

OMB APPROVAL
EXPIRES: October 31, 1994
ESTIMATED AVERAGE BURDEN
HOURS PER RESPONSE 14.90

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

SCHEDULE 13G

Under the Securities Exchange Act of 1934

(Amendment No. 1)*

RFS Hotel Investors, Inc.

(Name of Issuer)

Common Stock

(Title of Class of Securities)

74955J10

(CUSIP NUMBER)

Check the following box if a fee is being paid with this statement. [] (A fee is not required only if the filing person: (1) has a previous statement on file reporting beneficial ownership of more than five percent of the class of securities described in Item 1; and (2) has filed no amendment subsequent thereto reporting beneficial ownership of five percent or less of such class.) (See Rule 13d-7).

*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 (the "1934 Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

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CUSIP NO. 74955J10 13G

1. NAME OF REPORTING PERSON
S.S. or I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

Princeton Services, Inc.

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP* Joint Filing

(a) []
(b) []

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH

5. SOLE VOTING POWER

NONE

6. SHARED VOTING POWER

267,085

7. SOLE DISPOSITIVE POWER

NONE

8. SHARED DISPOSITIVE POWER

267,085

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

267,085 (ownership disclaimed pursuant to Section 13d-4 of the 1934 Act)

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES*

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9

1.1%

12. TYPE OF REPORTING PERSON*

HC, CO

*SEE INSTRUCTION BEFORE FILING OUT!

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CUSIP NO. 74955J10

13G

1. NAME OF REPORTING PERSON

S.S. or I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

Merrill Lynch Asset Management, L.P.

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP* Joint Filing

(a) []

(b) []

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH

5. SOLE VOTING POWER

NONE

6. SHARED VOTING POWER

267,085

7. SOLE DISPOSITIVE POWER

NONE

8. SHARED DISPOSITIVE POWER

267,085

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

267,085

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES*

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9

1.1%

12. TYPE OF REPORTING PERSON*

IA, PN

*SEE INSTRUCTION BEFORE FILING OUT!

CUSIP NO. 74955J10 13G

1. NAME OF REPORTING PERSON
S.S. or I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

Merrill Lynch Capital Fund, Inc.

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP* Joint Filing

(a) []
(b) []

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

Maryland

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH

5. SOLE VOTING POWER

NONE

6. SHARED VOTING POWER

NONE

7. SOLE DISPOSITIVE POWER

NONE

8. SHARED DISPOSITIVE POWER

NONE

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

NONE

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES*

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9

0%

12. TYPE OF REPORTING PERSON*

IV

*SEE INSTRUCTION BEFORE FILING OUT!

SCHEDULE 13G

ITEM 1 (a) Name of Issuer:

RFS Hotel Investors, Inc. (the "Company")

ITEM 1 (b) Address of Issuer's Principal Executive Offices:

850 Ridge Lake Boulevard
Suite 220
Memphis, Tennessee 38120

ITEM 2 (a) Name of Persons Filing:

Princeton Services, Inc.
Merrill Lynch Asset Management, L.P.
Merrill Lynch Capital Fund, Inc.

ITEM 2 (b) Address of Principal Business Office or, if none, Residence:

Princeton Services, Inc.
800 Scudders Mill Road
Plainsboro, New Jersey 08536

Merrill Lynch Asset Management, L.P.
800 Scudders Mill Road
Plainsboro, New Jersey 08536

Merrill Lynch Capital Fund, Inc.
800 Scudders Mill Road
Plainsboro, New Jersey 08536

ITEM 2 (c) Citizenship:

See Item 4 of Cover Pages

ITEM 2 (d) Title of Class of Securities:

Common Stock

ITEM 2 (e) CUSIP NUMBER:

See Cover Page

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ITEM 3

Princeton Services, Inc. ("PSI") is a parent holding company in accordance with (S) 240.13d-1(b)(ii)(G) of the 1934 Act. Merrill Lynch Asset Management, L.P. (d/b/a) Merill Lynch Asset Management ("MLAM") is an Investment adviser registered under (S) 203 of the Investment Advisers Act of 1940 (the "Advisers Act"). Merrill Lynch Capital Fund, Inc. (the "Fund") is An investment company registered under Section 8 of the Investment Company Act of 1940 (the "Investment Company Act").

ITEM 4 Ownership

(a) Amount Beneficially Owned:

See Item 9 of Cover Pages.

(b) Percent of Class:

See Item 11 of Cover Pages

(c) Number of shares as to which such person has:

(i) sole power to vote or to direct the vote:

See Item 5 of Cover Pages

(ii) shared power to vote or to direct the vote:

See Item 6 of the Cover Pages

(iii) sole power to dispose of or to direct the disposition of:

See Item 7 of Cover Pages

(iv) shared power to dispose of or direct the disposition of:

See Item 8 of Cover Pages

ITEM 5 Ownership of Five Percent or Less of a Class.

Not Applicable

ITEM 6 Ownership of More than Five Percent on Behalf of Another Person.

Not Applicable

ITEM 7 Identification and Classification of the Subsidiary Which

Acquired the Security Being Reported on by the Parent Holding Company.

PSI is a corporate managing general partner of Fund Asset Management, L.P. and Merrill Lynch Asset Management, L.P., each of which is a registered investment adviser under Section 203 of the Advisers Act.

ITEM 8 Identification and Classification of Members of the Group.

Not Applicable

ITEM 9 Notice of Dissolution of Group.

Not Applicable

ITEM 10 Certification

By signing below each of the undersigned certifies that, to the best of their knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of and do not have the effect of changing or influencing the control of the issuer of such securities and were not acquired and are not held in connection with or as a participant in any transaction having such purpose or effect.

Signature.

After reasonable inquiry and to the best of my knowledge and belief, each of the undersigned certifies that the information set forth in this statement is true, complete and correct.

Date: January 29, 1998

Princeton Services, Inc.

/s/ Ira P. Shapiro

Name: Ira P. Shapiro
Title: Attorney-In-Fact*

Merrill Lynch Asset Management, L.P.
By: Princeton Services, Inc. (General Partner)

/s/ Ira P. Shapiro

Name: Ira P. Shapiro
Title Attorney-In-Fact**

Merrill Lynch Capital Fund, Inc.

/s/ Ira P. Shapiro

Name: Ira P. Shapiro

Title: Attorney-In-Fact***

*Signed pursuant to a power of attorney, dated January 26, 1998, included as an exhibit to Schedule 13G filed with the Securities and Exchange Commission by Princeton Services, Inc., on February 14, 1998 with respect to LTX Corporation.

**Signed pursuant to a power of attorney, dated January 26, 1998, included as an exhibit to Schedule 13G filed with the Securities and Exchange Commission by Princeton Services, Inc., on February 14, 1998 with respect to Lattice Semi-Conductor Corporation.

***Signed pursuant to a power of attorney, dated January 26, 1998, included as an exhibit to Schedule 13G filed with the Securities and Exchange Commission by Princeton Services, Inc., on February 14, 1998 with respect to SPX Corporation.