

# SECURITIES AND EXCHANGE COMMISSION

## FORM SC 13E4

Issuer tender offer statement filed pursuant to Rule 13(e)(4)

Filing Date: **1994-03-18**  
SEC Accession No. **0000950112-94-000710**

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### SUBJECT COMPANY

#### MERRILL LYNCH SENIOR FLOATING RATE FUND

CIK: **853911** | IRS No.: **222998937** | State of Incorporation: **MD** | Fiscal Year End: **0831**  
Type: **SC 13E4** | Act: **34** | File No.: **005-40757** | Film No.: **94516871**

Business Address  
800 SCUDDERS MILL RD  
PLAINSBORO NJ 08536  
6092822800

### FILED BY

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Type: **SC 13E4**

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PLAINSBORO NJ 08536  
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SECURITIES ACT FILE NO. 33-42932  
INVESTMENT COMPANY ACT FILE NO. 811-5870

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

SCHEDULE 13E-4

ISSUER TENDER OFFER STATEMENT  
(PURSUANT TO SECTION 13(E)(1) OF THE  
SECURITIES EXCHANGE ACT OF 1934)

MERRILL LYNCH SENIOR FLOATING RATE FUND, INC.  
(Name of Issuer)

MERRILL LYNCH SENIOR FLOATING RATE FUND, INC.  
(Name of Person(s) Filing Statement)

SHARES OF COMMON STOCK, PAR VALUE \$.10 PER SHARE  
(Title of Class of Securities)

59019R 10 5

(CUSIP Number of Class of Securities)

ARTHUR ZEIKEL

MERRILL LYNCH SENIOR FLOATING RATE FUND, INC.  
800 SCUDDERS MILL ROAD  
PLAINSBORO, NEW JERSEY 08536  
(609) 282-2800

(Name, Address and Telephone Number of Person Authorized to  
Receive Notices and Communications on Behalf of Person(s) Filing Statement)

COPIES TO:

THOMAS R. SMITH, JR., ESQ.  
BROWN & WOOD  
ONE WORLD TRADE CENTER  
NEW YORK, NEW YORK 10048

PHILIP L. KIRSTEIN, ESQ.  
MERRILL LYNCH ASSET MANAGEMENT  
BOX 9011  
PRINCETON, N.J. 08543-9011

MARCH 21, 1994

(Date Tender Offer First Published,  
Sent or Given to Security Holders)

CALCULATION OF FILING FEE

Transaction Valuation: \$100,200,000(a)                      Amount of Filing  
Fee: \$20,040(b)

(a) Calculated as the aggregate maximum purchase price to be paid for 10,000,000  
shares in the offer, based upon the net asset value per share (\$10.02) at  
March 16, 1994.

(b) Calculated as 1/50th of 1% of the Transaction Valuation.

//  
Check box if any part of the fee is offset as provided by Rule 0-11(a)(2) and  
identify the filing with which the offsetting fee was previously paid. Identify  
the previous filing by registration statement number, or the Form or  
Schedule and the date of its filing.

Amount Previously  
Paid: \_\_\_\_\_  
Form or Registration  
No.: \_\_\_\_\_  
Filing  
Party: \_\_\_\_\_  
Date of  
Filing: \_\_\_\_\_

ITEM 1. SECURITY AND ISSUER.

(a) The name of the issuer is Merrill Lynch Senior Floating Rate Fund, Inc., a closed-end investment company organized as a Maryland corporation (the "Fund"). The principal executive offices of the Fund are located at 800 Scudders Mill Road, Plainsboro, New Jersey 08536. The Fund was formerly known as Merrill Lynch Prime Fund, Inc.

(b) The title of the securities being sought is shares of common stock, par value \$0.10 per share (the "Shares"). As of February 28, 1994 there were approximately 71.8 million Shares issued and outstanding.

The Fund is seeking tenders for 10,000,000 Shares (the "Offer"), at net asset value per Share (the "NAV") calculated on the day the tender offer terminates, less any "Early Withdrawal Charge," upon the terms and subject to the conditions set forth in the Offer to Purchase dated March 21, 1994 (the "Offer to Purchase"). A copy of each of the Offer to Purchase and the related Letter of Transmittal is attached hereto as Exhibit (a)(1)(ii) and Exhibit (a)(2), respectively. Reference is hereby made to the Cover Page and Section 1 "Price; Number of Shares" of the Offer to Purchase, which are incorporated herein by reference. The Fund has been informed that no Directors, officers or affiliates of the Fund intend to tender Shares pursuant to the Offer.

(c) The Shares are not currently traded on an established trading market.

(d) Not Applicable.

ITEM 2. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION.

(a)-(b) Reference is hereby made to Section 9 "Source and Amount of Funds" of the Offer to Purchase, which is incorporated herein by reference.

ITEM 3. PURPOSE OF THE TENDER OFFER AND PLANS OR PROPOSALS OF THE ISSUER OR AFFILIATE.

Reference is hereby made to Section 7 "Purpose of the Offer," Section 8 "Certain Effects of the Offer" and Section 9 "Source and Amount of Funds" of the Offer to Purchase, which are incorporated herein by reference. The Fund is currently engaged in a public offering, from time to time, of its Shares. The Fund otherwise has no plans or proposals which relate to or would result in (a) the acquisition by any person of additional securities of the Fund or the disposition of securities of the Fund; (b) an extraordinary corporate transaction, such as a merger, reorganization or liquidation, involving the Fund; (c) a sale or transfer of a material amount of assets of the Fund; (d) any change in the present Board of Directors or management of the Fund, including, but not limited to, any plans or proposals to change the number or the term of Directors, or to fill any existing vacancy on the Board or to change any material term of the employment contract of any executive officer; (e) any material change in the present dividend rate or policy, or indebtedness or capitalization of the Fund; (f) any other material change in the Fund's corporate structure or business, including any plans or proposals or make any changes in its investment policy for which a vote would be required by Section 13 of the Investment Company Act of 1940, as amended; or (g) changes in the Fund's articles of incorporation, bylaws or instruments corresponding thereto or other actions which may impede the acquisition of control of the Fund by any person. Paragraphs (h) through (j) of this Item 3 are not applicable.

ITEM 4. INTEREST IN SECURITIES OF THE ISSUER.

There have not been any transactions involving the Shares of the Fund that were effected during the past 40 business days by the Fund, any executive officer or Director of the Fund, any person controlling the Fund, any executive officer or director of any corporation ultimately in control of the Fund or by any associate or subsidiary of any of the foregoing including any executive officer or director of any such subsidiary, except that within the past 40 business days: (i) pursuant to the public offering

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of its Shares the Fund has sold approximately 4.6 million Shares at a price equal to the NAV of the Fund on the date of each such sale and (ii) the Fund repurchased approximately 3.8 million Shares at NAV (\$10.02) in connection with the Fund's previous tender offer which terminated January 13, 1994.

ITEM 5. CONTRACTS, ARRANGEMENTS, UNDERSTANDINGS OR RELATIONSHIPS WITH RESPECT TO

THE ISSUER'S SECURITIES.

The Fund does not know of any contract, arrangement, understanding or relationship relating directly or indirectly, to the Offer (whether or not legally enforceable) between the Fund, any of the Fund's executive officers or Directors, any person controlling the Fund or any executive officer or director of any corporation ultimately in control of the Fund and any person with respect to any securities of the Fund (including, but not limited to, any contract, arrangement, understanding or relationship concerning the transfer or the voting of any such securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss, or the giving or withholding of proxies, consents or authorizations).

ITEM 6. PERSONS RETAINED, EMPLOYED OR TO BE COMPENSATED.

No persons have been employed, retained or are to be compensated by the Fund to make solicitations or recommendations in connection with the Offer.

ITEM 7. FINANCIAL INFORMATION.

(a) Reference is hereby made to the financial statements included as Exhibits (g) (1) and (g) (2) hereto, which are incorporated herein by reference.

(b) None.

ITEM 8. ADDITIONAL INFORMATION.

(a) None.

(b) None.

(c) Not applicable.

(d) None.

(e) The Offer to Purchase, attached hereto as Exhibit (a) (1) (ii), is incorporated herein by reference in its entirety.

ITEM 9. MATERIAL TO BE FILED AS EXHIBITS.

<TABLE>	<C>	<C>
<S>		
(a) (1)	(i)	Advertisement to be printed in The Wall Street Journal.
	(ii)	Offer to Purchase.
(a) (2)		Form of Letter of Transmittal.
(a) (3)		Letter to Stockholders.
* (b) (1)		Credit Agreement, dated as of March 23, 1992, between the Fund and The Bank of New York.
* (b) (2)		Amendment No. 1 to the Credit Agreement between the Fund and The Bank of New York, dated as of June 3, 1992.
** (b) (3)		Amendment No. 2 to the Credit Agreement between the Fund and The Bank of New York, dated as of September 11, 1992.

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<TABLE>	<C>	<C>
<S>		
*** (b) (4)		Amendment No. 3 to the Credit Agreement between the Fund and The Bank of New York, dated as of March 17, 1993.
**** (b) (5)		Amendment No. 4 to the Credit Agreement between the Fund and The Bank of New York, dated as of December 16, 1993.
(b) (6)		Extension Request between the Fund and The Bank of New York, dated as of March 16, 1994.
(c)-(f)		Not Applicable.
(g) (1)		Audited Financial Statements of the Fund for the fiscal year ended August 31, 1993.
(g) (2)		Audited Financial Statements of the Fund for the fiscal year ended August 31, 1992.

</TABLE>

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\*Incorporated by reference from Exhibit (b) (2) to the Fund's Schedule 13E-4 filed with the Securities and Exchange Commission on June 18, 1992.

\*\*Incorporated by reference from Exhibit (b) (3) to the Fund's Schedule 13E-4 filed with the Securities and Exchange Commission on September 21, 1992.

\*\*\*Incorporated by reference from Exhibit (b) (4) to the Fund's Schedule 13E-4 filed with the Securities and Exchange Commission on March 22, 1993.

\*\*\*\*Incorporated by reference from Exhibit (b) (5) to Amendment No. 1 to the Fund's Schedule 13E-4 filed with the Securities and Exchange Commission on January 25, 1994.

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SIGNATURE

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

MERRILL LYNCH SENIOR FLOATING RATE FUND,  
INC.

By /s/ TERRY K.  
GLENN  
.....

(Terry K. Glenn, Executive  
Vice President)

March 18, 1994

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EXHIBIT (a) (1) (i)

MERRILL LYNCH SENIOR FLOATING RATE FUND, INC.  
(FORMERLY KNOWN AS MERRILL LYNCH PRIME FUND, INC.)  
800 SCUDDERS MILL ROAD  
PLAINSBORO, NEW JERSEY 08536

OFFER TO PURCHASE FOR CASH 10,000,000  
OF ITS ISSUED AND OUTSTANDING SHARES  
AT NET ASSET VALUE PER SHARE

THE EXPIRATION DATE AND THE WITHDRAWAL DEADLINE IS 12:00 MIDNIGHT,  
NEW YORK CITY TIME, ON APRIL 15, 1994, UNLESS EXTENDED.

To the Holders of Shares of  
MERRILL LYNCH SENIOR FLOATING RATE FUND, INC.:

The Fund is offering to purchase up to 10,000,000 of its shares of common stock, par value \$.10 per share (the "Shares"), for cash at a price equal to their net asset value ("NAV"), less any applicable Early Withdrawal Charge, as of the close of the New York Stock Exchange on April 15, 1994, the Expiration Date, unless extended, upon the terms and conditions set forth in this Offer to Purchase (the "Offer") and the related Letter of Transmittal. The Shares are not currently traded on an established secondary market. The NAV on March 16, 1994 was \$10.02 per Share. You can obtain current NAV quotations from your Merrill Lynch Financial Consultant or the Merrill Lynch, Pierce, Fenner & Smith Incorporated Response Center (the "Merrill Lynch Response Center") (see Section 1). The Fund presently intends each quarter to consider making a tender offer for its Shares at a price equal to their current NAV.

If more than 10,000,000 Shares are duly tendered prior to the expiration of the Offer, assuming no changes in the factors originally considered by the Board of Directors when it determined to make the Offer, the Fund will either (1) extend the Offer period, if necessary, and increase the number of Shares that the Fund is offering to purchase to an amount which it believes will be sufficient to accommodate the excess Shares tendered as well as any Shares tendered during the extended Offer period or (2) purchase 10,000,000 Shares (or such greater number of Shares sought) on a pro rata basis.

THIS OFFER IS BEING MADE TO ALL STOCKHOLDERS OF THE FUND AND IS NOT  
CONDITIONED UPON ANY MINIMUM NUMBER OF SHARES BEING TENDERED.

IMPORTANT

If you desire to tender all or any portion of your Shares, you should either (1) request your broker, dealer, commercial bank, trust company or other nominee to effect the transaction for you or (2) if you own your Shares directly, complete and sign the Letter of Transmittal and mail or deliver it along with any Share certificate(s) and any other required documents to the Fund's transfer agent, Financial Data Services, Inc. (the "Transfer Agent"). If your Shares are registered in the name of a broker, dealer, commercial bank, trust company or other nominee, you must contact such broker, dealer, commercial bank, trust company or other nominee if you desire to tender your Shares. Shares held in your Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") brokerage account are registered in the name of Merrill Lynch and are not held by you directly. Merrill Lynch may charge its customers a \$4.85 processing fee to confirm a repurchase of Shares from such customers pursuant to the Offer.

NEITHER THE FUND NOR ITS BOARD OF DIRECTORS MAKES ANY RECOMMENDATION TO ANY STOCKHOLDER AS TO WHETHER TO TENDER OR REFRAIN FROM TENDERING SHARES. EACH STOCKHOLDER MUST MAKE HIS OWN DECISION WHETHER TO TENDER SHARES, AND IF SO, HOW MANY SHARES TO TENDER.

NO PERSON HAS BEEN AUTHORIZED TO MAKE ANY RECOMMENDATION ON BEHALF OF THE FUND AS TO WHETHER STOCKHOLDERS SHOULD TENDER SHARES PURSUANT TO THE OFFER. NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE OFFER OTHER THAN THOSE CONTAINED HEREIN OR IN THE LETTER OF TRANSMITTAL. IF GIVEN OR MADE, SUCH RECOMMENDATION AND SUCH INFORMATION AND REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE FUND.

THIS TRANSACTION HAS 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 FAIRNESS OR MERITS OF SUCH TRANSACTION NOR UPON THE ACCURACY OR ADEQUACY OF THE

Questions and requests for assistance may be directed to your Merrill Lynch Financial Consultant or other nominee, or to the Transfer Agent at the address and telephone number set forth below. Requests for additional copies of this Offer to Purchase and the Letter of Transmittal should be directed to the Merrill Lynch Response Center.

March 21, 1994

MERRILL LYNCH SENIOR FLOATING RATE FUND, INC.

Merrill Lynch Response Center

Transfer Agent:  
Financial Data Services, Inc.  
Attn: Merrill Lynch  
Senior Floating Rate Fund, Inc.

P.O. Box 30200

New Brunswick, New Jersey  
08989-0200

Transfer Agency  
Operations Department

Attn: Merrill Lynch Senior Floating Rate

P.O. Box 45289  
Jacksonville, Florida 32232-5289  
(904) 928-5510

Fund, Inc.  
(800) 637-7455 ext. 7198

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1. PRICE; NUMBER OF SHARES. The Fund will, upon the terms and subject to the conditions of the Offer, purchase up to 10,000,000 of its issued and outstanding Shares which are tendered and not withdrawn prior to 12:00 MIDNIGHT, New York City time, on April 15, 1994 (such time and date being hereinafter called the "Initial Expiration Date"), unless it determines to accept none of them. The purchase price of the Shares will be their NAV as of the close of the New York Stock Exchange on the Expiration Date. An Early Withdrawal Charge to recover distribution expenses will be assessed on Shares accepted for purchase which have been held for less than the applicable holding period (See Section 3). The Fund reserves the right to extend the Offer (See Section 14). The later of the Initial Expiration Date or the latest time and date to which the Offer is extended is hereinafter called the "Expiration Date."

The Offer is being made to all stockholders of the Fund and is not conditioned upon any number of Shares being tendered. If more than 10,000,000 Shares are duly tendered prior to the expiration of the Offer, assuming no changes in the factors originally considered by the Board of Directors when it initially determined to make the Offer, the Fund will either (1) extend the Offer period, if necessary, and increase the number of Shares that the Fund is offering to purchase to an amount which it believes will be sufficient to accommodate the excess Shares tendered as well as any Shares tendered during the extended Offer period or (2) purchase 10,000,000 Shares (or greater number of Shares sought) on a pro rata basis.

As of February 28, 1994 there were approximately 71.8 million Shares issued and outstanding and there were 1,531 holders of record of Shares (in addition, Merrill Lynch maintains accounts for 33,169 beneficial owners of Shares). The Fund has been informed that none of the Directors, officers or affiliates of the Fund intends to tender any Shares pursuant to the Offer. The Shares currently are not traded on any established secondary market. Current NAV quotations for



the Shares can be obtained from your Merrill Lynch Financial Consultant or from the Merrill Lynch Response Center at (800) 637-7455, ext. 7198.

2. PROCEDURE FOR TENDERING SHARES. In order for you to tender any of your Shares pursuant to the Offer, you may either: (a) request your broker, dealer, commercial bank, trust company or other nominee to effect the transaction for you, in which case a Letter of Transmittal is not required or (b) if the Shares are registered in your name, send to the Transfer Agent, at the address set forth on page 2, any certificates for such Shares, a properly completed and executed Letter of Transmittal and any other documents required therein. Please contact the Merrill Lynch Response Center at (800) 637-7455, ext. 7198 as to any additional documents which may be required.

A. Procedures for Beneficial Owners Holding Shares Through Merrill Lynch or Other Brokers or Nominees.

If your Shares are registered in the name of a broker, dealer, commercial bank, trust company or other nominee, you must contact such broker, dealer, commercial bank, trust company or other nominee if you desire to tender your Shares. You should contact such broker, dealer, commercial bank, trust company or other nominee in sufficient time to permit notification of your desire to tender to reach the Transfer Agent by the Expiration Date. No brokerage commission will be charged on the purchase of Shares by the Fund pursuant to the Offer. However, a broker or dealer may charge a fee for processing the transaction on your behalf. Merrill Lynch may charge its customers a \$4.85 processing fee to confirm a purchase of Shares pursuant to the Offer.

B. Procedures for Registered Stockholders.

If you will be mailing or delivering the Letter of Transmittal and any other required documents to the Transfer Agent in order to tender your Shares, they must be received on or prior to the Expiration Date by the Transfer Agent at its address set forth on page 2 of this Offer to Purchase.

Signatures on the Letter of Transmittal 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.

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Payment for Shares tendered and purchased will be made only after receipt by the Transfer Agent on or before the Expiration Date of a properly completed and duly executed Letter of Transmittal and any other required documents. If your Shares are evidenced by certificates, those certificates must also be received by the Transfer Agent on or prior to the Expiration Date.

THE METHOD OF DELIVERY OF ANY DOCUMENTS, INCLUDING CERTIFICATES FOR SHARES, IS AT THE ELECTION AND RISK OF THE PARTY TENDERING THE SHARES. IF DOCUMENTS ARE SENT BY MAIL, IT IS RECOMMENDED THAT THEY BE SENT BY REGISTERED MAIL, PROPERLY INSURED, WITH RETURN RECEIPT REQUESTED.

C. Determinations of Validity.

All questions as to the validity, form, eligibility (including time of receipt) and acceptance of tenders will be determined by the Fund, in its sole discretion, whose determination shall be final and binding. The Fund reserves the absolute right to reject any or all tenders determined by it not to be in appropriate form or the acceptance of or payment for which would, in the opinion of counsel for the Fund, be unlawful. The Fund also reserves the absolute right to waive any of the conditions of the Offer or any defect in any tender with respect to any particular Shares or any particular stockholder, and the Fund's interpretations of the terms and conditions of the Offer will be final and binding. Unless waived, any defects or irregularities in connection with tenders must be cured within such times as the Fund shall determine. Tenders will not be deemed to have been made until the defects or irregularities have been cured or waived. Neither the Fund, its investment adviser and administrator, Merrill Lynch Asset Management, L.P. ("MLAM"), nor the Transfer Agent, nor any other person shall be obligated to give notice of any defects or irregularities in tenders, nor shall any of them incur any liability for failure to give such notice.

D. Tender Constitutes an Agreement.

A tender of Shares made pursuant to any one of the procedures set forth above will constitute an agreement between the tendering stockholder and the Fund in accordance with the terms and subject to the conditions of the Offer.

3. EARLY WITHDRAWAL CHARGE. The Fund will assess an Early Withdrawal Charge on Shares accepted for purchase which have been held for less than three years.\* The charge will be paid to Merrill Lynch Funds Distributor, Inc., a wholly owned subsidiary of MLAM and the distributor of the Shares, to recover distribution expenses. The Early Withdrawal Charge will be imposed on those Shares accepted for tender based on an amount equal to the lesser of the then current net asset value of the Shares or the cost of the Shares being tendered. Accordingly, the Early Withdrawal Charge is not imposed on increases in the net asset value above the initial purchase price. In addition, the Early Withdrawal Charge is not imposed on Shares derived from reinvestments of dividends or capital gains distributions. In determining whether an Early Withdrawal Charge is payable, it is assumed that the acceptance of an offer to purchase tendered Shares will be made first from Shares acquired through dividend reinvestment and then from the earliest outright purchase of Shares. The Early Withdrawal Charge imposed will vary depending on the length of time the Shares have been owned since purchase (separate purchases shall not be aggregated for these purposes), as set forth in the following table:

<TABLE> <CAPTION>

YEAR OF TENDER AFTER PURCHASE	EARLY WITHDRAWAL CHARGE*
<S>	<C>
First.....	3.0%
Second.....	2.0%
Third.....	1.0%
Fourth and following.....	0%

</TABLE>

\* The schedule of charges set forth in the table applies to shares purchased on or after May 22, 1992. Shares purchased prior to such date are subject to an Early Withdrawal Charge of 2.0% and 1.0% during the first and second year, respectively, after purchase.

In determining whether an Early Withdrawal Charge is applicable to a tender of Shares, the calculation will be determined in the manner that results in the lowest possible amount being charged.

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Therefore, it will be assumed that the tender is first of Shares acquired through dividend reinvestment and of Shares held for over three years and then of Shares held longest during the three-year period. The Early Withdrawal Charge will not be applied to dollar amounts representing an increase in the net asset value since the time of purchase.

4. WITHDRAWAL RIGHTS. You may withdraw Shares tendered at any time prior to the Expiration Date and, if the Shares have not yet been accepted for payment by the Fund, at any time after May 13, 1994.

Stockholders whose accounts are maintained through Merrill Lynch should notify their Financial Consultant prior to the Expiration Date if they wish to withdraw Shares. Stockholders whose accounts are maintained through another broker, dealer, commercial bank, trust company or other nominee should notify such nominee prior to the Expiration Date. Shareholders whose accounts are maintained directly through the Transfer Agent should submit written notice to the Transfer Agent.

To be effective, any notice of withdrawal must be timely received by the Transfer Agent at the address set forth on page 2 of this Offer to Purchase. Any notice of withdrawal must specify the name of the person having deposited the Shares to be withdrawn, the number of Shares to be withdrawn, and, if the certificates representing such Shares have been delivered or otherwise identified to the Transfer Agent, the name of the registered holder(s) of such Shares as set forth in such certificates and the number of Shares to be withdrawn. If the certificates have been delivered to the Transfer Agent, then, prior to the release of such certificate, you must also submit the certificate numbers shown on the particular certificates evidencing such Shares and the signature on the notice of the withdrawal must be guaranteed by an Eligible Institution. All questions as to the form and validity (including time of receipt) of notices of withdrawal will be determined by the Fund in its sole discretion, whose determination shall be final and binding. Shares properly withdrawn shall not thereafter be deemed to be tendered for purposes of the Offer. However, withdrawn Shares may be retendered by following one of the procedures described in Section 2 prior to the Expiration Date.

5. PAYMENT FOR SHARES. For purposes of the Offer, the Fund will be deemed to have accepted for payment (and thereby purchased) Shares which are tendered

as, if and when it gives oral or written notice to the Transfer Agent of its election to purchase such Shares.

Payment for Shares will be made promptly by the Transfer Agent to tendering stockholders as directed by the Fund. Certificates for Shares not purchased (see Sections 1 and 6), or for Shares not tendered included in certificates forwarded to the Transfer Agent, will be returned promptly following the termination, expiration or withdrawal of the Offer, without expense to the tendering stockholder.

The Fund will pay all transfer taxes, if any, payable on the transfer to it of Shares purchased pursuant to the Offer. If tendered certificates are registered in the name of any person other than the person signing the Letter of Transmittal, the amount of any such transfer taxes (whether imposed on the registered holder or such other person) payable on account of the transfer to such person will be deducted from the purchase price unless satisfactory evidence of the payment of such taxes, or exemption therefrom, is submitted. The Fund will not pay any interest on the purchase price under any circumstances.

As noted above, Merrill Lynch may charge its customers a \$4.85 processing fee to confirm a purchase of Shares from such customers pursuant to the Offer.

6. CERTAIN CONDITIONS OF THE OFFER. The Fund shall not be required to accept for payment or pay for any Shares tendered, and may terminate or amend the Offer or may postpone the acceptance for payment of or payment for Shares tendered, if: (1) such purchases would impair the Fund's status as a regulated investment company under the Internal Revenue Code (which would make the Fund a taxable entity, causing the Fund's income to be taxed at the corporate level in addition to the taxation of

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stockholders who receive dividends from the Fund); (2) the Fund would not be able to liquidate portfolio securities in a manner which is orderly and consistent with the Fund's investment objective and policies in order to purchase Shares tendered pursuant to the Offer; or (3) there is, in the Board's judgment, any (a) legal action or proceeding instituted or threatened challenging the Offer or otherwise materially adversely affecting the Fund, (b) declaration of a banking moratorium by Federal or state authorities or any suspension of payment by banks in the United States or New York State, which is material to the Fund, (c) limitation imposed by Federal or state authorities on the extension of credit by lending institutions, (d) commencement of war, armed hostilities or other international or national calamity directly or indirectly involving the United States which is material to the Fund, or (e) other event or condition which would have a material adverse effect on the Fund or its stockholders if Shares tendered pursuant to the Offer were purchased.

If the Fund determines to amend the Offer or to postpone the acceptance for payment of or payment for Shares tendered, it will, to the extent necessary, extend the period of time during which the Offer is open as provided in Section 14. Moreover, in the event any of the foregoing conditions are modified or waived in whole or in part at any time, the Fund will promptly make a public announcement of such waiver and may, depending on the materiality of the modification or waiver, extend the Offer period as provided in Section 14.

7. PURPOSE OF THE OFFER. The Fund does not currently believe there will be an active secondary market for its Shares. The Board of Directors has determined that it would be in the best interest of stockholders for the Fund to take action to attempt to provide liquidity to stockholders. To that end, the Directors presently intend each quarter to consider the making of a tender offer to purchase the Shares at NAV. The Fund will at no time be required to make any such tender offer.

8. CERTAIN EFFECTS OF THE OFFER. The Purchase of Shares pursuant to the Offer will have the effect of increasing the proportionate interest in the Fund of stockholders who do not tender their Shares. If you retain your Shares, however, you will be subject to any increased risks that may result from the reduction in the Fund's aggregate assets resulting from payment for the Shares, including, for example, the potential for greater volatility due to decreased diversification and higher expenses. However, the Fund believes that those risks will be reduced to the extent new Shares of the Fund are sold. All Shares purchased by the Fund pursuant to the Offer will be retired by the Board of Directors of the Fund.

9. SOURCE AND AMOUNT OF FUNDS. The aggregate purchase price if 10,000,000 Shares are tendered and accepted for payment pursuant to the Offer will be approximately \$100,200,000. The Fund anticipates that the purchase price for any Shares acquired pursuant to the Offer may be derived from (i) cash on hand, (ii) the proceeds of the sale of cash equivalents held by the Fund, (iii) the proceeds of sales of senior collateralized corporate loans held by the Fund

and/or (iv) borrowings by the Fund as described below. If, in the judgment of the Directors, there is not sufficient liquidity of the assets of the Fund, or availability of funds from borrowings, to pay for tendered Shares, the Fund may terminate the Offer.

The Fund has entered into an agreement dated as of March 23, 1992, and as amended through March 16, 1994, with The Bank of New York providing for an unsecured revolving credit facility (the "Facility"), the proceeds of which may be used to finance, in part, the payment for Shares tendered in the Offer. The Facility provides for the borrowing by the Fund of up to \$100,000,000 at a rate of interest equal to the sum of the federal funds rate (as published by the Federal Reserve Bank of New York) plus (i) 1% for the first 45 days that such borrowing is outstanding, (ii) 2% for the next 15 days that such borrowing is outstanding and (iii) 3% for the next 30 days that such borrowing is outstanding. Interest on borrowings is computed on the basis of a year of 360 days for the actual number of days elapsed and is payable monthly in arrears. Each borrowing under the Facility is required to be repaid on the earlier of (i) 90 days after the date of such borrowing or (ii) the last date prior to the expiration of the next tender offer by the Fund for its shares. Borrowings under the Facility, if any, are required to be

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repaid with the proceeds of portfolio investments sold by the Fund subsequent to the Expiration Date. The Facility was renewed on March 16, 1994 for a term of 360 days unless terminated earlier as provided therein.

10. SUMMARY SELECTED FINANCIAL INFORMATION. Set forth below is a summary of selected financial information for the Fund for the fiscal years ended August 31, 1992 and 1993. This information has been excerpted from the Fund's audited financial statements contained in its Annual Reports to Stockholders for the indicated periods. More comprehensive financial information is included in such reports (copies of which have been filed as exhibits to the Schedule 13E-4 filed with the Securities and Exchange Commission ("SEC") and may be obtained from the Transfer Agent) and the summary of selected financial information set forth below is qualified in its entirety by reference to such documents and the financial information, the notes thereto and related matter contained therein.

SUMMARY OF SELECTED FINANCIAL INFORMATION  
(IN 000'S EXCEPT PER SHARE DATA AND RATIOS)

<TABLE> <CAPTION>

	YEAR ENDED AUGUST 31, 1992	YEAR ENDED AUGUST 31, 1993
	-----	-----
<S>	<C>	<C>
INCOME STATEMENT		
Investment income.....	\$ 96,961	\$ 51,076
Expenses.....	16,952	11,141
	-----	-----
Investment income--net.....	\$ 80,009	\$ 39,935
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Realized gain (loss) on investments--net.....	(29)	2
Change in unrealized appreciation on investments--net.....	133	2,395
FINANCIAL HIGHLIGHTS (AT END OF PERIOD)		
Total assets.....	\$ 841,259	\$ 721,737
Total liabilities.....	6,944	8,437
	-----	-----
Net assets.....	\$ 834,315	\$ 713,300
Net asset value per share.....	\$ 9.99	\$ 10.02
Shares of common stock outstanding.....	83,551	71,213
PER SHARE		
Investment income--net.....	\$ .64	\$ .53
Realized and unrealized gain on investments--net.....	--	.03
Dividends from net investment income to common shareholders.....	\$ (.64)	\$ (.53)
RATIOS		
Total expenses to average net assets.....	1.41%	1.47%
Investment income--net, to average net assets.....	6.58%	5.27%

</TABLE>

11. CERTAIN INFORMATION ABOUT THE FUND. The Fund was incorporated under the laws of the State of Maryland on July 17, 1989 and is a non-diversified, closed-end, management investment company registered under the Investment Company Act of 1940, as amended. The Fund seeks as high a level of current income and such preservation of capital as is consistent with investment in senior collateralized corporate loans ("Corporate Loans") made by banks and other financial institutions. The Corporate Loans pay interest at rates which float or reset at a margin above a generally-recognized base lending rate such as the prime rate of a designated U.S. bank, the Certificate of Deposit rate or

the London InterBank Offered Rate. MLAM, an affiliate of Merrill Lynch, acts as investment adviser and administrator for the Fund.

There have not been any transactions involving the Shares of the Fund that were effected during the past 40 business days by the Fund, any executive officer or Director of the Fund, any person

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controlling the Fund, any executive officer or director of any corporation ultimately in control of the Fund or by any associate or subsidiary of any of the foregoing including any executive officer or director of any such subsidiary, except that within the past 40 business days: (i) pursuant to the public offering of its Shares the Fund has sold approximately 4.6 million Shares at a price equal to NAV on the date of each such sale and (ii) the Fund repurchased approximately 3.8 million shares at NAV (\$10.02) in connection with the Fund's previous tender offer which terminated January 13, 1994.

At a special meeting held on February 25, 1994, the stockholders of the Fund elected Cynthia A. Montgomery as a director of the Fund in connection with the retirement of Marc A. White from the Board of Directors and approved the change of the Fund's name from Merrill Lynch Prime Fund, Inc. to Merrill Lynch Senior Floating Rate Fund, Inc.

The principal executive offices of the Fund are located at 800 Scudders Mill Road, Plainsboro, New Jersey 08536.

12. ADDITIONAL INFORMATION. The Fund has filed a statement on Schedule 13E-4 with the Securities and Exchange Commission (the "Commission") which includes certain additional information relating to the Offer. Such material may be inspected and copied at prescribed rates at the Commission's public reference facilities at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549; Seven World Trade Center, New York, New York 10048; and Room 3190, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material may also be obtained by mail at prescribed rates from the Public Reference Branch of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549.

13. CERTAIN FEDERAL INCOME TAX CONSEQUENCES. The following discussion is a general summary of the Federal income tax consequences of a sale of Shares pursuant to the Offer. You should consult your own tax adviser for a complete description of the tax consequences to you of a sale of Shares pursuant to the Offer.

The sale of Shares pursuant to the Offer will be a taxable transaction for Federal income tax purposes, either as a "sale or exchange," or under certain circumstances, as a "dividend." In general, the transaction should be treated as a sale or exchange of the Shares under Section 302 of the Internal Revenue Code of 1986, as amended (the "Code"), if the receipt of cash: (a) is "substantially disproportionate" with respect to the stockholder, (b) results in a "complete redemption" of the stockholder's interest in the Fund, or (c) is "not essentially equivalent to a dividend" with respect to the stockholder. A "complete redemption" of a stockholder's interest generally requires that the stockholder dispose of all Shares directly owned or attributed to such stockholder under Section 318 of the Code. A "substantially disproportionate" distribution generally requires a reduction of at least 20% in the stockholder's proportionate interest in the Fund after all shares are tendered. A distribution "not essentially equivalent to a dividend" requires that there be a "meaningful reduction" in the stockholder's interest, which should be the case if the stockholder has a minimal interest in the Fund, exercises no control over Fund affairs and suffers a reduction in his proportionate interest in the Fund.

If any of these three tests for "sale or exchange" treatment is met, you will recognize gain or loss equal to the difference between the amount of cash received pursuant to the Offer and the adjusted tax basis of the Shares sold. Such gain or loss will be a capital gain or loss if the Shares sold have been held by you as a capital asset. In general, capital gain or loss with respect to Shares sold will be long-term capital gain or loss if the holding period for such Shares is more than one year.

If none of the Code Section 302 tests is met, you may be treated as having received, in whole or in part, a dividend, return of capital or capital gain, depending on (i) whether the Fund has sufficient earnings and profits to support a dividend and (ii) your tax basis in the Shares. The tax basis in the Shares tendered to the Fund will be transferred to any remaining Shares held by you. In addition, if the sale of Shares pursuant to the offer is treated as a "dividend" to a tendering stockholder, a Code Section

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305(c) constructive dividend may result to a non-tendering stockholder whose proportionate interest in the earnings and assets of the Fund has been increased

as a result of such tender.

Accordingly, the differentiation between "dividend" and "sale or exchange" treatment is important with respect to the amount and character of income tendering stockholders are deemed to receive. In addition, while the marginal tax rates for dividends and capital gains remain the same for corporate stockholders, under the Code the top income tax rate for individuals (39.6%) will exceed the maximum marginal tax rate on long-term capital gains (28%).

In the event that the sale of Shares by a corporate stockholder pursuant to the Offer is treated as a dividend, the corporate stockholder may be entitled to claim a "dividends received deduction" on the cash received, which ordinarily would be 70% of such dividend. However, corporate stockholders should consult their tax advisers about certain provisions of the Code that may affect the "dividends received deduction."

The Transfer Agent will be required to withhold 31% of the gross proceeds paid to a stockholder or other payee pursuant to the Offer unless either: (a) the stockholder has provided the stockholder's taxpayer identification number/social security number, and certifies under penalties of perjury: (i) that such number is correct, and (ii) either that (A) the stockholder is not otherwise subject to backup withholding as a result of a failure to report all interest or dividends, or (B) the Internal Revenue Service has notified the stockholder that the stockholder is no longer subject to backup withholding; or (b) an exception applies under applicable law and Treasury regulations. Foreign stockholders may be required to provide the Transfer Agent with a completed Form W-8, available from the Transfer Agent, in order to avoid 31% backup withholding.

Unless a reduced rate of withholding or a withholding exemption is available under an applicable tax treaty, a stockholder who is a nonresident alien or a foreign entity may be subject to a 30% United States withholding tax on the gross proceeds received by such stockholder, if the proceeds are treated as a "dividend" under the rules described above. Foreign stockholders should consult their tax advisers regarding application of these withholding rules.

14. EXTENSION OF TENDER PERIOD; TERMINATION; AMENDMENTS. The Fund reserves the right, at any time and from time to time, to extend the period of time during which the Offer is pending by making a public announcement thereof. In the event that the Fund so elects to extend the tender period, the NAV for the Shares tendered will be determined as of the close of the New York Stock Exchange on the Expiration Date, as extended. During any such extension, all Shares previously tendered and not purchased or withdrawn will remain subject to the Offer. The Fund also reserves the right, at any time and from time to time up to and including the Expiration Date, to (a) terminate the Offer and not to purchase or pay for any Shares, and (b) amend the Offer in any respect by making a public announcement. Such public announcement will be issued no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date and will disclose the approximate number of Shares tendered as of that date. Without limiting the manner in which the Fund may choose to make a public announcement of extension, termination or amendment, except as provided by applicable law (including Rule 13e-4(e)(2)), the Fund shall have no obligation to publish, advertise or otherwise communicate any such public announcement, other than by making a release to the Dow Jones News Service.

15. MISCELLANEOUS. The Offer is not being made to, nor will tenders be accepted from, stockholders in any jurisdiction in which the Offer or its acceptance would not comply with the securities or Blue Sky laws of such jurisdiction. The Fund is not aware of any jurisdiction in which the Offer or tenders pursuant thereto would not be in compliance with the laws of such jurisdiction. However, the Fund reserves the right to exclude stockholders from the Offer in any jurisdiction in which it is asserted that the Offer cannot lawfully be made. The Fund believes such exclusion is permissible under applicable

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tender offer rules, provided the Fund makes a good faith effort to comply with any state law deemed applicable to the Offer. In any jurisdiction the securities or Blue Sky laws of which require the Offer to be made by a licensed broker or dealer the Offer shall be deemed to be made on the Fund's behalf by Merrill Lynch.

MERRILL LYNCH SENIOR FLOATING RATE  
FUND, INC.

March 21, 1994

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LETTER OF TRANSMITTAL  
TO BE USED TO TENDER SHARES OF  
MERRILL LYNCH SENIOR FLOATING RATE FUND, INC.  
(FORMERLY KNOWN AS MERRILL LYNCH PRIME FUND, INC.)  
PURSUANT TO THE OFFER TO PURCHASE  
DATED MARCH 21, 1994  
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THE EXPIRATION DATE AND THE WITHDRAWAL DEADLINE IS 12:00 MIDNIGHT,  
NEW YORK CITY TIME, ON FRIDAY, APRIL 15, 1994, UNLESS EXTENDED  
-----

TRANSFER AGENT:

FINANCIAL DATA SERVICES, INC.  
ATTENTION: MERRILL LYNCH SENIOR FLOATING RATE FUND, INC.  
TRANSFER AGENCY OPERATIONS DEPARTMENT  
P.O. BOX 45289  
JACKSONVILLE, FLORIDA 32232-5289  
TELEPHONE INFORMATION NUMBER: (904) 928-5510  
DELIVERY TO AN ADDRESS OTHER THAN THAT SHOWN ABOVE DOES NOT CONSTITUTE VALID  
DELIVERY.

THIS LETTER OF TRANSMITTAL IS TO BE USED ONLY IF THE STOCKHOLDER IS A  
RECORD OWNER OF SHARES WHO DESIRES TO EFFECT THE TENDER OFFER TRANSACTION  
HIMSELF BY TRANSMITTING THE NECESSARY DOCUMENTS TO THE FUND'S TRANSFER AGENT AND  
DOES NOT INTEND TO REQUEST HIS BROKER OR DEALER TO EFFECT THE TRANSACTION FOR  
HIM. A STOCKHOLDER WHO HOLDS SHARES IN A MERRILL LYNCH ACCOUNT OR THROUGH  
ANOTHER BROKER, DEALER, COMMERCIAL BANK, TRUST COMPANY OR OTHER NOMINEE IS NOT  
THE RECORD OWNER AND SHOULD INSTRUCT HIS FINANCIAL CONSULTANT OR SUCH OTHER  
NOMINEE TO EFFECT THE TENDER ON HIS BEHALF.

PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY

GENTLEMEN:

The undersigned hereby tenders to the Merrill Lynch Senior Floating Rate  
Fund, Inc., a closed-end investment company incorporated under the laws of the  
State of Maryland (the "Fund"), the shares described below of its common stock,  
par value \$.10 per share (the "Shares"), at a price equal to the net asset value  
per Share ("NAV") calculated on the Expiration Date (as defined in the Offer to  
Purchase), in cash, less any applicable Early Withdrawal Charge, upon the terms  
and conditions set forth in the Offer to Purchase dated March 21, 1994, receipt  
of which is hereby acknowledged, and in this Letter of Transmittal (which  
together constitute the "Offer").

The undersigned hereby sells to the Fund all Shares tendered hereby that  
are purchased pursuant to the Offer and hereby irrevocably constitutes and  
appoints the Transfer Agent as attorney in fact of the undersigned, with full  
power of substitution (such power of attorney being deemed to be an irrevocable  
power coupled with an interest), to present such Shares and any Share  
certificates for cancellation of such Shares on the Fund's books. The  
undersigned hereby warrants that the undersigned has full authority to sell the  
Shares tendered hereby and that the Fund will acquire good title thereto, free  
and clear of all liens, charges, encumbrances, conditional sales agreements or  
other obligations relating to the sale thereof, and not subject to any adverse  
claim, when and to the extent the same are purchased by it. Upon request, the  
undersigned will execute and deliver any additional documents necessary to  
complete the sale in accordance with the terms of the Offer.

The undersigned recognizes that under certain circumstances set forth in  
the Offer to Purchase, the Fund may not be required to purchase any of the  
Shares tendered hereby. In that event, the undersigned understands that, in the  
case of Shares evidenced by certificates, certificate(s) for any Shares not  
purchased will be returned to the undersigned at the address indicated above. In  
the case of Shares not evidenced by certificates and held in an Investment  
Account, the Transfer Agent will cancel the tender order and no Shares will be  
withdrawn from the Account.

The check for the purchase price for the tendered Shares purchased will be  
issued to the order of the undersigned and mailed to the address indicated in  
the "Description of Shares Tendered" table below.

All authority herein conferred or agreed to be conferred shall survive the  
death or incapacity of the undersigned and the obligation of the undersigned  
hereunder shall be binding upon the heirs, personal representatives, successors

and assigns of the undersigned. Except as stated in the Offer, this tender is irrevocable.

DESCRIPTION OF SHARES TENDERED  
(SEE INSTRUCTIONS 3 AND 4)

<TABLE> <S> NAME(S) AND ADDRESS(ES) OF REGISTERED HOLDER(S) (PLEASE FILL IN EXACTLY THE NAME(S) IN WHICH SHARES ARE REGISTERED)	<C>	<C>	<C>
Account No.	Total Shares Tendered.....		

\* Need not be completed by stockholders whose Shares are not evidenced by certificates.

\*\* To be completed by all tendering stockholders, whether or not your Shares are evidenced by certificates. If you desire to tender fewer than all Shares held in your account or evidenced by a certificate listed above, please indicate in this column the number you wish to tender. Otherwise all Shares evidenced by such certificate or held in your account will be deemed to have been tendered.

SIGNATURE FORM  
--SIGN HERE--  
(SEE INSTRUCTIONS 1, 5 AND 8)

Social Security No.  
or Taxpayer Identification No. ....

Under penalty of perjury, I certify (1) that the number set forth above is my correct Social Security No. or Taxpayer Identification No. and (2) that I am not subject to backup withholding either because I have not been notified that I am subject thereto as a result of failure to report all interest or dividends, or the Internal Revenue Service ("IRS") has notified me that I am no longer subject thereto. INSTRUCTION: You must strike out the language in (2) above if you have been notified that you are subject to backup withholding due to underreporting and you have not received a notice from the IRS that backup withholding has been terminated.

.....  
.....

(SIGNATURE(S) OF OWNER(S) EXACTLY AS REGISTERED)

Date ..... , 1994

Name(s) .....  
.....

(PLEASE PRINT)

Telephone Number ( ) .....

Signature(s) Guaranteed .....  
.....

INSTRUCTIONS  
FORMING PART OF THE TERMS AND CONDITIONS OF THE OFFER

1. GUARANTEE OF SIGNATURES. All signatures on this Letter of Transmittal must be guaranteed by a member firm of a registered national securities exchange, or a commercial bank or trust company having an office, branch or agency in the United States. This Letter of Transmittal is to be used only if you may effect the tender offer transaction yourself and do not intend to request your broker or dealer to effect the transaction for you.

2. DELIVERY OF LETTER OF TRANSMITTAL AND CERTIFICATES. Certificates for all tendered Shares, together with a properly completed and duly executed Letter of Transmittal, should be mailed or delivered to the Transfer Agent on or prior to the Expiration Date at the appropriate address set forth herein and must be received by the Transfer Agent prior to the Expiration Date.

THE METHOD OF DELIVERY OF ALL DOCUMENTS, INCLUDING CERTIFICATES FOR SHARES, IS AT THE ELECTION AND RISK OF THE TENDERING STOCKHOLDER.



3. INADEQUATE SPACE. If the space provided is inadequate, the certificate numbers and number of Shares should be listed on a separate signed schedule attached hereto.

4. PARTIAL TENDERS. If fewer than all of the Shares in your Investment Account or evidenced by any certificate submitted are to be tendered, fill in the number of Shares which are to be tendered in the column entitled "No. of Shares Tendered." If applicable, a new certificate for the remainder of the Shares evidenced by your old certificate(s) will be sent to you as soon as practicable after the Expiration Date of the Offer. All Shares represented by certificate(s) listed or in your Investment Account are deemed to have been tendered unless otherwise indicated.

5. SIGNATURES ON LETTER OF TRANSMITTAL, AUTHORIZATION AND ENDORSEMENTS.

(a) If the Letter of Transmittal is signed by the registered holder of the Shares tendered hereby, the signature(s) must correspond with the name(s) in which the Shares are registered.

(b) If the Shares are held of record by two or more joint holders, all such holders must sign this Letter of Transmittal.

(c) If any tendered Shares are registered in different names it will be necessary to complete, sign and submit as many separate Letters of Transmittal as there are different registrations of Shares.

(d) When this Letter of Transmittal is signed by the registered holder(s) of the Shares listed and, if applicable, of the certificates transmitted hereby, no endorsements of certificates or separate authorizations are required.

(e) If this Letter of Transmittal or any certificates or authorizations are signed by trustees, executors, administrators, guardians, attorneys in fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and must submit proper evidence satisfactory to the Fund of their authority so to act.

6. TRANSFER TAXES. The Fund will pay all the taxes, if any, payable on the transfer to it of Shares purchased pursuant to the Offer. If tendered certificates are registered in the name of any person other than the person(s) signing this Letter of Transmittal, the amount of any transfer taxes (whether imposed on the registered holder or such other person) payable on account of the transfer to such person will be deducted from the purchase price unless satisfactory evidence of the payment of such taxes, or exemption therefrom, is submitted.

7. IRREGULARITIES. All questions as to the validity, form, eligibility (including time of receipt) and acceptance of any tender of Shares will be determined by the Fund, whose determinations shall be final and binding. The Fund reserves the absolute right to reject any or all tenders determined by it not to be in appropriate form or the acceptance of or payment for which would, in the opinion of counsel for the Fund, be unlawful. The Fund also reserves the absolute right to waive any of the conditions of the Offer or any defect in any tender with respect to any particular Shares or any particular stockholder, and the Fund's interpretations of the terms and conditions of the Offer (including these instructions) will be final and binding. Unless waived, any defects or irregularities in connection with tenders must be cured within such time as the Fund shall determine. Tenders will not be deemed to have been made until all defects and irregularities have been cured or waived. Neither the Fund, Merrill Lynch Asset Management nor the Transfer Agent, nor any other person shall be obligated to give notice of defects or irregularities in tenders, nor shall any of them incur any liability for failure to give any such notice.

8. IMPORTANT TAX INFORMATION. Under Federal income tax law, a stockholder whose tendered Shares are accepted for payment is required by law to provide the Transfer Agent (as payer) with his correct taxpayer identification number, which is accomplished by completing and signing the Signature Form.

MERRILL LYNCH, PIERCE, FENNER & SMITH  
INCORPORATED

RESPONSE CENTER  
P.O. BOX 30200  
NEW BRUNSWICK, NJ 08989-0200

Dear Stockholder:

As you requested, we are enclosing a copy of the Merrill Lynch Senior Floating Rate Fund, Inc. (formerly known as Merrill Lynch Prime Fund, Inc.) (the "Fund") Offer to Purchase dated March 21, 1994 (the "Offer to Purchase") 10,000,000 Issued and Outstanding Shares (the "Shares"). The Offer to Purchase is for cash at Net Asset Value ("NAV") per share as of the expiration date of the Offer, less any Early Withdrawal Charge. Together with the Offer to Purchase we are sending you a Form Letter of Transmittal (the "Letter") for use by holders of record of Shares which you should read carefully. Certain selected financial information with respect to the Fund is set forth in the Offer to Purchase.

If, after reviewing the information set forth in the Offer to Purchase and Letter, you wish to tender Shares for purchase by the Fund, please either contact your Merrill Lynch Financial Consultant or other broker, dealer or nominee to effect the tender for you or, if you are the record owner of the Shares, you may follow the instructions contained in the Offer to Purchase and Letter.

Neither the Fund nor its Board of Directors is making any recommendation to any holder of Shares as to whether to tender Shares. Each stockholder is urged to consult his or her broker or tax adviser before deciding whether to tender any Shares.

The Fund's annualized distribution rate for the period January 25, 1994 through February 22, 1994, based on the amounts actually distributed by the Fund, was 5.06%. The Fund's NAV on March 16, 1994 was \$10.02 per Share. The Fund publishes its NAV each week in Barron's. It appears in the "Investment Company Institute List" under the sub-heading "Loan Participation Funds" within the listings of mutual funds and closed-end funds.

Requests for current NAV quotations or for additional copies of the Offer to Purchase, the Letter and any other tender offer documents may be directed to the Merrill Lynch Response Center at (800) 637-7455, ext. 7198.

Should you have any other questions on the enclosed material, please do not hesitate to contact your Merrill Lynch Financial Consultant or other broker or dealer or call the Fund's Transfer Agent, Financial Data Services, Inc., at

(904) 928-5510. We appreciate your continued interest in Merrill Lynch Senior Floating Rate Fund, Inc.

Yours truly,  
MERRILL LYNCH, PIERCE, FENNER & SMITH  
INCORPORATED

EXTENSION REQUEST  
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EXTENSION REQUEST (this "Extension Request"), dated as of  
-----  
March 16, 1994, made by MERRILL LYNCH SENIOR FLOATING RATE FUND,  
INC., a Maryland corporation (formerly known as Merrill Lynch  
Prime Fund, Inc. and hereinafter referred to as the "Borrower"),  
-----  
pursuant to the Credit Agreement, dated as of March 23, 1992,  
between the Borrower and THE BANK OF NEW YORK (the "Bank"), as  
-----  
amended by Amendment No. 1, dated as of June 3, 1992, Amendment  
No. 2, dated as of September 11, 1992, Amendment No. 3, dated as  
of March 17, 1993 and Amendment No. 4, dated as of December 16,  
1993 (as so amended, the "Agreement").  
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RECITALS  
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A. Capitalized terms used herein which are not defined herein and which are defined in the Agreement shall have the same meanings as therein defined.

B. Paragraph 2.10 of the Agreement provides that so long as no Default or Event of Default exists, the Borrower may request that the Termination Date be extended for a period of 360 days from and including the date of the Bank's consent to such Extension Request.

C. The Termination Date (without giving effect to the extension requested hereby) is March 16, 1994.

D. The Borrower desires that the Termination Date be extended for an additional period of 360 days and the Bank desires to consent thereto.

In consideration of the premises, and the terms and conditions herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Pursuant to paragraph 2.10 of the Agreement, the Borrower hereby requests that the Termination Date be extended for an additional period of 360 days from the date hereof to March 10, 1995.

2. The Borrower hereby represents and warrants to the Bank (a) that there exists no Default or Event of Default and (b) effective March 8, 1994, it changed its name to Merrill Lynch Senior Floating Rate Fund, Inc.

3. The Bank, by signing below, hereby consents to this Extension Request.

4. In consideration of the consent of the Bank hereto, the Borrower agrees to pay to the Bank upon the delivery of an executed counterpart hereof, a fee in the sum of \$50,000.

5. This instrument may be executed in any number of counterparts, each of which shall be an original and all of which shall constitute one instrument. It shall not be necessary in

making proof of this instrument to produce or account for more than one counterpart signed by the party to be charged.

6. This instrument is being delivered in and is intended

to be performed in the State of New York and shall be construed and enforceable in accordance with, and be governed by, the internal laws of the State of New York without regard to principles of conflict of laws.

IN WITNESS WHEREOF, each of the parties has caused this Extension Request to be executed by its duly authorized officer as of the date and year first written above.

MERRILL LYNCH SENIOR FLOATING  
RATE FUND, INC. (formerly  
known as Merrill Lynch Prime  
Fund, Inc.)

By: /s/ Terry K. Glenn

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Name: Terry K. Glenn

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Title: Executive Vice President  
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THE BANK OF NEW YORK

By: /s/ Lee B. Stephens III

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Name: Lee B. Stephens III

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Title: Vice President  
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## INDEPENDENT AUDITORS' REPORT

THE BOARD OF DIRECTORS AND SHAREHOLDERS,  
MERRILL LYNCH PRIME FUND, INC.

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of Merrill Lynch Prime Fund, Inc. as of August 31, 1993, the related statements of operations and cash flows for the year then ended, the statements of 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 the period November 3, 1989 (commencement of operations) to August 31, 1990. 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 August 31, 1993 by correspondence with the custodian and financial intermediaries. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements and financial highlights present fairly, in all material respects, the financial position of Merrill Lynch Prime Fund, Inc. at August 31, 1993, the results of its operations, its cash flows, the changes in its net assets, and the financial highlights for the respective stated periods in conformity with generally accepted accounting principles.

As discussed in Notes 1a and 1b, the financial statements include senior secured floating rate loan interests ('Loan Interests') valued at \$605,935,786 (84.95% of all net assets of the Fund), whose values are fair values as determined by or under the direction of the Board of Directors in the absence of actual market values. Determination of fair value involves subjective judgment, as the actual market value of a particular Loan Interest can be established only by negotiation between the parties in a sales transaction. We have reviewed the procedures established by the Board of Directors and used by the Fund's investment adviser in determining the fair values of such Loan Interests and have inspected underlying documentation, and under the circumstances, we believe that the procedures are reasonable and the documentation appropriate.

Deloitte & Touche  
Princeton, New Jersey  
October 12, 1993

<TABLE>  
Merrill Lynch Prime Fund, Inc.  
Schedule of Investments as of August 31, 1993 (in Thousands)

<CAPTION>		Face	Value
Industry	Senior Secured Floating Rate Loan Interests*	Amount	(Note 1b)
<S>	<C>	<C>	<C>
Airlines--6.26%	Northwest Airlines, Inc., Revolving Credit Loan, due 8/04/94:		
	8.00%(1)	\$ 3,275	\$ 3,275
	5.9375% to 9/27/93	1,116	1,116
	6.125% to 10/14/93	1,116	1,116
	Northwest Airlines, Inc., Term Loan, due 9/15/97:		
	6.0625% to 9/08/93	7,751	7,751
	6.0625% to 10/20/93	21,195	21,195
	6.1875% to 12/21/93	7,146	7,146
	6.25% to 9/10/93	2,980	2,980
		44,579	44,579
Cellular			
Communications--1.89%	Lin Cellular Network, Inc., Term Loan, due 8/31/2000:		
	4.6875% to 9/21/93	5,000	5,000
	4.4375% to 9/30/93	1,500	1,500
	4.50% to 10/25/93	5,000	5,000
	4.6875% to 11/29/93	1,000	1,000

	4.6875% to 12/21/93	1,000	1,000
		13,500	13,500
Computer-Related Services--2.15%	Anacom, Inc., Term Loan, due 3/31/96, 6.0625% to 10/26/93	15,313	15,313
Computing Equipment Manufacturing--3.03%	Lexmark Holdings, Foreign, Term Loan, due 3/27/98, 5.8125% to 9/30/93	5,243	5,243
	Lexmark Holdings, U.S., Term Loan, due 3/27/98:		
	5.6875% to 9/30/93	8,483	8,483
	5.9375% to 9/30/93	7,910	7,910
		21,636	21,636
Corporate Aircraft Manufacturing--2.43%	Gulfstream Corp., Revolving Credit Loan, due 3/31/98, 7.25%(1)	2,654	2,654
	Gulfstream Corp., Term Loan, due 3/31/97:		
	7.25%(1)	978	978
	5.57% to 10/13/93	13,695	13,695
		17,327	17,327
Electrical Instruments & Controls--0.69%	Berg Electronics, Term Loan, due 3/31/1995, 5.875% to 9/29/93	4,937	4,937
Grocery--5.98%	Carr-Gottstein Foods Co., Term Loan B, due 12/31/2000, 5.44% to 9/09/93	10,000	10,000
	Grand Union Company, Term Loan B, due 6/30/97:		
	8.00%(1)	48	48
	6.875% to 9/09/93	6,667	6,667
	6.75% to 11/15/93	6,333	6,333
	Ralph's Grocery Company, Term Loan, due 6/30/98:		
	7.75%(1)	603	603
	6.0625% to 11/05/93	7,715	7,715
	6.0625% to 11/08/93	9,849	9,849
	Supermarkets General Corp., Revolving Credit Loan, due 1/28/95:		
	7.50%(1)	56	56
	5.6875% to 9/03/93	1,130	1,130
	5.6875% to 9/23/93	282	282
		42,683	42,683

</TABLE>

<TABLE>

Merrill Lynch Prime Fund, Inc.  
Schedule of Investments as of August 31, 1993 (continued) (in Thousands)

Industry	Senior Secured Floating Rate Loan Interests*	Face Amount	Value (Note 1b)
<S>	<C>	<C>	<C>
Home Furnishings--1.30%	Color Tile, Inc., Tranche B Term Loan, due 12/10/98:		
	5.94% to 9/20/93	\$ 769	\$ 769
	6.06% to 10/20/93	8,462	8,462
		9,231	9,231
Liquid Gas Distribution--4.53%	Petrolane, Inc., Term Loan, due 12/31/99:		
	5.3125% to 9/20/93	1,823	1,823
	5.4375% to 10/28/93	6,184	6,184
	5.6875% to 1/28/94	24,290	24,290
		32,297	32,297
Manufacturing--Diversified--9.22%	American Standard, Inc., Term Loan A, due 6/01/2000, 6.50% to 12/02/93	25,000	25,000
	Coltec Industries, Inc., Term Loan, due 4/01/99:		
	7.50%(1)	13	13
	6.125% to 9/10/93	588	588
	6.00% to 10/07/93	7,840	7,840
	6.0625% to 11/05/93	3,626	3,626
	6.3125% to 12/10/93	1,813	1,813
	Joy Technologies, Inc., Term Loan B, due 12/31/98, 6.25% to 11/26/93	7,837	7,837
	The Pullman Co., Inc., Term Loan, due 9/30/96:		
	7.25%(1)	20	20
	7.50%(1)	48	48
	5.5625% to 9/29/93	2,362	2,362
	5.8125% to 9/29/93	5,620	5,620
	5.625% to 10/14/93	886	886
	5.875% to 10/14/93	2,108	2,108



5.5625% to 11/08/93	886	886
5.8125% to 11/08/93	2,108	2,108
5.8125% to 12/15/93	1,476	1,476
6.0625% to 12/15/93	3,513	3,513
	-----	-----
	65,744	65,744

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Manufacturing Food--4.91% Specialty Foods Corp., Term Loan B, due 8/31/99, 6.44% to 9/16/93 35,000 35,000  
-----

Manufacturing-- Soft Drinks--3.61%	Dr. Pepper/Seven Up Inc., Term Loan A, due 6/30/98: 7.875%(1) 6.0625% to 9/10/93 6.1875% to 10/06/93 Dr. Pepper/Seven Up Inc., Term Loan B, due 6/30/99: 8.50%(1) 6.6875% to 9/10/93 6.8125% to 10/06/93	2 2,976 4,676 51 9,222 8,800 ----- 25,727	2 2,976 4,676 51 9,222 8,800 ----- 25,727
---------------------------------------	---	--	--

Packaging--1.39%	Ivex Packaging Corp., Term Loan B, due 12/31/99: 8.25%(1) 6.82% to 9/24/93 6.94% to 2/24/94	93 7,143 2,714 ----- 9,950	93 7,143 2,714 ----- 9,950
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</TABLE>

<TABLE>  
Merrill Lynch Prime Fund, Inc.  
Schedule of Investments as of August 31, 1993 (continued) (in Thousands)

<CAPTION>

Industry	Senior Secured Floating Rate Loan Interests*	Face Amount	Value (Note 1b)
<S>	<C>	<C>	<C>
Paper Products--14.60%	++Fort Howard Corp., Senior Secured Notes, due 9/11/98, 6.44% to 9/12/93 ++Fort Howard Corp., Senior Secured Notes, due 9/11/2000, 6.94% to 9/12/93 Fort Howard Corp., Term Loan, due 12/31/96: 7.125%(1) 7.25%(1) 5.195% to 9/27/93 5.32% to 9/27/93 6.065% to 11/30/93 6.19% to 11/30/93 Fort Howard Corp., Term Loan, due 5/01/97, 6.32% to 10/21/93 ++Jefferson Smurfit/Container Corp. of America, Senior Secured Notes, due 12/01/98, 6.07% to 9/01/93 Jefferson Smurfit/Container Corp. of America, Term Loan, due 12/31/97: 5.44% to 9/15/93 5.69% to 9/15/93 5.44% to 9/23/93 6.1875% to 9/27/93	\$ 5,000 30,000 6 2 822 223 1,744 473 9,125 23,988 12,139 1,676 8 18,903 ----- 104,109	\$ 5,000 30,000 6 2 822 223 1,744 473 9,125 23,988 12,139 1,676 8 18,903 ----- 104,109
Rental Services--2.06%	Cort Furniture Rental Corp., Revolving Credit Loan, due 9/30/93, 8.00% (1) Cort Furniture Rental Corp., Term Loan, due 9/30/93, 8.00% (1)	1,895 12,757 ----- 14,652	1,895 12,757 ----- 14,652
Restaurants--4.10%	TW Services, Term Loan A, due 8/15/95: 5.9375% to 9/23/93 6.0625% to 10/19/93 6.00% to 10/21/93 TW Services, Term Loan B, due 8/15/95: 5.9375% to 9/23/93 6.0625% to 10/19/93 6.00% to 10/21/93	599 4,841 9,222 597 4,822 9,186 ----- 29,267	599 4,841 9,222 597 4,822 9,186 ----- 29,267
Retail--Apparel--2.80%	Saks and Co., Term Loan B, due 6/30/2000, 6.50% to 2/09/94	20,000	20,000
Retail-- Convenience Stores--2.80%	Circle K Acquisitions Corp., Term Loan A, due 4/30/98, 6.1875% to 9/27/93 Circle K Acquisitions Corp., Term Loan B, due 4/30/2000, 6.6875% to 9/27/93	6,667 13,334 ----- 20,001	6,667 13,334 ----- 20,001
Retail--Drug Stores--7.36%	Duane Reade, Term Loan A, due 9/30/97:		

6.1875% to 9/27/93	229	229
6.1875% to 9/27/93	123	123
6.375% to 11/26/93	13,956	13,956
Duane Reade, Term Loan B, due 9/30/99, 6.875% to 11/26/93	10,000	10,000
Hook-Super X, Inc., Term Loan Series C, due 7/31/2000, 6.065% to 9/30/93	14,000	14,000
Jack Eckerd Corp., Term Loan B, due 6/14/2000, 6.1875% to 9/23/93	14,175	14,175
	-----	-----
	52,483	52,483
-----	-----	-----
Specialty Chemicals--2.10% OSI Specialties, Inc., Term Loan, due 6/30/2000, 5.94% to 9/16/93	15,000	15,000
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</TABLE>

<TABLE>

Merrill Lynch Prime Fund, Inc.  
Schedule of Investments as of August 31, 1993 (continued) (in Thousands)

<CAPTION>

Industry	Senior Secured Floating Rate Loan Interests*	Face Amount	Value (Note 1b)
<S>	<C>	<C>	<C>
Warehousing--			
Business Records--1.75%	Pierce Leahy Corp., Term Loan A, due 10/31/99, 6.25% to 12/07/93	\$ 5,000	\$ 5,000
	Pierce Leahy Corp., Term Loan B, due 7/31/2000:		
	6.3125% to 9/07/93	3,750	3,750
	6.4375% to 12/07/93	3,750	3,750
		-----	-----
		12,500	12,500
		-----	-----
	Total Senior Secured Floating Rate Loan Interests (Cost--\$605,936)--84.95%	605,936	605,936
		-----	-----
	Short-Term Securities		
Commercial Paper**--15.13%	Corporate Asset Funding Co., Inc., 3.10% due 9/23/93	10,000	9,981
	CSW Credit, Inc., 3.11% due 9/13/93	14,000	13,985
	Daimler-Benz North America Corp., 3.05% due 9/30/93	16,000	15,961
	Federal Home Loan Mortgage Corp., 3.06% due 10/26/93	18,000	17,916
	General Electric Capital Corp., 3.25% due 9/01/93	15,110	15,110
	Matterhorn Capital Corp., 3.10% due 9/23/93	5,000	4,991
	Paccar Financial Corp., 3.07% due 9/03/93	5,000	4,999
	PHH Corporation, Inc., 3.07% due 9/14/93	15,000	14,983
	Transamerica Financial Corp., 3.07% due 9/27/93	10,000	9,978
		-----	-----
	Total Short-Term Securities (Cost--\$107,904)--15.13%	108,110	107,904
		-----	-----
	Common Stock	Shares Held	
Restaurants--0.05%	++TW Services, Inc.	44	400
		-----	-----
	Total Common Stock (Cost--\$0)--0.05%	44	400
	Total Investments (Cost--\$713,840)--100.13%		714,240
		-----	-----
	Liabilities in Excess of Other Assets--(0.13%)		(940)
			-----
	Net Assets--100.00%		\$713,300
			=====

</TABLE>

(1) Index is based on the prime rate of a US bank, which is subject to change daily.

\*The interest rates on senior secured floating rate loan interests are subject to change periodically based on the change in the prime rate of a US Bank, LIBOR (London Interbank Offered Rate), or, in some cases, another base lending rate. The interest rates shown are those in effect at August 31, 1993.

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

++Restricted securities as to resale. The value of the Fund's investment in restricted securities was approximately \$59,388,000, representing 8.33% of net assets.

Senior Secured Notes	Cost (In Thousands)	Acquisition Date
Fort Howard Corp.	\$35,000	9/11/91

Jefferson Smurfit/Container  
Corp. of America 23,988 4/24/91

Common Stock	Cost (In Thousands)	Acquisition Date
TW Services, Inc.	\$0	6/03/91

The closing bid price for TW Services, Inc. Common Stock on 8/31/93 was \$11.25 per share.

See Notes to Financial Statements.

<TABLE>

Merrill Lynch Prime Fund, Inc.  
Statement of Assets and Liabilities as of August 31, 1993

<S>	<C>	<C>
Assets:		
Investments, at value (identified cost--\$713,839,741) (Note 1b)		\$714,239,791
Receivables:		
Interest	\$ 4,278,683	
Capital shares sold	2,765,255	
Commitment fees	57,522	7,101,460
Deferred facility fees (Note 1d)		26,667
Deferred organization expenses (Note 1e)		209,384
Prepaid registration fees and other assets (Note 1e)		159,717
Total assets		721,737,019
Liabilities:		
Payables:		
Dividends to shareholders (Note 1f)	829,136	
Investment adviser (Note 2)	550,611	
Administrator (Note 2)	144,898	1,524,645
Deferred income (Note 1d)		6,351,980
Accrued expenses and other liabilities		560,737
Total liabilities		8,437,362
Net assets		\$713,299,657
Net Assets Consist of:		
Common Stock, par value \$.10 per share; 1,000,000,000 shares authorized		\$ 7,121,333
Paid-in capital in excess of par		705,805,044
Accumulated realized capital losses--net (Note 7)		(26,770)
Unrealized appreciation on investments--net (Note 3)		400,050
Net Assets--Equivalent to \$10.02 per share based on 71,213,326 capital shares outstanding		\$713,299,657

</TABLE>

See Notes to Financial Statements.

Merrill Lynch Prime Fund, Inc.

<TABLE><CAPTION>

Statement of Operations

<S>	<C>	<C>
Investment Income (Note 1d):		
Interest and discount earned		\$43,411,933
Facility and other fees		7,663,493
Total income		51,075,426
Expenses:		
Investment advisory fees (Note 2)	\$ 7,202,400	
Administrative fees (Note 2)	1,895,368	
Transfer agent fees (Note 2)	584,126	
Borrowing costs (Note 6)	306,800	
Professional fees	258,938	
Amortization of organization expenses (Note 1e)	179,472	
Accounting services (Note 2)	98,259	

For the Year Ended  
August 31, 1993

Printing and shareholder reports	95,822
Tender offer costs	87,894
Custodian fees	81,469
Registration fees (Note 1e)	55,112
Directors' fees and expenses	51,339
Other	243,785
	-----
Total expenses	11,140,784
	-----
Investment income--net	39,934,642
Realized Gain on Investments--Net (Notes 1d & 3)	2,039
Change in Unrealized Appreciation/Depreciation of Investments--Net (Note 3)	2,394,855
	-----
Net Increase in Net Assets Resulting from Operations	\$42,331,536
	=====

</TABLE>

See Notes to Financial Statements.

<TABLE>

Merrill Lynch Prime Fund, Inc.

<CAPTION>

Statements of Changes in Net Assets	For the Year Ended August 31,	
	1993	1992
<S>	<C>	<C>
Increase (Decrease) in Net Assets:		
Operations:		
Investment income--net	\$ 39,934,642	\$ 80,009,488
Realized gain (loss) on investments--net	2,039	(28,596)
Change in unrealized appreciation/depreciation on investments--net	2,394,855	133,330
	-----	-----
Net increase in net assets resulting from operations	42,331,536	80,114,222
	-----	-----
Dividends to Shareholders (Note 1f):		
Investment income--net	(39,934,642)	(80,009,488)
	-----	-----
Net decrease in net assets resulting from dividends to shareholders	(39,934,642)	(80,009,488)
	-----	-----
Capital Share Transactions (Note 4):		
Net decrease in net assets resulting from capital share transactions	(123,412,312)	(871,150,138)
	-----	-----
Net Assets:		
Total decrease in net assets	(121,015,418)	(871,045,404)
Beginning of year	834,315,075	1,705,360,479
	-----	-----
End of year	\$713,299,657	\$834,315,075
	=====	=====

</TABLE>

See Notes to Financial Statements.

<TABLE>

Merrill Lynch Prime Fund, Inc.

<CAPTION>

Statement of Cash Flows

Statement of Cash Flows	For the Year Ended	
	August 31, 1993	
<S>	<C>	
Cash Provided by Operating Activities:		
Net increase in net assets resulting from operations		\$ 42,331,536
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by operating activities:		
Decrease in receivables		2,022,586
Decrease in other assets		254,552
Increase in other liabilities		1,863,244
Realized and unrealized gain (loss) on investments--net		(2,394,856)
		-----
Net cash provided by operating activities		44,077,062
		-----
Cash Provided by Investing Activities:		
Proceeds from principal payments and sales of loan interests		591,548,320

Purchases of loan interests	(566,714,003)
Proceeds from sales and maturities of short-term investments--net	96,912,098
Net cash provided by investment activities	121,746,415
Cash Used in Financing Activities:	
Capital share activity:	
Cash receipts on capital shares sold	143,575,164
Cash payments on capital shares tendered	(290,287,314)
Dividends paid to shareholders	(19,180,470)
Net cash used in financing activities	(165,892,620)
Cash:	
Net decrease in cash	(69,143)
Cash at beginning of year	69,143
Cash at end of year	\$ --
Non-cash Financing Activities:	
Capital shares issued in reinvestment of dividends paid to shareholders	\$ 21,124,039

</TABLE>

See Notes to Financial Statements.

<TABLE>

Merrill Lynch Prime Fund, Inc.  
Financial Highlights  
<CAPTION>

The following per share data and ratios have been derived from information provided in the financial statements.	For the Year Ended			For the
	1993	1992	1991	Period
		August 31,		Nov. 3,
	<C>	<C>	<C>	1989+ to
				Aug. 31,
				1990
				<C>
Increase (Decrease) in Net Asset Value:				
<S>				
Per Share Operating Performance:				
Net asset value beginning of period	\$ 9.99	\$ 9.99	\$ 10.00	\$ 10.00
Investment income--net	.53	.64	.85	.76
Realized and unrealized gain (loss) on investments--net	.03	--	(.01)	--
Total from investment operations	.56	.64	.84	.76
Less Dividends:				
Investment income--net	(.53)	(.64)	(.85)	(.76)
Total dividends	(.53)	(.64)	(.85)	(.76)
Net asset value, end of period	\$ 10.02	\$ 9.99	\$ 9.99	\$ 10.00
Total Investment Return*:				
Based on net asset value per share	5.74%	6.58%	8.79%	7.63%++
Ratios to Average Net Assets:				
Expenses, net of reimbursement	1.47%	1.39%	1.27%	.79%**
Expenses	1.47%	1.41%	1.33%	1.35%**
Investment income--net	5.27%	6.58%	8.44%	9.06%**
Supplemental Data:				
Net assets, end of period (in millions)	\$ 713	\$ 834	\$ 1,705	\$ 1,728
Portfolio turnover	90.36%	46.48%	58.22%	29.61%

<FN>

\*Total investment returns exclude the effects of sales loads. The Fund is a continuously offered closed-end fund, the shares of which are offered at net asset value. Therefore, no separate market exists.

\*\*Annualized.

+Commencement of Operations.

++Aggregate total investment return.

</TABLE>

Merrill Lynch Prime Fund, Inc.  
Notes to Financial Statements

1. Significant Accounting Policies:

Merrill Lynch Prime Fund, Inc. (the "Fund") is registered under the Investment Company Act of 1940 as a continuously offered non-diversified, closed-end management investment company.

(a) Loan participation interests--The Fund invests in senior secured floating rate loan interests ("Loan Interests") with collateral having a market value, at time of acquisition by the Fund, which Fund management believes equals or exceeds the principal amount of the corporate loan. The Fund may invest up to 20% of its total assets in loans made on an unsecured basis. Depending on how the loan was acquired, the Fund will regard the issuer as including the corporate borrower along with an agent bank for the syndicate of lenders and any intermediary for the Fund's investment. Because agents and intermediaries are primarily commercial banks, the Fund's investment in corporate loans at August 31, 1993 could be considered to be concentrated in commercial banking.

(b) Valuation of investments--Loan Interests and common stocks are valued at fair value. Fair value is determined in good faith by or under the direction of the Board of Directors of the Fund. Since Loan Interests are purchased and sold primarily at par value, the Fund values the Loan Interests at par, unless Merrill Lynch Asset Management ("MLAM") determines par does not represent fair value. In the event such a determination is made, fair value will be determined in accordance with guidelines approved by the Fund's Board of Directors. Short-term securities are valued at amortized cost which approximates market.

(c) 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.

(d) Security transactions and investment income--Security transactions are recorded on the dates the transactions are entered into (the trade dates). Interest income is recognized on the accrual basis. Realized gains and losses on security transactions are determined on the identified cost basis. Facility fees are accreted into income over the term of the related loan.

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

(f) Dividends and distributions--Dividends from net investment income are declared daily and paid monthly. Distributions of capital gains are recorded on the ex-dividend dates.

2. Investment Advisory and Administrative Services Agreement and Transactions with Affiliates:

The Fund has entered into an Investment Advisory Agreement with MLAM. MLAM is the name under which Merrill Lynch Investment Management, Inc. ("MLIM") does business. MLIM is an indirect wholly-owned subsidiary of Merrill Lynch & Co., Inc.

MLAM is responsible for the management of the Fund's portfolio and provides the necessary personnel, facilities, equipment and

certain other services necessary to perform this investment advisory function. For such services, the Fund pays a monthly fee at an annual rate of 0.95% of the Fund's average daily net assets. The Fund also has an Administrative Services Agreement with MLAM whereby MLAM will receive a fee equal to an annual rate of 0.25% of the Fund's average daily net assets on a monthly basis, in return for the performance of administrative services (other than investment advice and related portfolio activities) necessary for the operation of the Fund. The Investment Advisory Agreement obligates MLAM to reimburse the Fund to the extent the Fund's expenses (excluding interest, taxes, brokerage fees, commissions, and extraordinary items) exceed the lesser of a) 2.0% of the Fund's average daily net assets or b) 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. For the year ended August 31, 1993, MLAM earned fees of \$9,097,768.

Financial Data Services, Inc. ("FDS"), a wholly-owned subsidiary of Merrill Lynch & Co., Inc., is the Fund's transfer agent. Accounting services are provided to the Fund by MLAM at cost.

Certain officers and/or directors of the Fund are officers and/or directors of MLIM, MLFD, FDS, or Merrill Lynch, Pierce, Fenner & Smith Incorporated, and/or Merrill Lynch & Co., Inc.

3. Investments:  
Purchases and sales of investments, excluding short-term securities, for the year ended August 31, 1993 were \$566,714,003 and \$591,548,320, respectively.

Net realized and unrealized gains as of August 31, 1993 were as follows:

	Realized Gains	Unrealized Gains
Short-term investments	\$ 2,039	\$ --
Common stock	--	400,050
Total	\$ 2,039	\$400,050

As of August 31, 1993, net unrealized appreciation for financial reporting and Federal income tax purposes aggregated \$400,050, all of which related to appreciated securities. The aggregate cost of investments at August 31, 1993 for Federal income tax purposes was \$713,839,741.

4. Capital Share Transactions:  
Transactions in capital shares were as follows:

For the Year Ended August 31, 1993	Shares	Dollar Amount
Shares sold	14,572,615	\$ 145,750,963
Shares issued to shareholders in reinvestment of dividends	2,112,254	21,124,039
Total issued	16,684,869	166,875,002
Shares tendered	(29,022,869)	(290,287,314)
Net decrease	(12,338,000)	\$ (123,412,312)

For the Year Ended		Dollar
August 31, 1992	Shares	Amount
Shares sold	10,536,024	\$ 105,252,973
Shares issued to shareholders in reinvestment of dividends	3,958,371	39,541,885
	-----	-----
Total issued	14,494,395	144,794,858
Shares tendered	(101,696,196)	(1,015,944,996)
	-----	-----
Net decrease	(87,201,801)	\$ (871,150,138)
	=====	=====

5. Unfunded Loan Interests:

As of August 31, 1993, the Fund had unfunded loan commitments of \$13,671,000, which would be extended at the option of the borrower, pursuant to the following loan agreements:

Borrower	Unfunded Commitment (in thousands)
Cort Furniture, Inc.	\$ 348
Gulfstream Corp.	7,538
Northwest Airlines, Inc.	1,152
Supermarkets General Corp.	4,633

6. Short-Term Borrowings:

On March 17, 1993, the Fund extended the loan commitment. The commitment was reduced from \$150,000,000 to \$100,000,000, bearing interest at the Federal Funds Rate plus 1%-3% on the outstanding balance. For the year ended August 31, 1993, facility and commitment fees aggregated approximately \$306,800.

7. Capital Loss Carryforward:

At August 31, 1993, the Fund had a net capital loss carryforward of approximately \$34,000, all of which expires in 2001. These will be available to offset like amounts of any future taxable gains.

8. Subsequent Events:

The Fund began a quarterly tender offer on September 17, 1993, which will end on October 15, 1993.



Merrill Lynch Prime Fund, Inc.  
Independent Auditors' Report

The Board of Directors and Shareholders,  
Merrill Lynch Prime Fund, Inc.:

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of Merrill Lynch Prime Fund, Inc. (the "Fund") as of August 31, 1992, the related statements of operations and cash flows for the year then ended, the statements of changes in net assets for each of the years in the two-year period then ended, and the supplementary financial information for each of the years in the two-year period then ended and the period November 3, 1989 (commencement of operations) to August 31, 1990. These financial statements and the supplementary financial information are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and the supplementary financial information 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 supplementary financial information 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 August 31, 1992 by correspondence with the custodian and financial intermediaries. 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 supplementary financial information present fairly, in all material respects, the financial position of Merrill Lynch Prime Fund, Inc. at August 31, 1992, the results of its operations, its cash flows, the changes in its net assets, and the supplementary financial information for the respective stated periods in conformity with generally accepted accounting principles.

As discussed in Notes 1a and 1b, the financial statements include senior secured floating rate loan interests ("Loan Interests") valued at \$628,186,332 (75.29% of the net assets of the Fund), whose values are fair values as determined by or under the direction of the Board of Directors in the absence of actual market values. Determination of fair value involves subjective judgment, as the actual market value of a particular Loan Interest can be established only by negotiation between the parties in a sales transaction. We have reviewed the procedures established by the Board of Directors and used by the Fund's investment adviser in determining the fair values of such Loan Interests and have inspected underlying documentation, and under the circumstances, we believe that the procedures are reasonable and the documentation appropriate.

Deloitte & Touche  
Princeton, New Jersey  
October 16, 1992

Merrill Lynch Prime Fund, Inc.  
 Schedule of Investments as of August 31, 1992

(In thousands)

<TABLE> <CAPTION>

Industry	Senior Secured Floating Rate Loan Interests*	Face Amount	Value (Note 1b)
<S>	<C>	<C>	<C>
Airlines-4.98%	Northwest Airlines, Inc., Revolving Credit Loan, due 12/15/96:		
	5.6875% to 9/21/92 . . \$	279	\$ 279
	5.6875% to 9/24/92 . .	279	279
	5.75% to 9/30/92 . .	1,954	1,954
	Northwest Airlines, Inc., Term Loan, due 12/15/96:		
	5.6875% to 9/14/92 . .	2,980	2,980
	5.6875% to 9/21/92 . .	7,146	7,146
	6.6875% to 10/06/92 . .	7,751	7,751
	5.6875% to 10/20/92 . .	15,139	15,139
	5.875% to 1/20/93 . .	6,056	6,056
	-----		-----
		41,584	41,584
Apparel Manufacturing--1.97%	Union Underwear Co., Term Loan, due 6/30/95:		
	4.50% to 9/24/92 . .	1,614	1,614
	4.625% to 9/24/92 . .	2,209	2,209
	4.50% to 9/25/92 . .	2,351	2,351
	4.625% to 9/25/92 . .	3,216	3,216
	4.505% to 9/28/92 . .	2,970	2,970
	4.63% to 9/28/92 . .	4,063	4,063
	-----		-----
		16,423	16,423
Cellular Communications-5.99%	Lin Cellular Network, Inc., Term Loan, due 8/31/2000:		
	5.00% to 9/21/92 . .	22,222	22,222
	7.5625% to 9/21/92 . .	18,519	18,519
	5.00% to 9/24/92 . .	3,704	3,704
	5.0625% to 9/24/92 . .	1,852	1,852
	5.065% to 9/28/92 . .	3,704	3,704
	-----		-----
		50,001	50,001
Chemical Manufacturing--0.73%	Georgia Gulf Corp., Term Loan, due 4/30/98:		
	5.94% to 9/10/92 . . . .	1,770	1,770
	5.88% to 9/14/92 . . . .	1,770	1,770
	5.94% to 9/28/92 . . . .	1,376	1,376
	-----		-----
	6.00% to 10/13/92 . . . .	1,180	1,180
		6,096	6,096
Computer-Related Services--2.37%	Anacomp, Inc., Term Loan, due 3/31/96, 6.1875% to 10/26/92 . . . . .	19,760	19,760
Corporate Aircraft Manufacturing--2.32%	Gulfstream Corp., Revolving Credit Loan, due 3/31/98, 6.25% to 9/11/92 . . . . .	1,154	1,154
	Gulfstream Corp., Term Loan, due 3/31/97, 5.75% to 10/13/92 . . . . .	18,194	18,194
		19,348	19,348

Merrill Lynch Prime Fund, Inc.

Schedule of Investments as of August 31, 1992 (continued) (In thousands)

<TABLE> <CAPTION>

Industry	Senior Secured Floating Rate Loan Interests*	Face Amount	Value (Note 1b)
<S>	<C>	<C>	<C>
Electrical Instruments & Controls-- 2.33%	General Instrument Corp., Term Loan, due 5/31/98:		
	5.9375% to 9/28/92 . .	\$ 9,710	\$ 9,710
	6.00% to 11/27/92 . .	9,748	9,748
		-----	-----
		19,458	19,458
Gaming & Hospitality Services--2.95%	Marina Associates, Term Loan, due 2/21/97(1)		
	6.5625% to 9/08/92 . .	11,217	11,217
	5.9375% to 9/24/92 . .	5,386	5,386
	6.00% to 9/28/92 . .	4,006	4,006
	6.50% to 9/30/92 . .	4,006	4,006
		-----	-----
		24,615	24,615
Glass Manufacturing-- 1.30%	Sybron Acquisition Co., Term Loan, due 8/15/95:		
	6.00% to 9/30/92 . .	3,032	3,032
	6.75% to 10/15/92 . .	3,137	3,137
	6.8125% to 10/26/92 . .	4,705	4,705
		-----	-----
		10,874	10,874
Grocery--2.52%	Ralphs Grocery Company, Term Loan, due 6/30/98,		
	6.1875% to 11/06/92 . .	20,000	20,000
	Supermarkets General Corp., Revolving Credit Loan, due 1/28/95:		
	7.50%(2) . . . . .	424	424
	5.9375% to 9/08/92 . .	282	282
	6.00% to 9/30/92 . .	282	282
		-----	-----
	20,988	20,988	
Health Services-- 2.18%	American Medical International, Inc., Tranche B Term Loan, due 11/01/96:		
	6.1875% to 9/15/92 . .	1,145	1,145
	6.375% to 10/15/92 . .	1,166	1,166
	5.625% to 2/16/93 . .	695	695
	American Medical International, Inc., Tranche I Term Loan, due 11/01/96:		
	6.1875% to 9/15/92 . .	2,519	2,519
	6.375% to 10/15/92 . .	2,088	2,088
	5.625% to 2/16/93 . .	3,263	3,263
	American Medical International, Inc., Tranche II Term Loan, due		

11/01/96:		
6.1875% to 9/15/92 .	1,992	1,992
6.375% to 10/15/92 .	2,529	2,529
5.625% to 2/16/93 . .	2,817	2,817
	-----	-----
	18,214	18,214

</TABLE>

Merrill Lynch Prime Fund, Inc.  
Schedule of Investments as of August 31, 1992 (continued) (In thousands)

<TABLE> <CAPTION>

Industry	Senior Secured Floating Rate Loan Interests*	Face Amount	Value (Note 1b)
<S>	<C>	<C>	<C>
Liquid Gas Distribution-- 3.56%	+Petrolane Gas Services Limited Partnership, Revolving Credit Loan, due 3/20/96: 5.5625% to 9/14/92 . 5.5625% to 9/28/92 . +Petrolane Gas Services Limited Partnership, Term Loan due 3/20/96: 5.5625% to 9/28/92 . +QFB Partners, Term Loan, due 9/20/96, 5.5625% to 9/28/92 . . . . .	\$ 1,823 1,617 23,505 5,351 ----- 32,296	\$ 1,677 1,488 21,624 4,923 ----- 29,712
Manufacturing-- Diversified-- 8.75%	American Flat Glass, Inc., Revolving Credit Loan B, due 12/31/96:(3) 6.255% to 9/14/92 . . 6.315% to 9/28/92 . . American Flat Glass, Inc., Term Loan, due 12/31/96: 6.315% to 9/28/92 . . Coltec Industries, Inc., Term Loan, due 4/01/99: 7.50%(2) . . . . . 6.8125% to 9/08/92 . 6.375% to 10/07/92 . 6.875% to 11/04/92 . 6.375% to 2/05/93 . . Joy Technologies, Inc., Term Loan B, due 12/31/97, 7.125% to 11/27/92 . The Pullman Co., Inc., Term Loan, due 9/30/96: 7.25%(2) . . . . . 7.50%(2) . . . . . 6.1875% to 9/29/92 . 6.4375% to 9/29/92 . 5.75% to 10/14/92 . . 6.00% to 10/14/92 . . 5.6875% to 11/06/92 . 5.9375% to 11/06/92 . 6.4375% to 12/15/92 . 6.6875% to 12/15/92 .	1,832 3,663 29,467 12 2,097 3,995 1,873 1,873 8,094 329 783 2,362 5,620 886 2,108 886 2,108 1,476	1,832 3,663 29,467 12 2,097 3,995 1,873 1,873 8,094 329 783 2,362 5,620 886 2,108 886 2,108 1,476

		3,513	3,513
		-----	-----
		72,977	72,977
Packaging--4.72%	Sweetheart Holdings, Inc., Acquisition Term Loan, due 10/31/96, 6.50% to 9/14/92 . . . . .	23,072	23,072
	Sweetheart Holdings, Inc., Asset Bridge Loan, due 10/31/96, 7.50%(2)	8,683	8,683
	Sweetheart Holdings, Inc., Revolving Credit Loan, due 10/31/96:		
	7.50%(2) . . . . .	227	227
	5.9375% to 9/11/92 . .	5,099	5,099
	5.875% to 9/16/92 . .	1,700	1,700
	6.00% to 9/30/92 . .	567	567
		-----	-----
		39,348	39,348

</TABLE>

Merrill Lynch Prime Fund, Inc.  
Schedule of Investments as of August 31, 1992 (continued) (In thousands)

<TABLE> <CAPTION>

Industry	Senior Secured Floating Rate Loan Interests*	Face Amount	Value (Note 1b)
<S>	<C>	<C>	<C>
Paper Products-- 9.65%	++Fort Howard Corp., Senior Secured Notes, due 9/11/2000, 7.50% to 9/11/92	\$ 30,000	\$ 30,000
	Fort Howard Corp., Term Loan, due 12/31/96:		
	6.625%(2) . . . . .	161	161
	6.75%(2) . . . . .	44	44
	5.505% to 9/04/92 . .	1,829	1,829
	5.63% to 9/04/92 . .	496	496
	4.875% to 9/30/92 . .	775	775
	5.00% to 9/30/92 . .	210	210
	5.625% to 11/30/92 . .	1,744	1,744
	5.75% to 11/30/92 . .	473	473
	++Jefferson Smurfit Container Corp. of America, Senior Secured Notes, due 12/01/98, 6.83% to 8/31/92 . . . . .	9,018	9,018
	Jefferson Smurfit Container Corp. of America, Term Loan, due 12/31/97:		
	5.63% to 9/14/92 . .	12,156	12,156
	6.88% to 9/14/92 . .	8,654	8,654
	6.25% to 9/15/92 . .	577	577
	6.50% to 10/16/92 . .	14,423	14,423
		-----	-----
		80,560	80,560
Restaurants--4.87 %	TW Services, Inc., Acquisition Term Loan,		

	due 11/01/97:		
	7.50%(2) . . . . .	822	822
	5.9375% to 11/17/92 .	39,815	39,815
		-----	-----
		40,637	40,637
Retail--Apparel-	Ann Taylor, Inc., Term		
-2.96%	Loan, due 1/15/97:		
	5.875% to 10/13/92 .	16,131	16,131
	6.00% to 10/13/92 . .	8,540	8,540
		-----	-----
		24,671	24,671
Retail-	Maybelline, Inc., Term		
Specialty--	Loan, due 6/30/99,		
2.40%	6.4375% to 9/04/92 . . . . .	20,000	20,000
Steel Rod & Pipe	EMJ Acquisition Corp.,		
Wholesalers--	Term Loan, due 3/01/97:		
4.89%	7.75%(2) . . . . .	2,621	2,621
	6.25% to 11/30/92 . .	38,197	38,197
		-----	-----
		40,818	40,818
Textile	Burlington Industries,		
Manufacturing--	Inc., Term Loan A, due		
3.85%	9/26/97:		
	6.25% to 9/28/92 . .	5,000	5,000
	6.75% to 9/28/92 . .	15,000	15,000
	Burlington Industries,		
	Inc., Term Loan B, due		
	9/26/98, 7.50%:(2) . .	5,000	5,000
	Burlington Industries		
	Receivables, Term Loan,		
	due		
	9/26/97, 6.4375% to		
	9/28/92 . . . . .	7,102	7,102
		-----	-----
		32,102	32,102
	Total Senior Secured		
	Floating Rate Loan		
	Interests (Cost--		
	\$630,770)--75.29% . . . . .	630,770	628,186

&lt;/TABLE&gt;

Merrill Lynch Prime Fund, Inc.  
Schedule of Investments as of August 31, 1992 (concluded) (In thousands)

&lt;TABLE&gt; &lt;CAPTION&gt;

Industry	Short-Term Securities	Face Amount	Value (Note 1b)
<S>	<C>	<C>	<C>
Commercial Paper**-- 24.55%	Allergan, Inc., 3.30% due 9/25/92 . . . . .	\$ 10,000	\$ 9,978
	Business Asset Securitization Investment Co., 3.30%		
	due 10/06/92 . . . . .	10,000	9,968
	Cooperative Receivables Corp., 3.30% due 10/01/92	15,700	15,657
	General Electric Capital Corp., 3.40% due 9/01/92	36,980	36,980
	Grand Metropolitan Investment Co., 3.27%, due 9/18/92 . . . . .	25,000	24,961
	Matterhorn Capital Corp.: 3.32% due 9/23/92 . .	6,458	6,445

3.32% due 10/07/92 . . . . .	5,000	4,983
PepsiCo., Inc., 3.25% due 10/08/92 . . . . .	15,000	14,950
Public Service Electric & Gas Co., 3.28% due 9/28/92 . . . . .	21,134	21,082
Sanwa Business Credit Corp., 3.28% due 9/24/92	10,000	9,979
Sheffield Receivables Corp., 3.30% due 10/09/92	15,000	14,948
United States Leasing International, Inc., 3.30% due 10/19/92 . . . . .	20,000	19,912
Woolworth Corp., 3.25% due 9/21/92 . . . . .	15,000	14,973
Total Short-Term Securities (Cost--\$204,816)-- 24.55% . . . . .	205,272	204,816

Industry	Common Stock	Shares Held	
Restaurants-- 0.07%	++TW Services, Inc. . . . .	222	589
	Total Common Stock (Cost--\$0)--0.07% . . . . .	222	589
	Total Investments (Cost--\$835,586)--99.91% . . . . .		833,591
	Other Assets Less Liabilities--0.09% . . . . .		724
	Net Assets--100.00% . . . . .		\$ 834,315

\* The interest rates on senior secured floating rate loan interests are subject to change periodically based on the change in the prime rate of a U.S. bank, LIBOR (London Interbank Offered Rate), or in some cases, another base lending rate. The interest rates shown are those in effect at August 31, 1992.

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

- (1) Formerly Promus/Embassy Suites, Inc.
- (2) Index is based on the prime rate of a U.S. bank, which is subject to change daily.
- (3) Formerly AFG Industries, Inc.

+ As of Sept. 23, Sept. 20, and Sept. 20, 1991, respectively, these investments became non-income producing investments due to a default on scheduled payments of interest and principal.

++ Restricted securities as to resale. The value of the Fund's investment in restricted securities was approximately \$39,607,000, representing 4.75% of net assets.

Senior Secured Notes	Cost (In Thousands)	Acquisition Date
Fort Howard Corp. . . . .	\$30,000	9/11/91
Jefferson Smurfit Container Corp. of America . . . . .	9,018	4/24/91

Common Stock	Cost (In Thousands)	Acquisition Date
TW Services, Inc. . . . .	\$ 0	6/03/91

See Notes to Financial Statements.

Merrill Lynch Prime Fund, Inc.  
Statement of Assets and Liabilities as of August 31, 1992

</TABLE>

<S>	<C>	<C>
<b>Assets:</b>		
Investments, at value (identified cost - \$835,586,155) (Note 1b) . . . . .		\$833,591,350
Cash . . . . .		69,143
<b>Receivables:</b>		
Interest . . . . .	\$6,301,269	
Capital shares sold . . . . .	589,456	
Commitment fees . . . . .	49,154	6,939,879
Deferred organization expenses (Note 1e) . . . . .		388,856
Prepaid registration fees and other assets (Note 1e) . . . . .		269,832
<b>Total assets</b> . . . . .		<b>841,259,060</b>
<b>Liabilities:</b>		
<b>Payables:</b>		
Dividends to shareholders (Note 1f) . . . . .	1,199,003	
Investment adviser (Note 2) . . . . .	625,614	
Administrator (Note 2) . . . . .	164,635	1,989,252
Deferred income (Note 1d) . . . . .		4,554,386
Accrued expenses and other liabilities . . . . .		400,347
<b>Total liabilities</b> . . . . .		<b>6,943,985</b>
<b>Net assets</b> . . . . .		<b>\$834,315,075</b>
 <b>Net Assets Consist of:</b>		
Common Stock, par value \$.10 per share; 1,000,000,000 shares authorized . .		\$ 8,355,133
Paid-in capital in excess of par . . . . .		827,983,556
Accumulated realized capital losses - net . . . . .		(28,809)
Unrealized depreciation on investments - net (Note 3) . . . . .		(1,994,805)
<b>Net Assets - Equivalent to \$9.99 per share based on 83,551,326 capital shares outstanding</b> . . . . .		<b>\$ 834,315,075</b>

</TABLE>

See Notes to Financial Statements. 8

Merrill Lynch Prime Fund, Inc.  
Statement of Operations for the Year Ended August 31, 1992

<TABLE>

<S>	<C>	<C>
<b>Investment Income (Note 1d):</b>		
Interest and discount earned . . . . .		\$87,211,407
Facility and other fees . . . . .		9,749,768
<b>Total income</b> . . . . .		<b>96,961,175</b>
 <b>Expenses:</b>		
Investment advisory fees (Note 2) . . . . .	\$ 11,516,287	
Administrative fees (Note 2) . . . . .	3,030,602	
Transfer agent fees (Note 2) . . . . .	949,706	
Tender offer costs . . . . .	390,938	
Professional fees . . . . .	324,907	
Borrowing costs (Note 6) . . . . .	217,784	
Amortization of organization expenses (Note 1e)	179,472	
Printing and shareholder reports . . . . .	167,088	
Registration fees (Note 1e) . . . . .	121,512	
Custodian fees . . . . .	103,818	
Accounting services (Note 2) . . . . .	77,741	



Directors' fees and expenses . . . . .	47,706	
Other . . . . .	56,459	
Total expenses before reimbursement . . . . .	17,184,020	
Reimbursement of expenses (Note 2) . . . . .	(232,333)	
Total expenses . . . . .		16,951,687
Investment income - net . . . . .		80,009,488
Realized Loss on Investments - Net (Notes 1d&3)		(28,596)
Change in Unrealized Depreciation on		
Investments - Net . . . . .		133,330
Net Increase in Net Assets Resulting from		
Operations . . . . .		\$80,114,222

</TABLE>

See Notes to Financial Statements.

Merrill Lynch Prime Fund, Inc.  
Statement of Cash Flows

<TABLE> <CAPTION>

	For the Year Ended August 31, 1992
<S>	<C>
Cash Provided by Operating Activities:	
Net increase in net assets resulting from operations . . . . .	\$ 80,114,222
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:	
Decrease in receivables . . . . .	4,297,335
Increase in other assets . . . . .	(8,282)
Decrease in other liabilities . . . . .	(6,771,306)
Realized and unrealized gain on investments - net . . . . .	(104,734)
	-----
Net cash provided by operating activities . . . . .	77,527,235
	-----
Cash Provided by Investing Activities:	
Proceeds from principal payments and sales of loan interests . . . . .	1,178,221,551
Purchases of loan interests . . . . .	(471,317,548)
Proceeds from sales and maturities of short-term investments - net . . . . .	165,802,170
Net cash provided by investing activities . . . . .	872,706,173
Cash Used in Financing Activities:	
Capital share activity:	
Cash receipts on capital shares sold . . . . .	107,429,034
Cash payments on capital shares tendered . . . . .	(1,015,944,996)
Dividends paid to shareholders . . . . .	(41,648,303)
Net cash used in financing activities . . . . .	(950,164,265)
Cash:	
Net increase in cash . . . . .	69,143
Cash at beginning of year . . . . .	-
Cash at end of year . . . . .	\$ 69,143
Cash Flow Information:	
Cash paid for interest . . . . .	\$ 41,750
Noncash Financing Activities:	

Capital shares issued in reinvestment of dividends paid to  
shareholders . . . . . \$ 39,541,885

</TABLE>

See Notes to Financial Statements. 10

Merrill Lynch Prime Fund, Inc.  
Supplementary Financial Information

<TABLE> <CAPTION>

	For the Year Ended August 31,		For the Period
	1992	1991	November 3, 1989+ to August 31, 1990
<S>	<C>	<C>	<C>
Selected Data for a Share of Capital Outstanding Throughout Each Period:			
Increase (Decrease) in Net Asset Value:			
Operations:			
Investment income . . . . .	\$ .78	\$ .97	\$ .82
Total expenses . . . . .	(.14)	(.13)	(.11)
Reimbursement of expenses . . . . .	.00*	.01	.05
	-----	-----	-----
Investment income - net . . . . .	.64	.85	.76
Realized and unrealized loss on investments - net . . . . .	-	(.01)	-
	-----	-----	-----
Net increase in net asset value resulting from operations . . . . .	.64	.84	.76
Dividends to Shareholders:			
Investment income - net . . . . .	(.64)	(.85)	(.76)
	-----	-----	-----
Net Asset Value:			
Total decrease in net asset value . . . . .	-	(.01)	-
Beginning of period . . . . .	9.99	10.00	10.00
	-----	-----	-----
End of period . . . . .	\$ 9.99	\$ 9.99	\$ 10.00
	=====	=====	=====
Number of shares outstanding at end of period (in thousands) . . . . .			
	83,551	170,753	172,772
	=====	=====	=====
Significant Ratios:			
Total expenses to average net assets . . . . .	1.41%	1.33%	1.35%**
	=====	=====	=====
Total expenses, net of reimbursement, to average net assets . . . . .	1.39%	1.27%	.79%**
	=====	=====	=====
Investment income - net, to average net assets . . . . .	6.58%	8.44%	9.06%**
	=====	=====	=====
Portfolio turnover . . . . .	46.48%	58.22%	29.61%
	=====	=====	=====

+ Commencement of Operations.  
\* Includes a reimbursement amount of less than \$.01 per share.  
\*\*Annualized.

</TABLE>

See Notes to Financial Statements. 11

<TABLE> <CAPTION>

Merrill Lynch Prime Fund, Inc. For the Year Ended August 31,

Statements of Changes in Net Assets	1992	1991
<S>	<C>	<C>
Increase (Decrease) in Net Assets: Operations:		
Investment income-net . . . . .	\$80,009,488	\$ 141,872,531
Realized loss on investments-net . . .	(28,596)	-
Change in unrealized depreciation on investments-net . . . . .	133,330	(2,128,135)
Net increase in net assets resulting from operations . . . . .	80,114,222	139,744,396
Dividends to Shareholders (Note If): Investment income-net . . . . .	(80,009,488)	(141,872,531)
Net decrease in net assets resulting from dividends to Shareholders . . . . .	(80,009,488)	(141,872,531)
Capital Share Transactions (Note 4): Net decrease in net assets derived from capital share transactions . . . . .	(871,150,138)	(20,235,775)
Net Assets:		
Total decrease in net assets . . . . .	(871,045,404)	(22,363,910)
Beginning of year . . . . .	1,705,360,479	1,727,724,389
End of year . . . . .	\$834,315,075	\$1,705,360,479

</TABLE>

NOTES TO FINANCIAL STATEMENTS

1. Significant Accounting Policies:

Merrill Lynch Prime Fund, Inc. (the "Fund") is registered under the Investment Company Act of 1940 as a continuously offered, non-diversified, closed-end management investment company.

(a) Loan participation interests - The Fund invests in senior secured floating rate loan interests ("Loan Interests") with collateral having a market value, at time of acquisition by the Fund, which Fund management believes equals or exceeds the principal amount of the corporate loan. The Fund may invest up to 20% of its total assets in loans made on an unsecured basis. Depending on how the loan was acquired, the Fund will regard the Issuer as including the corporate borrower along with an agent bank for the syndicate of lenders and any intermediary for the Fund's investment. Because agents and intermediaries are primarily commercial banks, the Fund's investment in corporate loans at August 31, 1992 could be considered to be concentrated in commercial banking.

(b) Valuation of Investments - Loan interests and common stock are valued at fair value. Fair value is determined in good faith by or under the direction of the Board of Directors of the Fund. Since Loan Interests are purchased and sold primarily at par

value, the Fund values the Loan Interests at par, unless Merrill Lynch Asset Management ("MLAM") determines par does not represent fair value. In the event such a determination is made, fair value will be determined in accordance with guidelines approved by the Fund's Board of Directors. Short-term securities are valued at amortized cost which approximates market.

(c) 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.

(d) Security transactions and investment income - Security transactions are recorded on the dates the transactions are entered into (the trade dates). Interest income is recognized on the accrual basis. Realized gains and losses on security transactions are determined on the identified cost basis. Facility fees are recognized as income over the term of the related loan.

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

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(f) Dividends and distributions - Dividends from net investment income are declared daily and paid monthly. Distributions of capital gains are recorded on the ex-dividend dates.

## 2. Investment Advisory and Administrative Services Agreement and Transactions with Affiliates:

The Fund has entered into an Investment Advisory Agreement with MLAM. MLAM is the name under which Merrill Lynch Investment Management, Inc. ("MLIM") does business. MLIM is an indirect wholly-owned subsidiary of Merrill Lynch & Co., Inc.

MLAM is responsible for the management of the Fund's portfolio and provides the necessary personnel, facilities, equipment and certain other services necessary to perform this investment advisory function.

For such services, the Fund pays a monthly fee at an annual rate of 0.95% of the Fund's average daily net assets. The Fund also has an Administrative Services Agreement with MLAM whereby MLAM will receive a fee equal to an annual rate of 0.25% of the Fund's average daily net assets on a monthly basis, in return for the performance of administrative services (other than investment advice and related portfolio activities) necessary for the operation of the Fund. The Investment Advisory Agreement obligates MLAM to reimburse the Fund to the extent the Fund's expenses (excluding interest, taxes, brokerage fees, commissions, and extraordinary items) exceed the lesser of a) 2.0% of the Fund's average daily net assets or b) 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. For the year ended August 31, 1992, MLAM earned fees of \$14,546,889, of which \$232,333 was waived.

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

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

Certain officers and/or directors of the Fund are officers and/or directors of MLIM, MLFD, FDS, or Merrill Lynch, Pierce, Fenner & Smith Incorporated, a wholly-owned subsidiary of Merrill Lynch & Co., Inc.

### 3. Investments:

Purchases and sales of investments, excluding short-term securities, for the year ended August 31, 1992, were \$471,317,548 and \$1,178,017,835, respectively.

Net realized and unrealized losses as of August 31, 1992 were as follows:

	Realized Losses	Unrealized Gains (Losses)
Short-term investments . . . . .	\$ (28,596)	--
Corporate loans . . . . .	--	\$ (2,583,770)
Common stock . . . . .	--	588,965
	-----	-----
Total . . . . .	\$ (28,596)	\$ (1,994,805)
	=====	=====

As of August 31, 1992, net unrealized depreciation for Federal income tax purposes aggregated \$1,994,805, of which \$588,965 related to appreciated securities and \$2,583,770 related to depreciated securities. The aggregate cost of investments at August 31, 1992 for Federal income tax purposes was \$835,586,155.

### 4. Capital Share Transactions:

Transactions in capital shares were as follows:

For the Year Ended August 31, 1992	Shares	Dollar Amount
Shares sold . . . . .	10,536,024	\$ 105,252,973
Shares issued to shareholders in reinvestment of dividends . . . . .	3,958,371	39,541,885
	-----	-----
Total issued . . . . .	(14,494,395)	144,794,858
Shares tendered . . . . .	(101,696,196)	(1,015,944,996)
	-----	-----
Net decrease . . . . .	(87,201,801)	\$ (871,150,138)
	=====	=====

For the Year Ended August 31, 1991	Shares	Dollar Amount
Shares sold . . . . .	32,513,648	\$ 325,105,033
Shares issued to shareholders in reinvestment of dividends . . . . .	7,040,811	70,397,122
	-----	-----
Total issued . . . . .	39,554,459	395,502,155
Shares tendered . . . . .	(41,573,793)	(415,737,930)
	-----	-----
Net decrease . . . . .	(2,019,334)	\$ (20,235,775)
	=====	=====

5. Unfunded Loan Interests:

As of August 31, 1992, the Fund had unfunded loan commitments of \$21,317,720, which would be extended at the option of the borrower, pursuant to the following loan agreements:

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Borrower	Unfunded Commitment (in thousands)
Ann Taylor, Inc. . . . .	\$3,750
Gulfstream Corp. . . . .	9,038
Northwest Airlines, Inc. . . . .	2,680
Supermarkets General Corp. . . . .	5,056
Sweetheart Holdings, Inc. . . . .	794

6. Short-Term Borrowings:

On March 23, 1992, the Fund entered into a one-year loan commitment in the amount of \$150,000,000, bearing interest at the Federal Funds Rate plus 1% - 3% on the outstanding balance. From March 23, 1992 to April 7, 1992, the maximum amount borrowed was \$25,000,000, the average amount outstanding was \$18,750,000, and the daily weighted average interest rate was 5.025%. For the year ended August 31, 1992, facility and commitment fees aggregated approximately \$176,000.

7. Subsequent Events:

The Fund began a quarterly tender offer on September 21, 1992, which will end on October 19, 1992.

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