Act, or any securities association registered under the Securities Exchange Act of 1934, or any order of exemption issued by said Commission, all as in effect now or hereafter amended or modified.

2 4 .

25

ARTICLE X

Shareholders

10.1. Voting Powers. The Shareholders shall have power to vote (i) for the removal of Trustees as provided in Section 2.3, (ii) with respect to any advisory or management contract as provided in Section 4.1, (iii) with respect to the amendment of

this Declaration as provided in Section 11.3, (iv) with respect to such additional matters relating to the "rust as may be required or authorized by the 1940 Act, the laws of the Commonwealth of Massachusetts or other applicable law or by this Declaration or by the By-Laws of the Trust, and (v) with respect to such additional matters relating to the Trust as may be properly submitted for Shareholder approval.

10.2. Meetings of Shareholders. Special meetings of the Shareholders may be called at any time by a majority of the Trustees and shall be called by any Trustee upon written request of Shareholders holding in the aggregate not less than 10% of the outstanding Shares having voting rights, such request specifying the purpose or purposes for which such meeting is to be called. Any such meeting shall be held within or without the Commonwealth of Massachusetts on such day and at such time as the Trustees shall designate. The holders of a majority of outstanding Shares present in person or by proxy shall constitute a quorum for the transaction of any business, except as may otherwise be required by the 1940 Act, the laws of the Commonwealth of Massachusetts or other applicable law or by this Declaration or the By-Laws of the Trust. If a quorum is present at a meeting, the affirmative vote of a majority of the Shares represented at the meeting constitutes the action of the Shareholders, unless the 1940 Act, the laws of the Commonwealth of Massachusetts or other applicable law, this Declaration or the By-Laws of the Trust requires a greater number of affirmative votes.

10.3. Notice of Meetings. Notice of all meetings of the Shareholders, stating the time, place and purposes of the meeting, shall be given by the Trustees by mail to each Shareholder at his registered address, mailed at least 10 days and not more than 60 days before the meeting. only the business stated in the notice of the meeting shall be considered at such meeting. Any adjourned meeting may be held as adjourned without further notice.

10.4. Record Date for Meetings. For the purpose of determining the Shareholders who are entitled to notice of and to vote at any meeting, or to participate in any distribution, or for the purpose of any other action, the Trustees may from time to time close the transfer books for such period, not exceeding 30 days, as the Trustees may determine; or without closing the transfer books the Trustees may fix a date not more than 60 days prior to the date

as a record date for the determination of the Persons to be treated as Shareholders of record for such purposes, except for dividend payments which shall be governed by Section 9.2 hereof.

10.5. Proxies, etc. At any meeting of Shareholders, any holder of Shares entitled to vote thereat may vote by proxy, provided that no proxy shall be voted at any meeting unless it shall have been placed on file with the Secretary, or with such other officer or agent of the Trust as the Secretary may direct, for verification prior to the time at which such vote shall be taken. Pursuant to a resolution of a majority of the Trustees, proxies may be solicited in the name of one or more Trustees or one or more of the officers of the Trust. Only Shareholders of record shall be entitled to vote. Each full Share shall be entitled to one vote and fractional Shares shall be entitled to a vote of such fraction. When any Share is held jointly by several persons, any one of them may vote at any meeting in person or by proxy in respect of such Share, but if more than one of them shall be present at such meeting in person or by proxy, and such joint owners or their proxies so present disagree as to any vote to be cast, such vote shall not be received in respect of such Share. A proxy purporting to be executed by or on behalf of a Shareholder shall be deemed valid unless challenged at or prior to its exercise, and the burden of proving invalidity shall rest on the challenger. If the holder of any such Share is a minor or a person of unsound mind, and subject to guardianship or to the legal control of any other person as regards the charge or management of such Share, he may vote by his guardian or such other person appointed or having such control, and such vote may be given in person or by proxy.

10.6. Reports. The Trustees shall cause to be prepared at least annually a report of operations containing a balance sheet and statement of income and undistributed income of the Trust prepared in conformity with generally accepted accounting principles and an opinion of an independent public accountant on such financial statements. Copies of such reports shall be mailed to all Shareholders of record within the time required by the 1940 Act, and in any event within a reasonable period preceding the annual meeting of Shareholders. The Trustees shall, in addition, furnish to the Shareholders at least annually, interim reports containing an unaudited balance sheet as of the end of such period and an unaudited statement of income and surplus for the period from the beginning of the current fiscal year to the end of such Period.

10.7. Inspection of Records. The records of the Trust shall be open to inspection by Shareholders to the same extent as is permitted shareholders of a Massachusetts business corporation.

27

10.8. Shareholder Action by Written Consent. Any action which may be taken by Shareholders may be taken without a meeting if a majority of Shareholders entitled to vote on the matter (or such larger proportion thereof as shall be required by any express provision of this Declaration) consent to the action in writing and the written consents are filed with the records of the meetings of Shareholders. Such consent shall be treated for all purposes as a vote taken at a meeting of Shareholders.

27.

28

ARTICLE XI

Duration; Termination of Trust;
Amendment, Mergers Etc.

11.1. Duration. Subject to possible termination in accordance with the provisions of Section 11.2 hereof, the Trust created hereby shall continue until the expiration of 20 years after the death of the last survivor of the initial Trustees named herein and the following named persons:

Name	Address	Date of Birth
Avery Moores Bruno	44 Sturgis Road Bronxville, NY 10708	September 19, 1983
Emily Elizabeth Bruno	44 Sturgis Road Bronxville, NY 10708	January 16, 1990
Daryl Lian Kleiman	300 Rector Place New York, NY 10280	May 9, 1986
Lindsay Rider MacKinnon	Mountain Farm, Road Tuxedo Park, NY 10987	January 27, 1982

Angus Washburn Smith

26 Prescott Avenue
Bronxville, NY 10708

October 15, 1982

Elisabeth Lyon Smith

26 Prescott Avenue
Bronxville, NY 10708

October 15, 1982

11.2. Termination.

(a) The Trust may be terminated by the affirmative vote of the holders of not less than two-thirds of the Shares at any meeting of Shareholders or by an instrument in writing, without a meeting, signed by a majority of the Trustees and consented to by the holders of not less than two-thirds of such Shares. Upon the termination of the Trust,

(i) The Trust shall carry on no business except for the purpose of winding up its affairs.

(ii) The Trustees shall proceed to wind up the affairs of the Trust and all of the powers of the Trustees under this Declaration shall continue until the affairs of the Trust shall have been wound up, including the power to fulfill or discharge the contracts of the Trust, collect its

28.

29

assets, Sell, convey, assign, exchange, transfer or otherwise dispose of all or any part of the remaining Trust Property to one or more persons at public or private sale for consideration which may consist in whole or in part of cash, securities or other property of any kind, discharge or pay its liabilities, and do all other acts appropriate to liquidate its business; provided that any sale, conveyance, assignment, exchange, transfer or other disposition of all or substantially all the Trust Property shall require approval of the principal terms of the transaction and the nature and amount of the consideration by vote or consent of the holders of a majority of the Shares entitled to vote.

(iii) After paying or adequately providing for the payment of all liabilities, and upon receipt of such releases, indemnities and refunding agreements, as they deem necessary for their protection, the Trustees may distribute the remaining Trust Property, in cash or in kind or partly each, among the Shareholders according to their respective rights.

(b) After termination of the Trust and distribution to the Shareholders as herein provided, a majority of the Trustees

shall execute and lodge among the records of the Trust an instrument in writing setting forth the fact of such termination. Upon termination of the Trust, the Trustees shall thereupon be discharged from all further liabilities and duties hereunder, and the rights and interests of all Shareholders shall thereupon cease.

11.3. Amendment Procedure.

(a) This Declaration may be amended by the affirmative vote of the holders of not less than a majority of the Shares at any meeting of Shareholders or by an instrument. in writing, without a meeting, signed by a majority of the Trustees and consented to by the holders of not less than a Majority of such Shares. The Trustees may also amend this Declaration without the vote or consent of Shareholders if they deem it necessary to conform this Declaration to the requirements of applicable federal laws or regulations or the requirements of the regulated investment company provisions of the Internal Revenue Code, but the Trustees shall not be liable for failing so to do. The Trustees may also amend this Declaration without the vote or consent of Shareholders if they deem it necessary or desirable to change the name of the Trust or to make other changes to this Declaration which do not materially adversely affect the rights of Shareholders.

(b) No amendment may be made, under Section 11.3 (a) above, which would change any rights with respect to any Shares of

2 9 .

30

the Trust by reducing the amount payable thereon upon liquidation of the Trust or by diminishing or eliminating any voting rights pertaining thereto, except with the vote or consent of the holders Of two-thirds of the Shares. Nothing contained in this Declaration shall permit the amendment of this Declaration to impair the exemption from personal liability of the Shareholders, Trustees, officers, employees and agents of the Trust or to permit assessments upon Shareholders.

(c) A certification in recordable form signed by a majority of the Trustees setting forth an amendment and reciting that it was duly adopted by the Shareholders or by the Trustees as aforesaid or a copy of the Declaration, as amended, in recordable form, and executed by a majority of the Trustees, shall be conclusive evidence of such amendment when lodged among the records of the Trust.

Notwithstanding any other provision hereof, until such time as a Registration Statement under the Securities Act of 1933, as amended, covering the first public offering of Shares of the Trust shall have become effective, this Declaration of Trust may be terminated or amended in any respect by the affirmative vote of a majority of the Trustees or by an instrument signed by a majority of the Trustees.

11.4. Merger, Consolidation and Sale of Assets. The Trust may merge or consolidate with any other corporation, association, trust or other organization or may sell, lease or exchange all or substantially all of the Trust Property, including its good will, upon such terms and conditions and for such consideration when and as authorized at any meeting of Shareholders called for the purpose by the affirmative vote of the holders of not less than two-thirds of the Shares, or by an instrument or instruments in writing without a meeting, consented to by the holders of not less than two-thirds of such Shares, and any such merger, consolidation, sale, lease or exchange shall be deemed for all purposes to have been accomplished under and pursuant to the statutes of the Commonwealth of Massachusetts. In respect of any such merger, consolidation, sale or exchange of assets, any Shareholder shall be entitled to rights of appraisal of his Shares to the same extent as a shareholder of a Massachusetts business corporation in respect of a merger, consolidation, sale or exchange of assets of a Massachusetts business corporation, and such rights shall be his exclusive remedy in respect of his dissent from any such action.

11.5. Incorporation. With the approval of the holders of a Majority of the Shares, the Trustees may cause to be organized or assist in organizing a corporation or corporations under the laws of any jurisdiction or any other trust, partnership, association or other organization to take over all of the Trust Property or to

carry on any business in which the Trust shall directly or indirectly have any interest, and to sell, convey and transfer the Trust Property to any such corporation, trust, association or organization in exchange for the Shares or securities thereof or otherwise, and to lend money to, subscribe for the Shares or securities of, and enter into any contracts with any such corporation, trust, partnership, association or organization, or any corporation, partnership, trust, association or organization in which the Trust holds or is about to acquire shares or any other interest. The Trustees may also cause a merger or consolidation between the Trust or any successor thereto and any

such corporation, trust, partnership, association or other organization if and to the extent permitted by law, as provided under the law then in effect. Nothing contained herein shall be construed as requiring approval of Shareholders for the Trustees to organize or assist in organizing one or more corporations, trusts, partnerships, associations or other organizations and selling, conveying or transferring a portion of the Trust Property to such organizations or entities.

31.

32

ARTICLE XII

Miscellaneous

12.1. Filing. This Declaration and any amendment hereto shall be filed in the office of the Secretary of the Commonwealth of Massachusetts and in such other places as may be required under the laws of Massachusetts and may also be filed or recorded in much other places as the Trustees deem appropriate. Each amendment so filed shall be accompanied by a certificate signed and acknowledged by a Trustee stating that such action was duly taken in a manner provided herein, and unless such amendment or such certificate sets forth some later time for the effectiveness of such amendment, such amendment shall be effective upon its filing. A restated Declaration, containing the original Declaration and all amendments theretofore made, may be executed from time to time by a majority of the Trustees and shall, upon filing with the Secretary of the Commonwealth of Massachusetts, be conclusive evidence of all amendments contained therein and may thereafter be referred to in lieu of the original Declaration and the various amendments thereto.

12.2. Principal Place of Business. The principal place of business of the Trust is 800 Scudders Mill Road, Plainsboro, New Jersey 08536.

12.3. Resident Agent. The Trust shall maintain a resident agent in the Commonwealth of Massachusetts, which agent shall initially be CT Corporation System, 10 Post Office Square, Boston, Massachusetts 02109. The Trustees may designate a successor resident agent, provided, however, that such appointment shall not

become effective until written notice thereof is delivered to the office of the Secretary of the Commonwealth.

12.4. Governing Law. This Declaration is executed by the Trustees and delivered in the Commonwealth of Massachusetts and with reference to the laws thereof, and the rights of all parties and the validity and construction of every provision hereof shall be subject to and construed according to the laws of said State and reference shall be specifically made to the business corporation law of the Commonwealth of Massachusetts as to the construction of matters not specifically covered herein or as to which an ambiguity exists.

12.5. Counterparts. This Declaration may be simultaneously, executed in several counterparts, each of which shall be deemed to be an original, and such counterparts, together, shall constitute one and the same instrument, which shall be sufficiently evidenced by any such original counterpart.

32

33

12.6. Reliance by Third Parties. Any certificate executed by an individual who, according to the records of the Trust, or of any recording office in which this Declaration may be recorded, appears to be a Trustee hereunder, certifying to: (a) the number or identity of Trustees or Shareholders, (b) the name of the Trust (c) the due authorization of the execution of any instrument or writing, (d) the form of any vote passed at a meeting of Trustees or Shareholders, (e) the fact that the number of Trustees or Shareholders present at any meeting or executing any written instrument satisfies the requirements of this Declaration, (f) the form of any By-Laws adopted by or the identity of any officers elected by the Trustees, or (g) the existence of any fact or facts which in any manner relate to the affairs of the Trust, shall be conclusive evidence as to the matters so certified in favor of any person dealing with the Trustees and their successors.

12.7. Provisions in Conflict With Law or Regulations.

(a) The provisions of this Declaration are severable, and if the Trustees shall determine, with the advice of counsel, that any of such provisions is in conflict with 1940 Act, the regulated investment company provisions of the Internal Revenue Code or with other applicable laws and regulations, the conflicting provision shall be deemed never to have constituted a part of this Declaration; provided, however, that such

determination shall not affect any of the remaining provisions of this Declaration or render invalid or improper any action taken or omitted prior to such determination.

(b) If any provision of this Declaration shall be held invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall attach only to such provision in such jurisdiction and shall not in any manner affect such provision in any other jurisdiction or any other provision of this Declaration in any jurisdiction.

33.

34

IN WITNESS WHEREOF, the undersigned have caused these presents to be executed as of the day and year first above Written.

/s/ Mark b. Goldfus
509 Bergen Street
Lawrenceville NJ 08648

/s/ Robert Harris
22 Zeloof Drive
Lawrenceville, NJ 08648

/s/ Susan B. Baker
1015 Buckinghar Way
Morrisville, PA 19067

/s/ William E. Aldrich
111 Windsor Road
Needham, MA 02192

BY-LAWS
OF
CMA GOVERNMENT SECURITIES FUND

CMA GOVERNMENT SECURITIES FUND

BY-LAWS

These By-Laws are made and adopted pursuant to Section 2.7 of the Declaration of Trust establishing CMA GOVERNMENT SECURITIES FUND, dated June 5, 1989, as from time to time amended (the "Declaration"). All words and terms capitalized in these By-Laws shall have the meaning or meanings set forth for such words or terms in the Declaration.

ARTICLE I
Shareholder Meetings

Section 1.1. Chairman. The Chairman, if any, shall act as chairman at all meetings of the Shareholders; in his or her absence, the President shall act as chairman; and in the absence of the Chairman and the President, the Trustee or Trustees present at each meeting may elect a temporary chairman for the meeting, who may be one of themselves.

Section 1.2. Proxies; Voting. Shareholders may vote either in person or by duly executed proxy and each full share represented at the meeting shall have one vote, all as provided in Article X of the Declaration. No proxy shall be valid after eleven (11) months from the date of its execution, unless a

longer period is expressly stated in such proxy.

Section 1.3. Closing of Transfer Books and Fixing of Record Dates. For the purpose of determining the Shareholders who are entitled to notice of or to vote or act at any meeting, including any adjournment thereof, or who are entitled to participate in

3

any dividends, or for any other proper purpose, the Trustees from time to time may close the transfer books or fix a record date in the manner provided in Section 10.4 of the Declaration. If the Trustees do not, prior to any meeting of Shareholders, so fix a record date or close the transfer books, then the date of mailing notice of the meeting or the date upon which the dividend resolution is adopted, as the case may be, shall be the record date.

Section 1.4. Inspectors of Election. In advance of any meeting of Shareholders, the Trustees may appoint Inspectors of Election to act at the meeting or any adjournment thereof. If Inspectors of Election are not so appointed, the Chairman, if any, of any meeting of Shareholders may, and on the request of any Shareholder or his or her proxy shall, appoint Inspectors of Election of the meeting. The number of Inspectors shall be either one or three. If appointed at the meeting on the request of one or more Shareholders or proxies, a majority of Shares present shall determine whether one or three Inspectors are to be appointed, but failure to allow such determination by the Shareholders shall not affect the validity of the appointment of Inspectors of Election. In case any person appointed as Inspector fails to appear or fails or refuses to act, the vacancy may be filled by appointment made by the Trustees in advance of the convening of the meeting or at the meeting by the person acting as chairman. The Inspectors of Election shall determine the number of Shares outstanding, the Shares represented at the

-2-

4

meeting, the existence of a quorum, the authenticity, validity and effect of proxies, shall receive votes, ballots or consents, shall hear and determine all challenges and questions in any way arising in connection with the right to vote, shall count and tabulate all votes or consents, determine the results, and do such other acts as may be proper to conduct the election or vote with fairness to all Shareholders. If there are three Inspectors of Election, the decision, act or certificate of a majority is effective in all respects as the decision, act or certificate of all. On request of the Chairman, if any, of the meeting, or of any Shareholder or his or her proxy, the Inspectors of Election shall make a report in writing of any challenge or question or matter determined by them and shall execute a certificate of any facts found by them.

Section 1.5. Records at Shareholder Meetings. At each meeting of the

Shareholders there shall be open for inspection the minutes of the last previous Shareholder Meeting of the Trust and a list of the Shareholders of the Trust, certified to be true and correct by the Secretary or other proper agent of the Trust, as of the record date of the meeting or the date of closing of transfer books, as the case may be. Such list of Shareholders shall contain the name of each Shareholder in alphabetical order and the address of and number of Shares owned by such Shareholder. Shareholders shall have such other rights and procedures of inspection of the books and records of the Trust as

-3-

5

are granted to shareholders of a Massachusetts business corporation.

ARTICLE II

Trustees

Section 2.1. Annual and Regular Meetings. The Trustees shall hold an annual meeting for the election of officers and the transaction of other business which may come before such meeting, on such date as shall be fixed by the Trustees from time to time. Regular meetings of the Trustees may be held without call or notice at such place or places and times as the Trustees by resolution may provide from time to time.

Section 2.2. Special Meetings. Special Meetings of the Trustees shall be held upon the call of the Chairman, if any, the President, the Secretary or any two Trustees, at such time, on such day, and at such place, as shall be designated in the notice of the meeting.

Section 2.3. Notice. Notice of a meeting shall be given by mail or by telegram (which term shall include a cablegram) or delivered personally. If notice is given by mail, it shall be mailed not later than 48 hours preceding the meeting and if given by telegram or personally, such telegram shall be sent or delivery made not later than 48 hours preceding the meeting. Notice by telephone shall constitute personal delivery for these purposes. Notice of a meeting of Trustees may be waived before or after any meeting by signed written waiver. Neither the

-4-

6

business to be transacted at, nor the purpose of, any meeting of the Board of Trustees need be stated in the notice or waiver of notice of such meeting, and no notice need be given of action proposed to be taken by unanimous written consent. The attendance of a Trustee at a meeting shall constitute a waiver of notice of such meeting except where a Trustee attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting has not been lawfully called or convened.

Section 2.4. Chairman; Records. The Chairman, if any, shall act as chairman at all meetings of the Trustees; in his or her absence, the President shall act as chairman; and, in the absence of the Chairman and the President, the Trustees present shall elect one of their number to act as temporary chairman. The results of all actions taken at a meeting of the Trustees, or by unanimous written consent of the Trustees, shall be recorded by the Secretary.

ARTICLE III

Officers

Section 3.1. Officers of the Trust. The officers of the Trust shall consist of a Chairman, if any, a President, a Secretary, a Treasurer and such other officers or assistant officers, including Vice Presidents, as may be elected by the Trustees. Any two or more of the offices may be held by the same person, except that the same person may not be both President and

-5-

7

Secretary. The Trustees may designate a Vice President as an Executive Vice President and may designate the order in which the other Vice Presidents may act. The Chairman and the President shall be Trustees, but no other officer of the Trust need be a Trustee.

Section 3.2. Election and Tenure. At the initial organizational meeting and thereafter at each annual meeting of the Trustees, the Trustees shall elect the Chairman, if any, a President, a Secretary, a Treasurer and such other officers as the Trustees shall deem necessary or appropriate in order to carry out the business of the Trust. Such officers shall hold office until the next annual meeting of the Trustees and until their successors have been duly elected and qualified. The Trustees may fill any vacancy in office or add any additional officers at any time.

Section 3.3. Removal of Officers. Any officer may be removed at any time, with or without cause, by action of a majority of the Trustees. This provision shall not prevent the making of a contract of employment for a definite term with any officer and shall have no effect upon any cause of action which any officer may have as a result of removal in breach of a contract of employment. Any officer may resign at any time by notice in writing signed by such officer and delivered or mailed to the Chairman, if any, the President, or the Secretary, and such resignation shall take effect immediately upon receipt by

-6-

8

the Chairman, if any, President, or Secretary, or at a later date according to the terms of such notice in writing.

Section 3.4. Bonds and Surety. Any officer may be required by the Trustees to be bonded for the faithful performance of his or her duties in such amount and with such sureties as the Trustees may determine.

Section 3.5. Chairman, President and Vice Presidents. The Chairman, if any, if present, shall preside at all meetings of the Shareholders and of the Trustees and shall exercise and perform such other powers and duties as from time to time may be assigned to him or her by the Trustees. Subject to such supervisory powers, if any, as may be given by the Trustees to the Chairman, if any, the President shall be the chief executive officer of the Trust and, subject to the control of the Trustees, shall have general supervision, direction and control of the business of the Trust and of its employees and shall exercise such general powers of management as usually are vested in the office of President of a corporation. In the absence of the Chairman, if any, the President shall preside at all meetings of the Shareholders and of the Trustees. The President shall be, ex-officio, a member of all standing committees, except as otherwise provided in the resolutions or instruments creating any such committees. Subject to direction of the Trustees, the Chairman, if any, and the President each shall have power in the name and on behalf of the Trust to execute any and all loan documents, contracts, agreements, deeds, mortgages and other

-8-

9

instruments in writing, and to employ and discharge employees and agents of the Trust. Unless otherwise directed by the Trustees, the Chairman, if any, and the President each shall have full authority and power, on behalf of all of the Trustees, to attend and to act and to vote, on behalf of the Trust at any meetings of business organizations in which the Trust holds an interest, or to confer such powers upon any other persons, by executing any proxies duly authorizing such persons. The Chairman, if any, and the President shall have such further authorities and duties as the Trustees from time to time shall determine. In the absence or disability of the President, the Vice Presidents in order of their rank as fixed by the Trustees or, if more than one and not ranked, the Vice President designated by the Trustees, shall perform all of the duties of the President, and when so acting shall have all the powers of, and be subject to all of the restrictions upon, the President. Subject to the direction of the Trustees and of the President, each Vice President shall have the power in the name and on behalf of the Trust to execute any and all loan documents, contracts, agreements, deeds, mortgages and other instruments in writing, and, in addition, shall have such other duties and powers as shall be designated from time to time by the Trustees or by the President.

Section 3.6. Secretary. The Secretary shall keep the minutes of all meetings of, and record all votes of, Shareholders, Trustees and the Executive Committee, if any. He or she shall be custodian of the seal of the Trust, if any, and

10

he or she (and any other person so authorized by the Trustees) shall affix the seal or, if permitted, a facsimile thereof, to any instrument executed by the Trust which would be sealed by a Massachusetts business corporation executing the same or a similar instrument and shall attest the seal and the signature or signatures of the officer or officers executing such instrument on behalf of the Trust. The Secretary also shall perform any other duties commonly incident to such office in a Massachusetts business corporation, and shall have such other authorities and duties as the Trustees from time to time shall determine.

Section 3.7. Treasurer. Except as otherwise directed by the Trustees, the Treasurer shall have the general supervision of the monies, funds, securities, notes receivable and other valuable papers and documents of the Trust, and shall have and exercise under the supervision of the Trustees and of the President all powers and duties normally incident to his or her office. He or she may endorse for deposit or collection all notes, checks and other instruments payable to the Trust or to its order. He or she shall deposit all funds of the Trust in such depositories as the Trustees shall designate. He or she shall be responsible for such disbursement of the funds of the Trust as may be ordered by the Trustees or the President. He or she shall keep accurate account of the books of the Trust's transactions which shall be the property of the Trust, and which together with all other property of the Trust in his or her possession, shall be subject at all times to the inspection and

11

control of the Trustees. Unless the Trustees otherwise shall determine, the Treasurer shall be the principal accounting officer of the Trust and also shall be the principal financial officer of the Trust. He or she shall have such other duties and authorities as the Trustees from time to time shall determine. Notwithstanding anything to the contrary herein contained, the Trustees may authorize any adviser, administrator, manager or transfer agent to maintain bank accounts and deposit and disburse funds of the Trust.

Section 3.8. Other Officers and Duties. The Trustees may elect such other officers and assistant officers as they from time to time shall determine to be necessary or desirable in order to conduct the business of the Trust. Assistant officers shall act generally in the absence of the officer whom they assist and shall assist that officer in the duties of his or her office. Each officer, employee and agent of the Trust shall have such other duties and authority as may be conferred upon him or her by the Trustees or delegated to him or her by the President.

ARTICLE IV

Miscellaneous

Section 4.1. Custodians. In accordance with Section 7.1 of the Declaration, the funds of the Trust shall be deposited with such custodian or custodians as the Trustees shall designate and shall be drawn out on checks, drafts or other orders signed by such officer, officers, agent or agents (including any adviser,

-10-

12
administrator or manager), as the Trustees from time to time may authorize.

Section 4.2. Signatures. All contracts and other instruments shall be executed on behalf of the Trust by such officer, officers, agent or agents, as provided in these By-Laws or as the Trustees from time to time by resolution may provide.

Section 4.3. Seal. The seal of the Trust, if any, may be affixed to any document, and the seal and its attestation may be lithographed, engraved or otherwise printed on any document with the same force and effect as if it had been imprinted and attested manually in the same manner and with the same effect as if done by a Massachusetts business corporation.

ARTICLE V

Share Certificates and Share Transfers

Section 5.1. Share Certificates. Certificates representing Shares of the Trust shall not be issued.

Section 5.2. Transfer Agents, Registrars and the Like. As provided in Section 6.6 of the Declaration, the Trustees shall have authority to employ and compensate such transfer agents and registrars with respect to the Shares of the Trust as the Trustees shall deem necessary or desirable. In addition, the Trustees shall have power to employ and compensate such dividend disbursing agents, warrant agents and agents for the reinvestment of dividends as they shall deem necessary or desirable. Any of

-11-

13
such agents shall have such power and authority as is delegated to any of them by the Trustees.

Section 5.3. Transfer of Shares. The Shares of the Trust shall be transferable on the books of the Trust only upon delivery to the Trustees or a transfer agent of the Trust of proper documentation as provided in Section 6.7 of the Declaration, and on surrender of the certificate or certificates, if issued, for such Shares properly endorsed or accompanied by a duly executed stock transfer power and the payment of all taxes thereon. The Trust, or its transfer agents, shall be authorized to refuse any transfer unless and until

presentation of such evidence as reasonably may be required to show that the requested transfer is proper.

Section 5.4. Registered Shareholders. The Trust may deem and treat the holder of record of any Share as the absolute owner thereof for all purposes and shall not be required to take any notice of any right or claim of right of any other person.

Section 5.5. Regulations. The Trustees may make such additional rules and regulations, not inconsistent with these By-Laws, as they may deem expedient concerning the issue, transfer and registration of Shares of the Trust.

ARTICLE VI

Amendment of By-Laws

Section 6.1. Amendment and Repeal of By-Laws. In accordance with Section 2.7 of the Declaration, the Trustees

-12-

14

shall have the power to alter, amend or repeal the By-Laws or adopt new By-Laws at any time. Action by the Trustees with respect to the By-Laws shall be taken by an affirmative vote of a majority of the Trustees. The Trustees in no event shall adopt By-Laws which are in conflict with the Declaration, and any apparent inconsistency shall be construed in favor of the related provisions in the Declaration. The Declaration establishing CMA Government Securities Fund, a copy of which, together with all amendments thereto, is on file in the office of the Secretary of the Commonwealth of Massachusetts, provides that the name "CMA Government Securities Fund" refers to the Trustees under the Declaration collectively as Trustees, but not as individuals or personally; and no Trustee, shareholder, officer, employee or agent of CMA Government Securities Fund shall be held to any personal liability, nor shall resort be had to their private property for the satisfaction of any obligation or claim or otherwise in connection with the affairs of said CMA Government Securities Fund but the "Trust Property" only (as defined in the Declaration) shall be liable.

-13-

DISTRIBUTION AGREEMENT

AGREEMENT made this 11th day of September, 1991 between CMA GOVERNMENT SECURITIES FUND, a trust organized under the laws of Massachusetts (the "Fund"), and MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED, a Delaware corporation (the "Distributor" or "MLPF&S");

WHEREAS, the Fund is registered under the Investment Company Act of 1940, as amended (the "Investment Company Act"), as a diversified, open-end investment company and it is affirmatively in the interest of the Fund to offer its shares to participants in the Cash Management Account program (the "CMA program") described in the currently effective prospectus under the Securities Act of 1933 (the "Securities Act") of the Fund and to other prospective shareholders; and

WHEREAS, the Distributor is a securities firm engaged in the business of selling shares of investment companies; and

WHEREAS, the Fund and MLPF&S have entered into a Distribution and Shareholder Servicing Plan (the "Plan") made as of September 11, 1991, and continued thereafter, pursuant to the provisions of Rule 12b-1 under the Investment Company Act which provides that the Fund should make direct payments to the Distributor for distribution to its financial consultants and other directly involved MLPF&S personnel as compensation for

2
selling shares and providing shareholder services to shareholders of the Fund who are participants in the CMA program or whose accounts are serviced by MLPF&S financial consultants whether maintained through MLPF&S or directly with the Fund's Transfer Agent (collectively such accounts being referred to herein as the "MLPF&S Fund Accounts"; the term "MLPF&S Fund Accounts" does not include those accounts maintained directly with the Fund's Transfer Agent which are not serviced by MLPF&S financial consultants); and

WHEREAS, the Fund and the Distributor wish to enter into an agreement with each other with respect to the continuous offering of the shares of the Fund and the Plan.

NOW, THEREFORE, the parties agree as follows:

Section 1. Appointment of the Distributor. The Fund hereby

appoints the Distributor as the exclusive distributor and representative of the Fund to sell the shares of the Fund to participants in the CMA program and other prospective shareholders ("investors") and the Distributor hereby accepts such appointment. The Fund during the term of this Agreement shall sell the shares of the Fund to the Distributor upon the terms and conditions set forth below.

Section 2. Purchase of Shares from the Fund.

(a) The Distributor shall have the right to buy from the Fund the shares of the Fund needed, but not more than the shares needed (except for clerical errors in transmission), to fill

2

3

unconditional orders for shares of the Fund placed through the Distributor by investors. The price which the Distributor shall pay for the shares so purchased from the Fund shall be the current public offering price described below on which such orders were based.

(b) The public offering price of the shares of the Fund, i.e., the price per share at which the Distributor may sell shares of the Fund to investors, shall be the net asset value determined as set forth in the currently effective prospectus and statement of additional information of the Fund under the Securities Act (the "Prospectus" and "Statement of Additional Information," respectively).

(c) The Fund, or any agent of the Fund designated in writing by it, shall be promptly advised of all purchase orders for shares of the Fund received by the Distributor. All issuances of shares of the Fund to investors shall be deemed to be issued pursuant to Section 2 hereof. Any order may be rejected by the Fund or the Distributor, provided, however, that neither will arbitrarily or without reasonable cause refuse to accept or confirm orders for the purchase of shares of the Fund. The Fund (or its agent) will confirm orders upon their receipt, or in accordance with any exemptive order of the Securities and Exchange Commission, and will make appropriate book entries pursuant to the instructions of the Distributor. Purchase orders are effective when Federal Funds become available to the Fund.

3

4

The Distributor agrees to cause such payment and such instructions to be delivered promptly to the Fund (or its agent).

Section 3. Redemption of Shares by the Fund. Any of the outstanding shares of the Fund may be tendered for redemption at any time, and the Fund shall redeem the shares so tendered in accordance with its obligations and rights as set forth in its Declaration of Trust, and in accordance with the applicable provisions set forth in the Prospectus of the Fund. The price to be paid to redeem the shares shall be equal to the net asset value calculated in accordance with the provisions of Section 2(b) hereof. Shares redeemed due to an unauthorized use of a Visa card of a shareholder shall be reinstated by the Fund at the cost of the Distributor as set forth in Section 5(d) hereof.

Section 4. Duties of the Fund.

(a) The Fund shall furnish to the Distributor copies of all information, financial statements and other papers which the Distributor may reasonably request for use in connection with the distribution of shares of the Fund, and this shall include one certified copy, upon request by the Distributor, of all financial statements prepared for the Fund by independent public accountants. The Fund shall make available to the Distributor such number of copies of the Prospectus and Statement of Additional Information of the Fund as the Distributor shall reasonably request.

4

5

(b) The Fund shall take, from time to time, all necessary action to register shares of the Fund under the Securities Act to the end that there will be available for sale such number of shares as investors may reasonably be expected to purchase.

(c) The Fund shall use its best efforts to qualify and maintain the qualification of an appropriate number of shares of the Fund for sale under the securities laws of such states as the Distributor and the Fund may approve. Any such qualification may be withheld, terminated or withdrawn by the Fund at any time in its discretion. As provided in Section 7(c) hereof, the expense of qualification and maintenance of qualification shall be borne by the Fund. The Distributor shall furnish such information and other material relating to its affairs and activities as may be required by the Fund in connection with such qualifications.

(d) The Fund will furnish, in reasonable quantities upon request by the Distributor, copies of annual and interim reports of the Fund.

Section 5. Duties of the Distributor.

(a) The Distributor shall devote reasonable time and effort to effect sales of shares of the Fund, but shall not be obligated to sell any specific number of shares. The services of the Distributor hereunder are not to be deemed exclusive and nothing herein contained shall prevent the Distributor from entering into distribution arrangements with other investment companies so long

5

6
as the performance of its obligations hereunder is not impaired thereby.

(b) In selling the shares of the Fund, the Distributor shall use its best efforts in all respects duly to conform with the requirements of all Federal and state laws and regulations and the regulations of the National Association of Securities Dealers, Inc. (the "NASD") relating to the sale of such securities. Neither the Distributor nor any other person is authorized by the Fund to give any information or to make any representations, other than those contained in the registration statement or related Prospectus of the Fund and any sales literature specifically approved by the Fund for use with respect to the Fund.

(c) The Distributor shall adopt and follow procedures, as approved by the Fund, for the confirmation of sales of shares of the Fund to investors, the collection of amounts payable by investors on such sales, and the cancellation of unsettled transactions, as may be necessary to comply with the requirements of the NASD, as such requirements may from time to time exist.

(d) Through the CMA program, the Fund is linked to a Merrill Lynch securities account and a Visa account and automatic purchases and redemptions of shares of the Fund by participants in the CMA program will be effected pursuant to the CMA program. CMA customers may be liable for the unauthorized use of their Visa card in an amount up to \$50. The owner of a Visa card will

6

7
not be liable for any unauthorized use which occurs after the Visa processing agent has been notified orally or in writing of loss, theft or possible unauthorized use. If shares of the Fund

are redeemed due to the unauthorized use of the Visa card, the Fund agrees to reinstate such shares in the account of the shareholder as if never sold and the Distributor agrees to indemnify the Fund against any losses caused thereby and all costs associated therewith.

Section 6. Distribution Fee. The Fund shall pay the Distributor a distribution fee at the end of each month at the annual rate of 0.125% of average daily net asset value of the MLPF&S Fund Accounts. The fee is not payable with respect to the asset value of shareholders who maintain their accounts directly with the Fund's Transfer Agent and whose accounts are not serviced by MLPF&S financial consultants. The Distributor is obligated to use the entire amount of the distribution fee to compensate the Distributor's financial consultants and other directly involved branch office personnel for selling shares of the Fund to the MLPF&S Fund Accounts and for providing services to shareholders with MLPF&S Fund Accounts, including furnishing information as to the status of accounts of the Fund and handling purchase and redemption orders for shares of the Fund. The distribution fee may not be used to pay for other expenditures of the Distributor, such as sales contests, special seminars and media advertising related to the Fund. In the event that the

7

8

aggregate payments received by the Distributor under this Agreement in any fiscal year of the Fund shall exceed the amount of the distribution expenditures of the Distributor in such fiscal year, the Distributor shall be required to reimburse the Fund the amount of such excess. The payment of the distribution fee is being made pursuant to a Distribution and Shareholder Servicing Plan (the "Plan") of the Fund adopted by the Fund pursuant to Rule 12b-1 of the Investment Company Act and payment of such fee shall be subject to the terms and provisions of the Plan. The Distributor shall provide the Fund for review by the Trustees, and the Trustees shall review at least quarterly, a written report complying with the requirements of Rule 12b-1 regarding the disbursement of the distribution fee during such period. The report shall include an itemization of the distribution expenses incurred by the Distributor on behalf of the Fund, the purpose of such expenditures and a description of the benefits derived by the Fund therefrom.

Section 7. Payment of Expenses.

(a) The Fund shall bear all costs and expenses of the Fund, including fees and disbursements of its counsel and auditors, in

connection with the preparation and filing of any required registration statements and Prospectuses and Statements of Additional Information under the Investment Company Act, the Securities Act, and all amendments and supplements thereto, and the expense of preparing, printing, mailing and otherwise

8

9

distributing Prospectuses, annual or interim reports and proxy materials to the Fund's shareholders.

(b) After the Prospectuses and annual and interim reports have been prepared, set in type and mailed to shareholders, the Distributor shall bear the costs and expenses of printing and distributing any copies thereof which are used in connection with the offering of the shares of the Fund. The Distributor shall bear the costs and expenses of preparing, printing and distributing any supplementary sales literature used by the Distributor in connection with the offering of the shares for sale. Any expenses of advertising incurred in connection with such offering will also be the obligation of the Distributor.

(c) The Fund shall bear the cost and expenses of qualification of the shares of the Fund for sale, and, if necessary or advisable in connection therewith, of qualifying the Fund as a broker or dealer, in such states of the United States or other jurisdictions as shall be selected by the Fund and the Distributor, and the cost and expenses payable to each such state for continuing qualification therein until the Fund decides to discontinue such qualification.

Section S. Indemnification.

(a) The Fund shall indemnify and hold harmless the Distributor and each person, if any, who controls the Distributor against any loss, liability, claim, damage or expense (including the reasonable cost of investigating or defending any alleged

9

10

loss, liability, claim, damage or expense and reasonable counsel fees incurred in connection therewith), arising by reason of any person acquiring any shares of the Fund, which may be based upon the Securities Act, or on any other statute or at common law, on the ground that the registration statement or related Prospectus and Statement of Additional Information of the Fund, as from time to time amended and supplemented, or an annual or interim report to shareholders of the Fund includes an untrue statement of a

material fact or omits to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading, unless such statement or omission was made in reliance upon and in conformity with information furnished to the Fund in connection therewith by or on behalf of the Distributor; provided, however, that in no case (i) is the indemnity of the Fund in favor of the Distributor and any such controlling persons to be deemed to protect such Distributor or any such controlling persons thereof against any liability to the Fund or its security holders to which the Distributor or any such controlling persons would otherwise be subject by reason of willful misfeasance, bad faith or gross negligence in the performance of its duties or by reason of reckless disregard of its obligations and duties under this Agreement, or (ii) is the Fund to be liable under its indemnity agreement contained in this paragraph with respect to any claim made against the Distributor or any such controlling persons, unless the Distributor or such

10

11

controlling persons, as the case may be, shall have notified the Fund in writing within a reasonable time after the summons or other first legal process giving information of the nature of the claim shall have been served upon the Distributor or such controlling persons (or after the Distributor or such controlling persons shall have received notice of such service on any designated agent), but failure to notify the Fund of any such claim shall not relieve it from any liability which it may have to the person against whom such action is brought otherwise than on account of its indemnity agreement contained in this paragraph. The Fund will be entitled to participate at its own expense in the defense, or, if it so elects, to assume the defense of any suit brought to enforce any such liability, but if the Fund elects to assume the defense, such defense shall be conducted by counsel chosen by it and satisfactory to the Distributor or such controlling person or persons, defendant or defendants in the suit. In the event the Fund elects to assume the defense of any such suit and retain such counsel, the Distributor or such controlling person or persons, defendant or defendants in the suit, shall bear the fees and expenses of any additional counsel retained by them, but, in case the Fund does not elect to assume the defense of any such suit, it will reimburse the Distributor or such controlling person or persons, defendant or defendants in the suit, for the reasonable fees and expenses of any counsel retained by them. The Fund shall

12

promptly notify the Distributor of the commencement of any litigation or proceedings against it or any of its officers or

Trustees in connection with the issuance or sale of any of the shares of the Fund.

(b) The Distributor shall indemnify and hold harmless the Fund and each of its Trustees and officers and each person, if any, who controls the Fund against any loss, liability, claim, damage or expense described in the foregoing indemnity contained in subsection (a) of this Section, but only with respect to statements or omissions made in reliance upon, and in conformity with, information furnished to the Fund in writing by or on behalf of the Distributor for use in connection with the registration statement or related Prospectus of the Fund, as from time to time amended, or the annual or interim reports to shareholders of the Fund. In case any action shall be brought against the Fund or any person so indemnified, in respect of which indemnity may be sought against the Distributor, the Distributor shall have the rights and duties given to the Fund, and the Fund and each person so indemnified shall have the rights and duties given to the Distributor by the provisions of subsection (a) of this Section 8.

Section 9. Duration and Termination of this Agreement. This Agreement shall become effective as of the date first above written and shall remain in force until February 28, 1993 and shall continue thereafter only so long as such continuance is

12

13

specifically approved at least annually by (i) the Trustees of the Fund and (ii) those Trustees who are not interested persons of the Fund and have no direct or indirect financial interest in the operation of the Distribution and Shareholder Servicing Plan or in any agreements related thereto (the "Rule 12b-1 Trustees") cast in person at a meeting called for the purpose of voting on such approval.

This Agreement may be terminated at any time, without the payment of any penalty, by the Rule 12b-1 Trustees or by vote of a majority of the outstanding voting securities of the Fund, or by the Distributor, on sixty days' written notice to the other party. This Agreement shall automatically terminate in the event of its assignment.

The terms "vote of a majority of the outstanding voting securities," "assignment," "affiliated person" and "interested person," when used in this Agreement, shall have the respective meanings specified in the Investment Company Act.

section 10. Governing Law. This Agreement shall be construed in accordance with the laws of the State of New York

and the applicable provisions of the Investment Company Act. To the extent the applicable law of the State of New York, or any of the provisions herein, conflict with the applicable provisions of the Investment Company Act, the latter shall control.

section 11. Personal Liability. The Declaration of Trust establishing CMA Government Securities Fund, dated June 5, 1989,

13

14

a copy of which, together with all amendments thereto (the "Declaration"), is on file in the office of the Secretary of the Commonwealth of Massachusetts, provides that the name of the Fund, "CMA Government Securities Fund," refers to the Trustees under the Declaration collectively as Trustees, but not as individuals or personally; and no Trustee, shareholder, officer, employee or agent of CMA Government Securities Fund shall be held to any personal liability, nor shall resort be had to their private property for the satisfaction of any obligation or claim of said CMA Government Securities Fund, but the Fund Property only shall be liable.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the day and year first above written in New York, New York.

CMA GOVERNMENT SECURITIES FUND

By

MERRILL LYNCH, PIERCE, FENNER SMITH
INCORPORATED

By

14

CUSTODIAN CONTRACT

This Contract between CMA Government Securities Fund, a business trust organized and existing under the laws of the Commonwealth of Massachusetts hereinafter called the "Fund", and State Street Bank and Trust Company, hereinafter called the "Custodian",

WITNESSETH: That in consideration of the mutual covenants and agreements hereinafter contained, the parties hereto agree as follows:

1. Employment of Custodian and Property to be Held by it.

The Fund hereby employs the Custodian as the custodian of its assets pursuant to the provisions of its Declaration of Trust, as amended from time to time (the "Declaration of Trust"). The Fund agrees to deliver to the Custodian all securities and cash owned by it, and all payments of income, payments of principal or capital distributions received by it with respect to all securities owned by the Fund from time to time, and the cash consideration received by it for such shares of beneficial interest, par value \$0.10 per share ("Shares") of the Fund as may be issued or sold from time to time. The Custodian shall not be responsible for any property of the Fund held or received by the Fund and not delivered to the Custodian.

The Custodian may from time to time employ one or more sub-custodians, but only in accordance with the terms of a

2

resolution adopted by the Trustees of the Fund, and provided that the Custodian shall have no more or less responsibility or liability to the Fund on account of any actions or omissions of any sub-custodian so employed than any such sub-custodian has to the Custodian.

2. Duties of the Custodian with Respect to Property of the Fund Held By the Custodian

2.1 Holding Securities. The Custodian shall hold and physically segregate for the account of the Fund all non-cash property, including all securities owned by the Fund, other than securities which are maintained pursuant to Section 2.11 in a clearing agency which acts as a securities depository or in a book-entry system authorized by the U.S. Department of the Treasury, collectively referred to herein as "Securities

System".

2.2 Delivery of Securities. The Custodian shall release and deliver securities owned by the Fund held by the Custodian or in a Securities System account of the Custodian only upon receipt of proper instructions, which may be continuing instructions when deemed appropriate by the parties, and only in the following cases:

- 1) Upon sale of such securities for the account of the Fund and receipt of payment therefor;
- 2) Upon the receipt of payment in connection with any repurchase agreement related to such securities

-2-

3

entered into by the Fund;

- 3) In the case of a sale effected through a Securities System, in accordance with the provisions of Section 2.11 hereof;
- 4) To the depository agent in connection with tender or other similar offers for portfolio securities of the Fund;
- 5) To the Issuer thereof or its agent when such securities are called, redeemed, retired or otherwise become payable; provided that, in any such case, the cash or other consideration is to be delivered to the Custodian;
- 6) To the Issuer thereof, or its agent, for transfer into the name of the Fund or into the name of any nominee or nominees of the Custodian or into the name or nominee name of any agent appointed pursuant to Section 2.10 or into the name or nominee name of any sub-custodian appointed pursuant to Article 1; or for exchange for a different number of bonds, certificates or other evidence representing the same aggregate face amount or number of units; provided that, in any such case, the new securities are to be delivered to the Custodian;

4

- 7) To the broker selling the same for examination in accordance with the "street delivery" custom;
- 8) For exchange or conversion pursuant to any plan of merger, consolidation, recapitalization, reorganization or readjustment of the securities of the issuer of such securities, or pursuant to provisions for conversion contained in such securities, or pursuant to any deposit agreement; provided that, in any such case, the new securities and cash, if any, are to be delivered to the Custodian;
- 9) In the case of warrants, rights or similar securities, the surrender thereof in the exercise of such warrants, rights or similar securities or the surrender of interim receipts or temporary securities for definitive securities; provided that, in any such case, the new securities and cash, if any, are to be delivered to the Custodian;
- 10) For delivery in connection with any loans of securities made by the Fund, but only against receipt of adequate collateral as agreed upon from time to time by the Custodian and the Fund, which may be in the form of cash or obligations issued by the United States government, its agencies or

5

instrumentalities;

- 11) For delivery as security in connection with any borrowings by the Fund requiring a pledge of assets by the Fund, but only against receipt of amounts borrowed;
- 12) Upon receipt of instructions from the transfer agent ("Transfer Agent") for the Fund, for delivery to such Transfer Agent or to the holders of shares in connection with distributions in kind, as may be described from time to time in the

Fund's currently effective prospectus, in satisfaction of requests by holders of Shares for repurchase or redemption; and

- 13) For any other proper corporate purpose, but only upon receipt of, in addition to proper instructions, a copy of a resolution adopted by the Trustees, certified by the Secretary or an Assistant Secretary of the Fund, specifying the securities to be delivered, setting forth the purpose for which such delivery is to be made, declaring such purposes to be proper corporate purposes, and naming the person or persons to whom delivery of such securities shall be made.

2.3 Registration of Securities. Securities held by the Custodian (other than bearer securities) shall be registered

-5-

6
in the name of the Fund or in the name of any nominee of the Fund or of any nominee of the Custodian which nominee shall be assigned exclusively to the Fund, unless the Fund has authorized in writing the appointment of a nominee to be used in common with other registered investment companies having the same investment adviser as the Fund, or in the name or nominee name of any agent appointed pursuant to Section 2.10 or in the name or nominee name of any sub-custodian appointed pursuant to Article 1. All securities accepted by the Custodian on behalf of the Fund under the terms of this Contract shall be in "street" or other good delivery form.

2.4 Bank Accounts. The Custodian shall open and maintain a separate bank account or accounts in the name of the Fund, subject only to draft or order by the Custodian acting pursuant to the terms of this Contract, and shall hold in such account or accounts, subject to the provisions hereof, all cash received by it from or for the account of the Fund, other than cash maintained by the Fund in a bank account established and used in accordance with Rule 17f-3 under the Investment Company Act of 1940. Funds held by the Custodian for the Fund may be deposited by it to its credit as Custodian in the Banking Department of the Custodian or in such other banks or trust companies as it may in its., discretion deem necessary or desirable; provided, however,

7

that every such bank or trust company shall be qualified to act as a custodian under the Investment Company Act of 1940 and that each such bank or trust company and the funds to be deposited with each such bank or trust company shall be approved by a resolution adopted by the Trustees of the Fund. Such funds shall be deposited by the Custodian in its capacity as Custodian and shall be withdrawable by the Custodian only in that capacity.

2.5 Payments for Shares. The Custodian shall receive from the distributor for the Fund's Shares or from the Transfer Agent of the Fund and deposit into the Fund's account such payments as are received for Shares of the Fund issued or sold from time to time by the Fund. The Custodian will provide timely notification to the Fund and the Transfer Agent of any receipt by it of payments for Shares of the Fund.

2.6 Collection of Income. The Custodian shall collect on a timely basis all income and other payments with respect to registered securities held hereunder to which the Fund shall be entitled either by law or pursuant to custom in the securities business, and shall collect on a timely basis all income and other payments with respect to bearer securities if, on the date of payment by the issuer, such securities are held by the Custodian or agent thereof and shall credit such income, as collected, to the Fund's custodian account.

8

Without limiting the generality of the foregoing, the Custodian shall detach and present for payment all coupons and other income items requiring presentation as and when they become due and shall collect interest when due on securities held hereunder.

2.7 Payment of Fund Moneys. Upon receipt of proper instructions, which may be continuing instructions when deemed appropriate by the parties, the Custodian shall pay out moneys of the Fund in the following cases only:

- 1) Upon the purchase of securities for the account of the Fund but only (a) against the delivery of such

securities to the Custodian (or any bank, banking firm or trust company doing business in the United States or abroad which is qualified under the Investment Company Act of 1940, as amended, to act as a custodian and has been designated by the Custodian as its agent for this purpose) registered in the name of the Fund or in the name of a nominee of the Custodian referred to in Section 2.3 hereof or in proper form for transfer; (b) in the case of a purchase effected through a Securities System, in accordance with the conditions set forth in Section 2.11 hereof or (c) in the case of repurchase agreements entered into between the Fund and the Custodian, or another

-8-

9

bank, (i) against delivery of the securities either in certificate form or through an entry crediting the Custodian's account at the Federal Reserve Bank with such securities or (ii) against delivery of the receipt evidencing purchase by the Fund of securities owned by the Custodian along with written evidence of the agreement by the Custodian to repurchase such securities from the Fund;

- 2) In connection with conversion, exchange or surrender of securities owned by the Fund as set forth in Section 2.2 hereof;
- 3) For the redemption or repurchase of Shares issued by the Fund as set forth in Section 2.9 hereof;
- 4) For the payment of any expense or liability incurred by the Fund, including but not limited to the following payments for the account of the Fund: interest, taxes, management, accounting, transfer agent and legal fees, and operating expenses of the Fund whether or not such expenses are to be in whole or part capitalized or treated as deferred expenses;
- 5) For the payment of any dividends declared pursuant to the governing documents of the Fund;

For any other proper purpose, but only upon

10

receipt of, in addition to proper instructions, a certified copy of a resolution adopted by the Trustees and certified by its Secretary or an Assistant Secretary, specifying the amount of such payment, setting forth the purpose for which such payment is to be made, declaring such purpose to be a proper purpose, and naming the person or persons to whom such payment is to be made.

- 2.8 Liability for Payment in Advance of Receipt of Securities Purchased. In any and every case where payment for purchase of securities for the account of the Fund is made by the Custodian in advance of receipt of the securities purchased in the absence of specific written instructions from the Fund to so pay in advance, the Custodian shall be absolutely liable to the Fund for such securities to the same extent as if the securities had been received by the Custodian, except that in the case of repurchase agreements entered into by the Fund with a bank which is a member of the Federal Reserve System, the Custodian may transfer funds to the account of such bank prior to the receipt of written evidence that the securities subject to such repurchase agreement have been transferred by book-entry into a segregated non-proprietary account of the Custodian maintained with the Federal Reserve Bank of Boston or of the safe-keeping receipt, provided that such securities have in

11

fact been so transferred by book-entry.

- 2.9 Payments for Repurchases or Redemptions of Shares of the Fund. From such funds as may be available for the purpose but subject to the limitations of the Declaration of Trust and any resolution of the Trustees of the Fund pursuant thereto, the Custodian shall, upon receipt of instructions from the Transfer Agent, make funds available for payment to holders of Shares who have delivered to the Transfer Agent a request for redemption or repurchase of their Shares. In connection with the redemption or repurchase of Shares of the Fund, the Custodian is authorized upon receipt of instructions from the Transfer Agent to wire funds to or through a commercial bank designated by the redeeming

shareholders.

2.10 Appointment of Agents. The Custodian may, in accordance with the terms of a resolution or resolutions adopted by the Trustees of the Fund, appoint any other bank or trust company which is itself qualified under the Investment Company Act of 1940, as amended, to act as a custodian, as its agent to carry out such of the provisions of this Article 2 as the Custodian may from time to time direct; and the Custodian may at any time, in its discretion, remove such bank or trust company from acting in such agency capacity; provided, however, that the appointment of any agent shall not relieve the Custodian of its

-11-

12

responsibilities or liabilities hereunder.

2.11 Deposit of Fund Assets in Securities systems. The Custodian may deposit and/or maintain securities owned by the Fund in a clearing agency registered with the Securities and Exchange Commission under Section 17A of the Securities Exchange Act of 1934, which acts as a securities depository, or in the book-entry system authorized by the U.S. Department of the Treasury and certain federal agencies, collectively referred to herein as "Securities System" in accordance with applicable Federal Reserve Board and Securities and Exchange Commission rules and regulations, if any, and subject to the following provisions:

- 1) The Custodian may keep securities of the Fund in a Securities System provided that such securities are represented in an account ("Account") of the Custodian in the Securities System which shall not include any assets of the Custodian other than assets held as a fiduciary or custodian for customers;
- 2) The records of the Custodian with respect to securities of the Fund which are maintained in a Securities System shall identify by book-entry those securities belonging to the Fund;
- 3) The Custodian shall pay for securities purchased for the account of the Fund upon (i) receipt of

-12-

advice from the Securities System that such securities have been transferred to the Account, and (ii) the making of an entry on the records of the Custodian to reflect such payment and transfer for the account of the Fund. The Custodian shall transfer securities sold for the account of the Fund upon (i) receipt of advice from the

Securities System that payment for such securities has been transferred to the Account, and (ii) the making of an entry on the records of the Custodian to reflect such transfer and payment for the account of the Fund. Copies of all advices from the Securities System of transfers of securities for the account of the Fund shall identify the Fund, be maintained for the Fund by the Custodian and be provided to the Fund at its request. The Custodian shall furnish the Fund confirmation of each transfer to or from the account of the Fund in the form of a written advice or notice and shall furnish to the Fund copies of daily transaction sheets reflecting each day's transactions in the Securities System for the account of the Fund on the next business day;

- 4) The Custodian shall provide the Fund with any report obtained by the Custodian on the Securities

-13-

System's accounting system, internal accounting control and procedures for safeguarding securities deposited in the Securities System;

- 5) The Custodian shall have received the initial or annual certificate, as the case may be, require by Article 9 hereof;
- 6) Anything to the contrary in this Contract notwithstanding, the Custodian shall be liable to the Fund for any loss or damage to the Fund resulting from use of the Securities System by reason of any negligence, misfeasance or misconduct of the Custodian or any of its agents or of any of its or their employees or from failure of the Custodian or any such agent to enforce effectively such rights as it may have against the Securities System; a the election of the Fund, it shall be

entitled to be subrogated to the rights of the Custodian with respect to any claim against the Securities System or any other person which the Custodian may have as a consequence of any such loss or damage if and to the extent that the Fund has not been made whole for any such loss or damage.

2.12 Ownership Certificates for Tax Purposes. The Custodian shall execute ownership and other certificates and

-14-

15

affidavits for all federal and state tax purposes in connection with receipt of income or other payments with respect to securities of the Fund held by it and in connection with transfers of securities.

2.13 Proxies. The Custodian shall, with respect to the securities held hereunder, cause to be promptly executed by the registered holder of such securities, if the securities are registered otherwise than in the name of the Fund or a nominee of the Fund, all proxies, without indication of the manner in which such proxies are to be voted, and shall promptly deliver to the Fund such proxies, all proxy soliciting materials and all notices relating to such securities.

2.14 Communications Relating to Fund Portfolio Securities. The Custodian shall transmit promptly to the Fund all written information (including, without limitation, pendency of calls and maturities of securities and expirations of rights in connection therewith) received by the Custodian from issuers of the securities being held for the Fund. With respect to tender or exchange offers, the Custodian shall transmit promptly to the Fund all written information received by the Custodian from issuers of the securities whose tender or exchange is sought and from the party (or his agents) making the tender or exchange offer. If the Fund desires to take action with respect to any tender

-15-

16

offer, exchange offer or any other similar transaction, the Fund shall notify the Custodian at least three business days

prior to the date on which the Custodian is to take such action.

2.15 Proper Instructions. Proper Instructions as used throughout this Article 2 means a writing signed or initialled by two or more persons as the Trustees shall have from time to time authorized. Each such writing shall set forth the specific transaction or type of transaction involved, including a specific statement of the purpose for which such action is requested. Upon receipt of a certificate of the Secretary or an Assistant Secretary as to the authorization by the Trustees of the Fund accompanied by a detailed description of procedures approved by the Trustees, Proper Instructions may include communications effected directly between electromechanical or electronic devices provided that the Trustees and the Custodian are satisfied that such procedures afford adequate safeguards for the Fund's assets.

2. 16 Actions Permitted without Express Authority. The Custodian may in its discretion, without express authority from the Fund:

- 1) make payments to itself or others for minor expenses of handling securities or other similar items relating to its duties under this contract, provided that all such payments shall be accounted

-16-

17

for to the Fund;

- 2) surrender securities in temporary form for securities in definitive form;
- 3) endorse for collection, in the name of the Fund, checks, drafts and other negotiable instruments; and
- 4) in general, attend to all non-discretionary details in connection with the sale, exchange, substitution, purchase, transfer and other dealings with the securities and property of the Fund except as otherwise directed by the Trustees of the Fund.

2.17 Evidence of Authority. The Custodian shall be protected in acting upon any instructions, notice, request, consent, certificate or other instrument or paper reasonably believed

by it to be genuine and to have been properly executed by or on behalf of the Fund. The Custodian may receive and accept a certified copy of a resolution of the Trustees of the Fund as conclusive evidence (a) of the authority of any person to act in accordance with such vote or (b) of any determination or of any action by the Trustees pursuant to the Declaration of Trust as described in such resolution, and such resolution may be considered as in full force and effect until receipt by the Custodian of written notice to the contrary.

-17-

18

3 Duties of Custodian with Respect to the Books of Account and Calculation of Net Asset Value and Net Income.

The Custodian shall cooperate with and supply necessary information to the entity or entities appointed by the Trustees of the Fund to keep the books of account of the Fund and/or compute the net asset value per share of the outstanding shares of the Fund or, if directed in writing to do so by the Fund, shall itself keep such books of account and/or compute such net asset value per share. If so directed, the Custodian shall also calculate daily the net income of the Fund as described in the Fund's currently effective prospectus and shall advise the Fund and the Transfer Agent daily of the total amounts of such net income and, if instructed in writing by an officer of the Fund to do so, shall advise the Transfer Agent periodically of the division of such net income among its various components. The calculations of the net asset value per share and the daily income of the Fund shall be made at the time or times described from time to time in the Fund's currently effective prospectus.

4. Records

The Custodian shall create and maintain all records relating to its activities and obligations under this Contract in such manner as will meet the obligations of the Fund under the Investment Company Act of 1940, with particular attention to Section 31 thereof and Rules 31a-1 and 31a-2 thereunder, applicable federal and state tax laws and any other law or

-18-

19

administrative rules or procedures which may be applicable to the

Fund. All such records shall be the property of the Fund and shall at all times during the regular business hours of the Custodian be open for inspection by duly authorized officers, employees or agents of the Fund and employees and agents of the Securities and Exchange Commission. The Custodian shall, at the Fund's request, supply the Fund with a tabulation of securities owned by the Fund and held by the Custodian and shall, when requested to do so by the Fund and for such compensation as shall be agreed upon between the Fund and the Custodian, include certificate numbers in such tabulations.

5. Opinion of Fund's Independent Accountant

The Custodian shall take all reasonable action, as the Fund may from time to time request, to obtain from year to year favorable opinions from the Fund's independent accountants with respect to its activities hereunder in connection with the preparation of the Fund's Form N-1, and Form N-1R or other annual reports to the Securities and Exchange Commission and with respect to any other requirements of such Commission.

6. Reports to Fund by Independent Public Accountants

The Custodian shall provide the Fund, at such times as the Fund may reasonably require, with reports by independent public accountants on the accounting system, internal accounting control and procedures for safeguarding securities, including securities deposited and/or maintained in a Securities System, relating to

-19-

20

the services provided by the Custodian under this Contract; such reports, which shall be of sufficient scope and in sufficient detail, as may reasonably be required by the Fund, to provide reasonable assurance that any material inadequacies would be disclosed by such examination, and, if there are no such inadequacies, shall so state.

7. Compensation of Custodian

The Custodian shall be entitled to reasonable compensation for its services and expenses as Custodian, as agreed upon from time to time between the Fund and the Custodian.

8. Responsibility of Custodian

So long as and to the extent that it is in the exercise of reasonable care, the Custodian shall not be responsible for the

title, validity or genuineness of any property or evidence of title thereto received by it or delivered by it pursuant to this Contract and shall be held harmless in acting upon any notice, request, consent, certificate or other instrument reasonably believed by it to be genuine and to be signed by the proper party or parties. The Custodian shall be held to the exercise of Reasonable care in carrying out the provisions of this Contract, but shall be kept indemnified by and shall be without liability to the Fund for any action taken or omitted by it in good faith without negligence in carrying out its obligations hereunder. It shall be entitled to rely on and may act upon advice of counsel (who may be counsel for the Fund) on all matters, and shall be

-20-

21

without liability for any action reasonably taken or omitted pursuant to such advice.

If the Fund requires the Custodian to take any action with respect to securities, which action involves the payment of money or which action may, in the opinion of the Custodian, result in the Custodian or its nominee assigned to the Fund being liable for the payment of money or incurring liability of some other form, the Fund, as a prerequisite to requiring the Custodian to take such action, shall provide indemnity to the Custodian in an amount and form satisfactory to it.

9.1 Effective Period, Termination and Amendment

This Contract shall become effective as of its execution, shall continue in full force and effect until terminated as hereinafter provided, may be amended at any time by mutual agreement of the parties hereto and may be terminated by either party by an instrument in writing delivered or mailed, postage prepaid to the other party, such termination to take effect not sooner than thirty (30) days after the date of such delivery or mailing; provided, however that the Custodian shall not act under Section 2.11 hereof in the absence of receipt of an initial certificate of the Secretary or an Assistant Secretary that the Trustees of the Fund have approved the initial use of a particular Securities System and the receipt of an annual certificate of the Secretary or an Assistant Secretary that the Trustees have reviewed the use by the Fund of such Securities

-21-

System, as required in each case by Rule 17f-4 under the Investment Company Act of 1940, as amended; provided further, however, that the Fund shall not amend or terminate this Contract in contravention of any applicable federal or state regulations, or any provision of its Declaration of Trust, and further provided, that the Fund may at any time by action of its Trustees (i) substitute another bank or trust company for the Custodian by giving notice as described above to the Custodian, or (ii) immediately terminate this Contract in the event of the appointment of a conservator or receiver for the Custodian by the Comptroller of the Currency or upon the happening of a like event at the direction of an appropriate regulatory agency or court of competent jurisdiction.

Upon termination of the Contract, the Fund shall pay to the Custodian such compensation as may be due as of the date of such termination and shall likewise reimburse the Custodian for its costs, expenses and disbursements.

10. Successor Custodian

If a successor custodian shall be appointed by the Trustees of the Fund, the Custodian shall, upon termination, deliver to such successor custodian at the office of the Custodian, duly endorsed and in the form for transfer, all securities then held by it hereunder.

If no such successor custodian shall be appointed, the Custodian shall, in like manner, upon receipt of a certified copy

-22-

of a resolution of the Trustees of the Fund, deliver at the office of the Custodian such securities, funds and other properties in accordance with such resolution.

In the event that no written order designating a successor Custodian or certified copy of a vote of the Trustees shall have been delivered to the Custodian on or before the date when such termination shall become effective, then the Custodian shall have the right to deliver to a bank or trust company, which is a "bank" as defined in the Investment Company Act of 1940, doing business, in Boston, Massachusetts, of its own selection, having art aggregate capital, surplus, and undivided Profits, as shown by its last published report, of not less than \$25,000,000, all securities, funds and other properties held by the Custodian and all instruments held by the Custodian relative thereto and all

other property held by it under this Contract. Thereafter, such bank or trust company shall be the successor of the Custodian under this Contract.

In the event that securities, funds and other properties remain in the possession of the Custodian after the date of termination hereof owing to failure of the Fund to procure the certified copy of resolution referred to or of the Trustees to appoint a successor custodian, the Custodian shall be entitled to fair compensation for its services during such period as the Custodian retains possession of such securities, funds and other properties and the provisions of this Contract relating to the

-23-

24

duties and obligations of the Custodian shall remain in full force and effect.

11. Interpretive and Additional Provisions

In connection with the operation of this Contract, the Custodian and the Fund may from time to time agree on such provisions interpretive of or in addition to the provisions of this Contract as may in their joint opinion be consistent with the general tenor of this Contract. Any such interpretive or additional provisions shall be in a writing signed by both parties and shall be annexed hereto, provided that no such interpretive or additional provisions shall contravene any applicable federal or state regulations or any provision of the Declaration of Trust of the Fund. No interpretive or additional provisions made as provided in the preceding sentence shall be deemed to be an amendment of this Contract.

12. Massachusetts Law to Apply

This Contract shall be construed and the provisions thereof interpreted under and in accordance with laws of the Commonwealth of Massachusetts.

13. Prior Contracts

This Contract supersedes and terminates, as of the date hereof, all prior contracts between the Fund and the Custodian relating to the custody of the Fund's assets.

14. Personal Liability

The Declaration of Trust establishing the Trust, dated June

25

9, 1981, a copy of which, together with all amendments thereto (the "Declaration"), is on file in the office of the Secretary of the Commonwealth of Massachusetts, provides that the name "CMA Government Securities Fund" refers to the Trustees under the Declaration collectively as Trustees, but not as individuals or personally and no Trustee, shareholder, officer, emnloyee or agent of the Trust shall be held to any personal liability; nor shall resort to be had to their private property for the satisfaction of any obligation or claim otherwise in connection with the affairs of said Trust but the Trust Estate only shall be liable.

IN WITNESS WHEREOF, each of the parties has caused this instrument to be executed in its name and behalf by its duly authorized representative and its seal to be hereunder affixed as of this 27th day of July , 1981.

SEAL
ATTEST/s/ Stephen Miller

CMA GOVERNMENT SECURITIES FUND
/s/

SEAL
ATTEST
/s/

STATE STREET BANK AND TRUST COMPANY
/s/

Assistant Secretary

Vice President

AMENDMENT TO THE
CUSTODIAN CONTRACT

AGREEMENT made this 12th day of December, 1988 by and between STATE STREET BANK AND TRUST COMPANY ("Custodian") and CMA GOVERNMENT SECURITIES FUND (the "Fund").

WITNESSETH THAT:

the Custodian and the Fund are parties to a Custodian Contract dated July 21, 1981 (as amended to date, the "Contract") which governs the terms and conditions under which the Custodian maintains custody of the securities and other assets of the Fund:

NOW THEREFORE, the Custodian and the Fund hereby amend the terms of the Custodian Contract and mutually agree to the following:

Insert as the final paragraph under Responsibility of Custodian:

If the Fund requires the Custodian to advance cash or securities for any purpose or in the event that the Custodian or its nominee shall incur or be assessed any taxes, charges, expenses, assessments, claims or liabilities in connection with the performance of this Contract, except such as may arise from the Custodian's or its nominee's own negligent action, negligent failure to act or willful misconduct, of the Fund shall grant to the Custodian a security interest in Fund securities so long as the value of such securities shall not exceed 10% of the value of the Fund's total assets at the time of the pledge; should the Fund fail to repay the Custodian promptly, the Custodian shall be entitled to utilize available cash and to reasonably dispose of the securities in which it has a security interest to the extent necessary to obtain reimbursement.

IN WITNESS WHEREOF, each of the parties has caused this Amendment to be executed in its name and on its behalf by a duly authorized officer as of the day and year first above written.

ATTEST
/s/ Robert Harris

CMA, GOVERNMENT SECURITIES FUND
/s/ Arthur Zeikel

ATTEST
/s/
Assistant Secretary

STATE STREET BANK TRUST COMPANY
/s/
Vice President

FC0835C/22

TRANSFER AGENCY, SHAREHOLDER SERVICING

AGENCY, AND PROXY AGENCY AGREEMENT

THIS AGREEMENT made as of the 31st day of July, 1990 by and between CMA Government Securities Fund (the "Fund") , an unincorporated business trust organized under the laws of the Commonwealth of Massachusetts, and Merrill Lynch Financial Data Service, Inc., a corporation organized and existing under the law of New Jersey (the "Transfer Agent").

W I T N E S S E T H :

WHEREAS, the Fund wishes to appoint the Transfer Agent to be its transfer agent, shareholder servicing agent and proxy agent upon, and subject to, the terms and provisions of this Agreement, and the Transfer Agent is desirous of accepting such appointment upon, and subject to, such terms and provisions;

NOW THEREFORE, in consideration of the mutual covenants contained in this Agreement, the Fund and the Transfer Agent agree as follows:

1. Appointment as Transfer Agent Shareholder Servicing Agent and Proxy Agent for the Fund.

1.1. The Fund hereby appoints the Transfer Agent to act as its transfer agent, shareholder servicing agent and proxy agent upon, and subject to, the terms and provisions of this Agreement.

2

1.2. The Transfer Agent hereby accepts the appointment as transfer agent, shareholder servicing agent, and proxy agent for the Fund, and agrees to act as such upon, and subject to, the terms and provisions of this Agreement. The Transfer Agent hereby agrees to hire, purchase, develop and maintain such dedicated personnel, facilities, equipment, software, resources and capabilities as may be reasonably determined by the Fund to be necessary for the satisfactory performance of the duties and responsibilities of the Transfer Agent under this Agreement.

2. Definitions

In this Agreement:

2.1. The term "Act" means the Investment Company Act of 1940, as amended from time to time, and any applicable rule, regulation or order thereunder.

2.2. The term "Account" means any account of a Shareholder established in connection with the Cash Management Account ("CMA") of Merrill Lynch, Pierce, Fenner & Smith Incorporated.

2.3. The term "Custodian" means the bank duly appointed to act as Custodian for the assets of the Fund and the term "Custodian Agreement" means any agreement in effect between the Fund and the Custodian.

2.4. The term "Officer's Instruction" means an instruction given in writing on behalf of the Fund to the Transfer Agent by the President, any Vice President, the Secretary, the Treasurer or the Controller of the Fund.

2

3

2.5. The term "Prospectus" means the prospectus of the Fund from time to time in effect.

2.6. The term "Shares" means the shares of the Fund.

2.7. The term "Shareholder" means the holder of record of Shares, irrespective of the category of Account maintained in respect of such Shares.

2.8. The term "Statement of Additional Information" means the statement of additional information of the Fund from time to time in effect.

3. Functions of Transfer Agent, Shareholder Servicing Agent and Proxy Agent.

3.1. Subject to the succeeding provisions of this Agreement, the Transfer Agent hereby agrees to perform the following functions on behalf of the Fund:

3.1.1. Issuing, transferring and redeeming shares;

3.1.2. Opening, maintaining, servicing and closing Accounts.

3.1.3. Acting as agent of the Fund and/or Shareholders

in connection with Accounts, upon the terms and subject to the conditions contained in ,the Prospectus and the Statement of Additional Information.

3.1.4. Causing the reinvestment in Accounts of dividends declared upon Shares.

3.1.5. Processing liquidations.

3.1.6. Furnishing to Shareholders appropriate income tax information and income tax forms duly completed.

3

4

3.1.7. Mailing to Shareholders annual, semi-annual, and quarterly reports prepared by or on behalf of the Fund, and mailing new Prospectuses upon their issue to Shareholders whose Shares are held in Accounts.

3.1.8. Furnishing to the Fund such periodic statements of transactions effected by the Transfer Agent, reconciliations, balances and summaries as set forth in Exhibit A and as shall be necessary in connection with the CMA program.

3.1.9. Maintaining such books and records relating to transactions effected by the Transfer Agent as are required by the Act or by any other applicable provisions of law to be maintained by the Fund or the Transfer Agent with respect to such transactions, and preserving, or causing to be preserved, any such books and records for such periods as may be required by any law, rule or regulation.

3.2. The Transfer Agent agrees to act as proxy agent in connection with the holding of annual or special meetings of Shareholders, such services to include, but not limited to, mailing to Shareholders notices, proxies and proxy statements in connection with the holding of such meetings, receiving and tabulating votes cast by proxy, communicating to the Fund the results of such tabulation accompanied by appropriate certificates, and preparing and furnishing to the Fund certified lists of Shareholders, all of the foregoing in such form and containing such information as may be required by the Fund to comply with any provisions of law applicable to such meetings.

4

5

3.3. The Transfer Agent agrees to deal with, and answer,

all correspondence from or on behalf of Shareholders relating to the functions of the Transfer Agent under this Agreement.

3.4. The Transfer Agent agrees to furnish to the Fund such information and at such intervals as is necessary for the Fund to comply with the registration and/or the reporting requirements of the Securities and Exchange Commission, Blue Sky authorities or other regulatory agencies.

3.5. The Transfer Agent agrees to provide to the Fund upon request such information as may reasonably be required to enable the Fund to reconcile the number of outstanding Shares between the Transfer Agent's records and the account books of the Fund.

3.6 The parties hereto agree that without prejudice to any other provisions of this section 3, the functions of the Transfer Agent under this section 3 will be performed in accordance with the Activities List set out in Exhibit A to this Agreement.

3.7 Notwithstanding anything in the foregoing provisions of this section 3, the Transfer Agent agrees to perform its functions hereunder subject to such modification (whether in respect of particular cases or in any particular class of cases) as may from time to time be contained in an officer's Instruction.

4. Compensation of Transfer Agent.

The charges for services described in this Agreement, including "out-of-pocket" expenses will be established

5

6

by a Fee Agreement between the Fund and the Transfer Agent under separate cover.

5. Right to Inspect Records, etc., of Transfer Agent.

The Transfer Agent agrees that it will make available for examination, upon request by any officer of the Fund, its accountant, or its investment adviser, to any officer, employee, or agent of the Fund, of its accountant or of its investment adviser any books and records (whether or not books and records to be preserved as required by law) which relate to any transaction or function to be performed by the Transfer Agent under or pursuant to this Agreement and shall permit any such person to transcribe or to duplicate on equipment provided by the Transfer Agent any such book or record, in whole or in part.

6. Confidential Relationships fo the Transfer Agent, etc.

The Transfer Agent agrees, on behalf of itself and its officers, employees, vendors and agents, that each of the foregoing shall treat the identity and all transactions of Shareholders, and all other transactions contemplated by this Agreement, and all information germane thereto, as confidential and not to be disclosed to any person (other than the Shareholder concerned, or the Fund, or as may be disclosed in the examination Of any books or records by any person lawfully entitled to examine the same) except as may be authorized by an officer's instruction. The Transer Agent agrees to adopt procedures for and written instructions to its officers, employees, vendors, and agents

6

7

reasonably designed to implement the agreement established in this section 6.

7. Standard of Care; loss caused by imposters,

The Transfer Agent shall use its best efforts to insure the accuracy of all services performed under this Agreement, but assumes no responsibility for, and shall not be liable for, any loss or damage to any party unless the negligence, bad faith or willful misconduct of the Transfer Agent is a proximate cause of such loss or damage; provided, however, that losses due to the failure of the Transfer Agent to detect payments made by it under this Agreement to imposters shall be borne by the Transfer Agent.

8. Termination of Appoitment.

The appointment of the Transfer Agent provided by this Agreement shall be in effect for one year from the date hereof and thereafter on a year-to-year basis, each such term to expire on the anniversary of the date hereof. Any party may terminate such appointment by delivering a written notice to that effect at the princial place of business of the other party at least 60 days Prior to the expiration of the then current term of the Agreement. In the event such appointment shall be terminated, for whatever reason, the Transfer Agent will provide the Fund without further charge with:

8.1. A complete and current computer reproducible record, within 7 days of the date of termination, of that file data which may reasonably be required to establish transfer agency, shareholder servicing agency and proxy agency services

elsewhere.

7

8

8.2 All hard copy records in file containers or other acceptable container for shipping to a new location.

8.3. A referral service, for a reasonable period of time, indicating to Shareholders or potential Shareholders the next appropriate address for inquiries or Shareholder information.

8.4. Any other services, including correction of errors or the costs of such correction, as may be normal and necessary to effect the transfer of Shareholder information in an orderly and timely manner, should the occasion arise.

Notwithstanding anything in the foregoing provisions of this section 8, if it appears impracticable in the circumstances to effect an orderly delivery of the necessary and appropriate records of the Transfer Agent to a successor transfer agent, shareholder servicing agent, and/or proxy agent for the Fund within the time specified in the notice of termination as aforesaid, the Transfer Agent agrees that its appointment shall remain in force and effect for such reasonable period as may be required to complete necessary arrangements with a successor transfer agent, shareholder servicing agent, and/or proxy agent.

9. Amendment, etc. of Agreement.

Except to the extent that the performance by the Transfer Agent of its functions under this Agreement may from time to time be modified by an Officer's Instruction, this Agreement may be amended or modified only by a further written agreement between the parties.

8

9

10. No Personal Liability of Trustees, etc.

The Transfer Agents acknowledges that the Declaration of Trust establishing the Fund, a copy of which, together with all amendments thereto (the "Declaration"), is on file in the office of the Secretary of the Commonwealth of Massachusetts, provides that the name of the Fund refers to the trustees under the Declaration collectively as trustees, but not as individuals or personally; and no trustee, Shareholder, officer, employee or

agent of the Fund shall be held to any personal liability, nor shall resort be had to their private property for the satisfaction of any obligation or claim or otherwise in connection with the affairs of said Fund but the Trust Estate only shall be liable.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first above written by their respective officers hereunto duly authorized.

CMA GOVERNMENT SECURITIES FUND

BY /S/ Gerald M. Richard

ATTEST:/s/ Robert Harris

Secretary

MERRILL LYNCH FINANCIAL DATA
SERVICE, INC.

By /s/ Robert C. Doan

ATTEST:

Secretary /s/ Herbert Hirsche Jr.

10

Exhibit A

Activities List

I Services Further Described

A. Shareholder and Accounting Services.

1. General Scope.

The Transfer Agent will provide a comprehensive accounting and shareholder service generally consistent with that provided to other investment companies. The Transfer Agent acknowledges that the services necessitated for the Fund may be significantly more demanding from a time and precision viewpoint than other types of investment companies with respect to such features as:

a. Daily dividend accounting.

b. Wire receipt and payout of Shareholders' funds.

C. Immediate determination of Federal Funds availability on

subscriptions received.

d. Rapid and efficient transfers of investment monies between the Fund's various accounts (e.g. , subscription/custody/redemption).

e. Effective and controlled processing of redemptions.

-10-

11

2. Computer Accounting and Record Keeping.

a. The Transfer Agent will perform daily maintenance and routine file update prior to investment of the daily dividend or establishing new Accounts.

b. The Transfer Agent will perform a dividend reinvestment run daily in order to credit all existing Accounts with dividends earned that day.

C. The Transfer Agency will take reasonable precautions for safeguarding all Accounts during computer runs.

d. The Transfer Agent will provide continuous proof of the outstanding Shares on a daily basis and on-line availability of all file data.

3. Establishing and Servicing accounts.

The Transfer Agent will accept instructions from the Fund opening a new account and will:

a. Audit and verify payment items for proper registration and other particulars as prescribed by the Prospectus or Statement of Additional Information.

b. Verify that there is no other existing Account with the same registration.

C. Assign Account numbers.

d. Produce microfilm record of all incoming checks and source documentation of filmstrips so as to be retrievable and reproducible on command.

e. Process address changes and acknowledge such changes to previous address of record.

12

f. Answer inquiries from shareholders.

g. Process on a daily basis routine transactions such as:

i. Change of address.

ii. Miscellaneous changes.

h. Incorporate in the Shareholder accounting software and procedures the necessary flags, audits, and tests to assure that the various provisions and requirements specified elsewhere in this contract are satisfied.

B. Transfer Agent Services.

The Transfer Agent will perform all functions normally required of a transfer agent for an investment company. Such functions shall include but not necessarily be limited to:

1. Keeping such records in the form and manner as it may deem advisable consistent with the rules and regulations of appropriate governmental authorities.

2. Processing transfers as requested, including obtaining and reviewing papers and all other documents necessary to satisfy transfer requirements.

3. Processing initial and subsequent investments from Shareholders.

4. Processing and record liquidation of Account balances to satisfy full or partial account redemptions.

5. Accepting the daily dividend income calculated by the Fund and reinvesting such income to the benefit of the

13

Shareholders in additional full and fractional non-certificated Shares. The procedure used must prove that the amount reinvested daily balances to the total net income accrued to this portfolio, and that each Account is credited daily with the corresponding Shares reinvested. To insure these objectives are achieved appropriate reports and proofs are to be generated.

C. Subscription Agent Services.

The Transfer Agent will accept subscriptions as set forth in the Prospectus and Statement of Additional Information. In addition to subscription functions described elsewhere in this Agreement, the Transfer Agent will:

1. Maintain a subscription account for the Fund. This account shall be established and operated so as to satisfy the following criteria:
 - a. The account shall be established for the benefit of the Fund at State Street Bank & Trust Company (the "Bank"), which shall be prepared to receive, efficiently process, and cash as promptly as possible all income, cash, checks, Federal Reserve Drafts and bank wire transfers.
 - b. The account shall serve as the sole depository for subscription monies intended for the purchase of Share until such funds are transferred to the custody account.
 - c. All withdrawals from the account shall be for the exclusive purpose of transferring funds into the Fund's custody account.

13

14

- d. No dividend or redemption or any other payments shall be made to Shareholders from the subscription account.
2. In connection with managing the subscription account, the Transfer Agent will exercise all possible care in satisfying, or causing the Bank to satisfy, operational requirements in each of the following critical areas:
 - a. Determining on each business day the availability of Federal Funds on all items paid in or to be paid in to the subscription account. The determination of Federal Funds availability shall be made as early as possible the same day an item is received, and shall be made in specific accord with the Federal Reserve Schedule (Federal Reserve Bank of New York). Federal Funds availability shall be reported to the Fund during the course of each business day.
 - b. Adopting such procedures as the Fund's auditors may reasonably specify to monitor compliance with the the terms and conditions set forth in Fund's prospectus or Statement of Additional Information in the determination and timely

transfer of Federal Funds.

D. Dividend Disbursement and Redemption Agent Services.

1. Dividends.

a. Determination of daily dividend amounts shall be as generally described in Section I.B.5. and as more specifically as set forth in:

- 14

15

i. The Fund's Prospectus and Statement of Additional Information.

ii. The Transfer Agent's dividend accrual and update routine.

b. Dividends shall be reinvested daily in additional non-certificated Shares of the Fund.

C. Additional dividend information shall be provided to Shareholders upon written request.

2. Redemption Processing

The Transfer Agent will take all necessary steps to insure that redemptions and repurchase requirements have been met, including the receipt and examination of signature guarantees and obtain any needed papers or documents.

a. All redemption requests will be automatically reviewed:

i. To insure there are sufficient Shares available in the Account.

ii. To insure collection of the applicable subscription check before using funds for redemption (other than payment received by the Transfer Agent from Bank Wire and Federal Reserve Drafts).

iii. To notify the Fund of all redemption requests in excess of \$1,000,000.

iv. And signed by an individual other than the preparer of the checks, to insure that the checks issued in redemption correspond to the

16

b. Develop and employ a method for validating receipt of good subscription funds to comply with section I.D.2.a.ii.

C. No signature guarantees shall be acceptable unless provided by a domestic bank or by a brokerage firm which is a member of the New York, American, Midwest, Pacific or Boston Stock Exchange.

3. Redemption Account.

The Transfer Agent shall maintain a redemption account for the Fund. This account shall be established and operated so as to satisfy the following criteria:

a. The account shall be established at the Bank for the benefit of the Fund.

b. All withdrawals from the redemption account shall be for the exclusive purpose of making payments in accordance with the Fund's prospectus and Statement of Additional Information. Monies paid out will be paid out in accordance with the description set forth therein and elsewhere in this contract.

C. All deposits into this account shall be from the Fund's custody account. No deposits of subscription receipts shall be made directly in the redemption account.

d. The Transfer Agent will advise the Fund at various mutually established times during each business day as to the total demand for valid dividends and full or partial Account liquidations. The notification of demand for payment shall only include valid demands for payment which are actually in

17

hand, such that the Fund need not fund the redemption account with an amount in excess of what is actually required to satisfy current demands for payment. The specific objective of this procedure is mutually recognized to be the maximum employment of the Fund's assets through minimization of any float in the redemption account. The Transfer Agent agrees to develop with the Fund methods and procedures to accomplish

this objective.

e. Wire redemptions shall be made in Federal Funds.

f. Federal Reserve Draft redemption payments shall only be made upon specific request.

g. Adopt such reasonable safeguards as may be prescribed by the Fund's auditors to safeguard redemption assets.

h. Employ all due diligence in servicing redemption requests as rapidly as possible. Rapid servicing of redemptions are specifically recognized as a key feature of the Fund.

C. Proxy Agent Services.

The Transfer Agent agrees to act as proxy agent in connection with the holding of annual or special meetings of Shareholders, mailings to Shareholders notices, proxies and proxy statements in connection with the holding of such meetings, receiving and tabulating votes cast by proxy and communicating to the Fund the results of such tabulations accompanied by appropriate certificates, and preparing and furnishing to the fund certified lists of shareholders as of such date, and in such form and containing such information

- 17 -

18

as may be required by the Fund to comply with any provisions of law applicable to such meetings.

Reports.

The Transfer Agent will establish, maintain and provide to the Fund the following:

A. Daily Journal of Subscription Receipts, Availability and Funds Transfers to Custody.

B. Daily Journal of Redemption Payment Demand.

C. Daily Sales and Transaction Journals containing the day's detail of all transactions.

D. Daily Closed Account Journal.

E. Daily Dividend Proof (Daily & Monthly).

F. Daily Redemption Blotter.

- G. Daily Shares Proof (Daily & Monthly)
- H. Daily Master Control Proof.
- I. Daily Prospectus Mailing Report.
- J. Daily Blue Sky Report (frequency as agreed upon).
- K. Daily Quality Control Reports.
- L. Large Item Report.
- M. Weekly Status Report.
- N. Research and Correspondence Status Report.
- O. Monthly Sales by State and Dividends Reinvested.
- P. Monthly Shareholders Master File List.
Monthly Record of Out-of-Pocket Costs Incurred.

18

19

Other Services.

The Transfer Agent will provide the following additional services within the basic fee structure:

A. Referral of Inquiries.

Refer all Shareholder or governmental inquiry questions of a policy or non-routine nature to the Fund.

B. Account Officer at The Transfer Agent.

Assign an account officer who will serve as the primary point of contact between the Fund, its investment adviser, and the Transfer Agent in its various capacities. The Transfer Agent will exercise due care in assigning an individual to this function who is both conversant with standard investment company practice and of sufficient stature to deal quickly and efficiently with problems peculiar to placing a new investment company on line and which may peculiar to the cash management variety of investment company.

C. Security.

1. Provide reasonable security against possible theft and/or use by others of the names, addresses and properties of the Shareholders and the properties of the Fund.

2. Periodic duplication of all records (computer/microfilm/hardcopy/copy) at a frequency and in a detail sufficient to assure full protection of Shareholder record information in the event of a disaster to the Transfer Agent's facilities.

20

D. Other Mailings.

Provide mailing services to all Accounts, including addressing, enclosing and mailing quarterly reports, semi-annual reports, annual reports, Prospectuses, Statements of Additional Information, proxy cards, proxy statements, and notices. Postage will be paid by the Fund.

CASH MANAGEMENT ACCOUNT(R) AGREEMENT

INTRODUCTION

This Agreement contains the terms governing the Cash Management Account(R) financial service ("CMA(R) Service"). I will read this Agreement and keep it for my records because I know that by signing the CMA Application and Agreement form or the CMA SubAccount(SM) Application and Agreement form (the "Application and Agreement form(s)") I am agreeing to its terms.

DEFINITIONS

In this Agreement, "I," "me," "my" or "acountholder" means each person who signs the CMA Application and Agreement form or the CMA SubAccount Application and Agreement form. "You," "your" or "MLPF&S" means Merrill Lynch, Pierce, Fenner & Smith Incorporated. "MLB&T" means Merrill Lynch Bank & Trust Co. "BANK ONE" means BANK ONE, COLUMBUS, N.A. "MLNF" means Merrill Lynch National Financial. "CHASE" means the Chase Manhattan Bank, N.A. MLB&T, MLNF, CHASE and BANK ONE are referred to collectively as "Banks." The "Issuer" means MLB&T or MLNF, whichever issues the Visa Cards from time to time.

"Card/Check Account" means the account(s) established for me by the Banks. "Checks" means checks issued to me by BANK ONE for use with my Card/Check Account. "Card" or "Cards" means one or more Classic Visa(R) cards issued to me for use with my Card/Check Account. Unless the context requires otherwise, "Card" or "Cards" also means one or more CMA Visa Gold Program cards issued to me for use with my Card/Check Account if I subscribe to and am approved for the CMA Visa Gold Program. The name of the issuer will appear on the Card. The Card(s) issued to me if I subscribe to the CMA Visa Gold Program will also be referred to as the "Visa Gold Program Card(s)." "Money Funds" means the CMA money market funds. "Money Accounts" means the Money Funds and any FDIC-insured money market deposit accounts opened for me through the Insured Savings(SM) Account program.

For purposes of this Agreement, "securities and other property" means, but is not limited to, money, securities, financial instruments and commodities of every kind and nature and related contracts and options. This definition includes securities or other property currently or hereafter held, carried or maintained by you or by any of your affiliates, in your possession and control, or in the possession and control of any such affiliate, for any purpose, in and for any of my accounts now or hereafter opened, including any account in which I may have an interest.

DESCRIPTION OF THE CMA(R) SERVICE

1. The CMA Service consists of: (1) an MLPF&S securities account (referred to as

the "Securities Account"), which is either a cash account, or with the Investor CreditLine(SM) service, a margin account, (2) a choice of Money Accounts, (3) if applicable, a Card/Check Account provided by the Banks and (4) if applicable, optional CMA services as described in the Cash Management Account Program Description.

DESCRIPTION OF THE CMA MASTER FINANCIAL(SM) SERVICE

2. The CMA Master Financial(SM) Service consists of: (1) a master account ("Master CMA Account") established with the full CMA Service as described above and (2) one or more related CMA SubAccounts established by or with the consent of a Master CMA Accountholder. Each CMA SubAccount is entitled to partial CMA service consisting of: (1) a Securities Account, which is either a cash account or, with the Investor CreditLine Service, a margin account, (2) a choice of Money Accounts and (3) optional CMA services to the extent eligible. A CMA SubAccount is not eligible for a Card/Check Account.

CMA SUBACCOUNT(SM) AUTHORIZATIONS

3. By signing the CMA SubAccount Application and Agreement form, each CMA SubAccountholder designates the Master CMA Accountholder as his or her agent for the purpose of receiving monthly CMA account statements and any notices or other communications and authorizes MLPF&S to mail them to the address designated by the Master CMA Accountholder from time to time. If applicable, each CMA SubAccountholder also authorizes MLPF&S (subject to account eligibility requirements) to accept telephonic instructions from the Master CMA Accountholder for the transfer of funds through the CMA Funds Transfer Service to such CMA SubAccount from the Master CMA Account and/or from such CMA SubAccount to the Master CMA Account, as selected in the CMA SubAccount Application and Agreement form. In the event any erroneous transfers are made, the Master CMA Accountholder and the CMA SubAccountholder authorize MLPF&S to initiate appropriate corrections. The foregoing authorizations shall remain in full force and effect until written notice of revocation is delivered to MLPF&S, after which the CMA SubAccount shall remain subject to the terms of this Agreement to the extent it receives the CMA Service in accordance with the policies of MLPF&S.

AGREEMENT REGARDING CASH, MONEY ACCOUNT BALANCES AND OTHER ASSETS AND FEES

4. Available free credit balances in my Securities Account will automatically be invested or deposited at least once a week into the Money Account that I have designated as my Primary Money Account. I understand that you may reasonably withhold access to my Money Account balances until you are satisfied that checks credited to my Securities Account have been collected. You may satisfy amounts that I owe in connection with my CMA Service account (such as debit balances in the Securities Account, amounts owing in my Card/Check Account, or investments or deposits made for me that are later reversed), from the assets in my Money Accounts (including funds obtained by

redeeming Money Funds shares) or from my Securities Account (including, if applicable, by making loans to me). Certain fees, including an annual fee, which are subject to change, will be charged to my account for the financial services provided to me.

REPRESENTATIONS, ADDITIONAL TERMS AND AMENDMENTS

5. I have received a copy of the Money Funds' prospectuses, the Insured Savings Account Fact Sheet and the Cash Management Account Program Description. These documents shall be referred to in this Agreement as the "Documents." The Documents contain additional terms governing the CMA Service. I agree that these Documents are incorporated into this Agreement as though they were fully set out in this Agreement. Subject to applicable law, you and the Banks also have the right to amend the Documents by so notifying me in writing. Unless the context otherwise requires, the term "Agreement" shall include the Documents, as amended from time to time.

I agree that you and the Banks shall have the right to amend this Agreement, by modifying or rescinding any of its existing provisions or by adding any new provision, at any time by sending notice of the amendment to me. Any such amendment shall be effective as of a date to be established by you and the Banks, subject to applicable law.

I understand there may be additional documentation required by applicable law or the policies and procedures of MLPF&S or the Banks. I agree to promptly comply with any such requests for additional documents.

HEADINGS ARE DESCRIPTIVE

6. The heading of each provision of this Agreement is for descriptive purposes only and shall not be deemed to modify or qualify any of the rights or obligations set forth in each such provision.

JOINT ACCOUNTS AND JOINT AND SEVERAL LIABILITY

7. If more than one person signs this Agreement, each person shall be an accountholder and their obligations under this Agreement shall be joint and several. The legal ownership of the account shall be in such form as the accountholders shall designate in the Application and Agreement form and as reflected in the account title. In the event no designation is made, MLPF&S is authorized to deal with the accountholders as tenants in common (without right of survivorship).

Notwithstanding the choice of law provisions of Paragraph 11, which shall govern the contractual obligations of the parties under this Agreement, the legal ownership of the account shall be governed by and interpreted under the internal laws of the state of permanent residence of accountholders who are U.S. citizens. Non-resident aliens agree that the form of joint ownership designated for the account shall be governed (notwithstanding the laws of any

other jurisdiction to the contrary) by the internal laws of the State of New York and, for purposes of determining all matters with regard to the account, agree to submit to the jurisdiction of the courts of New York and the Federal Courts in the Southern District of New York and consent to service of process by certified mail to the account's address of record.

All accountholders agree that each accountholder has authority to transact any business on behalf of the account as fully and completely as if each accountholder were the sole owner of the account. Subject to MLPF&S policies, MLPF&S may accept orders and instructions, written or oral, with respect to the account from each accountholder, without notice to any other accountholder, for the receipt, transfer and withdrawal of funds by check, wire transfer or otherwise and for the purchase, sale, exchange, transfer or other disposition of securities and other property (including margin transactions and short sales if the accountholders have selected the Investor CreditLine service). All accountholders further agree that all securities and other property that MLPF&S may be holding for any of them, either in this account or otherwise, shall be subject to a lien for the discharge of the obligations of this account to MLPF&S, such lien to be in addition to any rights and remedies MLPF&S may otherwise have.

In the event of the death of an accountholder, divorce of married accountholders, assignment of an accountholder's interest or other event that causes a change in ownership of the account, all accountholders or the surviving accountholder(s) as the case may be shall immediately give MLPF&S written notice thereof, and MLPF&S may, in such event, take such action, including requiring such documents or imposing such restrictions on the account, as MLPF&S may deem necessary in the circumstances. The estate of a deceased accountholder and a departing accountholder by assignment or divorce shall remain liable, jointly and severally, with the remaining or surviving accountholder(s), for any obligations of the account arising before MLPF&S receives such notice, or incurred in liquidation of the account or the adjustment of the interests of the accountholders.

In the event of any such change in ownership of the account, MLPF&S is authorized to divide or retitle the account in accordance with the form of legal ownership of the account as reflected on the records of MLPF&S, or by written instructions of the remaining or surviving accountholder(s), or by obtaining a court order, as MLPF&S may reasonably determine is appropriate in the circumstances. Unless agreed otherwise among the accountholders in a writing provided to MLPF&S, joint accounts designated "with right of survivorship" (e.g., JTWR0S) shall vest the interest of a deceased accountholder in the surviving accountholder(s) and accounts designated "without right of survivorship" (e.g., TIC) shall entitle the estate of a deceased accountholder and the surviving accountholder(s) to equal shares of the account. All accountholders agree to indemnify MLPF&S against any liability, loss or expense incurred from acting in accordance with this Agreement in the event of a change in ownership of the account.

All statements, notices or other communications sent or given to one accountholder by MLPF&S shall be considered notice to all accountholders. In

the event MLPF&S receives inconsistent instructions from two or more accountholders, reasonably believes instructions received from one accountholder are not mutually agreeable to all accountholders, or receives a court order with respect to the account, MLPF&S may, but is not obligated to, restrict activity in the account, require that all instructions be in writing signed by all accountholders, suspend or terminate the CMA Service and/or file an interpleader action in an appropriate court at the expense of the accountholders.

TERMINATION OF THE CMA SERVICE

8. The Banks, you or I may terminate my subscription to the CMA Service, including the use of my Checks or Cards, if applicable, at any time. I shall remain responsible for authorized charges which arise before or after termination.

If my subscription is terminated, you may redeem all my Money Fund shares and, unless I advise you otherwise, withdraw all my Money Account deposit balances. Also, I shall promptly return all unused Checks and any Cards to you or the Banks. My failure to do so may result in a delay in your complying with my instructions regarding the disposition of my assets with you.

CREDIT INFORMATION

9. I authorize you, each of your affiliates, and the Banks, to request a consumer report about me from one or more consumer reporting agencies for the purposes of considering my subscription to the CMA Service, reviewing or collecting any account opened for me, or for any other legitimate business purpose. Upon my request, you will inform me of the name and address of each consumer reporting agency from which you obtained a consumer report, if any, in connection with my subscription or accounts. I also authorize you, each of your affiliates, and the Banks to share any information you may have or obtain about me for any legitimate business purpose.

AGREEMENT TO ARBITRATE CONTROVERSIES WITH MLPF&S

10. - ARBITRATION IS FINAL AND BINDING ON THE PARTIES.

- THE PARTIES ARE WAIVING THEIR RIGHT TO SEEK REMEDIES IN COURT, INCLUDING THE RIGHT TO JURY TRIAL.
- PRE-ARBITRATION DISCOVERY IS GENERALLY MORE LIMITED THAN AND DIFFERENT FROM COURT PROCEEDINGS.
- THE ARBITRATORS' AWARD IS NOT REQUIRED TO INCLUDE FACTUAL FINDINGS OR LEGAL REASONING AND ANY PARTY'S RIGHT TO APPEAL OR TO SEEK MODIFICATION OF RULINGS BY THE ARBITRATORS IS STRICTLY LIMITED.
- THE PANEL OF ARBITRATORS WILL TYPICALLY INCLUDE A MINORITY OF ARBITRATORS WHO WERE OR ARE AFFILIATED WITH THE SECURITIES INDUSTRY.

I AGREE THAT ALL CONTROVERSIES WHICH MAY ARISE BETWEEN US, INCLUDING BUT NOT LIMITED TO THOSE INVOLVING ANY TRANSACTION OR THE CONSTRUCTION, PERFORMANCE, OR BREACH OF THIS OR ANY OTHER AGREEMENT BETWEEN US, WHETHER ENTERED INTO PRIOR, ON OR SUBSEQUENT TO THE DATE HEREOF, SHALL BE DETERMINED BY ARBITRATION. ANY ARBITRATION UNDER THIS AGREEMENT SHALL BE CONDUCTED ONLY BEFORE THE NEW YORK STOCK EXCHANGE, INC., THE AMERICAN STOCK EXCHANGE, INC., OR AN ARBITRATION FACILITY PROVIDED BY ANY OTHER EXCHANGE, THE NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC., OR THE MUNICIPAL SECURITIES RULEMAKING BOARD, AND IN ACCORDANCE WITH ITS ARBITRATION RULES THEN IN FORCE. I MAY ELECT IN THE FIRST INSTANCE WHETHER ARBITRATION SHALL BE CONDUCTED BEFORE THE NEW YORK STOCK EXCHANGE, INC., THE AMERICAN STOCK EXCHANGE, INC., OTHER EXCHANGES, THE NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC., OR THE MUNICIPAL SECURITIES RULEMAKING BOARD, BUT IF I FAIL TO MAKE SUCH ELECTION, BY REGISTERED LETTER OR TELEGRAM ADDRESSED TO YOU AT THE OFFICE WHERE I MAINTAIN MY ACCOUNT, BEFORE THE EXPIRATION OF FIVE DAYS AFTER RECEIPT OF A WRITTEN REQUEST FROM YOU TO MAKE SUCH ELECTION, THEN YOU MAY MAKE SUCH ELECTION. JUDGMENT UPON THE AWARD OF THE ARBITRATORS MAY BE ENTERED IN ANY COURT, STATE OR FEDERAL, HAVING JURISDICTION.

NO PERSON SHALL BRING A PUTATIVE OR CERTIFIED CLASS ACTION TO ARBITRATION, NOR SEEK TO ENFORCE ANY PREDISPUTE ARBITRATION AGREEMENT AGAINST ANY PERSON WHO HAS INITIATED IN COURT A PUTATIVE CLASS ACTION; OR WHO IS A MEMBER OF A PUTATIVE CLASS WHO HAS NOT OPTED OUT OF THE CLASS WITH RESPECT TO ANY CLAIMS ENCOMPASSED BY THE PUTATIVE CLASS ACTION UNTIL: (I) THE CLASS CERTIFICATION IS DENIED; (II) THE CLASS IS DECERTIFIED; OR (III) THE CUSTOMER IS EXCLUDED FROM THE CLASS BY THE COURT. SUCH FORBEARANCE TO ENFORCE AN AGREEMENT TO ARBITRATE SHALL NOT CONSTITUTE A WAIVER OF ANY RIGHTS UNDER THIS AGREEMENT TO THE EXTENT STATED HEREIN.

CLIENT COPY

Code #16453-0195

RETAIN FOR YOUR RECORDS
DO NOT RETURN TO MERRILL LYNCH

2

CASH MANAGEMENT ACCOUNT(R) AGREEMENT

APPLICABLE LAWS

11. THIS AGREEMENT, WITH RESPECT TO ALL PORTIONS OF THE CMA SERVICE, INCLUDING INTEREST CHARGES ON LOANS YOU MAY MAKE TO ME, WILL BE GOVERNED BY AND INTERPRETED UNDER THE LAWS OF THE STATE OF NEW YORK. THE TERMS OF MY AGREEMENT WITH MLB&T ARE GOVERNED BY FEDERAL AND NEW JERSEY LAW. THE TERMS OF MY AGREEMENT WITH MLNF ARE GOVERNED BY FEDERAL AND UTAH LAW. THE TERMS OF MY AGREEMENT WITH CHASE, INCLUDING THOSE RELATING TO FINANCE CHARGES ON OVERDRAFTS, ARE GOVERNED BY FEDERAL AND NEW YORK LAW. THE TERMS OF MY AGREEMENT WITH BANK ONE ARE GOVERNED BY OHIO LAW.

PRESUMPTION OF RECEIPT OF COMMUNICATIONS

12. Communications may be sent to me at my address or at such other address as I give you in writing. All communications so sent, whether by mail, telegraph, messenger or otherwise, will be considered to have been given to me personally upon such sending, whether or not I actually receive them.

EXTRAORDINARY EVENTS

13. I agree that you and the Banks shall not be liable for loss caused directly or indirectly by government restrictions, exchange or market rulings, suspension of trading, war, strikes or other conditions beyond your and the Banks' control.

SEPARABILITY

14. If any provision of this Agreement is held to be invalid, illegal, void or unenforceable, by reason of any law, rule, administrative order or judicial decision, such determination will not affect the validity of the remaining provisions of this Agreement.

LIABILITY FOR COSTS OF COLLECTION

15. To the extent permitted by the laws of the State of New York, I agree to pay you the reasonable costs and expenses of collection including attorneys' fees, for any debit balance and any unpaid deficiency, that I owe.

APPLICABLE RULES AND REGULATIONS

16. All transactions in my Securities Account shall be subject to the constitution, rules, regulations, customs and usages of the exchange or market and its clearing house, if any, on which such transactions are executed by you or your agents, including your subsidiaries and affiliates.

PARAGRAPHS 17 THROUGH 25 BELOW APPLY ONLY IF I REQUEST THAT MY SECURITIES ACCOUNT BE ESTABLISHED WITH THE INVESTOR CREDITLINE (SM) SERVICE.

COLLATERAL REQUIREMENTS AND CREDIT CHARGES

17. I will maintain such securities and other property in my accounts as you shall require from time to time. In accordance with your usual custom, the monthly debit balance of such accounts shall be charged interest at a rate permitted by the laws of the State of New York. Unless I pay the interest charged to my Securities Account at the close of a charge period, it will be added to the opening balance for the next charge period. Interest will then be charged upon the entire opening balance of that next charge period which will, therefore, include any such unpaid interest from the previous charge period.

CALLS FOR ADDITIONAL COLLATERAL-LIQUIDATION RIGHTS

18. a. YOU SHALL HAVE THE RIGHT TO REQUIRE ADDITIONAL COLLATERAL:

(1) IN ACCORDANCE WITH YOUR GENERAL POLICIES REGARDING YOUR MAINTENANCE REQUIREMENTS FOR THE INVESTOR CREDITLINE SERVICE, AS SUCH MAY BE MODIFIED, AMENDED OR SUPPLEMENTED FROM TIME TO TIME; OR

(2) IF IN YOUR DISCRETION YOU CONSIDER IT NECESSARY FOR YOUR PROTECTION AT AN EARLIER OR LATER POINT IN TIME THAN CALLED FOR BY SAID GENERAL POLICIES; OR

(3) IN THE EVENT THAT A PETITION IN BANKRUPTCY OR FOR APPOINTMENT OF A RECEIVER IS FILED BY OR AGAINST ME; OR

(4) IF AN ATTACHMENT IS LEVIED AGAINST MY ACCOUNTS; OR

(5) IN THE EVENT OF MY DEATH.

b. IF I DO NOT PROVIDE YOU WITH ADDITIONAL COLLATERAL AS YOU MAY REQUIRE IN ACCORDANCE WITH (a) (1) OR (2), OR SHOULD AN EVENT DESCRIBED IN (a) (3), (4) OR (5) OCCUR (WHETHER OR NOT YOU ELECT TO REQUIRE ADDITIONAL COLLATERAL), YOU SHALL HAVE THE RIGHT:

(1) TO SELL ANY OR ALL SECURITIES AND OTHER PROPERTY IN MY ACCOUNTS WITH YOU OR WITH ANY OF YOUR AFFILIATES, WHETHER CARRIED INDIVIDUALLY OR JOINTLY WITH OTHERS;

(2) TO BUY ANY OR ALL SECURITIES AND OTHER PROPERTY WHICH MAY BE SHORT IN SUCH ACCOUNTS; AND

(3) TO CANCEL ANY OPEN ORDERS AND TO CLOSE ANY OR ALL OUTSTANDING CONTRACTS.

YOU MAY EXERCISE ANY OR ALL OF YOUR RIGHTS UNDER (b) (1), (2) AND (3) WITHOUT FURTHER DEMAND FOR ADDITIONAL COLLATERAL, OR NOTICE OF SALE OR PURCHASE, OR OTHER NOTICE OR ADVERTISEMENT. ANY SUCH SALES OR PURCHASES MAY BE MADE AT YOUR DISCRETION ON ANY EXCHANGE OR OTHER MARKET WHERE SUCH BUSINESS IS USUALLY TRANSACTED, OR AT PUBLIC AUCTION OR PRIVATE SALE, AND YOU MAY BE THE PURCHASER FOR YOUR OWN ACCOUNT. I UNDERSTAND THAT YOUR GIVING OF ANY PRIOR DEMAND OR CALL OR PRIOR NOTICE OF THE TIME AND PLACE OF SUCH SALE OR PURCHASE SHALL NOT BE CONSIDERED A WAIVER OF YOUR RIGHT TO SELL OR BUY WITHOUT ANY SUCH DEMAND, CALL OR NOTICE AS PROVIDED IN THIS AGREEMENT.

PURPOSE OF CREDIT

19. I understand and agree that any credit extended by you to me in connection with my Securities Account is primarily for investment or business purposes.

REPRESENTATIONS AS TO BENEFICIAL OWNERSHIP AND CONTROL

20. I represent that, with respect to securities against which credit is or may be extended by you: (a) I am not the beneficial owner of more than three percent (3%) of the number of outstanding shares of any class of equity securities, and (b) I do not control, am not controlled by and am not under common control with the issuer of any such securities. In the event that any of

the foregoing representations is inaccurate or becomes inaccurate, I will promptly so advise you in writing.

SECURITY INTEREST IN FAVOR OF MLPF&S

21. All securities and other property shall be subject to a lien for the discharge of all my indebtedness and any other obligations that I may owe to you, and are to be held by you as security for the payment of any such obligations or indebtedness to you in any account you maintain for me, including any accounts in which I may have an interest. You shall have the right to transfer securities and other property so held by you from or to any other of such accounts whenever in your judgment you consider such a transfer necessary for your protection. In enforcing your lien, you shall have the discretion to determine which securities and property are to be sold and which contracts are to be closed.

PAYMENT OF INDEBTEDNESS UPON DEMAND

22. I shall at all times be liable for the payment upon demand of any debit balance or other obligations owing in any of my accounts with you. I shall be liable to you for any deficiency remaining in any such accounts in the event of the liquidation thereof, in whole or in part, by you or by me. I will pay such obligations and indebtedness upon demand.

PLEDGE OF SECURITIES AND OTHER PROPERTY

23. Within the limitations imposed by applicable laws, rules and regulations, all securities and other property may be pledged and repledged by you from time to time, without notice to me, either separately or in common with other such securities and other property, for any amount due in my accounts, or for any greater amount. You may do so without retaining in your possession or under your control for delivery a like amount of similar securities or other property.

LENDING AGREEMENT

24. In return for your extension or maintenance of any credit in my account, I acknowledge and agree that the securities in my account, together with all attendant rights of ownership, may be lent to you or lent out to others to the extent not prohibited by applicable laws, rules and regulations. In connection with such securities loans, you may receive and retain certain benefits to which I will not be entitled. I understand that, in certain circumstances, such loans could limit my ability to exercise voting rights, in whole or part, with respect to the securities lent.

REPRESENTATION AS TO CAPACITY TO ENTER INTO AGREEMENT

25. I represent that no one except the person(s) signing this Agreement has an interest in my account or accounts with you. If a natural person, I represent that I am of full age, am not an employee of any exchange, nor of any

corporation of which any exchange owns a majority of the capital stock, nor of a member of any exchange, nor of a member firm or member corporation registered on any exchange, nor of a bank, trust company, insurance company or any corporation, firm or individual engaged in the business of dealing either as broker or as principal in securities, bills of exchange, acceptances or other forms of commercial paper. If any of the foregoing representations is inaccurate or becomes inaccurate, I will promptly so advise you in writing.

PARAGRAPHS 26 THROUGH 34 BELOW DO NOT APPLY TO CMA SUBACCOUNTS.

PARAGRAPHS 26 THROUGH 31 BELOW APPLY ONLY WHEN THE CARD/CHECK ACCOUNT IS USED, INCLUDING WHEN CHECKS AND/OR CARDS ARE OBTAINED.

CARD OWNERSHIP

26. I certify that all information I have provided in the CMA Application and Agreement, including in the CMA Check and Visa Information Form, is true and correct and that you and the Banks may rely on and verify such information.

The Card remains the property of the Issuer and may be canceled by the Issuer at any time without prior notice.

LIABILITY

27. I will be liable for all authorized transactions arising through the use of the Card(s) and checks in connection with my Card/Check Account. I will be responsible, on a continuing basis, for the safekeeping of my Card(s) and Checks and shall not permit unauthorized persons to have access to my Card(s) or Checks. I will also be responsible for reviewing my CMA Monthly Statement in order to discover and report to MLPF&S the possible unauthorized use of my Card(s) and Checks. I agree to notify MLPF&S immediately if I believe or have reason to believe that my Card(s) or Checks have been or may be used by an unauthorized person. Unless limited by law, I will be responsible for any and all losses and damages that arise from any breach of my undertakings to safeguard my Card(s) and Checks, to review my CMA Monthly Statement for possible unauthorized activity and to promptly report any unauthorized activity to MLPF&S.

I also agree to pay the reasonable costs and expenses of collection of any unpaid balance due, including any accrued finance charges, as a result of any overdraft(s), including but not limited to attorneys' fees, to the extent allowed by law, involved in such collection. I understand that the Banks have not taken a security interest in any of the assets in my Securities Account or Money Accounts pursuant to this Agreement.

PURCHASING POWER

28. I agree that I will not incur charges to my Card/Check Account in excess of my Purchasing Power. The Purchasing Power for my Card/Check Account will be the total of any available free credit balance in my Securities Account, the available balances in my Money Accounts, and, if applicable, the available loan

value of my securities in my Securities Account. I understand that my Purchasing Power may fluctuate from day to day.

TRANSACTIONS EXCEEDING PURCHASING POWER

29. I understand that I will be in default if I incur charges in my Card/Check Account that exceed my Purchasing Power. If I am in default, you may, among other things, terminate my subscription to the CMA Service. If I exceed my Purchasing Power, CHASE may accept the transaction amount exceeding my Purchasing Power as an overdraft, and advance funds to you or the Banks in the amount exceeding my Purchasing Power. If CHASE does so, I will be notified and I agree that I will immediately pay CHASE the amount of the overdraft and any applicable finance charge which is computed as described in this section.

In each overdraft statement cycle, finance charges are figured by applying a Daily Periodic Rate to the Average Daily Balance of overdrafts and by multiplying the resulting figure by the number of days in that statement cycle. The Average Daily Balance of overdrafts is calculated each day by starting with the beginning balance of amounts I owe, adding any new overdrafts and subtracting any payments or credits received that day and unpaid finance charges. This gives CHASE the daily balance of overdrafts. The Average Daily Balance is calculated by adding all of the daily balances of overdrafts in that statement cycle and dividing the total by the number of days in the overdraft statement cycle. The Daily Periodic Rate that is applied is disclosed in the Cash Management Account Program Description and is subject to change upon notice. Finance charges accrue from the date CHASE accepts an overdraft until the date payment is made.

Any payments that I make will be applied, as of the date of receipt by CHASE, first to any accrued and unpaid finance charges and then to the balance of overdrafts in the order in which they were incurred.

OVERDRAFT NOTICES

30. If CHASE extends an overdraft to me, I will be notified in writing. The initial overdraft notice will inform me of the overdraft(s), which is due and payable by me immediately, together with any accrued finance charges. Subsequent overdraft notices from CHASE will detail, among other disclosures, any overdraft(s) plus finance charges imposed on such overdraft(s), payments and credits and the balance due.

ACCOUNT INQUIRIES

31. I understand that inquiries and error allegations concerning my Card/Check Account, any overdraft notices and my monthly statement should be directed through MLPF&S.

PARAGRAPHS 32 THROUGH 34 BELOW APPLY ONLY IF I SUBSCRIBE TO THE CMA VISA(R) GOLD PROGRAM.

AGREEMENT TO THE
CMA VISA GOLD PROGRAM

32. In addition to the following paragraphs, I understand that paragraphs 1 through 16, 26 through 31 and, if my account is established with the Investor CreditLine service, 17 through 25 also apply to the CMA Visa Gold Program.

In the event I am applying for the CMA Visa Gold Program but I am not approved for participation in that program, I apply for and authorize the issuance of one or more Classic Visa cards and checks for use with my CMA account. In addition, if upon expiration of the Visa Gold Program Card(s) issued to me, I do not qualify for reissue of such Card(s), I apply for and authorize the issuance of Classic Visa Card(s) and Checks. If a Classic Visa Card(s) and Checks are issued to me, I understand that this Agreement, with the exception of paragraphs 32 through 34 remain in full force and effect.

LIMITATIONS AND DIRECT
DEBITING OF MY ACCOUNT

33. I agree to pay MLNF for the Card purchases posted to my Card/Check Account. I authorize MLPF&S to pay MLNF from the assets in my Money Accounts (including by redeeming Money Fund shares or withdrawing ISA account balances, if any), and/or from my Securities Account (including, if applicable, by making loans to me). On my behalf, MLPF&S will pay MLNF, pursuant to the terms of this Agreement and the Documents, on the fourth Wednesday of each month for all Card purchases posted to my Card/Check Account for that monthly period. However, if MLNF has not received and accepted my signed Statement of Purpose form (Federal Reserve Form FR U-1), I understand that the entire amount of the charges posted to my Card/Check account will be debited from my account once the sum of my Visa card purchases exceeds \$100,000 in any monthly cycle. In addition, any subsequent charges not exceeding \$100,000 posted to my Card/Check account during the same monthly cycle will be paid by direct debit to my account on the fourth Wednesday of the month. I acknowledge that I have the right under applicable federal law to receive advance notice of the varying amounts of the debit described above but waive my right to do so, as long as the amount does not exceed five hundred thousand dollars. If I choose, I may elect to have this payment made by another means which is not otherwise incompatible with MLPF&S' operations. If I choose to have this payment made by such other means, I will notify MLPF&S in writing of my desire to do so.

AGREEMENT NOT TO
DISPOSE OF ASSETS

34. By subscribing to the CMA Visa Gold Program, I agree that I will not dispose of my assets in my CMA Service account or any other account I may have with either MLPF&S or MLNF, if such disposal will negatively affect my ability to pay MLNF for Card transactions. However, I may continue to trade securities in my Securities Account.

DISTRIBUTION AND SHAREHOLDER SERVICING PLAN
OF
CMA GOVERNMENT SECURITIES FUND
PURSUANT TO RULE 12b-1

WHEREAS, CMA Government Securities Fund (the "Fund") is a no-load, open-end investment company registered under the Investment Company Act of 1940, as amended (the "Investment Company Act"); and

WHEREAS, Merrill Lynch, Pierce, Fanner Smith Incorporated ("MLPF&S") is a securities firm engaged in the business of selling shares of investment companies to investors; and

WHEREAS, MLPF&S acts as the exclusive distributor and representative of the Fund in the offer and sale of shares of the Fund pursuant to a Distribution Agreement dated September 11, 1991 (the "Distribution Agreement"); and

WHEREAS, substantially all of the shareholders of the Fund are participants in the Cash Management Account program (the "CMA program") of MLPF&S and other investors whose Fund accounts are serviced by MLPF&S financial consultants (collectively such accounts being referred to herein as the "MLPF&S Fund Accounts"; the term "MLPF&S Fund Accounts" does not include those accounts maintained directly with the Fund's Transfer Agent which are not serviced by MLPF&S financial consultants); and

WHEREAS, MLPF&S financial consultants and other personnel

offer and sell shares to existing and prospective shareholders

2

with MLPF&S Fund Accounts and provide shareholder services to existing and prospective MLPF&S Fund Accounts; and

WHEREAS, the Fund desires to adopt a Distribution and Shareholder Servicing Plan for the Fund pursuant to Rule 12b-1 under the Investment Company Act; and

WHEREAS, the Trustees of the Fund have determined that there is a reasonable likelihood that adoption of this Distribution and Shareholder Servicing Plan will benefit the Fund and the Fund's shareholders:

NOW, THEREFORE, the Fund hereby adopts this Distribution and Shareholder Servicing Plan (the "Plan") in accordance with Rule 12b-1 under the Investment Company Act on the following terms and conditions:

1. The Fund is hereby authorized to pay MLPF&S a distribution fee under the Distribution Agreement at the end of each month at the annual rate of 0.125% of the average daily net asset value of the MLPF&S Fund Accounts. The fee is not payable with respect to the asset value of shareholders who maintain their accounts directly with the Fund's Transfer Agent and whose accounts are not serviced by MLPF&S financial consultants. MLPF&S is obligated to expend the entire amount of the distribution fee for compensation to MLPF&S financial consultants and other directly involved branch office personnel for selling

shares of the Fund to shareholders with MLPF&S Fund Accounts and for providing direct personal services to such shareholders,

2

3 including furnishing information as to the status of Fund accounts and handling purchase and redemption orders for Fund shares. The distribution fee may not be used to pay for other expenditures of MLPF&S such as sales contests, special seminars and media advertising relating to the Fund. The distribution fee is not compensation for the administrative and operational services rendered to the Fund by MLPF&S in processing share orders and administering shareholder accounts.

2. MLPF&S shall provide the Fund for review by the Trustees, and the Trustees shall review at least quarterly, a written report complying with the requirements of Rule 12b-1 regarding the disbursement of the distribution fee of the Fund during such period. The report shall include an itemization of the distribution expenses incurred by MLPF&S in respect of the Fund, the purpose of such expenditures and a description of the benefits derived by the Fund therefrom.

3. In the event that the aggregate payments received by MLPF&S under the Distribution Agreement in any fiscal year of the Fund shall exceed the amount of the distribution expenditures of MLPF&S in respect of the Fund in such fiscal year, MLPF&S shall be required to reimburse the Fund the amount of such excess.

4. This Plan shall not take effect until it has been

approved by a vote of at least a majority, as defined in the Investment Company Act, of the outstanding voting securities of the Fund.

3

4

5. This Plan shall not take effect until it has been approved, together with any related agreements, by votes of a majority of both (a) the Trustees of the Fund and (b) those Trustees of the Fund who are not "interested persons" of the Fund, as defined in the Investment Company Act, and have no direct or indirect financial interest in the operation of this Plan or any agreements related to it (the "Rule 12b-1 Trustees"), cast in person at a meeting or meetings called for the purpose of voting on this Plan and such related agreements.

6. This Plan, if approved pursuant to Paragraphs 4 and 5 hereof, shall take effect on the first day of the month following approval of the Plan pursuant to Paragraph 4 hereof.

7. This Plan shall continue in effect for so long as such continuance is specifically approved at least annually in the manner provided for approval of this Plan in Paragraph 5.

8. This Plan may be terminated at any time by vote of a majority of the Rule 12b-1 Trustees, or by vote of a majority of the outstanding voting securities of the Fund.

9. This Plan may not be amended to increase materially the rate of distribution payments provided for in Paragraph 1 hereof unless such amendment is approved in the manner provided for

initial approval in Paragraphs 4 and 5 hereof, and no material amendment to the Plan shall be made unless approved in the manner provided for approval and annual renewal in Paragraph 5 hereof.

4

5

10. While this Plan is in effect, the selection and nomination of Trustees who are not interested persons, as defined in the Investment Company Act, of the Fund shall be committed to the discretion of the Trustees who are not interested persons.

11. The Fund shall preserve copies of this Plan and any related agreements and all reports made pursuant to Paragraph 2 hereof, for a period of not less than six years from the date of this Plan or the date of the agreements or such report, as the case may be, the first two years in an easily accessible place.

12. The Declaration of Trust establishing CMA Government Securities Fund, dated June 5, 1989, a copy of which, together with all amendments thereto (the "Declaration"), is on file in the office of the Secretary of the Commonwealth of Massachusetts, provides that the name of the Fund, "CMA Government Securities Fund," refers to the Trustees under the Declaration collectively as Trustees, but not as individuals or personally; and no Trustee, shareholder, officer, employee or agent of CMA Government Securities Fund shall be held to any personal liability, nor shall resort be had to their private property for the satisfaction of any obligation or claim of said CMA

Government Securities Fund, but the Fund Property only shall be
liable.

5

6
IN WITNESS WHEREOF, the Fund has executed this Distribution
and Shareholder Servicing Plan as of this 11th day of September,
1991.

CMA GOVERNMENT SECURITIES FUND

By

MERRILL LYNCH, PIERCE, FENNER SMITH
INCORPORATED

By

6

CMA Government Securities Fund
 Schedule for Computation of Performance Quotations
 As of March 31, 1988

Base Period Return

	Including gains and losses	Excluding realized & unrealized gains and losses
Net income of one share for a seven-day base period	.001208	.001116

Divided by

Net asset value of one share at beginning of base period	\$1.00	\$1.00
---	--------	--------

Equals

Base period return (unannualized)	.001208	.001116
-----------------------------------	---------	---------

Annualized Return

Base period return (unannualized)	.001208	.001116
-----------------------------------	---------	---------

Divided by 7	.000173	.000159
--------------	---------	---------

Multiplied by 365

Equals	.063145	.058035
--------	---------	---------

Annualized return	6.31	5.80
-------------------	------	------

Effective or Compounded Yield

Base period return (unannualized)*	.001208	.001116
------------------------------------	---------	---------

Divided by 7	.000173	.000159
--------------	---------	---------

Add

I

Equals	1.000173	1.000159
--------	----------	----------

Sum raised to 365th power	1.065175	
---------------------------	----------	--

Subtract

1

Equals

Effective or Compunded Yield 6.52%

- -----

* Calculated using base period return (unannualized) excluding gains and losses.

BROWN & WOOD
ONE WORLD TRADE CENTER
NEW YORK, NEW YORK 10048

TELEPHONE: (212) 839-5300
FACSIMILE: (212) 839-5599

July 26, 1995

CMA Government Securities Fund
P.O. Box 9011
Princeton, New Jersey 08543-9011

Dear Sirs:

This opinion is furnished in connection with the registration by CMA Government Securities Fund, a Massachusetts business trust (the "Fund"), of 2,701,677,508 shares of beneficial interest, par value \$0.10 per share (the "Shares"), under the Securities Act of 1933 pursuant to a registration statement on Form N-1A (File No. 2-72724), as amended (the "Registration Statement").

As counsel for the Fund, we are familiar with the proceedings taken by it in connection with the authorization, issuance and sale of the Shares. In addition, we have examined and are familiar with the Declaration of Trust of the Fund, as amended, the By-Laws of the Fund and such other documents as we have deemed relevant to the matters referred to in this opinion.

Based upon the foregoing, we are of the opinion that the Shares, upon issuance and sale in the manner referred to in the Registration Statement for consideration not less than the par value thereof, will be legally issued, fully paid and non-assessable shares of beneficial interest.

In rendering this opinion, we have relied as to matters of Massachusetts law upon an opinion of Bingham, Dana & Gould rendered to the Fund.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the use of our name in the Prospectus and Statement of Additional Information constituting parts thereof.

Very truly yours,

/s/ BROWN & WOOD

INDEPENDENT AUDITORS' CONSENT

CMA Government Securities Fund

We consent to the use in Post-Effective Amendment No. 16 to Registration Statement No. 2-72724 of our report dated April 28, 1995 appearing in the Statement of Additional Information, which is a part of such Registration Statement, and to the reference to us under the caption "Financial Highlights" appearing in the Prospectus, which also is a part of such Registration Statement.

/s/ DELOITTE & TOUCHE LLP

Deloitte & Touche LLP

Princeton, New Jersey
July 27, 1995

<TABLE> <S> <C>

<ARTICLE> 6

<S>	<C>
<PERIOD-TYPE>	12-MOS
<FISCAL-YEAR-END>	MAR-31-1995
<PERIOD-START>	APR-01-1994
<PERIOD-END>	MAR-31-1995
<INVESTMENTS-AT-COST>	3185433937
<INVESTMENTS-AT-VALUE>	3185367418
<RECEIVABLES>	47340539
<ASSETS-OTHER>	155221
<OTHER-ITEMS-ASSETS>	0
<TOTAL-ASSETS>	3232863178
<PAYABLE-FOR-SECURITIES>	97502108
<SENIOR-LONG-TERM-DEBT>	0
<OTHER-ITEMS-LIABILITIES>	2558018
<TOTAL-LIABILITIES>	100060126
<SENIOR-EQUITY>	0
<PAID-IN-CAPITAL-COMMON>	3132869571
<SHARES-COMMON-STOCK>	3132869571
<SHARES-COMMON-PRIOR>	3565574965
<ACCUMULATED-NII-CURRENT>	0
<OVERDISTRIBUTION-NII>	0
<ACCUMULATED-NET-GAINS>	0
<OVERDISTRIBUTION-GAINS>	0
<ACCUM-APPREC-OR-DEPREC>	(66519)
<NET-ASSETS>	3132803052
<DIVIDEND-INCOME>	0
<INTEREST-INCOME>	153123533
<OTHER-INCOME>	0
<EXPENSES-NET>	18677720
<NET-INVESTMENT-INCOME>	134445813
<REALIZED-GAINS-CURRENT>	607823
<APPREC-INCREASE-CURRENT>	1913030
<NET-CHANGE-FROM-OPS>	136966666
<EQUALIZATION>	0
<DISTRIBUTIONS-OF-INCOME>	134445813
<DISTRIBUTIONS-OF-GAINS>	607823
<DISTRIBUTIONS-OTHER>	0
<NUMBER-OF-SHARES-SOLD>	12035321698
<NUMBER-OF-SHARES-REDEEMED>	12602941002
<SHARES-REINVESTED>	134913910
<NET-CHANGE-IN-ASSETS>	(430792364)
<ACCUMULATED-NII-PRIOR>	0
<ACCUMULATED-GAINS-PRIOR>	0
<OVERDISTRIB-NII-PRIOR>	0
<OVERDIST-NET-GAINS-PRIOR>	0

<GROSS-ADVISORY-FEES>	12979282
<INTEREST-EXPENSE>	0
<GROSS-EXPENSE>	18677720
<AVERAGE-NET-ASSETS>	3227808441
<PER-SHARE-NAV-BEGIN>	1.00
<PER-SHARE-NII>	.04
<PER-SHARE-GAIN-APPREC>	0
<PER-SHARE-DIVIDEND>	.04
<PER-SHARE-DISTRIBUTIONS>	0
<RETURNS-OF-CAPITAL>	0
<PER-SHARE-NAV-END>	1.00
<EXPENSE-RATIO>	.58
<AVG-DEBT-OUTSTANDING>	0
<AVG-DEBT-PER-SHARE>	0

</TABLE>