

SECURITIES AND EXCHANGE COMMISSION

FORM DEFS14A

Definitive proxy statement for special meeting

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FILER

CMA TAX EXEMPT FUND/

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Mailing Address

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

Business Address

*800 SCUDDERS MILL RD
PLAINSBORO NJ 08546
6092823319*

CMA TAX-EXEMPT FUND

NOTICE OF MEETING OF SHAREHOLDERS

FEBRUARY 25, 1994

To The Shareholders of CMA Tax-Exempt Fund

Notice is hereby given that a Meeting of Shareholders (the "Meeting") of CMA Tax-Exempt Fund (the "Fund") will be held at the offices of Merrill Lynch Asset Management, 800 Scudders Mill Road, Plainsboro, New Jersey on Friday, February 25, 1994 at 9:30 A.M. for the following purposes:

- (1) To elect six Trustees to serve for an indefinite term;
- (2) To ratify or reject the selection of Deloitte & Touche as independent auditors of the Fund for its fiscal year ending March 31, 1994; and
- (3) To transact such other business as may properly come before the Meeting or any adjournment thereof.

The Trustees have fixed the close of business on December 20, 1993 as the record date for the determination of shareholders entitled to notice of and to vote at the Meeting or any adjournment thereof.

A complete list of the shareholders of the Fund entitled to vote at the Meeting will be available and open to the examination of any shareholder of the Fund for any purpose germane to the Meeting during ordinary business hours from and after February 11, 1994, at the office of the Fund, 800 Scudders Mill Road, Plainsboro, New Jersey 08536. You are cordially invited to attend the Meeting. Shareholders who do not expect to attend the Meeting in person are requested to complete, date and sign the enclosed form of proxy and return it promptly in the envelope provided for that purpose. The enclosed proxy is being solicited on behalf of the Board of Trustees of the Fund.

By Order of the Board of
Trustees

Robert Harris
Secretary

Plainsboro, New Jersey
Dated: January 7, 1994

PROXY STATEMENT

CMA TAX-EXEMPT FUND
BOX 9011
PRINCETON, NEW JERSEY 08543-9011

MEETING OF SHAREHOLDERS

FEBRUARY 25, 1994

INTRODUCTION

This Proxy Statement is furnished in connection with the solicitation of proxies on behalf of the Trustees of CMA Tax-Exempt Fund, a Massachusetts business trust (the "Fund"), to be voted at the Meeting of Shareholders of the Fund (the "Meeting"), to be held at the offices of Merrill Lynch Asset Management ("MLAM"), 800 Scudders Mill Road, Plainsboro, New Jersey, on Friday, February 25, 1994 at 9:30 A.M. The approximate mailing date of this Proxy Statement is January 12, 1994.

All properly executed proxies received prior to the Meeting will be voted at the Meeting in accordance with the instructions marked thereon or otherwise as provided therein. Unless instructions to the contrary are marked, proxies will be voted for the election of the six Trustees named herein to serve for an indefinite term and for the ratification of the selection of independent auditors to serve for the Fund's current fiscal year. Any proxy may be revoked at any time prior to the exercise thereof by giving written notice to the Secretary of the Fund.

The Trustees have fixed the close of business on December 20, 1993 as the record date for the determination of shareholders entitled to notice of and to vote at the Meeting and at any adjournment thereof. Shareholders on the record date will be entitled to one vote for each share held, with no shares having cumulative voting rights. As of December 20, 1993, the Fund had outstanding 7,882,342,774 shares of beneficial interest, par value \$0.10 per share. To the knowledge of management of the Fund, no person owned beneficially more than 5% of its outstanding shares at such date.

The Trustees of the Fund know of no business other than that mentioned in Items 1 and 2 of the Notice of Meeting which will be presented for consideration at the Meeting. If any other matter is properly presented, it is the intention of the persons named in the enclosed proxy to vote in accordance with their best judgment.

ELECTION OF TRUSTEES

At the Meeting, six Trustees will be elected to serve for an indefinite term until their successors are elected and qualified. It is the intention of the persons named in the enclosed proxy to nominate and vote in favor of the election of the persons listed below.

There normally will be no meeting of shareholders for the purpose of electing Trustees unless and until such time as less than a majority of the Trustees holding office have been elected by shareholders, at which time the Trustees then in office will call a special meeting of shareholders for the election of Trustees. Shareholders may, in accordance with the terms of the Declaration of Trust of the Fund, cause a meeting to be held for the purpose of voting on the removal of Trustees at the request of 10% of the outstanding shares of the Fund. A Trustee may be removed by a vote of the holders of at least two-thirds of the shares of the Fund entitled to vote on the matter. See "Additional Information--Meetings of Stockholders" below.

Each nominee listed below has consented to serve as a Trustee. The Trustees of the Fund know of no reason why any of these nominees will be unable to serve, but in the event of any such unavailability, the proxies received will be voted for such substitute nominee or nominees as the Trustees may recommend.

Certain information concerning the nominees is set forth below:

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NAME AND ADDRESS OF NOMINEE	AGE	PRINCIPAL OCCUPATIONS DURING PAST FIVE YEARS AND PUBLIC DIRECTORSHIPS(1)	TRUSTEE SINCE	SHARES OF THE FUND BENEFICIALLY OWNED AT DECEMBER 20, 1993
<S>	<C>	<C>	<C>	<C>
Ronald W. Forbes(1) (2)..... School of Business BA 309 State University of New York at Albany 1400 Washington Avenue Albany, New York 12222	53	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.	1981	-0-
Cynthia A. Montgomery(1).... Harvard Business School Soldiers Field Road Boston, Massachusetts 02163	41	Professor, Harvard Business School, since 1989; Associate Professor, J.L. Kellogg Graduate School of Management, Northwestern University, 1985- 1989; Assistant Professor, Graduate School of Business Administration, University of Michigan, 1979-1985; Director, UNUM Corporation.	--	-0-
Charles C. Reilly(1) (2)..... 9 Hampton Harbor Road Hampton Bays, New York 11946	62	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; Adjunct Professor, Columbia University Graduate School of Business since 1990; Adjunct Professor, Wharton School, University of Pennsylvania, 1990; Director, Harvard Business School Alumni Association.	1990	-0-

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<CAPTION>

NAME AND ADDRESS OF NOMINEE	AGE	PRINCIPAL OCCUPATIONS DURING PAST FIVE YEARS AND PUBLIC DIRECTORSHIPS(1)	TRUSTEE SINCE	SHARES OF THE FUND BENEFICIALLY OWNED AT DECEMBER 23, 1993
<S>	<C>	<C>	<C>	<C>
Kevin A. Ryan(1) (2)..... 127 Commonwealth Avenue Chestnut Hill, Massachu- setts 02167	61	Professor of Education at Boston University since 1982; Founder and current Director of The Boston University Center for the Advancement of Ethics and Character.	1992	-0-
Richard R. West(1) (2).....	55	Professor of Finance, and Dean	1980	-0-

482 Tepi Drive
Southbury, Connecticut
06488

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 of Vornado, Inc. (real estate holding company), Bowne & Co., Inc. (printer), Smith Corona Corporation (manufacturer of typewriters and word processors) and Alexander's Inc.

Arthur Zeikel (1) (3)..... P.O. Box 9011 Princeton, New Jersey 08543-9011	61	President and Chief Investment Officer of Fund Asset Management ("FAM" or the "Investment Adviser") since 1977 and Director thereof from 1977 to 1993; Director of Princeton Services, Inc. ("Princeton Services") since 1993; President of MLAM since 1977, Chief Investment Officer thereof since 1976 and Director thereof from 1976 to 1993; Executive Vice President of Merrill Lynch & Co., Inc. ("ML & Co.") since 1990; Executive Vice President of Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") since 1990 and Senior Vice President thereof from 1985 to 1990.	1980	24,858
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- (1) Each of the nominees is a director or trustee of certain other investment companies for which MLAM or FAM acts as investment adviser. See "Merrill Lynch Investment Company Directorships" below.
 - (2) Member of Audit and Nominating Committee of the Board of Trustees.
 - (3) Interested person, as defined in the Investment Company Act of 1940, of the Fund.

Committee and Trustees' Meetings. The Board of Trustees has a standing Audit and Nominating Committee which consists of the Trustees who are not "interested persons" of the Fund within the meaning of the Investment Company Act of 1940. The purposes of the Audit and Nominating Committee are (i) to review the scope of the annual audit conducted by the Fund's independent accountants and the evaluation by such accountants of the accounting procedures followed by the Fund, (ii) to consider matters generally within the responsibility of the non-interested directors of investment companies under the Investment Company Act of 1940 and (iii) to select and nominate the Trustees who are not "interested persons" of the Fund as defined in the Investment Company Act of 1940. The Audit and Nominating Committee generally will not consider nominees recommended by shareholders of the Fund.

During the Fund's fiscal year ended March 31, 1993, the Trustees held four

meetings and the Audit and Nominating Committee held five meetings. Each Trustee nominated for election who was a Trustee during such fiscal year attended at least 75% of the aggregate of the number of these meetings of the Trustees and, if a member, of the Audit and Nominating Committee held during the year.

Interested Persons. The Fund considers one of its Trustees, Mr. Zeikel, to be an "interested person" of the Fund within the meaning of Section 2(a)(19) of the Investment Company Act of 1940. Mr. Zeikel is the President of the Fund, the President of FAM and MLAM, and a Director of Princeton Services, the general partner of FAM and MLAM.

Compensation of Trustees. FAM, the investment adviser, pays all compensation of all officers of the Fund and all Trustees of the Fund who are affiliated with ML & Co. or its subsidiaries. The Fund presently pays each Trustee not affiliated with the investment adviser an annual fee of \$4,000 plus \$800 per meeting attended and pays all Trustees' actual out-of-pocket expenses relating to attendance at meetings. Each member of the Audit and Nominating Committee receives an annual fee of \$2,000 and the chairman of such committee receives an annual fee of \$1,000. The aggregate fees and expenses paid to the unaffiliated Trustees totaled \$43,269 for the fiscal year ended March 31, 1993.

Merrill Lynch Investment Company Directorships. FAM and MLAM act as the investment adviser for over 90 other registered investment companies. Mr. Zeikel is a trustee or director of each of these companies except for Merrill Lynch Series Fund, Inc., Merrill Lynch Institutional Intermediate Fund, Merrill Lynch Funds for Institutions Series and Merrill Lynch Institutional Tax-Exempt Fund. Each of the nominees is a director or trustee of Merrill Lynch Utility Income Fund, MuniVest Fund, Inc., MuniVest Fund II, Inc., Senior High Income Portfolio, Inc., Senior High Income Portfolio II, Inc., Taurus MuniCalifornia Holdings, Inc. and Taurus MuniNewYork Holdings, Inc. Messrs. Forbes, Reilly, Ryan and West are trustees or directors of and Ms. Montgomery is nominated to be a trustee or director of CMA Money Fund, CMA Treasury Fund, CMA Government Securities Fund, CMA Multi-State Municipal Series Trust, CBA Money Fund, Merrill Lynch Strategic Dividend Fund, Merrill Lynch Municipal Series Trust, Merrill Lynch Corporate Bond Fund, Inc., Merrill Lynch Municipal Bond Fund, Inc., The Corporate Fund Accumulation Program, Inc., The Municipal Fund Accumulation Program, Inc., Merrill Lynch Prime Fund, Inc., Merrill Lynch Global Utility Fund, Inc., Merrill Lynch High Income Municipal Bond Fund, Inc., and Merrill Lynch Fund for Tomorrow, Inc. In addition, Messrs. Reilly and West are directors of Merrill Lynch Healthcare Fund, Inc., Merrill Lynch International Holdings, Inc., Merrill Lynch Latin America Fund, Inc., Merrill Lynch Short-Term Global Income Fund, Inc., Merrill Lynch Technology Fund, Inc., Merrill Lynch Global Bond Fund for Investment and Retirement, Merrill Lynch Global Allocation Fund, Inc., Merrill Lynch

Pacific Fund, Inc., Merrill Lynch Developing Capital Markets Fund, Inc., Merrill Lynch EuroFund, Merrill Lynch Dragon Fund, Inc., Merrill Lynch International Equity Fund, and Merrill Lynch Americas Income Fund, Inc.

Officers of the Fund. The Board of Trustees has elected nine officers of the Fund. The following sets forth information concerning each of these officers:

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NAME AND PRINCIPAL OCCUPATION	OFFICE	AGE	OFFICER SINCE
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<S>	<C>	<C>	<C>

Arthur Zeikel.....	President	61	1980
President and Chief Investment Officer of FAM since 1977 and Director thereof from 1977 to 1993; Director of Princeton Services since 1993; President of MLAM since 1977, Chief Investment Officer thereof since 1976 and Director thereof from 1976 to 1993; an Executive Vice President of ML & Co. since 1990; an Executive Vice President of Merrill Lynch since 1990 and a Senior Vice President from 1985 to 1990.			
Terry K. Glenn.....	Executive Vice President	53	1986
Executive Vice President of FAM and MLAM since 1983 and Director thereof from 1992 to 1993; Director of Princeton Services since 1993; President of Merrill Lynch Funds Distributor, Inc. (the "Distributor") since 1986 and Director thereof since 1991; President of Princeton Administrators.			
Vincent R. Giordano.....	Senior Vice President	49	1980
Senior Vice President of FAM and MLAM since 1984; Vice President of FAM and MLAM from 1980 to 1984.			
Donald C. Burke.....	Vice President	33	1993
Vice President of MLAM since 1990; employee of Deloitte & Touche from 1982 to 1990.			
Peter J. Hayes.....	Vice President	34	1991
Vice President of MLAM since 1988.			
Kenneth A. Jacob.....	Vice President	42	1985
Vice President of MLAM since 1984.			
Helen Marie Sheehan.....	Vice President	33	1991
Vice President of MLAM since 1991, Assistant Vice President of MLAM from 1989 to 1991 and employee of MLAM since 1985.			
Gerald M. Richard.....	Treasurer	44	1984
Senior Vice President and Treasurer of FAM and MLAM since 1984; Treasurer of the Distributor since 1984 and Vice President since 1981.			
Robert Harris.....	Secretary	41	1984
Vice President of MLAM since 1984; Secretary of the Distributor since 1982.			

</TABLE>

Share Ownership. On December 20, 1993, the Trustees and officers of the Fund as a group (13 persons) owned an aggregate of less than 1/4 of 1% of the outstanding shares of beneficial interest of the Fund. Mr. Zeikel, a Trustee of the Fund, and the officers of the Fund owned on December 20, 1993, an aggregate of less than 1/4 of 1% of the outstanding shares of Common Stock of ML & Co.

SELECTION OF INDEPENDENT AUDITORS

At their meeting on December 8, 1993, the Trustees of the Fund, including a majority of the Trustees who are not interested persons of the Fund, selected the firm of Deloitte & Touche ("D&T"), independent auditors, to examine the financial statements of the Fund for the fiscal year ending March 31, 1994. The Fund knows of no direct or indirect financial interest of such firm in the Fund. Such appointment is subject to ratification or rejection by the shareholders of the Fund. Unless a contrary specification is made, the accompanying proxy will be voted in favor of ratifying the selection of such auditors.

D&T also acts as independent auditors for ML & Co. and all of its

subsidiaries and for other investment companies for which FAM or MLAM acts as investment adviser. The fees received by D&T from these other entities are substantially greater, in the aggregate, than the total fees received by it from the Fund. The Trustees considered the fact that D&T has been retained as the independent auditors for ML & Co. and the other entities described above in their evaluation of the independence of D&T with respect to the Fund.

Representatives of D&T are expected to be present at the Meeting and will have the opportunity to respond to questions from shareholders and to make a statement if they so desire.

THE INVESTMENT ADVISORY AGREEMENT

FAM acts as the investment adviser for the Fund and provides the Fund with management services pursuant to an investment advisory agreement dated December 11, 1980 (the "Investment Advisory Agreement"). FAM has acted as the investment adviser for the Fund since the Fund commenced operations on January 15, 1981.

On June 2, 1993, the Board of Trustees of the Fund, including a majority of the Trustees who are not interested persons of the Fund, approved the continuance of the Investment Advisory Agreement for a period of one year. In their consideration of this matter, the Trustees received extensive information relating to, among other things, the nature, quality and extent of the advisory, administrative and other services provided to the Fund by FAM and its affiliates (including Merrill Lynch), comparative data with respect to the advisory and management fees paid by other money market funds, the operating expenses and expense ratio of the Fund as compared to such funds and the performance of the Fund as compared to the performance of such other money market funds. The Trustees also have received information as to the costs of FAM and its affiliates for providing services to the Fund and to the Cash Management Account financial service program of Merrill Lynch of which the Fund is a part.

INFORMATION CONCERNING FAM

Effective January 1, 1994, FAM was reorganized as a Delaware limited partnership. FAM (the general partner of which is Princeton Services, a wholly-owned subsidiary of ML & Co.) is owned and controlled by ML & Co. and is located at 800 Scudders Mill Road, Plainsboro, New Jersey 08536. ML & Co. is located at 250 Vesey Street, New York, New York 10281. The reorganization did not result in a change of management of FAM, in any of its personnel, or in an adverse change in its financial condition. Prior to the reorganization, FAM (which was known as Fund Asset Management, Inc.) was a Delaware corporation which was incorporated in 1976. FAM was a wholly-owned subsidiary of MLAM (a Delaware corporation, which was also reorganized as a Delaware limited partnership effective January 1, 1994) prior to its reorganization.

6

MLAM was a wholly-owned subsidiary of ML & Co. prior to its reorganization and continues to be owned and controlled by ML & Co. after its reorganization. MLAM is also located at 800 Scudders Mill Road, Plainsboro, New Jersey 08536. FAM and MLAM act as the investment adviser for more than 90 other registered investment companies. In addition, MLAM offers portfolio management and portfolio analysis services to individuals and institutions. FAM's audited balanced sheet for its fiscal year ended December 25, 1992 is appended to this Proxy Statement as Exhibit A. An unaudited balance sheet for FAM as of September 24, 1993 is appended to this Proxy Statement as Exhibit B. FAM represents that, to its knowledge, there has been no material adverse change in its financial condition since September 24, 1993.

FAM has access to the expertise of its affiliate, Merrill Lynch Government Securities, Inc. ("GSI"), which is a wholly-owned subsidiary of ML & Co. In terms of dollar volume of trading, GSI is one of the largest dealers in United States Government securities and Government agency securities, acting both as a primary dealer and a secondary market trader. GSI is one of the reporting dealers in government securities who report their daily position and activity to the Federal Reserve Bank of New York. A subsidiary of GSI acts as a dealer in bankers' acceptances, certificates of deposit and commercial paper. See "Portfolio Transactions" herein for information with respect to the ability of the Fund to conduct portfolio transactions with GSI and its subsidiary. In addition, FAM has access to the securities and economic research of Merrill Lynch.

Securities held by the Fund 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 independent 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 Fund 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 following table sets forth the name, title and principal occupation of the principal executive officer of FAM and the directors of Princeton Services, the general partner of FAM:

<TABLE>
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NAME*	TITLE	PRINCIPAL OCCUPATION
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<S>	<C>	<C>
Arthur Zeikel.....	President and Chief Investment Officer of FAM and Director of Princeton Services	President of MLAM and FAM and Executive Vice President of ML & Co.
Terry K. Glenn.....	Executive Vice President of FAM and Director of Princeton Services	Executive Vice President of MLAM and FAM
Philip L. Kirstein..	Senior Vice President and General Counsel of FAM and Director of Princeton Services	Senior Vice President and General Counsel of MLAM and FAM

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* Mr. Zeikel is presently the President and a Trustee, and Mr. Glenn is presently the Executive Vice President, of the Fund. The address of Messrs. Zeikel, Glenn and Kirstein is P.O. Box 9011, Princeton, New Jersey 08543-9011, which is also the address of FAM and MLAM.

TERMS OF THE INVESTMENT ADVISORY AGREEMENT

Pursuant to the Investment Advisory Agreement, subject to the direction of the Trustees, the Investment Adviser is responsible for the actual management

of the Fund's portfolio and constantly reviews the Fund's 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. The Investment Adviser performs certain of the other administrative services and provides all the office space, facilities, equipment and necessary personnel for portfolio management of the Fund.

Advisory Fee. The Investment Advisory Agreement provides that, as compensation for its services to the Fund, the Investment Adviser shall receive from the Fund at the end of each month a fee at the annual rate of 0.50% of average net assets not exceeding \$500 million, 0.425% of average net assets in excess of \$500 million but not in excess of \$1 billion and 0.375% of average net assets in excess of \$1 billion. For the fiscal year ended March 31, 1993, the total advisory fees payable, prior to any reimbursement by the Fund to the Investment Adviser aggregated \$29,159,137 (based on average net assets of approximately \$ 7.6 billion) and the effective fee rate was 0.386%. At November 30, 1993, the net assets of the Fund aggregated approximately \$7.9 billion. At this asset level the annual effective fee rate (without regard to any possible reimbursement) is approximately 0.386% of average net assets and the annual advisory fee would aggregate approximately \$30.6 million.

Payment of Expenses. The Investment Advisory Agreement obligates the Investment Adviser to provide investment advisory services, to furnish administrative services, office space and facilities for management of the Fund's affairs, 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 Fund who are affiliated persons of ML & Co. or any of its subsidiaries. Except for certain expenses incurred by the Distributor (see "Distribution Arrangements"), the Fund pays all other expenses incurred in the operation of the Fund, including, among other things, taxes, expenses for legal and auditing services, costs of printing proxies, reports, prospectuses, and statements of additional information sent to shareholders, 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 costs, litigation and other extraordinary or non-recurring expenses, and other expenses properly payable by the Fund. Accounting services are provided for the Fund by the Investment Adviser, and the Fund reimburses the Investment Adviser for its costs in connection with such services. For the year ended March 31, 1993, the amount of such reimbursement was \$303,390.

The State of California imposes limitations on the expenses of the Fund. At the date of this Proxy Statement, such annual expense limitations require that the Investment Adviser reimburse the Fund in any amount necessary to prevent such operating expenses from exceeding in any fiscal year 2.5% of the Fund's first \$30 million of average net assets, 2.0% of the next \$70 million of average net assets and 1.5% of the remaining average net assets. No fee payment will be made to the Investment Adviser during any year which will cause such expenses to exceed the pro rata expense limitation at the time of such payment. During the fiscal year ended March 31, 1993, the Fund was not required to make any reimbursement pursuant to such limitations.

Duration and Termination. The 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 securities of the Fund and (b) by a majority of Trustees who are not parties to such contract or interested persons

(as defined in the Investment Company Act of 1940) 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.

Transfer Agency Arrangements. Pursuant to a Transfer Agency, Shareholder Servicing Agency, and Proxy Agency Agreement (the "Transfer Agency Agreement") between the Fund and Financial Data Services, Inc. (the "Transfer Agent"), a subsidiary of ML & Co., the Transfer Agent is responsible for the issuance, transfer and redemption of shares and the opening and maintenance of shareholder accounts. The Fund pays the Transfer Agent a fee of \$5.25 per account for the first one million accounts and \$4.75 per shareholder account thereafter. At March 31, 1993, the Fund had 132,108 accounts. At this level of accounts, the annual fee payable to the Transfer Agent would aggregate approximately \$693,567. The Transfer Agent is also entitled to reimbursement for out-of-pocket expenses incurred by it under the Transfer Agency Agreement and to payment of specified fees in connection with the closing of accounts and certain other events. For the fiscal year ended March 31, 1993, \$394,148 (including out-of-pocket expenses, closed account and other fees) was paid to the Transfer Agent pursuant to the Transfer Agency Agreement.

DISTRIBUTION ARRANGEMENTS

The shares of the Fund are offered to participants in the Cash Management Account(R) financial service program ("CMA(R)") of Merrill Lynch to provide a medium for the investment of free credit cash balances held in CMA accounts. Shares of the Fund also are offered to other investors who do not participate in the CMA program. The minimum initial purchase for investors who do not participate in the CMA program is \$5,000 and subsequent purchases must be \$1,000 or more. Additionally, such investors do not receive many of the services available to participants in the CMA program. A CMA account is a conventional Merrill Lynch securities margin account which is linked to the Fund and 13 other money market funds (CMA Money Fund, CMA Government Securities Fund, CMA Treasury Fund, CMA Arizona Municipal Money Fund, CMA California Municipal Money Fund, CMA Connecticut Municipal Money Fund, CMA Massachusetts Municipal Money Fund, CMA Michigan Municipal Money Fund, CMA New Jersey Municipal Money Fund, CMA New York Municipal Money Fund, CMA North Carolina Municipal Money Fund, CMA Ohio Municipal Money Fund and CMA Pennsylvania Municipal Money Fund), money market deposit accounts maintained with depository institutions and to a Visa card/check account ("Visa Account"). A subscriber to the CMA program may automatically invest his free credit balances periodically in shares of the Fund and earn a return thereon pending further investment of such funds in other aspects of the CMA program or utilization through the Visa Account. The shares of the Fund are offered at net asset value without a sales charge. Merrill Lynch charges CMA customers a service fee to defray its costs of maintaining the CMA account.

Merrill Lynch has acted as the Distributor for the Fund since the Fund commenced operations in 1981. On June 2, 1993, the Trustees of the Fund, including a majority of the non-interested Trustees, approved the continuance of the Distribution Agreement for an additional year. The Distribution Agreement is renewable annually and may be terminated upon 60 days' written notice by either party. The Distribution Agreement obligates Merrill Lynch to pay certain expenses in connection with the offering of the shares of the Fund.

After the prospectuses, statements of additional information and periodic reports have been prepared, set in type and mailed to shareholders, Merrill Lynch pays for the printing and distribution of copies thereof used in connection with the offering to investors. Merrill Lynch also pays for other

supplementary sales literature and advertising costs.

PORTFOLIO TRANSACTIONS

The Fund invests in short-term securities which are direct obligations of the U.S. Government and repurchase agreements pertaining to such securities. The Fund has no obligation 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 the 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 Fund to obtain the best net results, taking into account the firm's general execution and operational facilities, the type of transaction involved and other factors such as the firm's risk in positioning the securities involved. While the Investment Adviser generally seeks reasonably competitive spreads or commissions, the Fund 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 the Fund invests are traded primarily in the over-the-counter market. Where possible, the Fund 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 principal for their own account. U.S. Government securities are generally traded on a net basis and do not normally involve either brokerage commissions or transfer taxes. The cost of portfolio securities transactions of the Fund will primarily consist of dealer spreads and underwriting commissions.

Under the Investment Company Act of 1940, persons affiliated with the Fund are prohibited from dealing with the Fund as a principal in the purchase and sale of securities unless a permissive order allowing such transactions is obtained from the Securities and Exchange Commission. Since over-the-counter transactions are usually principal transactions, affiliated persons of the Fund, including GSI and Merrill Lynch, may not serve as the Fund's dealer in connection with such transactions except pursuant to the exemptive order described below. Affiliated persons of the Fund may serve as its broker in over-the-counter transactions conducted on an agency basis.

The Securities and Exchange Commission has issued an order which permits the Fund to conduct principal transactions with GSI in U.S. Government and Government agency securities. This order contains a number of conditions, including conditions designed to insure that the price to the Fund available from GSI is equal to or better than that available from other sources. GSI has informed the 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 permissive order allows GSI to receive a dealer spread on any transaction with the Fund no greater than its customary dealer spread for transactions of the type involved. During the fiscal year ended March 31, 1993, the Fund engaged in 50 such transactions aggregating approximately \$1.2 billion.

10

The Trustees of the Fund have considered the possibilities of recapturing for the benefit of the Fund expenses of possible portfolio transactions, such as dealer spreads and underwriting commissions, by conducting such portfolio transactions through affiliated entities, including GSI and 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 Fund does not expect to use one particular dealer, but, subject to obtaining the best net results as described above, dealers who provide supplemental investment research to the Investment Adviser may receive orders for transactions by the Fund. 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. Such supplemental information may be used by the Investment Adviser in managing other investment companies or advisory accounts.

ADDITIONAL INFORMATION

The expense of preparation, printing and mailing of the enclosed form of proxy and accompanying Notice and Proxy Statement will be borne by the Fund. The Fund will reimburse banks, brokers and others for their reasonable expenses in forwarding proxy solicitation material to the beneficial owners of the shares of the Fund.

In order to obtain the necessary quorum at the Meeting (i.e., a majority of the shares of the Fund entitled to vote at the Meeting, present in person or by proxy), supplementary solicitation may be made by mail, telephone, telegraph or personal interview by officers of the Fund. It is anticipated that the cost of such supplementary solicitation, if any, will be nominal. In addition, the Fund may retain an outside firm to solicit proxies on behalf of the Trustees of the Fund. The fees and expenses of any such firm will be borne by the Investment Adviser.

The proposal to elect the Fund's Trustees (Item 1) and the proposal to ratify the selection of the Fund's auditors (Item 2) may be approved by majority vote of the shareholders, present in person or by proxy, at a meeting at which a quorum is duly constituted.

All shares represented by properly executed proxies, unless such proxies have previously been revoked, will be voted at the Meeting in accordance with the directions on the proxies; if no direction is indicated, the shares will be voted "FOR" the six Trustee nominees and "FOR" the ratification of D&T as independent auditors for the Fund. Shares will not be voted for any of the aforementioned proposals, however, unless (i) in the judgment of the Fund's Board of Trustees, there has been no material adverse change in the financial condition of FAM between September 24, 1993 and the date of FAM's most recently completed fiscal quarter and (ii) the Fund shall have received a certificate of the President or a Senior Vice President of FAM, dated the Meeting date, attesting that, to the knowledge of such officer, there has been no material adverse change in the financial condition of FAM unless such material adverse change has been disclosed to shareholders in additional proxy solicitation materials.

11

Broker-dealer firms, including Merrill Lynch, holding Fund shares in "street name" for the benefit of their customers and clients will request the instructions of such customers and clients on how to vote their shares on both Items before the Meeting. The Fund understands that, under the rules of the New York Stock Exchange, such broker-dealer firms may, without instructions from their customers and clients, grant authority to the proxies designated to vote on the election of Trustees (Item 1) and ratification of the selection of independent auditors (Item 2) if no instructions have been received prior to the date specified in the broker-dealer firm's request for voting instructions. Merrill Lynch has advised that it intends to exercise discretion over shares

held in its name for which no instructions are received by voting such shares in the same proportion as it has voted shares for which it has received instructions. The Fund will include shares held of record by broker-dealers as to which such authority has been granted in its tabulation of the total number of votes present for purposes of determining whether the necessary quorum of shareholders exists. The Fund also will count towards a quorum shares as to which proxies are returned by record shareholders but which are marked "abstain" on any Item. Accordingly, a failure to instruct or an abstention will not have an effect on the vote on Item 1 or Item 2.

The Declaration of Trust establishing the Fund, dated November 11, 1980, 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 of the Fund but the Trust Estate only shall be liable.

MEETINGS OF SHAREHOLDERS

The Declaration does not require that the Trust hold an annual meeting of shareholders. However, the Trust will be required to call special meetings of shareholders in accordance with the requirements of the Investment Company Act of 1940 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 the Fund. The Trust 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. The Declaration provides that a shareholders' meeting may be called for any reason at the request of 10% of the outstanding shares of the Trust or by a majority of the Trustees.

By Order of the Board of
Trustees

Robert Harris
Secretary

Dated: January 7, 1994

12

EXHIBIT A

INDEPENDENT AUDITORS' REPORT

Fund Asset Management, Inc.:

We have audited the accompanying balance sheet of Fund Asset Management, Inc. (the "Company") as of December 25, 1992. This balance sheet is the responsibility of the Company's management. Our responsibility is to express an opinion on the balance sheet based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet. An audit also includes assessing the accounting principles used and significant estimates made by

management, as well as evaluating the overall balance sheet presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such balance sheet presents fairly, in all material respects, the financial position of the Company at December 25, 1992 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE
Parsippany, New Jersey
February 19, 1993

A-1

FUND ASSET MANAGEMENT, INC.

BALANCE SHEET, DECEMBER 25, 1992

<TABLE>

<CAPTION>

ASSETS

<S>	<C>
Cash.....	\$ 21,356
Receivable from affiliated companies:	
Lease transactions.....	46,734,122
Fund management fees receivable.....	20,435,376
Investments in leases:	
Leveraged leases.....	121,508,161
Sales-type lease.....	12,831,711
Investments in affiliated investment companies at the lower of cost or market (market: \$33,307,413).....	32,952,761
Investment in affiliated Limited Partnership.....	32,293,647
Deferred charges.....	586,166

Total Assets.....	\$267,363,300
	=====

LIABILITIES AND STOCKHOLDER'S EQUITY

Liabilities:

Payable to Merrill Lynch Investment Management, Inc. and affiliates.....	\$ 54,881,755
Deferred income taxes:	
Arising from leveraged leases.....	111,585,182
Arising from sales-type lease.....	5,245,721
Other.....	15,892,806
Other.....	6,000

Total liabilities.....	187,611,464

Stockholder's Equity:

Common stock, par value \$1.00 per share--authorized 25,000 shares;	
outstanding 1,000 shares.....	1,000
Additional paid-in capital.....	684,594,627
Retained earnings.....	79,271,257
Proceeds receivable from ML & Co. from sale of subsidiary.....	(684,115,048)

Total stockholder's equity.....	79,751,836

Total Liabilities and Stockholder's Equity..... \$267,363,300
=====

</TABLE>

See notes to balance sheet.

A-2

FUND ASSET MANAGEMENT, INC.

NOTES TO BALANCE SHEET

DECEMBER 25, 1992

1. Summary of Significant Accounting Policies

Organization--Fund Asset Management, Inc. (the "Company"), a wholly-owned subsidiary of Merrill Lynch Investment Management, Inc. (the "Parent"), which is an indirect wholly-owned subsidiary of Merrill Lynch & Co., Inc. ("ML & Co."), serves as an investment adviser to various registered open-end investment companies. The Company is also a lessor participant in certain leveraged and sales-type lease agreements.

Income Taxes--The results of the operations of the Company are included in the consolidated Federal and combined state and local income tax returns filed by ML & Co. It is the policy of ML & Co. to allocate the tax associated with such operating results to each respective subsidiary in a manner which approximates the separate company method. Effective in the first quarter of 1992, ML & Co. adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109") which requires an asset and liability method in recording income taxes on all transactions that have been recognized in the financial statements. SFAS 109 provides that deferred taxes be adjusted to reflect tax rates at which future tax liabilities or assets are expected to be settled or realized. Previously, the Company accounted for income taxes in accordance with SFAS 96. The current year's impact on adopting SFAS 109 was minimal.

2. Transactions with Affiliates

The Company serves as an investment adviser for certain affiliated investment companies. The Company maintains investments in certain of these investment companies. Such investments are carried at the lower of cost or market value. Market value is determined based upon quoted market prices.

During 1992, the Company sold its investment in Merrill Lynch Interfunding, Inc., an investor in select credit instruments, and Merlease Leasing Corp., a lessor participant in lease agreements, to an affiliate at book value, resulting in a receivable from ML & Co. This receivable is reflected as a reduction to stockholder's equity.

The Company has an arrangement with Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") which provides that the Company, which receives revenue as investment adviser to certain investment companies (the "Funds"), reimburse MLPF&S for certain costs incurred in processing transactions involving shares of the Funds.

The "Receivable from affiliated companies" arising from lease transactions is summarized as follows:

<TABLE>

<S>

<C>

Monies advanced to fund lease transactions..... \$(117,240,047)

Tax benefits allocated to the Company by ML & Co.	150,407,083
Other.....	13,567,086

Total.....	\$ 46,734,122
	=====

</TABLE>

The Company has a 49 percent limited partnership interest in ML Plainsboro Limited Partnership ("MLP"), whose general partner is an affiliate. Profits and losses are allocated to the Company based on its percentage interest.

A-3

FUND ASSET MANAGEMENT, INC.

NOTES TO BALANCE SHEET--CONTINUED

DECEMBER 25, 1992

ML & Co. is the holder of the Company's excess cash, which is available on demand to meet current liabilities. ML & Co. credits the Company for interest, at a floating rate approximating ML & Co.'s average borrowing rate, based on the Company's average daily balances due to/from ML & Co.

3. Investments in Leases

The Company is a lessor participant in leveraged leases. The Company's net investment in leveraged leases is summarized as follows:

<TABLE>

<S>	<C>
Rentals receivable (net of principal and interest on non-recourse debt).....	\$117,309,811
Estimated residual values of leased assets.....	40,329,738
Less:	
Unearned and deferred income.....	(34,891,388)
Allowance for uncollectibles.....	(1,240,000)

Investment in leveraged leases.....	121,508,161
Less deferred taxes arising from leveraged leases.....	(111,585,182)

Net investment in leveraged leases.....	\$ 9,922,979
	=====

</TABLE>

Pertinent information relating to the Company's investments in leveraged leases is summarized as follows:

<TABLE>

<CAPTION>

TYPE OF PROPERTY	LENGTH OF LEASE (YEARS)	EQUITY INVESTMENT	ESTIMATED RESIDUAL VALUE OF LEASED PROPERTY
-----	-----	-----	-----
<S>	<C>	<C>	<C>
Chemical tanker.....	20	42.75%	15.0%
Generating plant.....	24-25	34.06%	15.0%

</TABLE>

Financing beyond the Company's equity interest in the purchase price of the

properties was furnished by outside parties in the form of long-term debt that provides for no recourse against the Company and is secured by a first lien on the properties and related rentals. At the end of the respective lease terms, ownership of the properties remains with the Company.

The Company's investment in the sales-type leases consisted of the following elements at December 25, 1992:

<u><S></u>	<u><C></u>
Minimum lease payments receivable.....	\$13,612,690
Less--unearned income.....	(780,979)

Investment in sales-type financing leases.....	\$12,831,711
	=====

At December 25, 1992 minimum lease payments receivable are \$9,941,000 for 1993, \$3,672,000 for 1994.

For Federal income tax purposes, the Company receives the investment tax credit and has the benefit of tax deductions for (i) depreciation on the entire amount of leased assets and (ii) interest on the outstanding long-term debt. For state and local tax purposes, the Company also receives the benefits of tax deductions

A-4

FUND ASSET MANAGEMENT, INC.

NOTES TO BALANCE SHEET--CONTINUED

DECEMBER 25, 1992

from (i) and (ii) above. Since, during the early years of the leases, those deductions exceed the Company's lease rental income, substantial excess deductions are available to be applied against the Company's other income and the consolidated income of ML & Co. In the later years of these leases, rental income will exceed the related deductions and taxes will be payable (to the extent that net deductions arising from additional leveraged lease transactions do not offset such net lease income). Deferred taxes have been provided to reflect these temporary differences.

4. Income Taxes

As part of the consolidated group, the Company transfers its current Federal and state tax liabilities to MLIM. No such amounts were due to MLIM at December 25, 1992.

5. Pension Plan

The Company participates in the ML & Co. Comprehensive Retirement Program (the "Program"), consisting of the Retirement Accumulation Plan ("RAP") and the Employee Stock Ownership Plan (the "ESOP"). Under the Program, cash contributions made by the Company and the ML & Co. stock held by the ESOP will be allocated quarterly to participant's accounts. Allocations will be based on years of service, age and eligible compensation. Actuarial data regarding the Company's Plan participants is not separately available.

6. Postretirement Benefits Other Than Pensions

The Company provides certain health care and life insurance benefits for

retired employees. The Company reserves the right to amend or terminate this program at any time. Substantially all of the Company's employees become eligible for these benefits upon attainment of age 55 and completion of 10 years of service. The cost of these benefits is expensed as claims are paid.

In December 1990, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions ("SFAS 106"). SFAS 106, effective for fiscal year 1993, will require that the Company change its method of accounting for postretirement health care and life insurance benefits from expensing these costs on a pay-as-you-go basis to an accrual basis. This change in accounting will require the recognition of a transition obligation which represents the actuarial present value of benefits attributed to prior employee service. The Company has not yet determined what effect the adoption of SFAS 106 will have on its financial condition, results of operations or liquidity.

7. Name Change

Effective December 28, 1991, the Parent, through an amendment of its certificate of incorporation, changed its name to Merrill Lynch Investment Management, Inc. ("MLIM"). MLIM will do business under the name "Merrill Lynch Asset Management".

A-5

EXHIBIT B

FUND ASSET MANAGEMENT, INC.

BALANCE SHEET

SEPTEMBER 24, 1993 (UNAUDITED)

ASSETS

<TABLE>

<S>	<C>
Cash.....	\$ 561,297
Receivable from Affiliated Companies--Lease transactions.....	63,526,920
Investment in Affiliated Limited Partnership.....	31,483,140
Investment in Leases:	
Leveraged leases.....	118,273,550
Sales-type lease.....	8,152,491
Investment in Affiliated Investment Companies--at the lower of cost or market (market: \$18,285,362).....	16,702,798
Fund Management Fees Receivable.....	22,057,239

TOTAL ASSETS.....	\$ 260,757,435
	=====

LIABILITIES AND STOCKHOLDER'S EQUITY

LIABILITIES

Payable to Merrill Lynch Investment Management, Inc. and Affiliates.....	\$ 19,667,011
Other Payables.....	11,400
Deferred Income Taxes:	
Arising from leveraged leases.....	111,401,573
Arising from sales-type lease.....	2,333,002
Other.....	15,876,124

Total Liabilities..... 149,289,110

STOCKHOLDER'S EQUITY

Common Stock, par value \$1.00 per share--authorized 25,000 shares; outstanding 1,000 shares..... 1,000
Additional Paid-in Capital..... 684,594,627
Retained Earnings..... 110,987,716
Proceeds Receivable from ML&Co., from Sale of Subsidiary..... (684,115,018)
Total Stockholder's Equity..... 111,468,325
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY..... \$ 260,757,435

</TABLE>

B-1

CMA TAX-EXEMPT FUND PROXY
Box 9011, Princeton, New Jersey 08543-9011

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF TRUSTEES

The undersigned hereby appoints Arthur Zeikel, Terry K. Glenn and Robert Harris as proxies, each with the power to appoint his substitute, and hereby authorizes them to represent and to vote, as designated below, all the shares of beneficial interest of CMA Tax-Exempt Fund (the "Fund") held of record by the undersigned on December 20, 1993 at a special meeting of shareholders of the Fund to be held on February 25, 1994 or any adjournment thereof.

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED BY THE UNDERSIGNED SHAREHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR PROPOSALS 1 AND 2.

1. Election of Trustees. [] [] FOR WITHHOLD To withhold authority to vote for any individual nominee, write the name on the following line:

Nominees: Ronald W. Forbes, Cynthia A. Montgomery, Charles C. Reilly, Kevin A. Ryan, Richard R. West, Arthur Zeikel

2. Proposal to ratify the selection of Deloitte & Touche as the independent auditors of the Fund to serve for the current fiscal year. FOR AGAINST ABSTAIN [] [] []

3. In the discretion of such proxies, upon such other business as may properly come before the meeting or any adjournment thereof.

