

ING PRIME RATE TRUST

Form 497

July 09, 2008

Prospectus

## Prospectus

**June 30, 2008**

5,000,000 Common Shares

### **ING Prime Rate Trust**

This Prospectus sets forth concisely the information about ING Prime Rate Trust ("Trust") that a prospective investor ought to know before investing. You should read it carefully before you invest, and keep it for future reference.

The Trust has filed with the U.S. Securities and Exchange Commission ("SEC") a Statement of Additional Information ("SAI") dated June 30, 2008 containing additional information about the Trust. The SAI is incorporated by reference in its entirety into this Prospectus. You may obtain a free copy of the SAI, annual shareholder report and semi-annual shareholder report by contacting the Trust at (800) 992-0180 or by writing to the Trust at 7337 East Doubletree Ranch Road, Scottsdale, Arizona 85258. The Trust's SAI and annual and semi-annual shareholder reports are available, free of charge, on the Trust's website at [www.ingfunds.com](http://www.ingfunds.com). The Prospectus, SAI and other information about the Trust are also available on the SEC's website (<http://www.sec.gov>). The table of contents for the SAI appears on page 32 of this Prospectus.

Common Shares of the Trust trade on the New York Stock Exchange ("NYSE") under the symbol PPR.

Market fluctuations and general economic conditions can adversely affect the Trust. There is no guarantee that the Trust will achieve its investment objective. Investment in the Trust involves certain risks and special considerations, including risks associated with the Trust's use of leverage. See "Risk Factors and Special Considerations" on pages 5 and 17 for a discussion of any factors that make investment in the Trust speculative or high risk.

Neither the SEC nor any state securities commission has approved or disapproved these securities, or determined that this Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

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## WHAT'S INSIDE

INVESTMENT OBJECTIVE

PRINCIPAL INVESTMENT STRATEGIES

RISKS

WHAT YOU PAY TO INVEST

This Prospectus contains a description of ING Prime Rate Trust ("Trust"), including the Trust's investment objective, principal investment strategies and risks.

You'll also find:

**What you pay to invest.** A list of the fees and expenses you pay both directly and indirectly when you invest in the Trust.

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## INTRODUCTION TO ING PRIME RATE TRUST

Risk is the potential that your investment will lose money or not earn as much as you hope. All mutual funds have varying degrees of risk, depending upon the securities in which they invest.

This Trust involves certain risks and special considerations, including risks associated with investing in below investment grade assets and risks associated with the Trust's use of borrowing and other leverage strategies. See "Risk Factors and Special Considerations" beginning on pages 5 and 17.

Please read this Prospectus carefully to be sure you understand the principal investment strategies and risks associated with the Trust. You should consult the SAI for a complete list of the principal investment strategies and risks.

If you have any questions about the Trust, please call your investment professional or us at 1-800-992-0180.

*This Prospectus is designed to help you make an informed decision about making an investment in the Trust. Please read it carefully and retain it for future reference.*

Who should invest in the Trust?

### **THE TRUST MAY BE A SUITABLE INVESTMENT IF YOU:**

are seeking a high level of current income; and

are willing to accept the risks associated with an investment in a leveraged portfolio consisting primarily of senior loans that are typically below investment grade credit quality.

### **DESCRIPTION OF THE TRUST**

The Trust is a diversified, closed-end management investment company that seeks to provide investors with as high a level of current income as is consistent with the preservation of capital. The Trust seeks to achieve this objective by investing in a professionally managed portfolio comprised primarily of senior loans, an investment typically not available directly to individual investors.

Since the senior loans in the Trust's portfolio typically are below investment grade credit quality and the portfolio is leveraged, the Trust has speculative characteristics. The Trust cannot guarantee that it will achieve its investment objective.

Common Shares of the Trust trade on the New York Stock Exchange ("NYSE") under the symbol PPR.

The Trust's investment adviser is ING Investments, LLC. The Trust's sub-adviser is ING Investment Management Co.

If you have any questions, please call (800) 992-0180.

Introduction to ING Prime Rate Trust

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## PROSPECTUS SYNOPSIS

The following synopsis is qualified in its entirety by reference to the more detailed information appearing elsewhere in this Prospectus.

### DESCRIPTION OF THE TRUST

#### The Trust

The Trust is a diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended ("1940 Act"). It was organized as a Massachusetts business trust on December 2, 1987. As of June 16, 2008, the Trust's net asset value ("NAV") per Common Share was \$6.52.

#### NYSE Listed

As of June 16, 2008, the Trust had 145,094,493 Common Shares outstanding, which are traded on the NYSE under the symbol PPR. At that date, the last reported sales price of a Common Share of the Trust was \$5.83.

#### Investment Objective

To provide investors with as high a level of current income as is consistent with the preservation of capital. There is no assurance that the Trust will achieve its investment objective.

#### Adviser/Sub-Adviser

The Trust's investment adviser is ING Investments, LLC ("ING Investments" or "Adviser"), an Arizona limited liability company. As of March 31, 2008, ING Investments managed approximately \$49.7 billion in assets.

The Adviser is an indirect, wholly-owned subsidiary of ING Groep N.V. ("ING Groep") (NYSE: ING). ING Groep is a global financial institution of Dutch origin offering banking, investments, life insurance, and retirement services to over 75 million private, corporate, and institutional clients in more than 50 countries. With a diverse workforce of about 125,000 people, ING Groep comprises a broad spectrum of prominent companies that increasingly serve their clients under the ING brand.

The Adviser receives an annual fee, payable monthly, in an amount equal to 0.80% of the Trust's average daily gross asset value, minus the sum of the Trust's accrued and unpaid dividends on any outstanding preferred shares and accrued liabilities (other than liabilities for the principal amount of any borrowings incurred, commercial paper or notes issued by the Trust and the liquidation preference of any outstanding preferred shares) ("Managed Assets"). This definition includes the assets acquired through the Trust's use of leverage. ING Investment Management Co. ("ING IM" or "Sub-Adviser") serves as sub-adviser to the Trust. See "Investment Management and Other Service Providers - Sub-Adviser" on page 25. ING IM is an affiliate of the Adviser.

#### Distributions

Income dividends on Common Shares accrue and are declared and paid monthly. Income dividends may be distributed in cash or reinvested in additional full and fractional shares of the Trust through the Trust's Shareholder Investment Program.

#### Principal Investment Strategies

The Trust seeks to achieve its investment objective by investing, under normal circumstances, at least 80% of its net assets, plus the amount of any borrowings for investment purposes, in U.S. dollar denominated floating rate secured senior loans ("Senior Loans"). The Trust will provide shareholders with at least 60 days' prior notice of any change in this investment policy. Under normal circumstances, the Trust invests at least 80% of its assets in Senior Loans made to corporations or other business entities organized under U.S. or Canadian law and that are domiciled in the United States and in U.S. territories and possessions or Canada.

The Senior Loans in which the Trust invests either hold the most senior position in the capital structure of the borrower or hold an equal ranking with other senior debt or have characteristics that the Adviser or Sub-Adviser believes justifies treatment as senior debt. These Senior Loans are typically below investment grade quality.

The Trust typically makes its investments in Senior Loans by purchasing a portion of the overall loan, *i.e.*, the Trust becomes one of a number of lenders investing in the loan. The Trust may also make its investments in Senior Loans through the use of derivative instruments such as participations, credit-linked notes, credit default swaps, and total return swaps as long as the reference obligation for any such instrument is a Senior Loan. Investments through the use of such derivative instruments involve counterparty risk, *i.e.*,

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the risk that the party from which such instrument is purchased will not perform as agreed. The Trust seeks to minimize such counterparty risk by purchasing such investments from large, well established and highly rated counterparties.

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## PROSPECTUS SYNOPSIS

### **Other Investment Strategies and Policies**

Assets not invested in Senior Loans may be invested in unsecured loans, subordinated loans, tranches of floating rate asset-backed securities, including structured notes, short-term debt securities, and equities acquired in connection with investments in loans. See "Investment Objective and Policies" on page 13.

Loans in which the Trust invests typically have multiple reset periods at the same time, with each reset period applicable to a designated portfolio of the loan. The maximum duration of an interest rate reset on any loan in which the Trust may invest is one year. In order to achieve overall reset balance, the Trust will ordinarily maintain a dollar-weighted average time until the next interest rate adjustment on its loans of 90 days or less.

Normally at least 80% of the Trust's portfolio will be invested in Senior Loans with maturities of one to ten years. The maximum maturity on any loan in which the Trust may invest is ten years.

To seek to increase the yield on the Common Shares, the Trust may engage in lending its portfolio securities. Such lending will be fully secured by investment grade collateral held by an independent agent.

The Fund may invest up to 20% of its total assets, measured at the time of investment, in a combination of one or more of the following types of investments: loans to borrowers organized outside the United States and in U.S. territories and possessions or Canada, unsecured floating rate loans, notes and other debt instruments; floating rate subordinated loans; tranches of floating rate asset-backed securities, short-term debt securities; and equity securities incidental to investment in loans. See "Investment Objective and Policies" on page 13.

The Trust may engage in executing repurchase and reverse repurchase agreements.

### **Leverage**

To seek to increase the yield on the Common Shares, the Trust employs financial leverage by borrowing money and issuing preferred shares. The timing and terms of leverage will be determined by the Trust's Board of Trustees ("Board") in consultation with the Adviser or Sub-Adviser. See "Risk Factors and Special Considerations – Leverage" on page 18.

### **Borrowings**

Under the 1940 Act, the Trust may borrow up to an amount equal to  $33\frac{1}{3}\%$  of its total assets (including the proceeds of the borrowings) less all liabilities other than borrowings. The Trust's obligations to holders of its debt are senior to its ability to pay dividends on, or repurchase, Common Shares and preferred shares, or to pay holders of Common Shares and preferred shares in the event of liquidation.

If you have any questions, please call (800) 992-0180.

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## PROSPECTUS SYNOPSIS

### Preferred Shares

Under the 1940 Act, the Trust may issue preferred shares so long as immediately after any issuance of preferred shares the value of the Trust's total assets (less all Trust liabilities and indebtedness that is not senior indebtedness) is at least twice the amount of the Trust's senior indebtedness plus the involuntary liquidation preference of all outstanding shares.

The Trust is authorized to issue an unlimited number of shares of a class of preferred stock in one or more series. In November 2000, the Trust issued 3,600 shares each of Series M, T, W, Th and F Auction Rate Cumulative Preferred Shares, \$0.01 par value, \$25,000 liquidation preference per share, for a total issuance of \$450 million ("Preferred Shares"). The Trust's obligations to holders of the Preferred Shares are senior to its ability to pay dividends on, or repurchase, Common Shares, or to pay holders of Common Shares in the event of liquidation.

The 1940 Act also requires that the holders of the Preferred Shares, voting as a separate class, have the right to:

- elect at least two trustees at all times; and

- elect a majority of the trustees at any time when dividends on any series of Preferred Shares are unpaid for two full years.

In each case, the holders of Common Shares voting separately as a class will elect the remaining trustees.

Since early February 2008, the Trust has not received hold orders and purchase requests for its Preferred Shares during their weekly auctions that equaled the full amount of such shares. As a result, under the terms of the Preferred Shares, the amount sold by each selling shareholder was reduced pro rata or to zero. In addition, the dividend rate on such Preferred Shares, which is normally set by means of a Dutch auction procedure, automatically reset to the maximum rate permitted under the Preferred Shares program. That maximum rate is 150% of the applicable commercial paper base rate on the day of the auction. It is unclear whether the dividend rate for the Preferred Shares will be set by means of an auction again in the future. On June 9, 2008, the Trust announced the approval by the Board of a partial redemption of its outstanding Preferred Shares. The Trust expects to redeem approximately \$225 million of the \$450 million of its outstanding Preferred Shares. The Preferred Shares are expected to be redeemed using proceeds available through the Trust's existing bank loan facility. Redemption costs and the on-going costs of obtaining leverage through a bank loan facility may reduce returns to Common Shares and may be higher than the costs of leverage obtained through the Preferred Shares. The Trust and the Board will continue to closely monitor the situation and evaluate potential options to restore liquidity to and/or provide additional refinancing options for this market in the context of regulatory guidelines, as well as the economic and tax implications for both its Common and Preferred shareholders.

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## PROSPECTUS SYNOPSIS

### **Diversification**

The Trust maintains a diversified investment portfolio, an investment strategy which seeks to limit exposure to any one issuer or industry.

As a diversified investment company, the Trust may not make investments in any one issuer (other than the U.S. government) if, immediately after such purchase or acquisition, more than 5% of the value of the Trust's total assets would be invested in such issuer, or the Trust would own more than 25% of any outstanding issue. The Trust will consider a borrower on a loan, including a loan participation, to be the issuer of that loan. In addition, with respect to a loan under which the Trust does not have privity with the borrower or would not have a direct cause of action against the borrower in the event of the failure of the borrower to pay scheduled principal or interest, the Trust will also separately meet the foregoing requirements and consider each interpositioned bank (a lender from which the Trust acquires a loan) to be an issuer of the loan. This investment strategy is a fundamental policy that may not be changed without shareholder approval. With respect to no more than 25% of its total assets, the Trust may make investments that are not subject to the foregoing restrictions.

### **Concentration**

In addition, a maximum of 25% of the Trust's total assets, measured at the time of investment, may be invested in any one industry. This investment strategy is also a fundamental policy that may not be changed without shareholder approval.

### **Plan of Distribution**

The Common Shares are offered by the Trust through the Trust's Shareholder Investment Program. The Shareholder Investment Program allows participating shareholders to reinvest all dividends in additional shares of the Trust, and also allows participants to purchase additional Common Shares through optional cash investments in amounts ranging from a minimum of \$100 to a maximum of \$100,000 per month. The Trust and ING Funds Distributor, LLC ("ING Funds Distributor") reserve the right to reject any purchase order. Please note that cash, traveler's checks, third-party checks, money orders and checks drawn on non-U.S. banks (even if payment may be effected through a U.S. bank) generally will not be accepted. Common Shares may be issued by the Trust under the Shareholder Investment Program only if the Trust's Common Shares are trading at a premium to NAV. If the Trust's Common Shares are trading at a discount to NAV, Common Shares purchased under the Shareholder Investment Program will be purchased on the open market. See "Plan of Distribution" on pages 23 and 24.

Shareholders may elect to participate in the Shareholder Investment Program by telephoning the Trust or submitting a completed Participation Form to DST Systems, Inc. ("DST"). Common Shares also may be offered pursuant to privately negotiated transactions between the Trust or ING Funds Distributor and individual investors. Common Shares of the Trust issued in connection with privately negotiated transactions will be issued at the greater of (i) NAV per Common Share of the Trust's Common Shares or (ii) at a discount ranging from 0% to 5% of the average daily market price of the Trust's Common Shares at the close of business on the two business days preceding the date upon which Common Shares are sold pursuant to the privately negotiated transaction. See "Plan of Distribution" on pages 23 and 24.

### **Administrator**

The Trust's administrator is ING Funds Services, LLC ("Administrator"). The Administrator is an affiliate of the Adviser. The Administrator receives an annual fee, payable monthly, in a maximum amount equal to 0.25% of the Trust's Managed Assets.

If you have any questions, please call (800) 992-0180.

## PROSPECTUS SYNOPSIS

### RISK FACTORS AND SPECIAL CONSIDERATIONS

#### **Credit Risk on Senior Loans**

The Trust invests a substantial portion of its assets in below investment grade Senior Loans and other below investment grade assets. Below investment grade loans involve a greater risk that borrowers may not make timely payment of the interest and principal due on their loans. They also involve a greater risk that the value of such loans could decline significantly. If borrowers do not make timely payments of the interest due on their loans, the yield on the Trust's Common Shares will decrease. If borrowers do not make timely payment of the principal due on their loans, or if the value of such loans decreases, the Trust's NAV will decrease.

#### **Interest Rate Risk**

Changes in short-term market interest rates will directly affect the yield on the Trust's Common Shares. If short-term market interest rates fall, the yield on the Trust's Common Shares will also fall. To the extent that the interest rate spreads on loans in the Trust's portfolio experience a general decline, the yield on the Trust's Common Shares will fall and the value of the Trust's assets may decrease. Conversely, when short-term market interest rates rise, because of the lag between changes in such short-term rates and the resetting of the floating rates on assets in the Trust's portfolio, the impact of rising rates will be delayed to the extent of such lag.

#### **Discount from NAV**

As with any security, the market value of the Common Shares may increase or decrease from the amount that you paid for the Common Shares. The Trust's Common Shares may trade at a discount to NAV. This is a risk separate and distinct from the risk that the Trust's NAV per Common Share may decrease.

#### **Leverage**

The Trust's use of leverage through borrowings and the issuance of Preferred Shares can adversely affect the yield on the Trust's Common Shares. To the extent that the Trust is unable to invest the proceeds from the use of leverage in assets which pay interest at a rate which exceeds the rate paid on the leverage, the yield on the Trust's Common Shares will decrease. In addition, in the event of a general market decline in the value of assets such as those in which the Trust invests, the effect of that decline will be magnified in the Trust because of the additional assets purchased with the proceeds of the leverage. As of June 16, 2008, the Trust had \$592 million of total leverage, including \$142 million of borrowings under two credit facilities and \$450 million of Preferred Shares (issued and outstanding).

#### **Limited Secondary Market For Loans**

Because of the limited secondary market for loans, the Trust may be limited in its ability to sell loans in its portfolio in a timely fashion and/or at a favorable price. An increase in demand for loans may adversely affect the rate of interest payable on new loans acquired by the Trust, and it may also increase the price of loans in the secondary market. A decrease in the demand for loans may adversely affect the price of loans in the Trust's portfolio, which could cause the Trust's NAV to decline.

#### **Impact of Shareholder Investment Program and Privately Negotiated Transactions**

The issuance of Common Shares through the Shareholder Investment Program and/or through privately negotiated transactions may have an adverse effect on prices in the secondary market for the Trust's Common Shares by increasing the number of Common Shares available for sale. In addition, the Common Shares may be issued at a discount to the market price for such Common Shares, which may put downward pressure on the market price for Common Shares of the Trust.

## PROSPECTUS SYNOPSIS

### **Investment in Foreign Borrowers**

The Trust may hold a portion of its assets in short-term interest bearing instruments. Moreover, in periods when, in the opinion of the Adviser or Sub-Adviser, a temporary defensive position is appropriate, up to 100% of the Trust's assets may be held in cash or short-term interest bearing instruments. The Trust may not achieve its investment objective when pursuing a temporary defensive position.

The Trust may invest up to 20% of its total assets, measured at the time of investment, in loans, secured or unsecured, to borrowers that are organized or located in countries outside the United States and U.S. territories or possessions or Canada. The Trust may invest up to 15% of its total assets, measured at the time of investment, in investments denominated in the Organization for Economic Co-operation and Development ("OECD") currencies (including the Euro), other than the U.S. dollar. The Trust will engage in currency exchange transactions to seek to hedge, as closely as practicable, 100% of the economic impact to the Trust arising from foreign currency fluctuations. The Trust may not be entirely successful in implementing this hedging strategy, resulting in the Trust being adversely affected by foreign currency fluctuations. Investment in foreign borrowers involves special risks, including that foreign borrowers may be subject to:

- less rigorous regulatory, accounting and reporting requirements than U.S. borrowers;
- differing legal systems and laws relating to creditors' rights;
- the potential inability to enforce legal judgments;
- economic adversity that would result if the value of the borrower's non-U.S. dollar denominated revenues and assets were to fall because of fluctuations in currency values; and
- the potential for political, social and economic adversity in the foreign borrower's country.

If you have any questions, please call (800) 992-0180.

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**WHAT YOU PAY TO INVEST TRUST EXPENSES**

The cost you pay to invest in the Trust includes the expenses incurred by the Trust. In accordance with SEC requirements, the table below shows the expenses of the Trust, including interest expense on borrowings, as a percentage of the average net assets of the Trust, and not as a percentage of gross assets or Managed Assets. By showing expenses as a percentage of net assets, expenses are not expressed as a percentage of all of the assets that are invested for the Trust. The Table below assumes that the Trust has issued \$450 million of Preferred Shares and has borrowed an amount equal to 25% of its Managed Assets. For information about the Trust's expense ratios if the Trust had not borrowed or issued Preferred Shares, see "Risk Factors and Special Considerations Annual Expenses Without Borrowings or Preferred Shares."

<b>Shareholder Transaction Expenses</b>	
Shareholder Investment Program Fees	NONE
<b>Privately Negotiated Transactions</b>	
Commission (as a percentage of offering price)	3.00%
<b>Annual Expenses (as a percentage of net assets attributable to Common Shares)</b>	
Management and Administrative Fees <sup>(1)</sup>	2.01%
Interest Expense on Borrowed Funds	2.74%
Other Operating Expenses <sup>(2)</sup>	0.31%
<b>Total Annual Expenses<sup>(3)</sup></b>	<b>5.06%</b>

<sup>(1)</sup> Pursuant to the Investment Advisory Agreement with the Trust, ING Investments is paid a fee of 0.80% of the Trust's Managed Assets. Pursuant to its Administration Agreement with the Trust, the Trust's Administrator is paid a fee of 0.25% of the Trust's Managed Assets. See "Investment Management and Other Service Providers The Administrator."

<sup>(2)</sup> Other Operating Expenses are based on estimated amounts for the current fiscal year, which, in turn, are based on other operating expenses for the fiscal year ended February 29, 2008, and do not include the expenses of borrowing.

<sup>(3)</sup> If the Total Annual Expenses of the Trust were expressed as a percentage of Managed Assets (assuming the same 25% borrowing), the Total Annual Expense ratio would be 2.65%.

WHAT YOU PAY TO INVEST TRUST EXPENSES

**Example**

The following Example shows the amount of the expenses that an investor in the Trust would bear on a \$1,000 investment that is held for the different time periods in the table. The Example assumes that all dividends and other distributions are reinvested at NAV and that the percentage amounts listed under Total Annual Expenses remain the same in the years shown. The table and the assumption in the Example of a 5% annual return are required by regulations of the SEC applicable to all investment companies. The assumed 5% annual return is not a prediction of, and does not represent, the projected or actual performance of the Trust's Common Shares. For more complete descriptions of certain of the Trust's costs and expenses, see "Investment Management and Other Service Providers."

The following Example applies to shares issued in connection with privately negotiated transactions, which have the maximum front-end sales load of 3%.

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a \$1,000 investment, assuming a 5% annual return and where the Trust has borrowed in an amount equal to 25% of its Managed Assets.	\$ 79	\$ 181	\$ 285	\$ 560

The purpose of the table is to assist you in understanding the various costs and expenses that an investor in the Trust will bear directly or indirectly.

**The foregoing Example should not be considered a representation of future expenses, and actual expenses may be greater or less than those shown.**

If you have any questions, please call 1-800-992-0180.

What You Pay to Invest Trust Expenses

## FINANCIAL HIGHLIGHTS

## Financial Highlights Table

The table below sets forth selected financial information. The financial information for the most recent 5 fiscal years has been derived from the financial statements in the Trust's annual shareholder report dated as of February 29, 2008. The information in the table below has been audited by KPMG LLP, an independent registered public accounting firm. A report of the Trust's independent registered public accounting firm along with the Trust's financial statements for the most recent 5 fiscal years is included in the Trust's annual shareholder report dated as of February 29, 2008. A free copy of the annual shareholder report may be obtained by calling (800) 992-0180.

	Years Ended February 28 or February 29,					
	2008	2007	2006	2005	2004	2003
<b>Per Share Operating Performance</b>						
Net asset value, beginning of year	\$ 7.65	\$ 7.59	\$ 7.47	\$ 7.34	\$ 6.73	\$ 7.20
Income (loss) from investment operations:						
Net investment income	0.75	0.71	0.57	0.45	0.46	0.50
Net realized and unrealized gain (loss) on investments	(1.57)	0.06	0.12	0.16	0.61	(0.47)
Total from investment operations	(0.82)	0.77	0.69	0.61	1.07	0.03
Distributions to Common Shareholders from net investment income	(0.56)	(0.55)	(0.46)	(0.43)	(0.42)	(0.45)
Distribution to Preferred Shareholders	(0.16)	(0.16)	(0.11)	(0.05)	(0.04)	(0.05)
Increase on net asset value from share offerings						
Reduction in net asset value from Preferred Shares offerings						
Net asset value, end of year	\$ 6.11	\$ 7.65	\$ 7.59	\$ 7.47	\$ 7.34	\$ 6.73
Closing market price at end of year	\$ 5.64	\$ 7.40	\$ 7.02	\$ 7.56	\$ 7.84	\$ 6.46
<b>Total Investment Return<sup>(1)</sup></b>						
Total investment return at closing market price <sup>(2)</sup>	(17.25)%	13.84%	(0.82)%	2.04%	28.77%	2.53%



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Total investment return at net asset value <sup>(3)</sup>	(13.28)%	8.85%	8.53%	7.70%	15.72%	0.44%
<b>Ratios/Supplemental Data</b>						
Net assets end of year (000's)	\$ 886,976	\$ 1,109,539	\$ 1,100,671	\$ 1,082,748	\$ 1,010,325	\$ 922,383
Preferred Shares-Aggregate amount outstanding (000's)	\$ 450,000	\$ 450,000	\$ 450,000	\$ 450,000	\$ 450,000	\$ 450,000
Liquidation and market value per share of Preferred Shares	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Borrowings at end of year (000's)	\$ 338,000	\$ 281,000	\$ 465,000	\$ 496,000	\$ 225,000	\$ 167,000
Asset coverage per \$1,000 of debt <sup>(4)</sup>	\$ 2,125	\$ 2,517	\$ 2,203	\$ 2,140	\$ 2,500	\$ 2,500
Average borrowings (000's)	\$ 391,475	\$ 459,982	\$ 509,178	\$ 414,889	\$ 143,194	\$ 190,671
<b>Ratios to average net assets including Preferred Shares<sup>(5)</sup></b>						
Expenses (before interest and other fees related to revolving credit facility)	1.54%	1.57%	1.64%	1.60%	1.45%	1.49%
Net expenses after expense reimbursement	3.05%	3.27%	3.02%	2.21%	1.65%	1.81%
Gross expenses prior to expense reimbursement	3.05%	3.27%	3.02%	2.22%	1.65%	1.81%
Net investment income	7.23%	6.68%	5.44%	4.21%	4.57%	4.97%
<b>Ratios to average net assets plus borrowings</b>						
Expenses (before interest and other fees related to revolving credit facility)	1.60%	1.56%	1.58%	1.63%	1.84%	1.82%
Expenses Net expenses after expense reimbursement <sup>(6)</sup>	3.17%	3.25%	2.90%	2.26%	2.09%	2.23%
Gross expenses prior to expense reimbursement <sup>(6)</sup>	3.17%	3.25%	2.90%	2.27%	2.09%	2.23%

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Net investment income	7.53%	6.63%	5.24%	4.32%	5.82%	6.10%
<b>Ratios to average net assets</b>						
Expenses (before interest and other fees related to revolving credit facility)	2.20%	2.21%	2.33%	2.29%	2.11%	2.19%
Net expenses after expense reimbursement	4.36%	4.62%	4.27%	3.17%	2.40%	2.68%
Gross expenses prior to expense reimbursement	4.36%	4.62%	4.27%	3.18%	2.40%	2.68%
Net investment income	10.35%	9.42%	7.71%	6.04%	6.68%	7.33%
Portfolio turnover rate	60%	60%	81%	93%	87%	48%
Common shares outstanding at end of year (000's)	145,094	145,033	145,033	145,033	137,638	136,973

(1) Total investment return calculations are attributable to common shares.

(2) Total investment return at closing market price measures the change in the market value of your investment assuming reinvestment of dividends and capital gain distributions, if any, in accordance with the provisions of the Trust's dividend reinvestment plan.

(3) Total investment return at net asset value has been calculated assuming a purchase at net asset value at the beginning of each period and a sale at net asset value at the end of each period and assumes reinvestment of dividends and capital gain distributions in accordance with the provisions of the dividend reinvestment plan. This calculation differs from total investment return because it excludes the effects of changes in the market values of the Trust's shares.

(4) Asset coverage represents the total assets available for settlement of Preferred Stockholder's interest and notes payables in relation to the Preferred Shareholder interest and notes payable balance outstanding. The Preferred Shares were first offered November 2, 2000.

(5) Ratios do not reflect the effect of dividend payments to Preferred Shareholders; income ratios reflect income earned on assets attributable to the Preferred Shares; ratios do not reflect any add-back for the borrowings.

(6) The Adviser agreed to reduce its fee for a period of three years from the Expiration Date of the November 12, 1996 Rights Offering to 0.60% of the average daily net assets, plus the proceeds of any outstanding borrowings, over \$1.15 billion.

(7) Calculated on total expenses before impact of earnings credits.

(A) Had the Trust not amortized premiums and accreted discounts, the ratio of net investment income to average net assets including Preferred Shares would have been 6.43% for the year ended February 28, 2002.

(B) Had the Trust not amortized premiums and accreted discounts, the ratio of net investment income to average net assets plus borrowings applicable to common shares would have been 6.82% for the year ended February 28, 2002.

(C) Had the Trust not amortized premiums and accreted discounts, the ratio of net investment income to average net assets applicable to common shares would have been 9.22% for the year ended February 28, 2002.

### Financial Highlights

## FINANCIAL HIGHLIGHTS

	Years Ended February 28 or February 29,			
	2002	2001	2000	1999 <sup>(6)</sup>
<b>Per Share Operating Performance</b>				
Net asset value, beginning of year	\$ 8.09	\$ 8.95	\$ 9.24	\$ 9.34
Income (loss) from investment operations:				
Net investment income	0.74	0.88	0.79	0.79
Net realized and unrealized gain (loss) on investments	(0.89)	(0.78)	(0.30)	(0.10)
Total from investment operations	(0.15)	0.10	0.49	0.69
Distributions to Common Shareholders				
from net investment income	(0.63)	(0.86)	(0.78)	(0.82)
Distribution to Preferred Shareholders	(0.11)	(0.06)		
Increase on net asset value from share offerings				0.03
Reduction in net asset value from				
Preferred Shares offerings		(0.04)		
Net asset value, end of year	\$ 7.20	\$ 8.09	\$ 8.95	\$ 9.24
Closing market price at end of year	\$ 6.77	\$ 8.12	\$ 8.25	\$ 9.56
<b>Total Investment Return<sup>(1)</sup></b>				
Total investment return at closing market price <sup>(2)</sup>				
	(9.20)%	9.10%	(5.88)%	1.11%
Total investment return at net asset value <sup>(3)</sup>				
	(3.02)%	0.19%	5.67%	7.86%
<b>Ratios/Supplemental Data</b>				
Net assets end of year (000's)	\$ 985,982	\$ 1,107,432	\$ 1,217,339	\$ 1,202,565
Preferred Shares-Aggregate amount outstanding (000's)	\$ 450,000	\$ 450,000	\$	\$
Liquidation and market value per share of Preferred Shares	\$ 25,000	\$ 25,000	\$	\$
Borrowings at end of year (000's)	\$ 282,000	\$ 510,000	\$ 484,000	\$
Asset coverage per \$1,000 of debt <sup>(4)</sup>	\$ 2,350	\$ 2,150	\$ 3,520	\$
Average borrowings (000's)	\$ 365,126	\$ 450,197	\$ 524,019	\$ 490,978
<b>Ratios to average net assets including Preferred Shares<sup>(5)</sup></b>				
Expenses (before interest and other fees related to revolving credit facility)				
	1.57%	1.62%		
Net expenses after expense reimbursement				
	2.54%	3.97%		
Gross expenses prior to expense reimbursement				
	2.54%	3.97%		
Net investment income	6.83% <sup>(A)</sup>	9.28%		

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### Ratios to average net assets plus borrowings

Expenses (before interest and other fees related to revolving credit facility)	1.66%	1.31%	1.00% <sup>(7)</sup>	1.05% <sup>(7)</sup>
Expenses		3.21%	2.79% <sup>(7)</sup>	2.86% <sup>(7)</sup>
Net expenses after expense reimbursement <sup>(6)</sup>	2.70%			
Gross expenses prior to expense reimbursement <sup>(6)</sup>	2.70%			
Net investment income	7.24% <sup>(B)</sup>	7.50%	6.12%	6.00%

### Ratios to average net assets

Expenses (before interest and other fees related to revolving credit facility)	2.25%	1.81%	1.43% <sup>(7)</sup>	1.50% <sup>(7)</sup>
Net expenses after expense reimbursement	3.64%	4.45%	4.00% <sup>(7)</sup>	4.10% <sup>(7)</sup>
Gross expenses prior to expense reimbursement	3.64%	4.45%	4.00% <sup>(7)</sup>	4.10% <sup>(7)</sup>
Net investment income	9.79% <sup>(C)</sup>	10.39%	8.77%	8.60%
Portfolio turnover rate	53%	46%	71%	68%
Common shares outstanding at end of year (000's)	136,973	136,847	136,036	130,206

If you have any questions, please call 1-800-992-0180.

### Financial Highlights

## TRADING AND NAV INFORMATION

The following table shows for the Trust's Common Shares for the periods indicated: (1) the high and low closing prices as shown on the NYSE Composite Transaction Tape; (2) the NAV per Common Share represented by each of the high and low closing prices as shown on the NYSE Composite Transaction Tape; and (3) the discount from or premium to NAV per Share (expressed as a percentage) represented by these closing prices. The table also sets forth the aggregate number of shares traded as shown on the NYSE Composite Transaction Tape during the respective quarter.

Calendar Quarter Ended	Price		NAV		Premium/(Discount) To NAV		Reported NYSE Volume
	High	Low	High	Low	High	Low	
March 31, 2006	7.12	6.72	7.62	7.42	(6.19)	(9.43)	21,188,110
June 30, 2006	7.11	6.83	7.63	7.48	(4.95)	(10.13)	20,530,200
September 30, 2006	7.14	7.00	7.52	7.45	(4.67)	(6.54)	22,496,800
December 31, 2006	7.25	7.09	7.57	7.39	(3.38)	(5.47)	24,088,200
March 31, 2007	7.44	7.20	7.65	7.53	(2.38)	(4.51)	24,173,486
June 30, 2007	7.90	7.33	7.68	7.61	3.40	(3.93)	28,919,700
September 30, 2007	7.65	6.23	7.63	7.02	0.39	(12.38)	34,681,500
December 31, 2007	7.07	6.16	7.28	6.90	(2.35)	(11.24)	27,286,400
March 31, 2008	6.41	5.25	6.92	5.87	(4.33)	(13.08)	