

ING PRIME RATE TRUST
Form POS 8C
June 29, 2007

As filed with the Securities and Exchange Commission on June 29, 2007

Securities Act File No. 333-68239

Investment Company Act File No. 811-05410

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-2

(Check Appropriate box or boxes)

Registration Statement Under The Securities Act Of 1933 **X**

Pre-Effective Amendment No. **O**

Post-Effective Amendment No. 18 **X**

and/or

Registration Statement Under The Investment Company Act Of 1940 **X**

Amendment No. 70 **X**

(Check appropriate box or boxes)

ING PRIME RATE TRUST

(Exact Name of Registrant Specified in Charter)

7337 E. Doubletree Ranch Road

Scottsdale, AZ 85258

(Address of Principal Executive Offices)

Registrant's Telephone Number, Including Area Code: **(800) 992-0180**

Huey P. Falgout, Jr.
ING Investments, LLC
7337 East Doubletree Ranch Road
Scottsdale, AZ 85258
(Name and Address of Agent for Service)

With copies to:
Jeffrey S. Poretz, Esq.
Dechert LLP
1775 I Street, NW
Washington, DC 20006

Approximate Date of Proposed Offering:

As soon as practical after the effective date of this Registration Statement

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If any securities being registered on this form will be offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, other than securities offered in connection with a dividend reinvestment plan, check the following box. X

It is proposed that this filing will become effective:

x When declared effective pursuant to Section 8(c) of the Securities Act of 1933.

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ING PRIME RATE TRUST (5 MILLION)

CONTENTS OF REGISTRATION STATEMENT

This Registration Statement consists of the following papers and documents:

- * Cover Sheet
 - * Contents of Registration Statement
 - * Supplement dated June 30, 2007.
 - * ING Prime Rate Trust (5 Million Common Shares) Prospectus dated June 30, 2007.
 - * ING Prime Rate Trust Statement of Additional Information dated June 30, 2007.
 - * Part C
 - * Signature Page
-

ING Prime Rate Trust (Registrant)

Supplement dated June 30, 2007

to the current Prospectuses

dated June 30, 2007

The Prospectuses for the Registrants are hereby supplemented with the following information relating to Information Regarding Trading of ING's U.S. Mutual Funds.

Information Regarding Trading of ING's U.S. Mutual Funds

As discussed in earlier supplements, ING Investments, LLC (Investments), the adviser to the ING Funds, has reported to the Boards of Directors/Trustees (the Boards) of the ING Funds that, like many U.S. financial services companies, Investments and certain of its U.S. affiliates have received informal and formal requests for information since September 2003 from various governmental and self-regulatory agencies in connection with investigations related to mutual funds and variable insurance products. Investments has advised the Boards that it and its affiliates have cooperated fully with each request.

In addition to responding to regulatory and governmental requests, Investments reported that management of U.S. affiliates of ING Groep N.V., including Investments (collectively, ING), on their own initiative, have conducted, through independent special counsel and a national accounting firm, an extensive internal review of trading in ING insurance, retirement, and mutual fund products. The goal of this review was to identify any instances of inappropriate trading in those products by third parties or by ING investment professionals and other ING personnel. ING's internal review related to mutual fund trading is now substantially completed. ING has reported that, of the millions of customer relationships that ING maintains, the internal review identified several isolated arrangements allowing third parties to engage in frequent trading of mutual funds within ING's variable insurance and mutual fund products, and identified other circumstances where frequent trading occurred, despite measures taken by ING intended to combat market timing. ING further reported that each of these arrangements has been terminated and fully disclosed to regulators. The results of the internal review were also reported to the independent members of the Boards.

Investments has advised the Boards that most of the identified arrangements were initiated prior to ING's acquisition of the businesses in question in the U.S. Investments further reported that the companies in question did not receive special benefits in return for any of these arrangements, which have all been terminated.

Based on the internal review, Investments has advised the Boards that the identified arrangements do not represent a systemic problem in any of the companies that were involved.

In September 2005, ING Funds Distributor, LLC (IFD), the distributor of certain ING Funds, settled an administrative proceeding with the NASD regarding three arrangements, dating from 1995, 1996 and 1998, under which the administrator to the then-Pilgrim Funds, which subsequently became part of the ING Funds, entered into formal and informal arrangements that permitted frequent trading. Under the terms of the Letter of Acceptance, Waiver and Consent (AWC) with the NASD, under which IFD neither admitted nor denied the allegations or findings, IFD consented to the following sanctions: (i) a censure; (ii) a fine of \$1.5 million; (iii) restitution of approximately \$1.44 million to certain ING Funds for losses attributable to excessive trading described in the AWC; and (iv) agreement to make certification to NASD regarding the review and establishment of certain procedures.

In addition to the arrangements discussed above, Investments reported to the Boards that, at this time, these instances include the following, in addition to the arrangements subject to the AWC discussed above:

- Aeltus Investment Management, Inc. (a predecessor entity to ING Investment Management Co.) identified two investment professionals who engaged in extensive frequent trading in certain ING Funds. One was subsequently terminated for cause and incurred substantial financial penalties in connection with this conduct and the second has been disciplined.
- ReliaStar Life Insurance Company (ReliaStar) entered into agreements seven years ago permitting the owner of policies issued by the insurer to engage in frequent trading and to submit orders until 4pm Central Time. In 2001 ReliaStar also entered into a selling agreement with a broker-dealer that engaged in frequent trading. Employees of ING affiliates were terminated and/or disciplined in connection with these matters.
- In 1998, Golden American Life Insurance Company entered into arrangements permitting a broker-dealer to frequently trade up to certain specific limits in a fund available in an ING variable annuity product. No employee responsible for this arrangement remains at the company.

For additional information regarding these matters, you may consult the Form 8-K and Form 8-K/A for each of four life insurance companies, ING USA Annuity and Life Insurance Company, ING Life Insurance and Annuity Company, ING Insurance Company of America, and ReliaStar Life Insurance Company of New York, each filed with the Securities and Exchange Commission (the SEC) on October 29, 2004 and September 8, 2004. These Forms 8-K and Forms 8-K/A can be accessed through the SEC's Web site at <http://www.sec.gov>. Despite the extensive internal review conducted through independent special counsel and a national accounting firm, there can be no assurance that the instances of inappropriate trading reported to the Boards are the only instances of such trading respecting the ING Funds.

Investments reported to the Boards that ING is committed to conducting its business with the highest standards of ethical conduct with zero tolerance for noncompliance. Accordingly, Investments advised the Boards that ING management was disappointed

that its voluntary internal review identified these situations. Viewed in the context of the breadth and magnitude of its U.S. business as a whole, ING management does not believe that ING's acquired companies had systemic ethical or compliance issues in these areas. Nonetheless, Investments reported that given ING's refusal to tolerate any lapses, it has taken the steps noted below, and will continue to seek opportunities to further strengthen the internal controls of its affiliates.

- ING has agreed with the ING Funds to indemnify and hold harmless the ING Funds from all damages resulting from wrongful conduct by ING or its employees or from ING's internal investigation, any investigations conducted by any governmental or self-regulatory agencies, litigation or other formal proceedings, including any proceedings by the SEC. Investments reported to the Boards that ING management believes that the total amount of any indemnification obligations will not be material to ING or its U.S. business.
- ING updated its Code of Conduct for employees reinforcing its employees' obligation to conduct personal trading activity consistent with the law, disclosed limits, and other requirements.
- The ING Funds, upon a recommendation from ING, updated their respective Codes of Ethics applicable to investment professionals with ING entities and certain other fund personnel, requiring such personnel to pre-clear any purchases or sales of ING Funds that are not systematic in nature (i.e., dividend reinvestment), and imposing minimum holding periods for shares of ING Funds.
- ING instituted excessive trading policies for all customers in its variable insurance and retirement products and for shareholders of the ING Funds sold to the public through financial intermediaries. ING does not make exceptions to these policies.
- ING reorganized and expanded its U.S. Compliance Department, and created an Enterprise Compliance team to enhance controls and consistency in regulatory compliance.

Other Regulatory Matters.

The New York Attorney General (the NYAG) and other federal and state regulators are also conducting broad inquiries and investigations involving the insurance industry. These initiatives currently focus on, among other things, compensation and other sales incentives; potential conflicts of interest; potential anti-competitive activity; reinsurance; marketing practices (including suitability); specific product types (including group annuities and indexed annuities); fund selection for investment products and brokerage sales; and disclosure. It is likely that the scope of these industry investigations will further broaden before they conclude. ING has received formal and informal requests in connection with such investigations, and is cooperating fully with each request. In connection with one such investigation, affiliates of Investments were named in a petition for relief and cease and desist order filed by the New Hampshire Bureau of Securities Regulation (the NH Bureau) concerning their administration of the New Hampshire state employees deferred compensation plan.

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On October 10, 2006, an affiliate of Investments entered into an assurance of discontinuance with the NYAG (the NYAG Agreement) regarding the endorsement of its products by the New York State United Teachers Union Member Benefits Trust (NYSUT) and the sale of their products to NYSUT members. Under the terms of the NYAG Agreement, the affiliate of Investments, without admitting or denying the NYAG 's findings, will distribute \$30 million to NYSUT members, and/or former NYSUT members, who participated in the NYSUT-endorsed products at any point between January 1, 2001 and June 30, 2006. The affiliate also agreed with the NYAG 's office to develop a one-page disclosure that will further improve transparency and disclosure regarding retirement product fees (the One-Page Disclosure). Pursuant to the terms of the NYAG Agreement, the affiliate has agreed for a five year period to provide its retirement product customers with the One-Page Disclosure.

In addition, on the same date, these affiliates of Investments entered into a consent agreement with the NH Bureau (the NH Agreement) to resolve this petition for relief and cease and desist order. Under the terms of the NH Agreement, these affiliates of Investments, without admitting or denying the NH Bureau 's claims, have agreed to pay \$3 million to resolve the matter, and for a five year period to provide their retirement product customers with the One-Page Disclosure described above.

Other federal and state regulators could initiate similar actions in this or other areas of ING 's businesses.

These regulatory initiatives may result in new legislation and regulation that could significantly affect the financial services industry, including businesses in which ING is engaged.

In light of these and other developments, ING continuously reviews whether modifications to its business practices are appropriate.

At this time, in light of the current regulatory factors, ING U.S. is actively engaged in reviewing whether any modifications in our practices are appropriate for the future.

There can be no assurance that these matters, or the adverse publicity associated with them, will not result in increased fund redemptions, reduced sale of fund shares, or other adverse consequences to ING Funds.

This supplement supersedes the supplement dated February 28, 2006 with respect to the ING Global Equity and International Equity Funds; the supplement dated June 28, 2006 with respect to ING Investors Trust (to only ING American Funds Portfolios, ING Lifestyle Portfolios, ING MarketPro Portfolio, ING MarketStyle Portfolios, ING Disciplined Small Cap Value Portfolio, ING EquitiesPlus Portfolio, ING Global Real Estate Portfolio and ING VP Index Plus International Equity Portfolio) ING Variable Insurance Trust, ING Variable Products Trust, ING VP Natural Resources Trust; the supplement dated June 30, 2006 with respect to ING Senior Income Fund, ING Prime Rate Trust; the supplement date July 29, 2006 with respect to the ING Fixed-Income

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Funds and ING Institutional Prime Money Market Fund; and the supplement dated September 30, 2006 with respect to ING Domestic Equity Funds

PLEASE RETAIN THIS SUPPLEMENT FOR FUTURE REFERENCE

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Prospectus

Prospectus

June 30, 2007

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 Securities and Exchange Commission ("SEC") a Statement of Additional Information ("SAI") dated June 30, 2007 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. 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 30 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 4 and 15 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.

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 4 and 15.

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 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 15, 2007, the Trust's net asset value ("NAV") per Common Share was \$7.64.

NYSE Listed

As of June 15, 2007, the Trust had 145,033,235 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 \$7.82.

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, 2007, ING Investments managed approximately \$51.8 billion in assets.

The Adviser is an indirect, wholly-owned subsidiary of ING Groep N.V. ("ING Groep") (NYSE: ING). ING Groep is one of the largest financial services organizations in the world with approximately 120,000 employees. Based in Amsterdam, ING Groep offers an array of banking, insurance and asset management services to both individual and institutional investors.

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 23. 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 U.S., Canada or in U.S. territories or possessions.

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.

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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 participating 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.*, 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.

Prospectus Synopsis

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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, short-term debt securities, and equities acquired in connection with investments in loans. See "Investment Objective and Policies" on page 11.

Loans in which the Trust invests typically have interest rates which reset at least quarterly and may reset as frequently as daily. 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 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 in U.S. dollar denominated loans, secured or unsecured, to borrowers that are organized or located in countries outside the United States and Canada or U.S. territories and possessions and up to 15% of its total assets 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 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 16.

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.

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

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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.

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

Prospectus Synopsis

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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" or "Distributor") reserve the right to reject any purchase order. Please note that cash, travelers 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 21 and 22.

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 the 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 21 and 22.

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.

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

PROSPECTUS SYNOPSIS

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 15, 2007, the Trust had \$761 million of total leverage, including \$311 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.

Demand For Loans

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.

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.

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

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."

| | |
|--|--------------|
| Shareholder Transaction Expenses | |
| Shareholder Investment Program Fees | NONE |
| Privately Negotiated Transactions | |
| Commission (as a percentage of offering price) | 3.00% |
| Annual Expenses (as a percentage of net assets attributable to Common Shares) | |
| Management and Administrative Fees ⁽¹⁾ | 1.98% |
| Interest Expense on Borrowed Funds | 2.70% |
| Other Operating Expenses ⁽²⁾ | 0.29% |
| Total Annual Expenses⁽³⁾ | 4.97% |

⁽¹⁾ 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."

⁽²⁾ "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 28, 2007, and do not include the expenses of borrowing.

⁽³⁾ 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 2.63%.

What You Pay to Invest Trust Expenses

WHAT YOU PAY TO INVEST TRUST EXPENSES

Examples

The following hypothetical Examples show 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 examples assume 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 tables and the assumption in the hypothetical examples 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."

Example #1

The following Example applies to shares issued in connection with the Trust's Shareholder Investment Program. This example does not take into account whether such shares are purchased at a discount or a premium to the Trust's NAV.

| | 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 | \$ 50 | \$ 153 | \$ 259 | \$ 539 |
| You would pay the following expenses on a \$1,000 investment, assuming a 5% annual return and where the Trust has not borrowed | \$ 18 | \$ 56 | \$ 96 | \$ 208 |

Example #2

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 | \$ 178 | \$ 281 | \$ 553 |
| You would pay the following expenses on a \$1,000 investment, assuming a 5% annual return and where the Trust has not borrowed | \$ 48 | \$ 84 | \$ 123 | \$ 232 |

The purpose of each 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 Examples 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 28, 2007. 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 28, 2007. A free copy of the annual shareholder report may be obtained by calling (800) 992-0180.

| | Years Ended February 28 or February 29, | | | | | |
|---|---|---------|---------|---------|---------|---------|
| | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
| Per Share Operating Performance | | | | | | |
| Net asset value, beginning of year | \$ 7.59 | \$ 7.47 | \$ 7.34 | \$ 6.73 | \$ 7.20 | \$ 8.09 |
| Income (loss) from investment operations: | | | | | | |
| Net investment income | 0.71 | 0.57 | 0.45 | 0.46 | 0.50 | 0.74 |
| Net realized and unrealized gain (loss) on investments | 0.06 | 0.12 | 0.16 | 0.61 | (0.47) | (0.89) |
| Total from investment operations | 0.77 | 0.69 | 0.61 | 1.07 | 0.03 | (0.15) |
| Distributions to Common Shareholders from net investment income | (0.55) | (0.46) | (0.43) | (0.42) | (0.45) | (0.63) |
| Distribution to Preferred Shareholders | (0.16) | (0.11) | (0.05) | (0.04) | (0.05) | (0.11) |
| Increase on net asset value from share offerings | | | | | | |
| Reduction in net asset value from Preferred Shares offerings | | | | | | |
| Net asset value, end of year | \$ 7.65 | \$ 7.59 | \$ 7.47 | \$ 7.34 | \$ 6.73 | \$ 7.20 |
| Closing market price at end of year | \$ 7.40 | \$ 7.02 | \$ 7.56 | \$ 7.84 | \$ 6.46 | \$ 6.77 |
| Total Investment Return⁽¹⁾ | | | | | | |
| Total investment return at closing market price ⁽²⁾ | 13.84% | (0.82)% | 2.04% | 28.77% | 2.53% | (9.20)% |
| Total investment return at net | 8.85% | 8.53% | 7.70% | 15.72% | 0.44% | (3.02)% |

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| | | | | | | |
|--|--------------|--------------|--------------|--------------|------------|----------------------|
| asset value ⁽³⁾ | | | | | | |
| Ratios/Supplemental Data | | | | | | |
| Net assets end of year (000's) | \$ 1,109,539 | \$ 1,100,671 | \$ 1,082,748 | \$ 1,010,325 | \$ 922,383 | \$ 985,982 |
| 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) | \$ 281,000 | \$ 465,000 | \$ 496,000 | \$ 225,000 | \$ 167,000 | \$ 282,000 |
| Asset coverage per \$1,000 of debt ⁽⁴⁾ | \$ 2,517 | \$ 2,203 | \$ 2,140 | \$ 2,500 | \$ 2,500 | \$ 2,350 |
| Average borrowings (000's) | \$ 459,982 | \$ 509,178 | \$ 414,889 | \$ 143,194 | \$ 190,671 | \$ 365,126 |
| Ratios to average net assets including Preferred Shares⁽⁵⁾ | | | | | | |
| Expenses (before interest and other fees related to revolving credit facility) | 1.57% | 1.64% | 1.60% | 1.45% | 1.49% | 1.57% |
| Net expenses after expense reimbursement | 3.27% | 3.02% | 2.21% | 1.65% | 1.81% | 2.54% |
| Gross expenses prior to expense reimbursement | 3.27% | 3.02% | 2.22% | 1.65% | 1.81% | 2.54% |
| Net investment income | 6.68% | 5.44% | 4.21% | 4.57% | 4.97% | 6.83% ^(A) |
| Ratios to average net assets plus borrowings | | | | | | |
| Expenses (before interest and other fees related to revolving credit facility) | 1.56% | 1.58% | 1.63% | 1.84% | 1.82% | 1.66% |
| Expenses Net expenses after expense reimbursement ⁽⁶⁾ | 3.25% | 2.90% | 2.26% | 2.09% | 2.23% | 2.70% |
| Gross expenses prior to expense reimbursement ⁽⁶⁾ | 3.25% | 2.90% | 2.27% | 2.09% | 2.23% | 2.70% |
| | 6.63% | 5.24% | 4.32% | 5.82% | 6.10% | 7.24% ^(B) |

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| | | | | | | |
|--|---------|---------|---------|---------|---------|----------------------|
| Net investment income | | | | | | |
| Ratios to average net assets | | | | | | |
| Expenses (before interest and other fees related to revolving credit facility) | 2.21% | 2.33% | 2.29% | 2.11% | 2.19% | 2.25% |
| Net expenses after expense reimbursement | 4.62% | 4.27% | 3.17% | 2.40% | 2.68% | 3.64% |
| Gross expenses prior to expense reimbursement | 4.62% | 4.27% | 3.18% | 2.40% | 2.68% | 3.64% |
| Net investment income | 9.42% | 7.71% | 6.04% | 6.68% | 7.33% | 9.79% ^(C) |
| Portfolio turnover rate | 60% | 81% | 93% | 87% | 48% | 53% |
| Common shares outstanding at end of year (000's) | 145,033 | 145,033 | 145,033 | 137,638 | 136,973 | 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, | | | |
|--|---|----------------------|----------------------|---------------------|
| | 2001 | 2000 | 1999 ⁽⁶⁾ | 1998 ⁽⁶⁾ |
| Per Share Operating Performance | | | | |
| Net asset value, beginning of year | \$ 8.95 | \$ 9.24 | \$ 9.34 | \$ 9.45 |
| Income (loss) from investment operations: | | | | |
| Net investment income | 0.88 | 0.79 | 0.79 | 0.87 |
| Net realized and unrealized gain (loss) on investments | (0.78) | (0.30) | (0.10) | (0.13) |
| Total from investment operations | 0.10 | 0.49 | 0.69 | 0.74 |
| Distributions to Common Shareholders | | | | |
| from net investment income | (0.86) | (0.78) | (0.82) | (0.85) |
| Distribution to Preferred Shareholders | (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 | \$ 8.09 | \$ 8.95 | \$ 9.24 | \$ 9.34 |
| Closing market price at end of year | \$ 8.12 | \$ 8.25 | \$ 9.56 | \$ 10.31 |
| Total Investment Return⁽¹⁾ | | | | |
| Total investment return at closing market price ⁽²⁾ | 9.10% | (5.88)% | 1.11% | 12.70% |
| Total investment return at net asset value ⁽³⁾ | 0.19% | 5.67% | 7.86% | 8.01% |
| Ratios/Supplemental Data | | | | |
| Net assets end of year (000's) | \$ 1,107,432 | \$ 1,217,339 | \$ 1,202,565 | \$ 1,034,403 |
| Preferred Shares-Aggregate amount outstanding (000's) | \$ 450,000 | | | |
| Liquidation and market value per share of Preferred Shares | \$ 25,000 | | | |
| Borrowings at end of year (000's) | \$ | \$ | \$ | |
| Asset coverage per \$1,000 of debt ⁽⁴⁾ | \$ 2,150 | \$ | \$ | |
| Average borrowings (000's) | \$ 450,197 | \$ 524,019 | \$ 490,978 | \$ 346,110 |
| Ratios to average net assets including Preferred Shares⁽⁵⁾ | | | | |
| Expenses (before interest and other fees related to revolving credit facility) | 1.62% | | | |
| Net expenses after expense reimbursement | 3.97% | | | |
| Gross expenses prior to expense reimbursement | 3.97% | | | |
| Net investment income | 9.28% | | | |
| Ratios to average net assets plus borrowings | 1.31% | 1.00% ⁽⁷⁾ | 1.05% ⁽⁷⁾ | 1.04% |
| Expenses (before interest and other | | | | |

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| | | | | |
|--|---------|----------------------|----------------------|---------|
| fees related to revolving credit facility) | | | | |
| Expenses | 3.21% | 2.79% ⁽⁷⁾ | 2.86% ⁽⁷⁾ | 2.65% |
| Net expenses after expense reimbursement ⁽⁶⁾ | | | | |
| Gross expenses prior to expense reimbursement ⁽⁶⁾ | | | | |
| Net investment income | 7.50% | 6.12% | 6.00% | 6.91% |
| Ratios to average net assets | | | | |
| Expenses (before interest and other | | | | |
| fees related to revolving credit facility) | 1.81% | 1.43% ⁽⁷⁾ | 1.50% ⁽⁷⁾ | 1.39% |
| Net expenses after expense reimbursement | 4.45% | 4.00% ⁽⁷⁾ | 4.10% ⁽⁷⁾ | 3.54% |
| Gross expenses prior to expense reimbursement | 4.45% | 4.00% ⁽⁷⁾ | 4.10% ⁽⁷⁾ | 3.54% |
| Net investment income | 10.39% | 8.77% | 8.60% | 9.23% |
| Portfolio turnover rate | 46% | 71% | 68% | 90% |
| Common shares outstanding at end of year (000's) | 136,847 | 136,036 | 130,206 | 110,764 |

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, 2005 | 7.830 | 7.160 | 7.48 | 7.38 | 5.67 | (3.49) | 13,877,317 |
| June 30, 2005 | 7.360 | 6.800 | 7.46 | 7.31 | (1.34) | (7.23) | 17,197,500 |
| September 30, 2005 | 7.200 | 6.640 | 7.48 | 7.36 | (3.10) | (10.99) | 18,052,800 |
| December 31, 2005 | 6.890 | 6.460 | 7.46 | 7.40 | (7.64) | (12.94) | 29,717,900 |
| March 31, 2006 | 7.120 | 6.720 | 7.62 | 7.42 | (6.19) | (9.43) | 21,188,110 |
| June 30, 2006 | 7.110 | 6.830 | 7.63 | 7.48 | (4.95) | (10.13) | 20,530,200 |
| September 30, 2006 | 7.140 | 7.000 | 7.52 | 7.45 | (4.67) | (6.54) | 22,496,800 |
| December 31, 2006 | 7.250 | 7.090 | 7.57 | 7.39 | (3.38) | (5.47) | 24,088,200 |
| March 31, 2007 | 7.440 | 7.200 | 7.65 | 7.54 | (2.38) | (4.51) | 24,173,486 |

On June 15, 2007, the last reported sale price of a Common Share of the Trust's Common Shares on the NYSE was \$7.82. The Trust's NAV on June 15, 2007 was \$7.64. See "Transaction Policies - Net Asset Value." On June 15, 2006 the last reported sale price of a share of the Trust's Common Shares on the NYSE (\$7.82) represented a 2.35% premium above NAV (\$7.64) as of that date.

The Trust's Common Shares have traded in the market above, at, and below NAV since March 9, 1992, when the Trust's Common Shares were listed on the NYSE. The Trust cannot predict whether its Common Shares will trade in the future at a premium or discount to NAV, and if so, the level of such premium or discount. Shares of closed-end investment companies frequently trade at a discount from NAV.

Trading and NAV Information

INVESTMENT OBJECTIVE AND POLICIES

Investment Objective

The Trust's investment objective is 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 investment objective by investing in the types of assets described below:

1. Senior Loans. Under normal circumstances, at least 80% of the Trust's net assets, plus the amount of any borrowings for investment purposes, will be invested in Senior Loans. This investment policy may be changed without shareholder approval so long as the Trust provides its shareholders with at least 60 days' prior notice of any changes 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 U.S., Canada or in U.S. territories or possessions.

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 justify treatment as senior debt. These Senior Loans are typically below investment grade credit 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 participating 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.*, 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 only from large, well established and highly rated counter-parties.

2. Other Investments. Under normal circumstances, the Trust 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 ("Other Investments"):

loans to borrowers organized outside the U.S. or Canada;

unsecured floating rate loans, notes and other debt instruments;

floating rate subordinated loans;

tranches of floating rate asset-backed securities, including structured notes;

short-term debt securities; and

equity securities incidental to investments in loans

3. Cash and Short-Term Instruments. Under normal circumstances, the Trust may invest in cash and/or short-term instruments. During periods when, in the opinion of the Adviser or Sub-Adviser, a temporary defensive posture in the market is appropriate, the Trust may hold up to 100% of its assets in cash and/or short-term instruments.

4. Other Investment Strategies. The Trust may lend its portfolio securities, on a short-term or long-term basis, in an amount equal to up to $33\frac{1}{3}\%$ of its total assets.

Fundamental Diversification Policies

1. Industry Diversification. The Trust may invest in any industry. The Trust may not invest more than 25% of its total assets in any single industry.

2. Borrower Diversification. 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 the borrower on a loan, including a loan participation, to be the issuer of such loan. With respect to no more than 25% of its total assets, the Trust may make investments that are not subject to the foregoing restrictions.

These fundamental diversification policies may only be changed with approval by a majority of all shareholders, including the vote of a majority of the holders of Preferred Shares, and holders of any other preferred shares, voting separately as a class.

Investment Policies

The Adviser and Sub-Adviser follow certain investment policies set by the Trust's Board. Some of those policies are set forth below. Please refer to the SAI for additional information on these and other investment policies.

1. Limitations on currencies. The Trust's investments must be denominated in U.S. dollars, provided that the Trust may invest up to 15% of its total assets in investments denominated in the 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.

2. Maturity. Although the Trust has no restrictions on portfolio maturity, under normal circumstances, at least 80% of the Trust's total assets will be invested in assets with remaining maturities of one to ten years. The maximum maturity on any

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

Investment Objective and Policies

11

INVESTMENT OBJECTIVE AND POLICIES

loan in which the Trust can invest is ten years.

3. Interest Rate Resets. Under normal circumstances, at least 80% of the Trust's total assets will be invested in assets with rates of interest which reset either daily, monthly, or quarterly. The maximum duration of an interest rate reset on any loan investment in which the Trust may invest is one year. In addition, under normal circumstances, the Trust will maintain a dollar-weighted average time until the next interest rate adjustment on its loan investments of 90 days or less.

4. Limitations on Other Investments. The Trust may also invest up to 20% of its total assets, measured at the time of investment, in Other Investments. The following additional limitations apply to Other Investments:

a. Unsecured Debt Instruments. The Trust may not invest in unsecured floating rate loans, notes and other debt instruments, whether or not senior or subordinated, in an aggregate amount that exceeds 20% of the Trust's total assets, measured at the time of investment.

b. Equities. The Trust may acquire equity securities only as an incident to the purchase or ownership of a loan or in connection with a reorganization of a borrower or its debt.

c. Subordinated Loans. The Trust may not invest in floating rate subordinated loans, whether or not secured, in an aggregated amount that exceeds 5% of its total assets, measured at the time of investment.

5. Investment Quality; Credit Analysis. Loans in which the Trust invests generally are rated below investment grade credit quality or are unrated. In acquiring a loan, the Adviser or Sub-Adviser will consider some or all of the following factors concerning the borrower: ability to service debt from internally generated funds; adequacy of liquidity and working capital; appropriateness of capital structure; leverage consistent with industry norms; historical experience of achieving business and financial projections; the quality and experience of management; and adequacy of collateral coverage. The Adviser or Sub-Adviser performs its own independent credit analysis of each borrower. In so doing, the Adviser or Sub-Adviser may utilize information and credit analyses from agents that originate or administer loans, other lenders investing in a loan, and other sources. The Adviser or Sub-Adviser also may communicate directly with management of the borrowers. These analyses continue on a periodic basis for any Senior Loan held by the Trust. See "Risk Factors and Special Considerations Credit Risk on Senior Loans."

6. Use of Leverage. The Trust may borrow money and issue preferred shares to the fullest extent permitted by the 1940 Act. See "Policy on Borrowing" and "Policy on Issuance of Preferred Shares" below.

7. Short-term Instruments. Short-term instruments in which the Trust invests may include (i) commercial paper rated A-1 by Standard and Poor's or P-1 by Moody's Investors Service, Inc., or of comparable quality as determined by the Adviser or Sub-Adviser (ii) certificates of deposit, banker's acceptances, and other bank deposits and obligations, and (iii) securities issued or guaranteed by the U.S. government, its agencies or instrumentalities.

Policy on Borrowing

The Trust has a policy of borrowing for investment purposes. The Trust seeks to use proceeds from borrowing to acquire loans and other investments which pay interest at a rate higher than the rate the Trust pays on borrowings. Accordingly, borrowing has the potential to increase the Trust's total income available to holders of its Common Shares.

The Trust may issue notes, commercial paper, or other evidences of indebtedness and may be required to secure repayment by mortgaging, pledging, or otherwise granting a security interest in the Trust's assets. The terms of any such borrowings are subject to the provisions of the 1940 Act, and also subject to the more restrictive terms of the credit agreements relating to borrowings and additional guidelines imposed by rating agencies which are more restrictive than the provisions of the 1940 Act. The Trust is permitted to borrow an amount equal to up to 33 $\frac{1}{3}$ %, or such other percentage permitted by law, of its total assets (including the amount borrowed) less all liabilities other than borrowings. See "Risk Factors and Special Considerations Leverage" and "Risk Factors and Special Considerations Restrictive Covenants and 1940 Act Restrictions."

Policy on Issuance of Preferred Shares

The Trust has a policy of issuing preferred shares for investment purposes. The Trust seeks to use the proceeds from preferred shares to acquire loans and other investments which pay interest at a rate higher than the dividends payable on preferred shares. The terms of the issuance of preferred shares are subject to the 1940 Act and to additional guidelines imposed by rating agencies, which are more restrictive than the provisions of the 1940 Act. 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. In November 2000, the Trust issued 18,000 Preferred Shares for a total of \$450 million. See "Risk Factors and Special Considerations Leverage."

THE TRUST'S INVESTMENTS

As stated above under "Investment Objective and Policies," the Trust will invest primarily in Senior Loans. This section contains a discussion of the characteristics of Senior Loans, the manner in which those investments are made and the market for Senior Loans.

Senior Loan Characteristics

Senior Loans are loans that are typically made to business borrowers to finance leveraged buy-outs, recapitalizations, mergers, stock repurchases and internal growth. Senior Loans generally hold the most senior position in the capital structure of a borrower and are usually secured by liens on the assets of the borrowers, including tangible assets such as cash, accounts receivable, inventory, property, plant and equipment, common and/or preferred stock of subsidiaries, and intangible assets including trademarks, copyrights, patent rights and franchise value. The Trust may also receive guarantees as a form of collateral.

Senior loans are typically structured to include two or more types of loans within a single credit agreement. The most common structure is to have a revolving loan and a term loan. A revolving loan is a loan that can be drawn upon, repaid fully or partially, and then the repaid portions can be drawn upon again. A term loan is a loan that is fully drawn upon immediately and once repaid it cannot be drawn upon again. Sometimes there may be two or more term loans, and they may be secured by different collateral and have different repayment schedules and maturity dates. In addition to revolving loans and term loans, senior loan structures can also contain facilities for the issuance of letters of credit, and may contain mechanisms for lenders to pre-fund letters of credit through credit-linked deposits.

The Trust typically invests only in the term loan portions of Senior Loan structures, although it does sometimes invest in the revolving loan portions and the pre-funded letters of credit portions.

By virtue of their senior position and collateral, Senior Loans typically provide lenders with the first right to cash flows or proceeds from the sale of a borrower's collateral if the borrower becomes insolvent (subject to the limitations of bankruptcy law, which may provide higher priority to certain claims such as, for example, employee salaries, employee pensions and taxes). This means Senior Loans are generally repaid before unsecured bank loans, corporate bonds, subordinated debt, trade creditors, and preferred or common stockholders.

Senior Loans typically pay interest at least quarterly at rates which equal a fixed percentage spread over a base rate such as the London Inter-Bank Offered Rate ("LIBOR"). For example, if LIBOR were 5% and the borrower were paying a fixed spread of 2.50%, the total interest rate paid by the borrower would be 7.50%.

Base rates and, therefore, the total rates paid on Senior Loans float, *i.e.*, they change as market rates of interest change.

Although a base rate such as LIBOR can change every day, loan agreements for Senior Loans typically allow the borrower the ability to choose how often the base rate for its loan will change. Such periods can range from one day to one year, with most borrowers choosing monthly or quarterly reset periods. During periods of rising interest rates, borrowers will tend to choose longer reset periods, and during periods of declining interest rates, borrowers will tend to choose shorter reset periods. The fixed spread over the base rate on a Senior Loan typically does not change.

Senior Loans generally are arranged through private negotiations between a borrower and several financial institutions represented by an agent who is usually one of the originating lenders. In larger transactions, it is common to have several agents; however, generally only one such agent has primary responsibility for ongoing administration of a Senior Loan. Agents are typically paid fees by the borrower for their services. The agent is primarily responsible for negotiating the loan agreement which establishes the terms and conditions of the Senior Loan and the rights of the borrower and the lenders. The agent also is responsible for monitoring collateral and for exercising remedies available to the lenders such as foreclosure upon collateral.

Loan agreements may provide for the termination of the agent's agency status in the event that it fails to act as required under the relevant loan agreement, becomes insolvent, enters Federal Deposit Insurance Corporation ("FDIC") receivership or, if not FDIC insured, enters into bankruptcy. Should such an agent, lender or assignor with respect to an assignment interpositioned between the Trust and the borrower become insolvent or enter FDIC receivership or bankruptcy, any interest in the Senior Loan of such person and any loan payment held by such person for the benefit of the Trust should not be included in such person's or entity's bankruptcy estate. If, however, any such amount were included in such person's or entity's bankruptcy estate, the Trust would incur certain costs and delays in realizing payment or could suffer a loss of principal or interest. In this event, the Trust could experience a decrease in the NAV.

The Trust acquires Senior Loans from lenders such as banks, insurance companies, finance companies, other investment companies and private investment funds. The Trust may also acquire Senior Loans from U.S. branches of foreign banks that are regulated by the Federal Reserve System or appropriate state regulatory authorities.

Investment by the Trust

The Trust typically invests in Senior Loans primarily by purchasing an assignment of a portion of a Senior Loan

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THE TRUST'S INVESTMENTS

from a third-party, either in connection with the original loan transaction (*i.e.*, in the primary market) or after the initial loan transaction (*i.e.*, in the secondary market). When the Trust purchases a Senior Loan in the primary market, it may share in a fee paid to the original lender. When the Trust purchases a Senior Loan in the secondary market, it may pay a fee to, or forego a portion of interest payments from, the lender making the assignment. 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 counter party risk, *i.e.*, the risk that the party from which such instrument is purchased will not perform as agreed. Unlike an assignment, as described below, the Trust does not have a direct contractual relationship with the borrower. The Trust seeks to minimize such counter party risk by purchasing such investments only from large, well established and highly rated counter parties.

Except for rating agency guidelines imposed on the Trust's portfolio while it has outstanding Preferred Shares, there is no minimum rating or other independent evaluation of a borrower limiting the Trust's investments and most Senior Loans that the Trust may acquire, if rated, will be rated below investment grade credit quality. See "Risk Factors and Special Considerations – Credit Risk on Senior Loans."

Assignments. When the Trust is a purchaser of an assignment, it succeeds to all the rights and obligations under the loan agreement of the assigning lender and becomes a lender under the loan agreement with the same rights and obligations as the assigning lender. These rights include the ability to vote along with the other lenders on such matters as enforcing the terms of the loan agreement (e.g., declaring defaults, initiating collection action, etc.). Taking such actions usually requires at least a vote of the lenders holding a majority of the investment in the loan, and may require a vote by lenders holding two-thirds or more of the investment in the loan. Because the Trust typically does not hold a majority of the investment in any loan, it will not be able by itself to control decisions that require a vote by the lenders.

Acquisition Costs. When the Trust acquires an interest in a Senior Loan in the primary market, it typically acquires the loan at par less its portion of the fee paid to all originating lenders. When the Trust acquires an interest in a Senior Loan, in the secondary market, it may be at par, but typically the Trust will do so at premium or discount to par.

Senior Loan Market

Total U.S. domestic Senior Loan volume has increased dramatically over the last 10 years. This increase has helped improve the liquidity of Senior Loans. However, this increase has also been accompanied by an increase in the number of participants in the Senior Loan market. Currently, the Senior Loan market is experiencing a narrowing of spreads over LIBOR and some relaxation in credit standards due to an insufficient number of loans to satisfy the requirements of all lenders. More loans may become available if the U.S. economy continues to show signs of improvement.

The Trust's Investments

RISK FACTORS AND SPECIAL CONSIDERATIONS

Risk is inherent in all investing. The following discussion summarizes some of the risks that you should consider before deciding whether to invest in the Trust. For additional information about the risks associated with investing in the Trust, see "Additional Information About Investments and Investment Techniques" in the SAI.

Credit Risk on Senior Loans

The Trust's ability to pay dividends and repurchase its Common Shares is dependent upon the performance of the assets in its portfolio. That performance, in turn, is subject to a number of risks, chief among which is credit risk on the underlying assets.

Credit risk is the risk of nonpayment of scheduled interest or principal payments. In the event a borrower fails to pay scheduled interest or principal payments on a Senior Loan held by the Trust, the Trust will experience a reduction in its income and a decline in the market value of the Senior Loan, which will likely reduce dividends and lead to a decline in the NAV of the Trust's Common Shares. See "The Trust's Investments Investment by the Trust."

Senior Loans generally involve less risk than unsecured or subordinated debt and equity instruments of the same issuer because the payment of principal and interest on Senior Loans is a contractual obligation of the issuer that, in most instances, takes precedence over the payment of dividends, or the return of capital, to the issuer's shareholders and payments to bond holders. The Trust generally invests in Senior Loans that are secured with specific collateral. However, the value of the collateral may not equal the Trust's investment when the loan is acquired or may decline below the principal amount of the Senior Loan subsequent to the Trust's investment. Also, to the extent that collateral consists of stock of the borrower or its subsidiaries or affiliates, the Trust bears the risk that the stock may decline in value, be relatively illiquid, or may lose all or substantially all of its value, causing the Senior Loan to be undercollateralized. Therefore, the liquidation of the collateral underlying a Senior Loan may not satisfy the issuer's obligation to the Trust in the event of non-payment of scheduled interest or principal, and the collateral may not be readily liquidated.

In the event of the bankruptcy of a borrower, the Trust could experience delays and limitations on its ability to realize the benefits of the collateral securing the Senior Loan. Among the credit risks involved in a bankruptcy are assertions that the pledge of collateral to secure a loan constitutes a fraudulent conveyance or preferential transfer that would have the effect of nullifying or subordinating the Trust's rights to the collateral.

The Senior Loans in which the Trust invests are generally rated lower than investment grade credit quality, *i.e.*, rated lower than "Baa" by Moody's Investors Service, Inc. ("Moody's") or "BBB" by Standard and Poor's Corporation ("S&P"), or have been issued by issuers who have issued other debt securities which, if unrated, would be rated lower than investment grade credit quality. Investment decisions will be based largely on the credit analysis performed by the Adviser or Sub-Adviser, and not on rating agency evaluation. This analysis may be difficult to perform. Information about a Senior Loan and its issuer generally is not in the public domain. Moreover, Senior Loans are not often rated by any nationally recognized rating service. Many issuers have not issued securities to the public and are not subject to reporting requirements under federal securities laws. Generally, however, issuers are required to provide financial information to lenders and information may be available from other Senior Loan participants or agents that originate or administer Senior Loans.

Interest Rate Risk

During normal market conditions, changes in market interest rates will affect the Trust in certain ways. The principal effect will be that the yield on the Trust's Common Shares will tend to rise or fall as market interest rates rise and fall. This is because almost all of the assets in which the Trust invests pay interest at rates which float in response to changes in market rates. However, because the interest rates on the Trust's assets reset over time, there will be an imperfect correlation between changes in market rates and changes to rates on the portfolio as a whole. This means that changes to the rate of interest paid on the portfolio as a whole will tend to lag behind changes in market rates.

Market interest rate changes may also cause the Trust's NAV to experience moderate volatility. This is because the value of a loan asset in the Trust is partially a function of whether it is paying what the market perceives to be a market rate of interest for the particular loan, given its individual credit and other characteristics. If market interest rates change, a loan's value could be affected to the extent the interest rate paid on that loan does not reset at the same time. As discussed above, the rates of interest paid on the loans in which the Trust invests have a weighted average reset period that typically is less than 90 days. Therefore, the impact of the lag between a change in market interest rates and the change in the overall rate on the portfolio is expected to be minimal.

To the extent that changes in market rates of interest are reflected not in a change to a base rate such as LIBOR but in a change in the spread over the base rate which is payable on loans of the type and quality in which the Trust invests, the Trust's NAV could also be adversely affected. This is because the value of a loan asset in the Trust is partially a function of whether it is paying what the market perceives to be a market rate of interest for the particular loan, given its individual credit and other characteristics. However, unlike changes in market rates of interest for which there is only a temporary lag before the portfolio reflects those changes, changes in a loan's value based on changes in the market spread on loans in the Trust's portfolio may be of longer duration.

Finally, substantial increases in interest rates may cause an increase in loan defaults as borrowers may lack the resources to meet higher debt service requirements.

Pre-Payment Risk

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If a Senior Loan in which the Trust invests is paid off sooner than scheduled, and interest rates are falling, the Trust will be forced to reinvest this money at lower yields.

Changes to NAV

The NAV of the Trust is expected to change in

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Risk Factors and Special Considerations

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RISK FACTORS AND SPECIAL CONSIDERATIONS

response to a variety of factors, primarily in response to changes in the creditworthiness of the borrowers on the loans in which the Trust invests. See "Risk Factors and Special Considerations – Credit Risk on Senior Loans" above. Changes in market interest rates may also have a moderate impact on the Trust's NAV. See "Risk Factors and Special Considerations – Interest Rate Risk." Another factor which can affect the Trust's NAV is changes in the pricing obtained for the Trust's assets. See "Transaction Policies – Valuation of the Trust's Assets."

Discount From NAV

The Trust's Common Shares have traded in the market above, at, and below NAV since March 9, 1992, when the Trust's shares were initially listed on the NYSE. The reasons for the Trust's Common Shares trading at a premium to or discount from NAV are not known to the Trust, and the Trust cannot predict whether its Common Shares will trade in the future at a premium to or discount from NAV, and if so, the level of such premium or discount. Shares of closed-end investment companies frequently trade at a discount from NAV. The possibility that Common Shares of the Trust will trade at a discount from NAV is a risk separate and distinct from the risk that the Trust's NAV may decrease.

Leverage

The Trust may borrow an amount equal to up to 33 $\frac{1}{3}$ % (or such other percentage permitted by law) of its total assets (including the amount borrowed) less all liabilities other than borrowings. 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. In November 2000, the Trust issued 18,000 Preferred Shares for a total of \$450 million. Borrowings and the issuance of preferred shares are referred to in this Prospectus collectively as "leverage." The Trust may use leverage for investment purposes, to finance the repurchase of its Common Shares, and to meet other cash requirements. The use of leverage for investment purposes increases both investment opportunity and investment risk.

Capital raised through leverage will be subject to interest and other costs, and these costs could exceed the income earned by the Trust on the proceeds of such leverage. There can be no assurance that the Trust's income from the proceeds of leverage will exceed these costs. However, the Adviser or Sub-Adviser seeks to use leverage for the purposes of making additional investments only if they believe, at the time of using leverage, that the total return on the assets purchased with such funds will exceed interest payments and other costs on the leverage.

In addition, the Adviser or Sub-Adviser intends to reduce the risk that the costs of the use of leverage will exceed the total return on investments purchased with the proceeds of leveraging by utilizing leverage mechanisms whose interest rates float (or reset frequently). In the event of a default on one or more loans or other interest-bearing instruments held by the Trust, the use of leverage would increase the loss to the Trust and may increase the effect on the Trust's NAV. The Trust's lenders and Preferred shareholders have priority to the Trust's assets over the Trust's Common shareholders.

The Trust currently uses leverage by borrowing money on a floating rate basis and by the issuance of Preferred Shares. The current rate on the borrowings (as of June 15, 2007) is 5.54%. The current dividend rate on the Preferred Shares (as of June 15, 2007) is 5.35%. To cover the annual interest and dividends on the borrowings and the Preferred Shares for the current fiscal year (assuming that the current interest and dividend rates remain in effect for the entire fiscal year and assuming that the Trust borrows an amount equal to 25% of its Managed Assets and the current Preferred Shares remain outstanding), the Trust would need to earn 2.60% on its amount of Managed Assets as of June 15, 2007.

The Trust's leveraged capital structure creates special risks not associated with unleveraged funds having similar investment objectives and policies. The funds borrowed pursuant to the credit facilities or obtained through the issuance of Preferred Shares, or any other preferred shares, may constitute a substantial lien and burden by reason of their prior claim against the income of the Trust and against the net assets of the Trust in liquidation.

The Trust is not permitted to declare dividends or other distributions, including dividends and distributions with respect to Common Shares or Preferred Shares, or to purchase Common Shares or Preferred Shares unless (i) at the time thereof the Trust meets certain asset coverage requirements and (ii) there is no event of default under any credit facility program that is continuing. See "Risk Factors and Special Considerations – Restrictive Covenants and 1940 Act Restrictions" below. In the event of a default under a credit facility program, the lenders have the right to cause a liquidation of the collateral (*i.e.*, sell Senior Loans and other assets of the Trust) and, if any such default is not cured, the lenders may be able to control the liquidation as well.

In addition, the Trust is not permitted to pay dividends on or redeem Common Shares unless all accrued dividends on the Preferred Shares and all accrued interest on borrowings have been paid or set aside for payment.

Because the fee paid to the Adviser will be calculated on the basis of Managed Assets, the fee will be higher when leverage is utilized, giving the Adviser an incentive to utilize leverage.

The Trust is subject to certain restrictions imposed by lenders to the Trust and by guidelines of one or more rating agencies which issue ratings for the Preferred Shares issued by the Trust. These restrictions impose asset coverage, fund composition requirements and limits on investment techniques, such as the use of financial derivative products, that are more stringent than those imposed on the Trust by the 1940 Act. These covenants or guidelines could impede the Adviser or Sub-Adviser from fully managing the Trust's portfolio in accordance with the Trust's investment objective and policies.

RISK FACTORS AND SPECIAL CONSIDERATIONS

Annual Expenses Without Borrowings or Preferred Shares

If the Trust were not to have borrowed or have Preferred Shares outstanding, the remaining expenses, as a percentage of the net assets of the Trust, would be as follows:

| Annual Expenses Without Borrowings or Preferred Shares (as a percentage of net assets attributable to Common Shares) | |
|---|-------|
| Management and Administrative Fees ⁽¹⁾ | 1.05% |
| Other Operating Expenses ⁽²⁾ | 0.29% |
| Total Annual Expenses | 1.34% |

(1) Pursuant to the Investment Advisers 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 Adviser and Other Service Providers The Administrator."

(2) "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 28, 2007, and does not include the expenses of borrowing.

Effect of Leverage

The following table is designed to illustrate the effect on return to a holder of the Trust's Common Shares of the leverage created by the Trust's use of borrowing, using the annual interest rate of 5.73%, assuming the Trust has used leverage by borrowing an amount equal to 25% of the Trust's Managed Assets and assuming hypothetical annual returns on the Trust's portfolio of minus 10% to plus 10%. As can be seen, leverage generally increases the return to shareholders when portfolio return is positive and decreases return when the portfolio return is negative. Actual returns may be greater or less than those appearing in the table.

| Assumed Portfolio Return, net of expenses ⁽¹⁾ | (10)% | (5)% | 0% | 5% | 10% |
|--|----------|---------|---------|-------|--------|
| Corresponding Return to Common Shareholders ⁽²⁾ | (15.24)% | (8.58)% | (1.91)% | 4.76% | 11.42% |

(1) The "Assumed Portfolio Return" is required by regulation of the SEC and is not a prediction of, and does not represent, the projected or actual performance of the Trust.

(2) In order to compute the "Corresponding Return to Common Shareholders," the "Assumed Portfolio Return" is multiplied by the total value of the Trust's assets at the beginning of the Trust's fiscal year to obtain an assumed return to the Trust. From this amount, all interest accrued during the year is subtracted to determine the return available to shareholders. The return available to shareholders is then divided by the total value of the Trust's net assets attributable to Common Shares as of the beginning of the fiscal year to determine the "Corresponding Return to Common Shareholders."

Impact of Shareholder Investment Program and Privately Negotiated Transactions

The issuance of Common Shares through the Trust's Shareholder Investment Program may have an adverse effect on the secondary market for the Trust's Common Shares. The increase in the number of the Trust's outstanding Common Shares resulting from issuances pursuant to the Trust's Shareholder Investment Program or pursuant to privately negotiated transactions, and the discount to the market price at which such Common Shares may be issued, may put downward pressure on the market price for Common Shares of the Trust. Common Shares will not be issued pursuant to the Trust's Shareholder Investment Program at any time when Common Shares are trading at a price lower than the Trust's NAV per Common Share.

Limited Secondary Market for Loans

Although the resale, or secondary, market for loans is growing, it is currently limited. There is no organized exchange or board of trade on which loans are traded. Instead, the secondary market for loans is an unregulated inter-dealer or inter-bank re-sale market.

Loans usually trade in large denominations (typically in \$1 million or larger) and trades can be infrequent. The market has limited transparency so that information about actual trades may be difficult to obtain. Accordingly, some or many of the loans in which the Trust invests will be relatively illiquid.

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In addition, loans in which the Trust invests may require the consent of the borrower and/or the agent prior to sale or assignment. These consent requirements can delay or impede the Trust's ability to sell loans and can adversely affect the price that can be obtained. The Trust may have difficulty disposing of loans if it needs cash to repay debt, to pay dividends, to pay expenses or to take advantage of new investment opportunities. Although the Trust has not conducted a tender offer since 1992, if it determines to again conduct a tender offer, limitations of a secondary market may result in difficulty raising cash to purchase tendered Common Shares.

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Risk Factors and Special Considerations

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RISK FACTORS AND SPECIAL CONSIDERATIONS

These considerations may cause the Trust to sell securities at lower prices than it would otherwise consider to meet cash needs or cause the Trust to maintain a greater portion of its assets in cash equivalents than it would otherwise, which could negatively impact performance. The Trust seeks to avoid the necessity of selling assets to meet such needs by the use of borrowings.

The Trust values its assets daily. However, because the secondary market for loans is limited, it may be difficult to value loans. Reliable market value quotations may not be readily available for some loans and valuation of such loans may require more research than for liquid securities. In addition, elements of judgment may play a greater role in valuation of loans, than for securities with a more developed secondary market, because there is less reliable, objective market value data available. In addition, if the Trust purchases a relatively large portion of a loan to generate extra income sometimes paid to large lenders, the limitations of the secondary market may inhibit the Trust from selling a portion of the loan and reducing its exposure to a borrower when the Adviser or Sub-Adviser deems it advisable to do so.

Lending Portfolio Securities

To generate additional income, the Trust may lend portfolio securities in an amount equal to up to 33 $\frac{1}{3}$ % of the Trust's total assets to broker-dealers, major banks, or other recognized domestic institutional borrowers of securities. As with other extensions of credit, there are risks of delay in recovery or even loss of rights in the collateral should the borrower default or fail financially. The Trust intends to engage in lending portfolio securities only when such lending is fully secured by investment grade collateral held by an independent agent.

Demand for Loans

Although the volume of loans has increased in recent years, demand for loans has also grown. An increase in demand may benefit the Trust by providing increased liquidity for loans and higher sales prices, but it may also adversely affect the rate of interest payable on loans acquired by the Trust, the rights provided to the Trust under the terms of a loan agreement, and increase the price of loans that the Trust wishes to purchase in the secondary market.

Unsecured Loans and Subordinated Loans

Subject to the aggregate 20% limit on Other Investments, the Trust may invest up to 20% of its total assets in unsecured floating rate loans, notes and other debt instruments and 5% of its total assets in floating rate subordinated loans. Unsecured loans and subordinated loans share the same credit risks as those discussed above under "Credit Risk on Senior Loans" except that unsecured loans are not secured by any collateral of the borrower and subordinated loans are not the most senior debt in a borrower's capital structure. Unsecured loans do not enjoy the security associated with collateralization and may pose a greater risk of nonpayment of interest or loss of principal than do secured loans. The primary additional risk in a subordinated loan is the potential loss in the event of default by the issuer of the loan. Subordinated loans in an insolvency bear an increased share, relative to senior secured lenders, of the ultimate risk that the borrower's assets are insufficient to meet its obligations to its creditors.

Short-Term Debt Securities

Subject to the aggregate 20% limit on Other Investments, the Trust may invest in short-term debt securities. Short-term debt securities are subject to the risk of the issuer's inability to meet principal and interest payments on the obligation and also may be subject to price volatility due to such factors as interest rates, market perception of the creditworthiness of the issuer and general market liquidity.

Because short-term debt securities pay interest at a fixed-rate, when interest rates decline, the value of the Trust's short-term debt securities can be expected to rise, and when interest rates rise, the value of those securities can be expected to decline.

Call Risk

During periods of declining interest rates, the issuer of a security may exercise its option to prepay principal earlier than scheduled, forcing the Fund to reinvest in lower yielding securities. This is known as call or prepayment risk. Lower-grade securities frequently have call features that allow the issuer to repurchase the security prior to its stated maturity. An issuer may redeem a lower-grade obligation if the issuer can refinance the debt at a lower cost due to declining interest rates or an improvement in the credit standing of the issuer.

Investment in Non-U.S. and Non-Canadian Issuers

Subject to the aggregate 20% limit on Other Investments, the Trust may invest up to 20% of its total assets in U.S. dollar denominated loans, secured or unsecured, to borrowers that are organized or located in countries outside the United States and Canada or U.S. territories and possessions and up to 15% of its total assets in investments denominated in OECD currencies (including the euro), other than the U.S. dollar.

Investments in Equity Securities Incidental to Investment in Loans

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Subject to the aggregate 20% on Other Investments, the Trust may acquire equity securities as an incident to the purchase or ownership of a loan or in connection with a reorganization of a borrower or its debt. Investments in equity securities incidental to investment in loans entail certain risks in addition to those associated with investment in loans. The value of these securities may be affected more rapidly, and to a greater extent, by company-specific developments and general market conditions. These risks may increase fluctuations in the Trust's NAV. The Trust may frequently possess material non-public information about a borrower as a result of its ownership of a loan of such borrower. Because of prohibitions on trading in securities of issuers while in possession of such information the Trust might be unable to enter into a transaction in a security of such a borrower when it would otherwise be advantageous to do so.

Risk Factors and Special Considerations

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RISK FACTORS AND SPECIAL CONSIDERATIONS

Borrowings under the Credit Facility Program

The Trust has a policy of borrowing to acquire income-producing investments which, by their terms, pay interest at a rate higher than the rate the Trust pays on borrowings. Accordingly, borrowing has the potential to increase the Trust's total income. The Trust currently is a party to two credit facilities with financial institutions that permit the Trust to borrow up to an aggregate of \$625 million. Interest is payable on the credit facilities by the Trust at a variable rate that is tied to either LIBOR, the federal funds rate, or a commercial paper based rate and includes a facility fee on unused commitments. As of June 15, 2007, the Trust had outstanding borrowings under the credit facilities of approximately \$311 million. Collectively, the lenders under the credit facilities have a security interest in all assets of the Trust. Under each of the credit facilities, the lenders have the right to liquidate Trust assets in the event of default by the Trust under such credit facility, and the Trust may be prohibited from paying dividends in the event of certain adverse events or conditions respecting the Trust or Adviser or Sub-Adviser until the credit facility is repaid in full or until the event or condition is cured.

Ranking of Senior Indebtedness

The rights of lenders to receive payments of interest on and repayments of principal of any borrowings made by the Trust under the credit facility program are senior to the rights of holders of Common Shares and, Preferred Shares with respect to the payment of dividends or upon liquidation.

Restrictive Covenants and 1940 Act Restrictions

The credit agreements governing the credit facility program ("Credit Agreements") include usual and customary covenants for their respective type of transaction, including limits on the Trust's ability to (i) issue preferred shares, (ii) incur liens or pledge portfolio securities, (iii) change its investment objective or fundamental investment restrictions without the approval of lenders, (iv) make changes in any of its business objectives, purposes or operations that could result in a material adverse effect, (v) make any changes in its capital structure, (vi) amend the Trust documents in a manner which could adversely affect the rights, interests or obligations of any of the lenders, (vii) engage in any business other than the businesses currently engaged in, (viii) create, incur, assume or permit to exist certain debt except for certain specified types of debt, and (ix) permit any of its Employee Retirement Security ("ERISA") affiliates to cause or permit to occur an event that could result in the imposition of a lien under the Internal Revenue Code or ERISA. In addition, the Credit Agreements do not permit the Trust's asset coverage ratio (as defined in the Credit Agreements) to fall below 300% at any time ("Credit Agreement Asset Coverage Test").

Under the requirements of the 1940 Act, the Trust must have asset coverage of at least 300% immediately after any borrowing, including borrowing under the credit facility program. For this purpose, asset coverage means the ratio which the value of the total assets of the Trust, less liabilities and indebtedness not represented by senior securities, bears to the aggregate amount of borrowings represented by indebtedness issued by the Trust. The Credit Agreements limit the Trust's ability to pay dividends or make other distributions on the Trust's Common Shares, or purchase or redeem Common Shares, unless the Trust complies with the Credit Agreement Asset Coverage Test. In addition, the Credit Agreements do not permit the Trust to declare dividends or other distributions or purchase or redeem Common Shares or any preferred shares (i) at any time that an event of default under a Credit Agreement has occurred and is continuing; or (ii) if, after giving effect to such declaration, the Trust would not meet the Credit Agreement Asset Coverage Test set forth in the Credit Agreements.

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

Risk Factors and Special Considerations

TRANSACTION POLICIES

Net Asset Value

The NAV per common share of the Trust is determined each business day as of the close of regular trading ("Market Close") on the NYSE (normally 4:00 p.m. Eastern time unless otherwise designated by the NYSE). The Trust is open for business every day the NYSE is open. The NYSE is closed on all weekends and on all national holidays and Good Friday. Trust shares will not be priced on those days. The NAV per Common Share is determined by dividing the value of the Trust's loan assets plus all cash and other assets (including interest accrued but not collected) less all liabilities (including accrued expenses but excluding capital and less the liquidation preference of any outstanding preferred shares) by the number of Common Shares outstanding. The NAV per Common Share is made available for publication.

Valuation of the Trust's Assets

The assets in the Trust's portfolio are valued daily in accordance with the Trust's Loan Valuation Procedures adopted by the Board. A majority of the Trust's assets are valued using quotations supplied by a third-party loan pricing service. However, the loans in which the Trust invests are not listed on any securities exchange or board of trade. Some loans are traded by institutional investors in an over-the-counter secondary market that has developed in the past several years. This secondary market generally has fewer trades and less liquidity than the secondary markets for other types of securities. Some loans have few or no trades. Accordingly, determinations of the value of loans may be based on infrequent and dated trades. Because there is less reliable, objective market value data available, elements of judgment may play a greater role in valuation of loans than for other types of securities. For further information, see "Risk Factors and Special Considerations Limited Secondary Market for Loans."

Loans are normally valued at the mean of the means of one or more bid and asked quotations obtained from a pricing service or other sources believed to be reliable. Loans for which reliable market value quotations are not readily available from a pricing service may be valued with reference to another loan or a group of loans for which reliable market value quotations are readily available and whose characteristics are comparable to the loan being valued. Under this approach, the comparable loan or loans serve as a proxy for changes in value of the loan being valued. The Trust has engaged an independent pricing service to provide quotations from dealers in loans and to calculate values under this proxy procedure.

It is expected that most of the loans held by the Trust will be valued with reference to quotations from the independent pricing service or with reference to the proxy procedure described above. The Adviser or Sub-Adviser may believe that the price for a loan derived from quotations or the proxy procedure described above is not reliable or accurate. Among other reasons, this may be the result of information about a particular loan or borrower known to the Adviser or Sub-Adviser that they believe may not be known to the pricing service or reflected in a price quote. In this event, the loan is valued at fair value under procedures established by the Board, and in accordance with the provisions of the 1940 Act.

Under these procedures, fair value is determined by the Adviser or Sub-Adviser and monitored by the Board through its Compliance Committee. In fair valuing a loan, consideration is given to several factors, which may include, among others, the following:

- the characteristics of and fundamental analytical data relating to the loan, including the cost, size, current interest rate, period until the next interest rate reset, maturity and base lending rate of the loan, the terms and conditions of the loan and any related agreements, and the position of the loan in the borrower's debt structure;

- the nature, adequacy and value of the collateral, including the Trust's rights, remedies and interests with respect to the collateral;

- the creditworthiness of the borrower and the cash flow coverage of outstanding principal and interest, based on an evaluation of its financial condition, financial statements and information about the borrower's business, cash flows, capital structure and future prospects;

- information relating to the market for the loan, including price quotations for, and trading in, the loan and interests in similar loans and the market environment and investor attitudes towards the loan and interests in similar loans;

- the reputation and financial condition of the agent of the loan and any intermediate participants in the loans;

- the borrower's management; and

- the general economic and market conditions affecting the fair value of the loan.

Securities for which the primary market is a national securities exchange are stated at the last reported sale price on the day of valuation. Securities reported by NASDAQ National Market System will be valued at the NASDAQ Official Closing Price on the valuation day. Debt and equity securities traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the mean between the last reported bid and asked price. Valuation of short term cash equivalent investments is at amortized cost. Securities maturing in 60 days or less are valued at amortized cost, which, when combined with accrued interest, approximates market value.

Account Access

Unless your Common Shares are held through a third-party fiduciary or in an omnibus registration at your bank or brokerage firm, you may be able to access your account information over the internet at www.ingfunds.com, or via a touch tone telephone by calling (800) 992-0180 and selecting Option 1. Should you wish to speak with a Shareholder

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TRANSACTION POLICIES

Services Representative, you may call the toll-free number listed above and select Option 2.

Privacy Policy

The Trust has adopted a policy concerning investor privacy. To review the privacy policy, contact a Shareholder Services Representative at (800) 992-0180 and select Option 1, obtain a policy over the internet at www.ingfunds.com, or see the privacy promise that accompanies this Prospectus.

Householding

To reduce expenses, we may mail only one copy of the Trust's Prospectus and each annual and semi-annual shareholder report to those addresses shared by two or more accounts. If you wish to receive individual copies of these documents, please call us at (800) 992-0180 or speak to your investment professional. We will begin sending you individual copies 30 days after receiving your request.

PLAN OF DISTRIBUTION

Shareholder Investment Program

The following is a summary of the Shareholder Investment Program ("Program"). Shareholders are advised to review a fuller explanation of the Program contained in the Trust's SAI.

Common Shares are offered by the Trust through the Program. The Program allows participating shareholders to reinvest all dividends ("Dividends") in additional Common 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 the Distributor reserve the right to reject any purchase order. Please note that cash, travelers 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 will be issued by the Trust under the Program when 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 issued under the Program will be purchased on the open market. Common Shares issued under the Program directly from the Trust will be acquired at the greater of (i) NAV at the close of business on the day preceding the relevant investment date or (ii) the average of the daily market price of the Common Shares during the pricing period minus a discount of 5% for reinvested Dividends and 0% to 5%, for optional cash investments. Common Shares issued under the Program when shares are trading at a discount to NAV will be purchased in the market by "DST" at market price. Shares issued by the Trust under the Program will be issued without a fee or a commission.

Shareholders may elect to participate in the Program by telephoning the Trust or submitting a completed Participation Form to DST, the Program administrator. DST will credit to each participant's account funds it receives from: (a) Dividends paid on Trust shares registered in the participant's name, and (b) optional cash investments. DST will apply all Dividends and optional cash investments received to purchase Common Shares as soon as practicable beginning on the relevant investment date (as described below) and not later than six business days after the relevant investment date, except when necessary to comply with applicable provisions of the federal securities laws. For more information on the Trust's distribution policy, see "Dividends and Distributions."

In order for participants to purchase shares through the Program in any month, the Program administrator must receive from the participant any optional cash investment by the relevant investment date. The relevant investment date will be set in advance by the Trust, upon which optional cash investments are first applied by DST to the purchase of Common Shares. Participants may obtain a schedule of relevant dates, including investments dates, the dates by which optional cash investment payments must be received and the dates in which shares will be paid by calling ING's Shareholder Services Department at (800) 992-0180.

Participants will pay a pro rata share of brokerage commissions with respect to DST's open market purchases in connection with the reinvestment of Dividends or purchases made with optional cash investments.

The Program is intended for the benefit of investors in the Trust. The Trust reserves the right to exclude from participation, at any time, (i) persons or entities who attempt to circumvent the Program's standard \$100,000 maximum by accumulating accounts over which they have control or (ii) any other persons or entities, as determined in the sole discretion of the Trust.

Currently, persons who are not shareholders of the Trust may not participate in the Program. The Board may elect to change this policy at a future date, and permit non-shareholders to participate in the Program. Shareholders may request to receive their Dividends in cash at any time by giving DST written notice or by contacting ING's Shareholder Services Department at (800) 992-0180, and selecting Option 2. Shareholders may elect to close their account at any time by giving DST written notice. When a participant closes their account, the participant upon request will receive a certificate for full Common Shares in the account.

Fractional Common

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

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PLAN OF DISTRIBUTION

Shares will be held and aggregated with other fractional Common Shares being liquidated by DST as agent of the Program and paid for by check when actually sold.

The automatic reinvestment of Dividends does not affect the tax characterization of the Dividends (*i.e.*, capital gains and income are realized even though cash is not received). If shares are issued pursuant to the Program's dividend reinvestment provisions or cash purchase provisions at a discount from market price, participants may have income equal to the discount.

Additional information about the Program may be obtained by contacting ING's Shareholder Services Department at (800) 992-0180, and selecting Option 2.

Privately Negotiated Transactions

The Common Shares may also be offered pursuant to privately negotiated transactions between the Trust and the Distributor and specific investors. Generally, such investors will be sophisticated institutional investors. The terms of such privately negotiated transactions will be subject to the discretion of the management of the Trust. In determining whether to sell Common Shares pursuant to a privately negotiated transaction, the Trust will consider relevant factors including, but not limited to, the attractiveness of obtaining additional funds through the sale of Common Shares, the purchase price to apply to any such sale of Common Shares and the person seeking to purchase the Common Shares.

Common Shares issued by the Trust 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 of the 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. The discount to apply to such privately negotiated transactions will be determined by the Trust with regard to each specific transaction. The Trust will not pay any commissions with regard to privately negotiated transactions, but an investor may be subject to a front end sales load of up to 3% paid to or retained by a third party broker-dealer through which such transaction may be effected.

USE OF PROCEEDS

It is expected that 100% of the net proceeds of Common Shares issued pursuant to the Shareholder Investment Program and privately negotiated transactions will be invested in Senior Loans and other securities consistent with the Trust's investment objective and policies. Pending investment in Senior Loans, the proceeds, which are expected to be used within three months, will be used to pay down the Trust's outstanding borrowings under its credit facilities. See "Investment Objective and Policies Policy on Borrowing."

As of June 15, 2007, the Trust's outstanding borrowings under its credit facilities was \$311 million. By paying down the Trust's borrowings, the Trust can avoid adverse impacts on yields pending investment of such proceeds in Senior Loans. As investment opportunities are subsequently identified, it is expected that the Trust will reborrow amounts previously repaid and invest such amounts in additional Senior Loans.

DIVIDENDS AND DISTRIBUTIONS

Distribution Policy. Income dividends are declared and paid monthly. Income dividends consist of interest accrued and amortization of fees earned less any amortization of premiums paid and the estimated expenses of the Trust, including fees payable to ING Investments. Income dividends are calculated monthly under guidelines approved by the Trustees. Each dividend is payable to shareholders of record on the 10th day of the following month (unless it is a holiday, in which case the next business day is the record date). Accrued amounts of fees received, including facility fees, will be taken in as income and passed on to shareholders as part of dividend distributions. Any fees or commissions paid to facilitate the sale of portfolio Senior Loans in connection with tender offers or other portfolio transactions may reduce the dividend yield.

Capital gains, if any, are declared and paid annually. Because the Trust currently has capital loss carry forwards, it is not anticipated that capital gains distributions will be made for the foreseeable future.

Dividend Reinvestment. Unless you instruct the Trust to pay you dividends in cash, dividends and distributions paid by the Trust will be reinvested in additional Common Shares of the Trust. You may request to receive dividends in cash at any time by giving DST written notice or by contacting the ING's Shareholder Services Department at (800) 992-0180, and selecting Option 2.

INVESTMENT MANAGEMENT AND OTHER SERVICE PROVIDERS

Adviser

ING Investments, an Arizona limited liability company, serves as the Adviser to the Trust and has overall responsibility for the management of the Trust under the general supervision of the Board. Its principal business address is 7337 East Doubletree Ranch Road, Scottsdale, Arizona 85258.

The Trust and the Adviser have entered into an investment advisory agreement ("Investment Advisory Agreement") that requires ING Investments to provide all investment advisory and portfolio management services for the Trust. The Investment Advisory Agreement with ING Investments may be canceled by the Board or by the vote of a majority of the outstanding voting securities of the Trust upon 60 days' written notice.

ING Investments is registered with the SEC as an investment adviser. ING Investments is an indirect wholly-owned subsidiary of ING Groep. ING Groep is one of the largest financial services organizations in the world with approximately 120,000 employees. ING Investments began investment management in April, 1995, and serves as an investment adviser to registered investment companies as well as structured finance vehicles. As of March 31, 2007, ING Investments had assets under management of approximately \$51.8 billion.

The Adviser bears its expenses of providing the services described above. The Adviser currently receives from the Trust an annual fee, paid monthly, of 0.80% of the Trust's Managed Assets.

For more information regarding the basis for the Board's approval of the investment advisory and investment sub-advisory relationships, please refer to the annual shareholder report dated February 28, 2007.

Sub-Adviser

ING Investments has engaged a sub-adviser to provide the day-to-day management of the Trust's portfolio. The sub-adviser has, at least in part, been selected primarily on the basis of its successful application of a consistent, well-defined, long-term investment approach over a period of several market cycles.

ING Investments is responsible for monitoring the investment program and performance of the sub-adviser. Under the terms of the sub-advisory agreement, the agreement can be terminated by either ING Investments or the Board. In the event the sub-advisory agreement is terminated, the sub-adviser may be replaced subject to any regulatory requirements or ING Investments may assume day-to-day investment management of the Trust.

ING Investment Management Co.

ING Investment Management Co., a Connecticut corporation, serves as Sub-Adviser to the Trust. Founded in 1972, ING IM is registered with the SEC as an investment adviser. ING IM is an indirect, wholly-owned subsidiary of ING Groep, and is an affiliate of ING Investments. ING IM has acted as adviser or sub-adviser to mutual funds since 1994 and has managed institutional accounts since 1972.

As of March 31, 2007, ING IM managed approximately \$68.7 billion in assets. Its principal business address is 230 Park Avenue, New York, NY 10169. For its services, ING IM is entitled to receive a sub-advisory fee of 0.36%, expressed as an annual rate based on the average daily Managed Assets of the Trust. This sub-advisory fee is paid by ING Investments, not by the Trust.

Portfolio Management. The following individuals jointly share responsibility for the day-to-day management of the Trust's Portfolio:

Daniel A. Norman. Mr. Norman is Senior Vice President and Senior Portfolio Manager in the ING IM Senior Debt Group, and has served in that capacity since November 1999. Mr. Norman has managed the Trust since April 1995. Mr. Norman also serves as Senior Vice President of the Trust, and he serves as Senior Vice President of ING Senior Income Fund, another closed-end fund sub-advised by ING IM that invests primarily in Senior Loans. Mr. Norman co-manages the Trust with Mr. Bakalar.

Jeffrey A. Bakalar. Mr. Bakalar is Senior Vice President and Senior Portfolio Manager in the ING IM Senior Debt Group, and has served in that capacity since November 1999. Mr. Bakalar has managed the Trust since 1998. Mr. Bakalar also serves as Senior Vice President of the Trust and as Senior Vice President of ING Senior Income Fund, another closed-end fund sub-advised by ING IM that invests primarily in Senior Loans. Mr. Bakalar co-manages the Trust with Mr. Norman.

Curtis F. Lee. Mr. Lee is Senior Vice President and Chief Credit Officer in the ING IM Senior Debt Group and has served in that capacity since January 2001. Mr. Lee also serves as Senior Vice President and Chief Credit Officer of the Fund (since January 2001), and he serves as Senior Vice President and Chief Credit Officer of ING Prime Rate Trust, another closed-end fund sub-advised by ING IM that invests primarily in Senior Loans.

Additional Information Regarding Portfolio Managers

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The SAI provides additional information about each portfolio manager's compensation, other accounts managed by each portfolio manager and each portfolio manager's ownership of securities.

The Administrator

The Administrator of the Trust is ING Funds Services, LLC ("ING Funds Services"). Its principal business address is 7337 East Doubletree Ranch Road, Scottsdale, Arizona 85258. The Administrator is a wholly-owned subsidiary of ING Groep and the immediate parent company of the Adviser.

Under an administration agreement ("Administration Agreement") between the Administrator and the Trust, ING Funds Services administers the Trust's corporate affairs subject to the supervision of the Board. In that connection, the Administrator monitors the provisions of the Senior Loan agreements and any agreements with respect to interests in Senior Loans and is responsible for recordkeeping with respect

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Investment Management and Other Service Providers

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INVESTMENT MANAGEMENT AND OTHER SERVICE PROVIDERS

to the Senior Loans in the Trust's repurchase offers portfolio. The Administrator also furnishes the Trust with office facilities and furnishes executive personnel together with clerical and certain recordkeeping and administrative services. These services include preparation of annual and other reports to shareholders and to the SEC. The Administrator also handles the filing of federal, state and local income tax returns not being furnished by the Custodian or Transfer Agent (as defined below). The Administration Agreement also requires ING Funds Services to assist in managing and supervising all aspects of the general day-to-day business activities and operations of the Trust, including custodial, transfer agency, dividend disbursing, accounting, auditing, compliance and related services. The Administrator provides the Trust with office space, equipment and personnel necessary to administer the Trust. The Administrator has authorized all of its officers and employees who have been elected as officers of the Trust to serve in such capacities. All services furnished by the Administrator under the Administration Agreement may be furnished by such officers or employees of the Administrator.

The Trust pays the Administrator an administration fee, computed daily and payable monthly. The Administration Agreement states that the Administrator is entitled to receive a fee at an annual rate of 0.25% of the Trust's Managed Assets. The Administration Agreement may be canceled by the Board upon 60 days' written notice.

Transfer Agent, Dividend Disbursing Agent and Registrar

The transfer agent, dividend disbursing agent and registrar for the Common Shares is DST Systems, Inc., whose principal business address is 333 W. 11th Street, Kansas City, Missouri 64105.

Custodian

The Trust's securities and cash are held and maintained under a Custody Agreement with State Street Bank and Trust Company, whose principal place of business is 801 Pennsylvania Avenue, Kansas City, Missouri 64105.

Investment Management and Other Service Providers

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DESCRIPTION OF THE TRUST

The Trust is an unincorporated business trust established under the laws of the Commonwealth of Massachusetts by an Agreement and Declaration of Trust dated December 2, 1987, as amended (Declaration of Trust). The Board is responsible for protecting the interests of shareholders. The Trustees are experienced executives who oversee the Trust's activities, review contractual arrangements with companies that provide services to the Trust and review the Trust's performance.

The Declaration of Trust provides that the Trustees of the Trust may authorize separate classes of shares of beneficial interest. The Trustees have authorized an unlimited number of shares of beneficial interest, without par value, all of which were initially classified as Common Shares. The Declaration of Trust also authorizes the creation of an unlimited number of shares of beneficial interest with preference rights, including preferred shares, without par value, in one or more series, with rights as determined by the Board, by action of the Board without the approval of the shareholders. The following table shows the number of (i) shares authorized, (ii) shares held by the Trust for its own account and (iii) shares outstanding, for each class of authorized securities of the Trust as of June 15, 2007.

| Title of Class | Number Authorized | Number Held By Trust for its Own Account | Number Outstanding |
|-----------------------------|-------------------|--|--------------------|
| Common Shares | unlimited | 0 | 145,033,235 |
| Preferred Shares, Series M | 3,600 | 0 | 3,600 |
| Preferred Shares, Series T | 3,600 | 0 | 3,600 |
| Preferred Shares, Series W | 3,600 | 0 | 3,600 |
| Preferred Shares, Series Th | 3,600 | 0 | 3,600 |
| Preferred Shares, Series F | 3,600 | 0 | 3,600 |

The Common Shares outstanding are fully paid and nonassessable by the Trust. Holders of Common Shares are entitled to share equally in dividends declared by the Board payable to holders of Common Shares and in the net assets of the Trust available for distribution to holders of Common Shares after payment of the preferential amounts payable to holders of any outstanding Preferred Shares. Neither holders of Common Shares nor holders of Preferred Shares have pre-emptive or conversion rights and Common Shares are not redeemable. Upon liquidation of the Trust, after paying or adequately providing for the payment of all liabilities of the Trust and the liquidation preference with respect to any outstanding preferred shares, and upon receipt of such releases, indemnities and refunding agreements as they deem necessary for their protection, the Trustees may distribute the remaining assets of the Trust among the holders of the Common Shares. Under the rules of the NYSE applicable to listed companies, the Trust is required to hold an annual meeting of shareholders in each year. If the Trust is converted to an open-end investment company or if for any other reason Common Shares are no longer listed on the NYSE (or any other national securities exchange the rules of which require annual meetings of shareholders), the Trust does not intend to hold annual meetings of shareholders.

The Trust is responsible for paying the following expenses, among others: the fees payable to the Adviser; the fees payable to the Administrator; the fees and certain expenses of the Trust's custodian and transfer agent, including the cost of providing records to the Administrator in connection with its obligation of maintaining required records of the Trust; the charges and expenses of the Trust's legal counsel, legal counsel to the Trustees who are not "interested persons" of the Trust, as defined in the 1940 Act and independent accountants; commissions and any issue or transfer taxes chargeable to the Trust in connection with its transactions; all taxes and corporate fees payable by the Trust to governmental agencies; the fees of any trade association of which the Trust is a member; the costs of share certificates representing Common Shares of the Trust; organizational and offering expenses of the Trust and the fees and expenses involved in registering and maintaining registration of the Trust and its Common Shares with the SEC, including the preparation and printing of the Trust's registration statement and prospectuses for such purposes; allocable communications expenses with respect to investor services, and all expenses of shareholders' and Trustees' meetings and of preparing, printing and mailing reports, proxy statements and prospectuses to shareholders; fees for independent loan pricing services; the cost of insurance; and litigation and indemnification expenses and extraordinary expenses not incurred in the ordinary course of the Trust's business.

Under Massachusetts law, shareholders, including holders of Preferred Shares, could under certain circumstances be held personally liable for the obligations of the Trust. However, the Declaration of Trust disclaims shareholder liability for acts or obligations of the Trust and requires that notice of such disclaimer be given in each agreement, obligation or instrument entered into or executed by the Trust or the Trustees. The Declaration of Trust provides for indemnification out of Trust property for all loss and expense of any shareholder held personally liable for the obligations of the Trust. Thus, the risk of a shareholder incurring financial loss on account of shareholder liability is limited to circumstances in which the Trust would be unable to meet its obligations.

Holders of Common Shares are entitled to one vote for each share held and will vote with the holders of any outstanding Preferred Shares or any other preferred shares on each matter submitted to a vote of holders of Common Shares, except as described under "Description of Capital Structure Preferred Shares."

Shareholders are entitled to one vote for each share held. The Common Shares, Preferred Shares and any other preferred shares do not have cumulative voting rights, which means that the holders of more than 50% of the shares of Common Shares, Preferred Shares and any other preferred shares voting for the election of Trustees can elect all of the Trustees standing for election by such holders, and, in such event, the holders of the remaining shares of Common Shares, Preferred Shares and any other preferred shares will not be able to elect any of such Trustees.

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

DESCRIPTION OF THE TRUST

So long as any Preferred Shares or any other preferred shares are outstanding, holders of Common Shares will not be entitled to receive any dividends or other distributions from the Trust, unless at the time of such declaration, (1) all accrued dividends on preferred shares or accrued interest on borrowings has been paid and (2) the value of the Trust's total assets (determined after deducting the amount of such dividend or other distribution), less all liabilities and indebtedness of the Trust not represented by senior securities, is at least 300% of the aggregate amount of such securities representing indebtedness and at least 200% of the aggregate amount of securities representing indebtedness plus the aggregate liquidation value of the outstanding preferred shares (expected to equal the aggregate original purchase price of the outstanding preferred shares plus redemption premium, if any, together with any accrued and unpaid dividends thereon, whether or not earned or declared and on a cumulative basis). In addition to the requirements of the 1940 Act, the Trust is required to comply with other asset coverage requirements as a condition of the Trust obtaining a rating of the Preferred Shares from a rating agency. These requirements include an asset coverage test more stringent than under the 1940 Act.

The Trust will send unaudited reports at least semi-annually and audited financial statements annually to all of its shareholders.

The Declaration of Trust further provides that obligations of the Trust are not binding upon Trustees individually but only upon the property of the Trust and that the Trustees will not be liable for errors of judgment or mistakes of fact or law, but nothing in the Declaration of Trust protects a Trustee against any liability to which he or she would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his or her office.

Conversion to Open-End Fund

The Trustees may at any time propose conversion of the Trust to an open-end management investment company depending upon their judgment as to the advisability of such action in light of circumstances then prevailing. In considering whether to submit an open-ending proposal to shareholders, the Trustees might consider, among other factors, the differences in operating expenses between open-end and closed-end funds (due to the expenses of continuously selling shares and of standing ready to effect redemptions), the potentially adverse tax consequences to non-redeeming shareholders once a fund is open-ended, and the impact of open-ending on portfolio management policies. Such a conversion would require the approval of both a majority of the Trust's outstanding Common Shares and preferred shares voting together as a single class and a majority of the outstanding preferred shares voting as a separate class on such conversion. Conversion of the Trust to an open-end investment company would require the redemption of all outstanding preferred shares, including the Preferred Shares, which would eliminate the leveraged capital structure of the Trust with respect to the Common Shares. A delay in conversion could result following shareholder approval due to the Trust's inability to redeem the preferred shares. Shareholders of an open-end investment company may require the company to redeem their shares at any time (except in certain circumstances as authorized by or under the 1940 Act) at their next computed NAV less any redemption charge as might be in effect at the time of redemption. If the Trust is converted to an open-end management investment company, it could be required to liquidate portfolio securities to meet requests for redemption, and its shares would no longer be listed on the NYSE. If the Trust were to experience significant redemptions as an open-end fund, the decrease in total assets could result in a higher expense ratio and inefficiencies in portfolio management. In this regard, the Trust could reserve the right to effect redemptions in-kind with portfolio securities, which would subject redeeming shareholders to transaction costs in liquidating those securities.

Repurchase of Common Shares

In recognition of the possibility that the Trust's Common Shares may trade at a discount to their NAV, the Trust may from time to time take action to attempt to reduce or eliminate a market value discount from NAV by repurchasing its Common Shares in the open market or by tendering its Common Shares at NAV. So long as any Preferred Shares are outstanding, the Trust may not purchase, redeem or otherwise acquire any Common Shares unless (1) all accumulated dividends on the Preferred Shares have been paid or set aside for payment through the date of such purchase, redemption or other acquisition and (2) at the time of such purchase, redemption or acquisition asset coverage requirements set forth in the Declaration of Trust and the Trust's Certificate of Designation for Preferred Shares are met. Repurchases of Common Shares may result in the Trust being required to redeem preferred shares to satisfy asset coverage requirements.

Fundamental and Non-fundamental Policies of the Trust

The investment objective of the Trust, certain policies of the Trust specified herein as fundamental and the investment restrictions of the Trust described in the SAI are fundamental policies of the Trust and may not be changed without a Majority Vote of the shareholders of the Trust. The term Majority Vote means the affirmative vote of (a) more than 50% of the outstanding shares of the Trust or (b) 67% or more of the shares present at a meeting if more than 50% of the outstanding shares of the Trust are represented at the meeting in person or by proxy, whichever is less. All other policies of the Trust may be modified by resolution of the Board.

Description of the Trust

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DESCRIPTION OF CAPITAL STRUCTURE

Common Shares

The Trust's Declaration of Trust authorizes the issuance of an unlimited number of Common Shares of beneficial interest, without par value. All Common Shares have equal rights to the payment of dividends and the distribution of assets upon liquidation. Common Shares will, when issued, be fully paid and non-assessable, and will have no pre-emptive or conversion rights or rights to cumulative voting.

Whenever preferred shares are outstanding, holders of Common Shares will not be entitled to receive any distributions from the Trust, unless at the time of such declaration, (1) all accrued dividends on Preferred Shares or accrued interest on borrowings have been paid and (2) the value of the Trust's total assets (determined after deducting the amount of such dividend or other distribution), less all liabilities and indebtedness of the Trust not represented by senior securities, is at least 300% of the aggregate amount of such securities representing indebtedness and at least 200% of the aggregate amount of securities representing indebtedness plus the aggregate liquidation value of the outstanding preferred shares. In addition to the requirements of the 1940 Act, the Trust is required to comply with other asset coverage requirements as a condition of the Trust obtaining a rating of the preferred shares from a rating agency. These requirements include asset coverage tests more stringent than under the 1940 Act. See "Preferred Shares" below.

Borrowings

The Trust's Declaration of Trust authorizes the Trust, without the prior approval of holders of Common Shares, to borrow money. In this connection, the Trust may issue notes or other evidence of indebtedness (including bank borrowings or commercial paper) and may secure any such borrowings by mortgaging, pledging or otherwise granting a security interest in the Trust's assets. See "Risk Factors and Special Considerations – Leverage."

Preferred Shares

Under the 1940 Act, the Trust is permitted to have outstanding more than one series of preferred shares as long as no single series has priority over another series nor holders of preferred shares have pre-emptive rights to purchase any other preferred shares that might be issued.

The Trust's Declaration of Trust authorizes the issuance of a class of preferred shares (which class may be divided into two or more series) as the Trustees may, without shareholder approval, authorize. The preferred shares have such preferences, voting powers, terms of redemption, if any, and special or relative rights or privileges (including conversion rights, if any) as the Trustee may determine and as are set forth in the Trust's Certificate of Designation establishing the terms of the preferred shares. The number of shares of the preferred class or series authorized is unlimited, and the shares authorized may be represented in part by fractional shares. Under the Trust's Certificate of Designation, the Trustees have authorized the creation of 18,000 Auction Rate Cumulative Preferred Shares, without par value, with a liquidation preference of \$25,000 per share, classified as Series M, T, W, Th and F Auction Rate Cumulative Preferred Shares.

Any decision to offer preferred shares is subject to market conditions and to the Board and the Adviser's continuing belief that leveraging the Trust's capital structure through the issuance of preferred shares is likely to achieve the benefits to the Common Shares described in this Prospectus for long-term investors. The terms of the preferred shares will be determined by the Board in consultation with the Adviser (subject to applicable law and the Trust's Declaration of Trust) if and when it authorizes a preferred shares offering.

The Preferred Shares have complete priority over the Common Shares as to distribution of assets. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Trust, holders of preferred shares will be entitled to receive a preferential liquidating distribution (expected to equal the original purchase price per share plus accumulated and unpaid dividends thereon, whether or not earned or declared) before any distribution of assets is made to holders of Common Shares.

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

Description of Capital Structure

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TAX MATTERS

The following information is meant as a general summary for U.S. shareholders. Please see the SAI for additional information. Investors should rely on their own tax adviser for advice about the particular federal, state and local tax consequences to them of investing in the Trust.

The federal income tax treatment of the Trust's Preferred Shares is not entirely clear, but the Trust believes, based on the advice of its counsel, that the Preferred Shares will constitute stock of the Trust. It is possible, however, that the IRS might take a contrary position, asserting, for example, that the Preferred Shares constitute debt of the Trust. The discussion below assumes that the Preferred Shares are stock.

The Trust will distribute all or substantially all of its net investment income and net realized capital gains, if any, to its shareholders each year. Although the Trust will not be taxed on amounts it distributes, most shareholders will be taxed on amounts they receive. A particular distribution generally will be taxable as either ordinary income or long-term capital gain. The Trust will allocate a proportionate amount of each type of its income to the Common Shares and to the Preferred Shares. It generally does not matter how long a shareholder has held the Trust's Common Shares or Preferred Shares or whether the shareholder elects to receive distributions in cash or reinvest them in additional Trust's Common Shares or Preferred Shares. For example, if the Trust designates a particular distribution as a long-term capital gains distribution, it will be taxable to a shareholder at his or her long-term capital gains rate. Dividends from the Trust are not expected to be eligible for the reduced rate of tax that may apply to certain qualifying dividends on corporate stock.

Distributions of earnings from non-qualifying dividends interest income, other types of ordinary income and short-term capital gains will be taxed at the ordinary income tax rate applicable to the taxpayer.

Dividends declared by the Trust in October, November or December and paid during the following January may be treated as having been received by shareholders in the year the distributions were declared.

Each shareholder will receive an annual statement summarizing the shareholder's dividend and capital gains distributions.

If a shareholder invests through a tax-deferred account, such as a retirement plan, the shareholder generally will not have to pay tax on dividends until they are distributed from the account. These accounts are subject to complex tax rules, and shareholders should consult a tax adviser about investment through a tax-deferred account.

There may be tax consequences to a shareholder if the shareholder sells the Trust's Common Shares or Preferred Shares. A shareholder will generally have a capital gain or loss, which will be long-term or short-term, generally depending on how long the shareholder holds those Common Shares or Preferred Shares. If a shareholder exchanges shares, the shareholder may be treated as if he or she sold them. Shareholders are responsible for any tax liabilities generated by their own transactions.

As with all investment companies, the Trust may be required to withhold U.S. federal income tax at the current rate of 28% of all taxable distributions payable to a shareholder if the shareholder fails to provide the Trust with his or her correct taxpayer identification number or to make required certifications, or if the shareholder has been notified by the IRS that he or she is subject to backup withholding. Backup withholding is not an additional tax; rather, it is a way in which the IRS ensures it will collect taxes otherwise due. Any amounts withheld may be credited against a shareholder's U.S. federal income tax liability.

Tax Matters

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MORE INFORMATION

Distribution Arrangements

Pursuant to the terms of a distribution agreement ("Distribution Agreement"), ING Funds Distributor will act as the Trust's distributor for the optional cash investments under the Trust's Shareholder Investment Program and for privately negotiated transactions. The Distribution Agreement provides that ING Fund's Distributor does not receive compensation or commissions from the Trust for such services. In addition, no fees or commissions will be paid by the Trust or its shareholders in connection with the reinvestment of dividends and capital gains distributions. ING Funds Distributor's principal business address is 7337 East Doubletree Ranch Road, Scottsdale, Arizona 85258. ING Funds Distributor, ING Investments, the Trust's Adviser, and ING IM, the Trust's Sub-Adviser, are indirect, wholly-owned subsidiaries of ING Groep. See "Plans of Distribution" in the SAI.

The Trust bears the expenses of issuing the Common Shares. These expenses include, but are not limited to, the expense of preparation and printing of the Prospectus and SAI, the expense of counsel and independent registered public accounting firm, and others.

Legal Matters

The validity of the Common Shares offered hereby will be passed upon for the Trust by Dechert LLP, 1775 I Street, NW, Washington, DC 20006, counsel to the Trust.

Independent Registered Public Accounting Firm

KPMG LLP serves as the independent registered public accounting firm for the Trust. The principal address of KPMG is 99 High Street, Boston, Massachusetts 02110.

Registration Statement

The Trust has filed with the SEC a Registration Statement under the Securities Act of 1933, relating to the Common Shares offered hereby. For further information with respect to the Trust and its Common Shares, reference is made to such Registration Statement and the exhibits filed therein.

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

More Information

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STATEMENT OF ADDITIONAL INFORMATION

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Statement of Additional Information

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ING PRIME RATE TRUST

**7337 East Doubletree Ranch Road
Scottsdale, Arizona 85258
(800) 992-0180**

5,000,000 Common Shares of Beneficial Interest

TRUST ADVISORS AND AGENTS

ADVISER

ING Investments, LLC
7337 East Doubletree Ranch Road
Scottsdale, AZ 85258

SUB-ADVISER

ING Investment Management Co.
230 Park Avenue
New York, NY 10169

ADMINISTRATOR

ING Funds Services, LLC
7337 East Doubletree Ranch Road
Scottsdale, AZ 85258

CUSTODIAN

State Street Bank and Trust Company
801 Pennsylvania Avenue
Kansas City, MO 64105

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

KPMG LLP
99 High Street
Boston, MA 02110

DISTRIBUTOR

ING Funds Distributor, LLC
7337 East Doubletree Ranch Road
Scottsdale, AZ 85258

TRANSFER AGENT

DST Systems, Inc.
333 W. 11th Street
Kansas City, MO 64105

LEGAL COUNSEL

Dechert LLP
1775 I Street, NW
Washington, DC 20006

INSTITUTIONAL INVESTORS AND ANALYSTS

Call ING Prime Rate Trust
(800) 336-3436

The Trust has not authorized any person to provide you with any information or to make any representations other than those contained in this Prospectus in connection with this offer. You should rely only on the information in this Prospectus or other information to which we have referred you. This Prospectus is not an offer to sell or the solicitation of any offer to buy any security other than the Common Shares offered by this Prospectus, nor does it constitute an offer to sell or a solicitation of any offer to buy the Common Shares by anyone in any jurisdiction in which such offer or solicitation is not authorized, or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such an offer or solicitation. The delivery of this Prospectus or any sale made pursuant to this Prospectus does not imply that the information contained in this Prospectus is correct as of any time after the date of this Prospectus. However, if any material change occurs while this Prospectus is required by law to be delivered, this Prospectus will be amended or supplemented.

When contacting the SEC, you will want to refer to the Trust's SEC file number. The file number is as follows:

1940 Act File No. 811-05410

PRPRO-UPPR5M (0607-063007)

STATEMENT OF ADDITIONAL INFORMATION

June 30, 2007

ING Prime Rate Trust
7337 East Doubletree Ranch Road
Scottsdale, Arizona 85258-2034
(800) 992-0180

ING Prime Rate Trust (Trust) is a diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended (1940 Act). The Trust s investment objective is 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. The Trust is managed by ING Investments, LLC (ING Investments or Adviser) and sub-advised by ING Investment Management Co. (ING IM or Sub-Adviser).

This Statement of Additional Information (SAI) does not constitute a prospectus, but should be read in conjunction with the Prospectus relating thereto dated June 30, 2007. Capitalized terms not defined herein are used as defined in the Prospectuses. This SAI does not include all the information that a prospective investor should consider before purchasing Common Shares in this offering, and investors should obtain and read the Prospectus prior to purchasing such shares. In addition, the Trust s financial statements and the independent registered public accounting firm s report thereon included in the annual shareholder report dated February 28, 2007, are incorporated herein by reference. A copy of the Prospectuses may be obtained without charge by contacting the Trust at the address and phone number written above.

The Prospectuses and SAI omit certain information contained in the registration statement filed with the Securities and Exchange Commission (SEC). The registration statement may be obtained from the SEC upon payment of the fee prescribed, or inspected at the SEC s office for no charge. The registration statement is also available on the SEC s website (www.sec.gov).

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CHANGE OF NAME

The Trust changed its name from Pilgrim Prime Rate Trust to Pilgrim America Prime Rate Trust in April 1996, and then changed its name back to Pilgrim Prime Rate Trust on November 16, 1998. Effective March 1, 2002, the Trust changed its name to ING Prime Rate Trust.

INVESTMENT OBJECTIVE

The Trust's investment objective is to obtain as high a level of current income as is consistent with the preservation of capital. 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). 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 U.S., Canada or in U.S. territories or possessions.

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 justify treatment as senior debt. These Senior Loans are typically below investment grade credit quality.

The Trust may invest up to 20% of its total assets in other investments, including unsecured floating rate loans, notes and other debt securities, subordinated loans, tranches of floating rate asset-backed securities, including structured notes, short-term debt instruments, equity securities acquired in connection with investments in loans and other instruments as described under Additional Information About Investments and Investment Techniques. During periods when, in the opinion of the Trust's Adviser or Sub-Adviser, a temporary defensive posture in the market is appropriate, the Trust may hold up to 100% of its assets in cash and/or in short-term debt instruments.

INVESTMENT RESTRICTIONS

The Trust operates under a number of investment policies and restrictions. Certain investment restrictions of the Trust are designated as fundamental policies and as such may not be changed without the approval of a majority of the Trust's outstanding voting securities. In accordance with the 1940 Act, a majority of the Trust's outstanding securities means the lesser of (i) 67% or more of the Trust's shares present at a meeting, if the holders of more than 50% of the Trust's shares are present or represented by proxy, or (ii) more than 50% of the Trust's shares. The following investment restrictions have been designated as fundamental policies. The Trust will not:

1. issue senior securities, except insofar as the Trust may be deemed to have issued a senior security by reason of (i) entering into certain interest rate hedging transactions, (ii) entering into reverse repurchase agreements, (iii) borrowing money in an amount not exceeding $33\frac{1}{3}\%$, or such other percentage permitted by law, of the Trust's total assets (including the borrowed amount) less all liabilities other than borrowings, or (iv) issuing a class or classes of preferred shares in an amount not exceeding 50%, or such other percentage permitted by law, of the Trust's total assets less all liabilities and indebtedness not represented by senior securities;
2. invest more than 25% of its total assets in any industry;
3. invest in marketable warrants other than those acquired in conjunction with Senior Loans and such warrants will not constitute more than 5% of its assets;

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4. make investments in any one issuer other than U.S. government securities 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, except that up to 25% of the Trust's total assets may be invested without regard to the foregoing restrictions. For the purpose of the foregoing restriction, the Trust will consider the borrower of a Senior Loan to be the issuer of such Senior Loan. In addition, with respect to a Senior 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 Senior Loan) to be an issuer of the Senior Loan;
5. act as an underwriter of securities, except to the extent that it may be deemed to act as an underwriter in certain cases when disposing of its portfolio investments or acting as an agent or one of a group of co-agents in originating Senior Loans;
6. purchase or sell equity securities (except that the Trust may, incidental to the purchase or ownership of an interest in a Senior Loan, or as part of a borrower reorganization, acquire, sell and exercise warrants and/or acquire or sell other equity securities), real estate, real estate mortgage loans, commodities, commodity futures contracts, or oil or gas exploration or development programs; or sell short, purchase or sell straddles, spreads, or combinations thereof, or write put or call options;
7. make loans of money or property to any person, except that the Trust: (i) may make loans to corporations or other business entities, or enter into leases or other arrangements that have the characteristics of a loan; (ii) may lend portfolio instruments; and (iii) may acquire securities subject to repurchase agreements;
8. purchase shares of other investment companies, except in connection with a merger, consolidation, acquisition or reorganization; and
9. make investments on margin or hypothecate, mortgage or pledge any of its assets except for the purpose of securing borrowings as described above in connection with the issuance of senior securities and then only in an amount up to 33¹/₃% (50% in the case of the issuance of a preferred class of shares), or such other percentage permitted by law, of the value of the Trust's total assets (including, with respect to borrowings, the amount borrowed) less all liabilities other than borrowings (or, in the case of the issuance of senior securities, less all liabilities and indebtedness not represented by senior securities).

With regard to paragraph number 2 above, the Fund will consider the 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 Fund 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 Fund will also consider each interpositioned bank (a lender from which the Fund acquires a loan) to be an issuer of the loan.

If a percentage restriction is adhered to at the time of investment, a later increase or decrease in percentage resulting from a change in value of the Trust's investments or amount of total assets will not be considered a violation of any of the foregoing restrictions.

There is no limitation on the percentage of the Trust's total assets that may be invested in instruments which are not readily marketable or subject to restrictions on resale, and to the extent the Trust invests in such instruments, the Trust's portfolio should be considered illiquid. The extent to which the Trust invests in such instruments may affect its ability to realize the net asset value (NAV) of the Trust in the event of the voluntary or involuntary liquidation of its assets.

The Trust has also adopted a non-fundamental policy as required by Rule 35d-1 under the 1940 Act to invest, under normal circumstances, at least 80% of its net assets, plus the amount of any borrowings for investment purposes, in floating rate secured Senior Loans. The Trust has also adopted a policy to provide its shareholders with at least 60 days' prior notice of any change in such investment policy. If, subsequent to an investment, the 80% requirement is no longer met, the Trust's future investments will be made in a manner that will bring the Trust into compliance with this policy.

ADDITIONAL INFORMATION ABOUT INVESTMENTS AND INVESTMENT TECHNIQUES

Some of the different types of securities in which the Trust may invest, subject to its investment objective, policies and restrictions, are described in the Prospectus under Investment Objective and Policies. Additional information concerning certain of the Trust's investments and investment techniques is set forth below.

Equity Securities

In connection with its purchase or holding of interests in Senior Loans, the Trust may acquire (and subsequently sell) equity securities or exercise warrants that it receives. The Trust will acquire such interests only as an incident to the intended purchase or ownership of loans or in connection with a reorganization of a borrower or its debt. The Trust normally will not hold more than 20% of its total assets in equity securities. Equity securities will not be treated as Senior Loans; therefore, an investment in such securities will not count toward the 80% of the Trust's net assets, plus the amount of any borrowings for investment purposes, that normally will be invested in Senior Loans. Equity securities are subject to financial and market risks and can be expected to fluctuate in value.

Lease Participations

Senior Loans that the Trust may acquire include participation interests in lease financings (Lease Participations) where the collateral quality, credit quality of the borrower and the likelihood of payback are believed by the Adviser or Sub-Adviser to be the same as those applied to conventional Senior Loans. A Lease Participation is also required to have a floating interest rate that is indexed to a benchmark indicator of prevailing interest rates, such as London Inter-Bank Offered Rate (LIBOR) or the Prime Rate.

The credit quality standards and general requirements that the Trust applies to Lease Participations including collateral quality, the credit quality of the borrower and the likelihood of payback are substantially the same as those applied to conventional Senior Loans. A Lease Participation is also required to have a floating interest rate that is indexed to the federal funds rate, LIBOR or Prime Rate in order to be eligible for investment.

The Office of the Comptroller of the Currency has established regulations which set forth circumstances under which national banks may engage in lease financings. Among other things, the regulation requires that a lease be a net-full payout lease representing the noncancelable obligation of the lessee, and that the bank make certain determinations with respect to any estimated residual value of

leased property relied upon by the bank to yield a full return on the lease. The Trust may invest in lease financings only if the Lease Participation meets these banking law requirements.

Interest Rates and Portfolio Maturity

Interest rates on loans in which the Trust invests adjust periodically. The interest rates are adjusted based on a base rate plus a premium or spread over the base rate. The base rate usually is LIBOR, the Federal Reserve federal funds rate, the Prime Rate or other base lending rates used by commercial lenders. LIBOR usually is an average of the interest rates quoted by several designated banks as the rates at which they pay interest to major depositors in the London interbank market on U.S. dollar denominated deposits. The Adviser and Sub-Adviser believe that changes in short-term LIBOR rates are closely related to changes in the Federal Reserve federal funds rate, although the two are not technically linked. The Prime Rate quoted by a major U.S. bank is generally the interest rate at which that bank is willing to lend U.S. dollars to its most creditworthy borrowers, although it may not be the bank's lowest available rate.

Loans in which the Trust invests typically have interest rates which reset at least quarterly and may reset as frequently as daily. The maximum duration of an interest rate reset on any loan in which the Trust can invest is one year. The maximum maturity on any loan in which the Trust can invest is ten years. The Trust's portfolio of loans will ordinarily have a dollar-weighted average time until the next interest rate adjustment of ninety (90) days or less, although the time may exceed 90 days. The Trust may find it possible and appropriate to use interest rate swaps and other investment practices to shorten the effective interest rate adjustment period of loans. If the Trust does so, it will consider the shortened period to be the adjustment period of the loan. As short-term interest rates rise, interest payable to the Trust should increase. As short-term interest rates decline, interest payable to the Trust should decrease. The amount of time that will pass before the Trust experiences the effects of changing short-term interest rates will depend on the dollar-weighted average time until the next interest rate adjustment on the Trust's portfolio of loans.

Loans usually have mandatory and optional prepayment provisions. Because of prepayments, the actual remaining maturity of a loan may be considerably less than its stated maturity. If a loan is prepaid, the Trust will have to reinvest the proceeds in other loans or securities which may have a lower fixed spread over its base rate. In such a case, the amount of interest paid to the Trust would likely decrease.

In the event of a change in the benchmark interest rate on a loan, the rate payable to lenders under the loan will, in turn, change at the next scheduled reset date. If the benchmark rate goes up, the Trust as lender would earn interest at a higher rate, but only on and after the reset date. If the benchmark rate goes down, the Trust as lender would earn interest at a lower rate, but only on and after the reset date.

During normal market conditions, changes in market interest rates will affect the Trust in certain ways. The principal effect will be that the yield on the Trust's Common Shares will tend to rise or fall as market interest rates rise and fall. This is because almost all of the assets in which the Trust invests pay interest at rates which float in response to changes in market rates. However, because the interest rates on the Trust's assets reset over time, there will be an imperfect correlation between changes in market rates and changes to rates on the portfolio as a whole. This means that changes to the rate of interest paid on the portfolio as a whole will tend to lag behind changes in market rates.

Market interest rate changes may also cause the Trust's NAV to experience moderate volatility. This is because the value of a loan asset in the Trust is partially a function of whether it is paying what the market perceives to be a market rate of interest for the particular loan, given its individual credit and other characteristics. If market interest rates change, a loan's value could be affected to the extent the interest

rate paid on that loan does not reset at the same time. As discussed above, the rates of interest paid on the loans in which the Trust invests have a weighted average reset period that typically is less than 90 days. Therefore, the impact of the lag between a change in market interest rates and the change in the overall rate on the portfolio is expected to be minimal.

Finally, to the extent that changes in market rates of interest are reflected not in a change to a base rate such as LIBOR but in a change in the spread over the base rate which is payable on loans of the type and quality in which the Trust invests, the Trust's NAV could be adversely affected. Again, this is because the value of a loan asset in the Trust is partially a function of whether it is paying what the market perceives to be a market rate of interest for the particular loan, given its individual credit and other characteristics. However, unlike changes in market rates of interest for which there is only a temporary lag before the portfolio reflects those changes, changes in a loan's value based on changes in the market spread on loans in the Trust's portfolio may be of longer duration.

Other Investments

Assets not invested in Senior Loans will generally consist of other instruments, including loans to borrowers organized outside the U.S. or Canada, unsecured floating rate loans, notes and other debt instruments, floating rate subordinated loans up to a maximum of 5% of the Trust's total assets, tranches of floating rate asset-backed securities, including structured notes, short-term debt securities, with remaining maturities of 120 days or less (which may have yields tied to the Prime Rate, commercial paper rates, the federal funds rate or LIBOR) and equity securities acquired in connection with investments in loans. Short-term debt instruments may include (i) commercial paper rated A-1 by Standard & Poor's (S&P) Ratings Services or P-1 by Moody's Investors Service, Inc. (Moody's), or of comparable quality as determined by the Adviser or Sub-Adviser, (ii) certificates of deposit, bankers' acceptances, and other bank deposits and obligations, and (iii) securities issued or guaranteed by the U.S. government, its agencies or instrumentalities. During periods when, in the judgment of the Adviser or Sub-Adviser, a temporary defensive posture in the market is appropriate, the Trust may hold up to 100% of its assets in cash and/or in short-term debt instruments.

Repurchase Agreements

The Trust has the ability, pursuant to its investment objective and policies, to enter into repurchase agreements. A repurchase agreement is a contract under which the Trust may sell and simultaneously obtain the commitment of the purchaser to sell the security back to the Trust at an agreed upon price on an agreed upon date. Repurchase agreements will be considered borrowings by the Trust, and as such are subject to the restrictions on borrowing. Borrowings by the Trust create an opportunity for greater total return, but at the same time increase exposure to capital risk. The Trust will maintain in a segregated account with its custodian cash or liquid high grade portfolio securities in an amount sufficient to cover its obligations with respect to the repurchase agreements. The Trust will receive payment for such securities only upon physical delivery or evidence of book entry transfer by its custodian. Regulations of the SEC require either that securities sold by the Trust under a repurchase agreement be segregated pending repurchase or that the proceeds be segregated on the Trust's books and records pending repurchase. Repurchase agreements may involve certain risks in the event of default or insolvency of the other party, including possible loss from delays or restrictions upon the Trust's ability to dispose of the underlying securities.

Reverse Repurchase Agreements

The Trust has the ability, pursuant to its investment objective and policies, to enter into repurchase agreements if the asset which is the subject of the repurchase is a loan. Such agreements may

be considered to be loans by the Trust for purposes of the 1940 Act. Each reverse repurchase agreement must be collateralized fully, in accordance with the provisions of Rule 5b-3 under the 1940 Act, at all times. Pursuant to such reverse repurchase agreements, the Trust acquires securities from financial institutions such as brokers, dealers and banks, subject to the seller's agreement to repurchase and the Trust's agreement to resell such securities at a mutually agreed upon date and price. The term of such an agreement is generally quite short, possibly overnight or for a few days, although it may extend over a number of months (up to one year) from the date of delivery. The repurchase price generally equals the price paid by the Trust plus interest negotiated on the basis of current short-term rates (which may be more or less than the rate on the underlying portfolio security). The securities underlying a reverse repurchase agreement will be marked to market every business day so that the value of the collateral is at least equal to the value of the loan, including the accrued interest thereon, and the Adviser or Sub-Adviser will monitor the value of the collateral. Securities subject to reverse repurchase agreements will be held by the custodian or in the Federal Reserve/Treasury Book-Entry System. If the seller defaults on its repurchase obligation, the Trust will suffer a loss to the extent that the proceeds from a sale of the underlying securities is less than the repurchase price under the agreement. Bankruptcy or insolvency of such a defaulting seller may cause the Trust's rights with respect to such securities to be delayed or limited. To mitigate this risk, the Trust only enters into reverse repurchase agreements with highly rated, large financial institutions. The Trust may only enter into reverse repurchase agreements that qualify for an exclusion from any automatic stay of creditors' rights against the counterparty under applicable insolvency law in the event of the counterparty's insolvency.

Lending Loan Interests and Other Portfolio Instruments

To generate additional income, the Trust may lend its portfolio securities, including interests in Senior Loans, in an amount equal to up to 33 1/3% of the Trust's total assets to broker-dealers, major banks, or other recognized domestic institutional borrowers of securities. No lending may be made to any companies affiliated with the Adviser or Sub-Adviser. During the time portfolio securities are on loan, the borrower pays the Trust any dividends or interest paid on such securities, and the Trust may invest the cash collateral and earn additional income, or it may receive an agreed-upon amount of interest income from the borrower who has delivered equivalent collateral or a letter of credit. As with other extensions of credit, there are risks of delay in recovery or even loss of rights in the collateral should the borrower fail financially.

The Trust may seek to increase its income by lending financial instruments in its portfolio in accordance with present regulatory policies, including those of the Board of Governors of the Federal Reserve System and the SEC. The lending of financial instruments is a common practice in the securities industry. The loans are required to be secured continuously by collateral, consistent with the requirements of the 1940 Act discussed below, maintained on a current basis at an amount at least equal to the market value of the portfolio instruments loaned. The Trust has the right to call a loan and obtain the portfolio instruments loaned at any time on such notice as specified in the transaction documents. For the duration of the loan, the Trust will continue to receive the equivalent of the interest paid by the issuer on the portfolio instruments loaned and may also receive compensation for the loan of the financial instrument. Any gain or loss in the market price of the instruments loaned that may occur during the term of the loan will be for the account of the Trust.

The Trust may lend its portfolio instruments so long as the terms and the structure of such loans are not inconsistent with the requirements of the 1940 Act, which currently require that (a) the borrower pledge and maintain with the Trust collateral consisting of cash, a letter of credit issued by a domestic U.S. bank, or securities issued or guaranteed by the U.S. government having a value at all times not less than 100% of the value of the instruments loaned, (b) the borrowers add to such collateral whenever the price of the instruments loaned rises (*i.e.*, the value of the loan is marked to market on a daily basis), (c)

the loan be made subject to termination by the Trust at any time, and (d) the Trust receives reasonable interest on the loan (which may include the Trust's investing any cash collateral in interest bearing short-term investments), any distributions on the loaned instruments and increase in their market value. The Trust may lend its portfolio instruments to member banks of the Federal Reserve System, members of the New York Stock Exchange (NYSE) or other entities determined by the Adviser or Sub-Adviser to be creditworthy. All relevant facts and circumstances, including the creditworthiness of the qualified institution, will be monitored by the Adviser or Sub-Adviser, and will be considered in making decisions with respect to the lending of portfolio instruments.

The Trust may pay reasonable negotiated fees in connection with loaned instruments. In addition, voting rights may pass with loaned securities, but if a material event were to occur affecting such a loan, the Trust will retain the right to call the loan and vote the securities. If a default occurs by the other party to such transaction, the Trust will have contractual remedies pursuant to the agreements related to the transaction, but such remedies may be subject to bankruptcy and insolvency laws which could materially and adversely affect the Trust's rights as a creditor. However, the loans will be made only to firms deemed by the Adviser or Sub-Adviser to be of good financial standing and when, in the judgment of the Adviser or Sub-Adviser, the consideration which can be earned currently from loans of this type justifies the attendant risk.

Interest Rate Hedging Transactions

The Trust has the ability, pursuant to its investment objectives and policies, to engage in certain hedging transactions including interest rate swaps and the purchase or sale of interest rate caps and floors. The Trust may undertake these transactions primarily for the following reasons: to preserve a return on or value of a particular investment or portion of the Trust's portfolio, to protect against decreases in the anticipated rate of return on floating or variable rate financial instruments which the Trust owns or anticipates purchasing at a later date, or for other risk management strategies such as managing the effective dollar-weighted average duration of the Trust's portfolio. Market conditions will determine whether and in what circumstances the Trust would employ any of the hedging techniques described below.

Interest rate swaps involve the exchange by the Trust with another party of their respective commitments to pay or receive interest, *e.g.*, an exchange of an obligation to make floating rate payments on a specified dollar amount, referred to as the notional principal amount, for an obligation to make fixed rate payments. For example, the Trust may seek to shorten the effective interest rate redetermination period of a Senior Loan in its portfolio that has an interest rate redetermination period of one year. The Trust could exchange its right to receive fixed-income payments for one year from a borrower for the right to receive payments under an obligation that readjusts monthly. In such an event, the Trust would consider the interest rate redetermination period of such Senior Loan to be the shorter period.

The purchase of an interest rate cap entitles the purchaser, to the extent that a specified index exceeds a predetermined interest rate, to receive payments of interest on a notional principal amount from the party selling such interest rate cap. The purchase of an interest rate floor entitles the purchaser, to the extent that a specified index falls below a predetermined interest rate, to receive payments of interest on a notional principal amount from the party selling such interest rate floor. The Trust will not enter into swaps, caps or floors if, on a net basis, the aggregate notional principal amount with respect to such agreements exceeds the net assets of the Trust or to the extent the purchase of swaps, caps or floors would be inconsistent with the Trust's other investment restrictions.

The Trust will usually enter into interest rate swaps on a net basis, *i.e.*, where the two parties make net payments with the Trust receiving or paying, as the case may be, only the net amount of the two

payments. The net amount of the excess, if any, of the Trust's obligations over its entitlement with respect to each interest rate swap will be accrued and an amount of cash or liquid securities having an aggregate NAV at least equal to the accrued excess will be maintained in a segregated account. If the Trust enters into a swap on other than a net basis, the Trust will maintain in the segregated account the full amount of the Trust's obligations under each such swap. The Trust may enter into swaps, caps and floors with member banks of the Federal Reserve System, members of the NYSE or other entities determined by ING Investments. If a default occurs by the other party to such transaction, the Trust will have contractual remedies pursuant to the agreements related to the transaction but such remedies may be subject to bankruptcy and insolvency laws which could materially and adversely affect the Trust's rights as a creditor. The Trust will not treat swaps covered in accordance with applicable regulatory guidance as senior securities.

The swap, cap and floor market has grown substantially in recent years with a large number of banks and financial services firms acting both as principals and as agents utilizing standardized swap documentation. As a result, this market has become relatively liquid. There can be no assurance, however, that the Trust will be able to enter into interest rate swaps or to purchase interest rate caps or floors at prices or on terms the Adviser or Sub-Adviser believes are advantageous to the Trust. In addition, although the terms of interest rate swaps, caps and floors may provide for termination, there can be no assurance that the Trust will be able to terminate an interest rate swap or to sell or offset interest rate caps or floors that it has purchased.

The successful utilization of hedging and risk management transactions requires skills different from those needed in the selection of the Trust's portfolio securities and depends on the Adviser's or Sub-Adviser's ability to predict correctly the direction and degree of movements in interest rates. Although the Trust believes that use of the hedging and risk management techniques described above will benefit the Trust, if the Adviser's or Sub-Adviser's judgment about the direction or extent of the movement in interest rates is incorrect, the Trust's overall performance would be worse than if it had not entered into any such transactions. The Trust will incur brokerage and other costs in connection with its hedging transactions.

Originating Senior Loans Reliance on Agents

The Trust has the ability to act as an agent in originating and administering a loan on behalf of all lenders or as one of a group of co-agents in originating Senior Loans. However, the Trust has not acted as agent or co-agent on any loans, and has no present intention of doing so in the future. An agent for a loan is required to administer and manage the Senior Loan and to service or monitor the collateral. The agent is also responsible for the collection of principal and interest and fee payments from the borrower and the apportionment of these payments to the credit of all lenders which are parties to the loan agreement. The agent is charged with the responsibility of monitoring compliance by the borrower with the restrictive covenants in the loan agreement and of notifying the lenders of any adverse change in the borrower's financial condition. In addition, the agent generally is responsible for determining that the lenders have obtained a perfected security interest in the collateral securing the Senior Loan.

Lenders generally rely on the agent to collect their portion of the payments on a Senior Loan and to use the appropriate creditor remedies against the borrower. Typically under loan agreements, the agent is given broad discretion in enforcing the loan agreement and is obligated to use the same care it would use in the management of its own property. The borrower compensates the agent for these services. Such compensation may include special fees paid on structuring and funding the Senior Loan and other fees on a continuing basis. The precise duties and rights of an agent are defined in the loan agreement.

When the Trust is an agent, it has, as a party to the loan agreement, a direct contractual relationship with the borrower and, prior to allocating portions of the loan to lenders, if any, assumes all risks associated with the loan. The agent may enforce compliance by the borrower with the terms of the loan agreement. Agents also have voting and consent rights under the applicable loan agreement. Action subject to agent vote or consent generally requires the vote or consent of the holders of some specified percentage of the outstanding principal amount of the Senior Loan, which percentage varies depending on the relative loan agreement. Certain decisions, such as reducing the amount or increasing the time for payment of interest on or repayment of principal of a Senior Loan, or relating collateral therefor, frequently require the unanimous vote or consent of all lenders affected.

Pursuant to the terms of a loan agreement, the agent typically has sole responsibility for servicing and administering a loan on behalf of the other lenders. Each lender in a Senior Loan is generally responsible for performing its own credit analysis and its own investigation of the financial condition of the borrower. Generally, loan agreements will hold the agent liable for any action taken or omitted that amounts to gross negligence or willful misconduct. In the event of a borrower's default on a loan, the loan agreements provide that the lenders do not have recourse against the Trust for its activities as agent. Instead, lenders will be required to look to the borrower for recourse.

In a typical interest in a Senior Loan, the agent administers the loan and has the right to monitor the collateral. The agent is also required to segregate the principal and interest payments received from the borrower and to hold these payments for the benefit of the lenders. The Trust normally looks to the agent to collect and distribute principal of and interest on a Senior Loan. Furthermore, the Trust looks to the agent to use normal credit remedies, such as to foreclose on collateral, monitor credit loan covenants, and notify the lenders of any adverse changes in the borrower's financial condition or declarations of insolvency. At times the Trust may also negotiate with the agent regarding the agent's exercise of credit remedies under a Senior Loan. The agent is compensated for these services by the borrower as set forth in the loan agreement. Such compensation may take the form of a fee or other amount paid upon the making of the Senior Loan and/or an ongoing fee or other amount.

The loan agreements in connection with Senior Loans set forth the standard of care to be exercised by the agents on behalf of the lenders and usually provide for the termination of the agent's agency status in the event that it fails to act properly, becomes insolvent, enters FDIC receivership, or if not FDIC insured, enters into bankruptcy or if the agent resigns. In the event an agent is unable to perform its obligations as agent, another lender would generally serve in that capacity.

Additional Information on Senior Loans

Senior Loans are direct obligations of corporations or other business entities and are arranged by banks or other commercial lending institutions and made generally to finance internal growth, mergers, acquisitions, stock repurchases, and leveraged buyouts. Senior Loans usually include restrictive covenants which must be maintained by the borrower. Such covenants, in addition to the timely payment of interest and principal, may include mandatory prepayment provisions arising from free cash flow and restrictions on dividend payments, and usually state that a borrower must maintain specific minimum financial ratios as well as establishing limits on total debt. A breach of covenant, which is not waived by the agent, is normally an event of acceleration, *i.e.*, the agent has the right to call the outstanding Senior Loan. In addition, loan covenants may include mandatory prepayment provisions stemming from free cash flow. Free cash flow is cash that is in excess of capital expenditures plus debt service requirements of principal and interest. The free cash flow shall be applied to prepay the Senior Loan in an order of maturity described in the loan documents. Under certain interests in Senior Loans, the Trust may have an obligation to make additional loans upon demand by the borrower. The Trust intends to ensure its ability

to satisfy such demands by segregating sufficient assets in high quality short-term liquid investments or by sufficiently maintaining unused borrowing capacity.

In a typical interest in a loan, the agent administers the loan and has the right to monitor the collateral. The agent is also required to segregate the principal and interest payments received from the borrower and to hold these payments for the benefit of the lenders. The Fund normally looks to the agent to collect and distribute principal of and interest on a loan. Furthermore, the Fund looks to the agent to use normal credit remedies, such as to foreclose on collateral, monitor loan covenants, and notify the lenders of any adverse changes in the borrower's financial condition or declarations of insolvency. At times the Fund may also negotiate with the agent regarding the agent's exercise of credit remedies under a loan. The agent is compensated for these services by the borrower as set forth in the loan agreement. Such compensation may take the form of a fee or other amount paid upon the making of the loan and/or an ongoing fee or other amount.

The loan agreements in connection with the loans set forth the standard of care to be exercised by the agents on behalf of the lenders and usually provide for the termination of the agent's agency status in the event that it fails to act properly, becomes insolvent, enters FDIC receivership, or if not FDIC insured, enters into bankruptcy or if the agent resigns. In the event an agent is unable to perform its obligations as agent, another lender would generally serve in that capacity.

The Fund believes that the principal credit risk associated with acquiring loans from another lender is the credit risk associated with the borrower of the underlying loan. The Fund may incur additional credit risk, however, when the Fund acquires a participation in a loan from another lender because the Fund must assume the risk of insolvency or bankruptcy of the other lender from which the loan was acquired. However, in acquiring loans, the Fund conducts an analysis and evaluation of the financial condition of each such lender. In this regard, if the lenders have a long-term debt rating, the long-term debt of all such participants is rated BBB or better by S&P or Baa or better by Moody's, or has received a comparable rating by another nationally recognized rating service. In the absence of rated long-term debt, the lenders or, with respect to a bank, the holding company of such lenders have commercial paper outstanding which is rated at least A-1 by S&P or P-1 by Moody's. In the absence of such rated long-term debt or rated commercial paper, the Fund may acquire participations in loans from lenders whose long-term debt and commercial paper is of comparable quality to the foregoing rating standards as determined by the Adviser under the supervision of the Trustees. The Fund also diversifies its portfolio with respect to lenders from which the Fund acquires loans. See Investment Restrictions.

Senior Loans, unlike certain bonds, usually do not have call protection. This means that investments comprising the Trust's portfolio, while having a stated one to ten-year term, may be prepaid, often without penalty. The Trust generally holds Senior Loans to maturity unless it becomes necessary to sell them to adjust the Trust's portfolio in accordance with the Adviser's or Sub-Adviser's view of current or expected economic or specific industry or borrower conditions.

Senior Loans frequently require full or partial prepayment of a loan when there are asset sales or a securities issuance. Prepayments on Senior Loans may also be made by the borrower at its election. The rate of such prepayments may be affected by, among other things, general business and economic conditions, as well as the financial status of the borrower. Prepayment would cause the actual duration of a Senior Loan to be shorter than its stated maturity. Prepayment may be deferred by the Trust. This should, however, allow the Trust to reinvest in a new loan and recognize as income any unamortized loan fees. In many cases this will result in a new facility fee payable to the Trust.

Because interest rates paid on these Senior Loans fluctuate periodically with the market, it is expected that the prepayment and a subsequent purchase of a new Senior Loan by the Trust will not have a material adverse impact on the yield of the portfolio. See Portfolio Transactions.

Under a Senior Loan, the borrower generally must pledge as collateral assets which may include one or more of the following: cash, accounts receivable, inventory, property, plant and equipment, both common and preferred stock in its subsidiaries, trademarks, copyrights, patent rights and franchise value. The Trust may also receive guarantees as a form of collateral. In some instances, a Senior Loan may be secured only by stock in a borrower or its affiliates. There is no assurance, however, that the liquidation of the existing collateral would satisfy the borrower's obligation in the event of nonpayment of scheduled interest or principal, or that such collateral could be readily liquidated.

Loan Participation and Assignments

The Trust's investment in loan participations typically will result in the Trust having a contractual relationship only with the lender and not with the borrower. The Trust will have the right to receive payments of principal, interest and any fees to which it is entitled only from the lender selling the participation and only upon receipt by the lender of the payments from the borrower. In connection with purchasing participation, the Trust generally will have no right to enforce compliance by the borrower with the terms of the loan agreement relating to the loan, nor any right of set-off against the borrower, and the Trust may not directly benefit from any collateral supporting the loan in which it has purchased the participation. As a result, the Trust may be subject to the credit risk of both the borrower and the lender that is selling the participation. In the event of the insolvency of the lender selling a participation, the Trust may be treated as a general creditor of the lender and may not benefit from any set-off between the lender and the borrower.

When the Trust purchases a loan assignment from lenders, it will acquire direct rights against the borrowers on the loan. Because assignments are arranged through private negotiations between potential assignees and potential assignors, however, the rights and obligations acquired by the Trust as the purchaser of an assignment may differ from, and be more limited than, those held by the assigning lender. Because there is no liquid market for such securities, the Trust anticipates that such securities could be sold only to a limited number of institutional investors. The lack of a liquid secondary market may have an adverse impact on the value of such securities and the Trust's ability to dispose of particular assignments or participation when necessary to meet redemption of Trust shares, to meet the Trust's liquidity needs or when necessary in response to a specific economic event, such as deterioration in the creditworthiness of the borrower. The lack of a liquid secondary market for assignments and participation also may make it more difficult for the Trust to value these securities for purposes of calculating its NAV.

The Trust may be required to pay and receive various fees and commissions in the process of purchasing, selling and holding Senior Loans. The fee component may include any, or a combination of, the following elements: arrangement fees, assignment fees, non-use fees, facility fees, letter of credit fees and ticking fees. Arrangement fees are paid at the commencement of a loan as compensation for the initiation of the transaction. A non-use fee is paid based upon the amount committed but not used under the loan. Facility fees are on-going annual fees paid in connection with a loan. Letter of credit fees are paid if a loan involves a letter of credit. Ticking fees are paid from the initial commitment indication until loan closing if for an extended period. The amount of fees is negotiated at the time of transaction.

TRUSTEES AND OFFICERS

Management of the Trust

The Trust is governed by its Board of Trustees (Board). A trustee who is not an interested person of the Trust, as defined in the 1940 Act, as amended, is an independent trustee (Independent Trustee). The Trustees of the Trust are listed below.

| Name, Address and Age | Position(s) Held With Trust | Term of Office and Length of Time Served(1) | Principal Occupation(s) During the Past 5 Years | Number of Funds in Fund Complex Overseen by Trustee(2) | Other Directorships/Trusteeships Held by Trustee |
|--|-----------------------------------|--|---|--|--|
| Independent Trustees | | | | | |
| John V. Boyer 7337 East Doubletree Ranch Rd. Scottsdale, Arizona 85258 Age: 53 | Trustee | January 2005 Present | President and Chief Executive Officer, Franklin and Eleanor Roosevelt Institute (March 2006 Present). Formerly, Executive Director, The Mark Twain House & Museum (3) (September 1989 November 2005). | 174 | None. |
| Patricia W. Chadwick (4) 7337 East Doubletree Ranch Rd. Scottsdale, Arizona 85258 Age: 58 | Trustee | January 2006 Present | Consultant and President of self-owned company, Ravengate Partners LLC (January 2000 Present). | 174 | Wisconsin Energy (June 2006 Present). |
| J. Michael Earley 7337 East Doubletree Ranch Rd. Scottsdale, Arizona 85258 Age: 62 | Trustee | February 2002 Present | President, Chief Executive Officer and Director, Bankers Trust Company, N.A., Des Moines (June 1992 Present). | 174 | Midamerica Financial Corporation (December 2002 Present). |
| R. Barbara Gitenstein 7337 East Doubletree Ranch Rd. Scottsdale, Arizona 85258 Age: 59 | Trustee | February 2002 Present | President, College of New Jersey (January 1999 Present). | 174 | None. |
| Patrick W. Kenny 7337 East Doubletree Ranch Rd. Scottsdale, Arizona 85258 Age: 64 | Trustee | January 2005 Present | President and Chief Executive Officer, International Insurance Society (June 2001 Present). | 174 | Assured Guaranty Ltd. (April 2004 Present); and Odyssey Reinsurance Holdings (November 2006 Present). |
| Sheryl K. Pressler (4) 7337 East Doubletree Ranch Rd. Scottsdale, Arizona 85258 Age: 56 | Trustee | January 2006 Present | Consultant (May 2001 Present). | 174 | Stillwater Mining Company (May 2002 Present); California HealthCare Foundation (June 1999 Present); and Romanian American Enterprise Fund (February 2004 Present). |

| Name, Address and Age | Position(s) Held With Trust | Term of Office and Length of Time Served(1) | Principal Occupation(s) During the Past 5 Years | Number of Funds in Fund Complex Overseen by Trustee(2) | Other Directorships/Trusteeships Held by Trustee |
|---|-----------------------------|---|---|--|---|
| David W.C. Putnam 7337 East Doubletree Ranch Rd. Scottsdale, Arizona 85258 Age: 67 | Trustee | November 1999 Present | Chair, Board of Directors and President, F.L. Putnam Securities Company, Inc. (June 1978 Present). | 174 | Principled Equity Market Trust (December 1996 Present); and Asian American Bank and Trust Company (June 1993 Present). |
| Roger B. Vincent 7337 East Doubletree Ranch Rd. Scottsdale, Arizona 85258 Age: 61 | Trustee | February 2002 Present | President, Springwell Corporation (March 1989 Present). | 174 | UGI Corporation (February 2006 Present); and UGI Utilities, Inc. (February 2006 Present). |
| Trustees who are Interested Persons | | | | | |
| John G. Turner(5) 7337 East Doubletree Ranch Rd. Scottsdale, Arizona 85258 Age: 67 | Trustee | September 2000 Present | Retired. | 174 | Hormel Foods Corporation (March 2000 Present); and Conseco, Inc. (September 2003 Present). |
| Shaun P. Mathews (3), (5), (6) 7337 East Doubletree Ranch Rd. Scottsdale, Arizona 85258 Age: 51 | Trustee | June 2006 Present | President and Chief Executive Officer, ING Investments, LLC (December 2006 Present); and Head of ING USFS Mutual Funds and Investment Products (October 2004 Present). Formerly, CMO, ING USFS (April 2002 October 2004); and Head of Rollover/Payout (October 2001 December 2003). | 174 | Mark Twain House & Museum (3)(September 2002 Present); Connecticut Forum (May 2002 Present); Capital Community College Foundation (February 2002 Present); ING Services Holding Company, Inc. (May 2000 Present); Southland Life Insurance Company (June 2002 Present); and ING Capital Corporation, LLC, ING Funds Distributor, LLC, ING Funds Services, LLC, ING Investments, LLC and ING Pilgrim Funding, Inc. (March 2006 Present). |

(1) Trustees serve until their successors are duly elected and qualified, subject to the Board's retirement policy which states that each duly elected or appointed Trustee who is not an interested person of the Trust, as defined in the 1940 Act (Independent Trustees), shall retire from service as a Trustee at the conclusion of the first regularly scheduled meeting of the Board that is held after the Trustee reaches the age of 70. A unanimous vote of the Board may extend the retirement date of a Trustee for up to one year. An extension may be permitted if the retirement would trigger a requirement to hold a meeting of shareholders of the Trust under applicable law, whether for purposes of appointing a successor to the Trustee or if otherwise necessary under applicable law, whether for purposes of appointing a successor to the Trustee or if otherwise necessary under applicable law, in which case the extension would apply until such time as the shareholder meeting can be held or is no longer needed.

(2) For the purposes of this table, Fund Complex means the following investment companies: ING Asia Pacific High Dividend Equity Income Fund, ING Equity Trust; ING Funds Trust; ING Global Advantage and Premium Opportunity Fund; ING Global Equity Dividend and Premium Opportunity Fund; ING Investment Funds, Inc.; ING Investors Trust; ING Mayflower Trust; ING

Mutual Funds; ING Partners, Inc.; ING Prime Rate Trust; ING Risk Managed Natural Resources Fund; ING Senior Income Fund; ING Separate Portfolios Trust; ING Variable Insurance Trust; and ING Variable Products Trust. The number of Funds in the Fund Complex is as of February 28, 2006.

(3) Shaun Mathews, President and Chief Executive Officer, ING Investments, LLC, and Head of ING USFS Mutual Funds and Investment Products, has held a seat on the Board of Directors of The Mark Twain House & Museum since September 19, 2002. ING Groep N.V. makes non-material, charitable contributions to The Mark Twain House & Museum.

(4) Mses. Chadwick and Pressler each commenced services as Trustee on January 18, 2006.

(5) Messrs. Mathews and Turner are deemed to be interested persons of the Trust as defined in the 1940 Act because of their relationship with ING Groep., N.V., the parent corporation of the adviser, ING Investments, LLC and the distributor, ING Funds Distributor, LLC.

(6) Mr. Mathews commenced service as a Trustee on June 14, 2006.

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Officers

Information about the ING Funds Officers are set forth in the table below:

| Name, Address and Age | Positions Held with the Trust | Term of Office and Length of Time Served (1) | Principal Occupation(s) During the Last Five Years |
|--|--|--|---|
| Shaun P. Mathews 7337 East Doubletree Ranch Rd. Scottsdale, Arizona 85258 Age: 51 | President and Chief Executive Officer | November 2006 Present | President and Chief Executive Officer, ING Investments, LLC(2) and ING Funds Services, LLC(3) (December 2006 Present)(4); and Head of ING USFS Mutual Funds and Investment Products (October 2004 Present). Formerly, CMO, ING USFS (April 2002 October 2004); and Head of Rollover/Payout (October 2001 December 2003). |
| Stanley D. Vyner 230 Park Avenue New York, New York 10169 Age: 57 | Executive Vice President | August 2003 Present | Executive Vice President, ING Investments, LLC(2) (July 2000 Present); and Chief Investment Risk Officer, ING Investments, LLC(2) (January 2003 Present). Formerly, Chief Investment Officer of International Investments (August 2000 January 2003). |
| Michael J. Roland 7337 East Doubletree Ranch Rd. Scottsdale, Arizona 85258 Age: 49 | Executive Vice President | February 2002 Present | Head of Mutual Fund Platform (February 2007 Present); and Executive Vice President, ING Investments, LLC(2) and ING Funds Services, LLC(3) (December 2001 Present). Formerly, Head of Product Management (January 2005 January 2007); Chief Compliance Officer, ING Investments, LLC(2) and Directed Services, LLC(5) (October 2004 December 2005); and Chief Financial Officer and Treasurer, ING Investments, LLC(2) (December 2001 March 2005). |
| Joseph M. O'Donnell 7337 East Doubletree Ranch Rd. Scottsdale, Arizona 85258 Age: 52 | Executive Vice President Chief Compliance Officer | March 2006 Present November 2004 Present | Chief Compliance Officer of the ING Funds (November 2004 Present); ING Investments, LLC(2) and Directed Services, LLC(5) (March 2006 Present) and Executive Vice President of the ING Funds (March 2006 Present). Formerly, Chief Compliance Officer of ING Life Insurance and Annuity Company (March 2006 December 2006); Vice President, Chief Legal Counsel, Chief Compliance Officer and Secretary of Atlas Securities, Inc., Atlas Advisers, Inc. and Atlas Funds (October 2001 October 2004). |
| Todd Modic 7337 East Doubletree Ranch Rd. Scottsdale, Arizona 85258 Age: 39 | Senior Vice President, Chief/Principal Financial Officer and Assistant Secretary | March 2005 Present | Senior Vice President, ING Funds Services, LLC(3) (April 2005 Present). Formerly, Vice President, ING Funds Services, LLC(3) (September 2002 March 2005); and Director of Financial Reporting, ING Investments, LLC(2) (March 2001 September 2002). |
| Daniel A. Norman 7337 East Doubletree Ranch Rd. Scottsdale, Arizona 85258 Age: 49 | Senior Vice President Treasurer | April 1995 Present June 1997 Present | Senior Vice President and Group Head, ING Senior Debt Group, ING Investment Management Co. (January 2000 Present). |

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| Name, Address and Age | Positions Held with the Trust | Term of Office and Length of Time Served (1) | Principal Occupation(s) During the Last Five Years |
|--|--|--|---|
| Curtis F. Lee 7337 East Doubletree Ranch Rd. Scottsdale, Arizona 85258 Age: 53 | Senior Vice President and Chief Credit Officer | February 2001 Present | Senior Vice President and Chief Credit Officer, ING Senior Debt Group, ING Investment Management Co. (January 2001 Present). |
| Jeffrey A. Bakalar 7337 East Doubletree Ranch Rd. Scottsdale, Arizona 85258 Age: 47 | Senior Vice President | November 1999 Present | Senior Vice President and Group Head, ING Senior Debt Group, ING Investment Management Co. (January 2000 Present). |
| Elliot A. Rosen 7337 East Doubletree Ranch Rd. Scottsdale, Arizona 85258 Age: 54 | Senior Vice President | May 2002 Present | Senior Vice President, ING Senior Debt Group, ING Investment Management Co. (February 1999 Present). |
| William H. Rivoir III 7337 East Doubletree Ranch Rd. Scottsdale, Arizona 85258 Age: 56 | Senior Vice President and Assistant Secretary | February 2001 Present | Senior Vice President, ING Senior Debt Group, ING Investment Management Co. (January 2004 Present). Formerly, Counsel, ING USFS Law Department (January 2003 December 2003); and Senior Vice President, ING Investments, LLC(2) (June 1998 December 2002). |
| Kimberly A. Anderson 7337 East Doubletree Ranch Rd. Scottsdale, Arizona 85258 Age: 42 | Senior Vice President | November 2003 Present | Senior Vice President, ING Investments, LLC(2) (October 2003 Present). Formerly, Vice President and Assistant Secretary, ING Investments, LLC(2) (January 2001 October 2003). |
| Ernest J. C DeBaca 7337 East Doubletree Ranch Rd. Scottsdale, Arizona 85258 Age: 37 | Senior Vice President | May 2006 Present | Senior Vice President, ING Investments, LLC(2) (December 2006 Present); And ING Funds Services LLC(3) (April 2006 Present). Formerly, Counsel, ING Americas, U.S. Legal Services (January 2004 March 2006); and Attorney-Adviser, U.S. Securities and Exchange Commission (May 2001 December 2003). |
| Robert Terris 7337 East Doubletree Ranch Rd. Scottsdale, Arizona 85258 Age: 37 | Senior Vice President | May 2006 Present | Senior Vice President, Head of Division Operations, ING Funds (May 2006 Present); and Vice President, Head of Division Operations, ING Funds Services, LLC (3) (March 2006 Present). Formerly, Vice President of Administration, ING Funds Services, LLC(3) (October 2001 March 2006). |
| Robyn L. Ichilov 7337 East Doubletree Ranch Rd. Scottsdale, Arizona 85258 Age: 39 | Vice President | November 1997 Present | Vice President and Treasurer, ING Funds Services, LLC(3) (October 2001 Present) and ING Investments, LLC(2) (August 1997 Present). |
| Lauren D. Bensinger 7337 East Doubletree Ranch Rd. Scottsdale, Arizona 85258 Age: 53 | Vice President | August 2003 Present | Vice President and Chief Compliance Officer, ING Funds Distributor, LLC(6) (July 1995 Present); and Vice President, ING Investment, LLC(2) (February 1996 Present) and Director of Compliance, ING Investments, LLC(2) (October 2004 Present). Formerly, Chief Compliance Officer, ING Investments, LLC(2) (October 2001 October 2004). |
| Maria M. Anderson 7337 East Doubletree Ranch Rd. | Vice President | September 2004 Present | Vice President, ING Funds Services, LLC(3) (September 2004 Present). Formerly, Assistant Vice President, ING Funds Services, |

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| Name, Address and Age | Positions Held with the Trust | Term of Office and Length of Time Served (1) | Principal Occupation(s) During the Last Five Years |
|---|-------------------------------|--|--|
| Scottsdale, Arizona 85258 Age: 49 | | | LLC(3) (October 2001 – September 2004); and Manager of Fund Accounting and Fund Compliance, ING Investments, LLC(2) (September 1999 – October 2001). |
| Denise Lewis 7337 East Doubletree Ranch Rd. Scottsdale, Arizona 85258 Age: 43 | Vice President | January 2007 – Present | Vice President, ING Funds Services, LLC(3) (December 2006 – Present). Formerly, Senior Vice President, UMB Investment Services Group, LLC (November 2003 – December 2006); and Vice President, Wells Fargo Funds Management, LLC (December 2000 – August 2003). |
| Kimberly K. Palmer 7337 East Doubletree Ranch Rd. Scottsdale, Arizona 85258 Age: 50 | Vice President | March 2006 – Present | Vice President, ING Funds Services, LLC(3) (March 2006 – Present). Formerly, Assistant Vice President, ING Funds Services, LLC(3) (August 2004 – March 2006), Manager, Registration Statements, ING Funds Services, LLC(3) (May 2003 – August 2004); Associate Partner, AMVESCAP PLC (October 2000 – May 2003); and Director of Federal Filings and Blue Sky Filings, INVESCO Funds Group, Inc. (March 1994 – May 2003). |
| Susan P. Kinens 7337 East Doubletree Ranch Rd. Scottsdale, Arizona 85258 Age: 30 | Assistant Vice President | February 2003 – Present | Assistant Vice President, ING Funds Services, LLC(3) (December 2002 – Present); and has held various other positions with ING Funds Services, LLC(3) for more than the last five years. |
| Huey P. Falgout, Jr. 7337 East Doubletree Ranch Rd. Scottsdale, AZ 85258 Age: 43 | Secretary | August 2003 – Present | Chief Counsel, ING Americas, U.S. Legal Services (September 2003 – Present). Formerly, Counsel, ING Americas, U.S. Legal Services (November 2002 – September 2003); and Associate General Counsel of AIG American General (January 1999 – November 2002). |
| Theresa K. Kelety 7337 East Doubletree Ranch Rd. Scottsdale, AZ 85258 Age: 44 | Assistant Secretary | August 2003 – Present | Counsel, ING Americas, U.S. Legal Services (April 2003 – Present). Formerly, Senior Associate with Shearman & Sterling (February 2000 – April 2003). |

(1) The Officers hold office until the next annual meeting of the Trustees and until their successors shall have been elected and qualified.

(2) ING Investments, LLC was previously named ING Pilgrim Investments, LLC. ING Pilgrim Investments, LLC is the successor in interest to ING Pilgrim Investments, Inc., which was previously known as Pilgrim Investments, Inc. and before that was known as Pilgrim America Investments, Inc.

(3) ING Funds Services, LLC was previously named ING Pilgrim Group, LLC. ING Pilgrim Group, LLC is the successor in interest to ING Pilgrim Group, Inc., which was previously known as Pilgrim Group, Inc. and before that was known as Pilgrim America Group, Inc.

(4) Mr. Mathews commenced service as the President and Chief Executive Officer on November 9, 2006.

(5) Directed Services, LLC is the successor in interest to Directed Services, Inc.

(6) ING Funds Distributor, LLC is the successor in interest to ING Funds Distributor, Inc., which was previously known as ING Pilgrim Securities, Inc., and before that was known as Pilgrim Securities, Inc., and before that was

known as Pilgrim America Securities, Inc.

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Board

The Board governs the Trust and is responsible for protecting the interests of shareholders. The Trustees are experienced executives who oversee the Trust's activities, review contractual arrangements with companies that provide services to the Trust, and review the Trust's performance.

Frequency of Board Meetings

The Board currently conducts regular meetings eight (8) times a year. The Audit Committee and the Compliance Committee each meets regularly four (4) times per year; the Investment Review Committees meet six (6) times per year; the Contracts Committee meets seven (7) times per year; and the remaining Committees meet as needed. In addition, the Board or the Committees may hold special meetings by telephone or in person to discuss specific matters that may require action prior to the next regular meeting. Each Committee listed below operates pursuant to a Charter approved by the Board.

Recent Committee Changes

Effective May 10, 2007, changes were made to the Board's Committee structure. In particular, the Committee memberships changed on that date, and these changes are reflected in the discussion of the Committees that is set out below. In addition, prior to May 10, 2007, the Board had a Valuation, Proxy and Brokerage Committee. Effective May 10, 2007, the functions of the Valuation, Proxy and Brokerage Committee and the Compliance Committee were combined. The Compliance Committee was the surviving Committee, and now oversees valuation, proxy and brokerage matters, as well as compliance issues. We also note that Roger Vincent became the Chairman of the Board effective May 10, 2007. Prior to that date, Jock Patton served as the Chairman of the Board.

Committees

Executive Committee. The Board has established an Executive Committee whose function is to act on behalf of the full Board between meetings, when necessary. The Executive Committee currently consists of one (1) Independent Trustee and one (1) Trustee who is an interested person, as defined in the Investment Company Act of 1940, as amended (1940 Act) of the Trust. The following Trustees currently serve as members of the Executive Committee: Messrs. Turner and Vincent. Mr. Vincent, Chairman of the Board, serves as the Chairperson of the Executive Committee.

Prior to May 10, 2007, the Executive Committee consisted of two (2) Independent Trustees and one (1) Trustee who is an interested person, as defined in the 1940 Act, of the Trust. During the period prior to May 10, 2007 the following Trustees served as members of the Executive Committee: Messrs. Turner, Vincent and Patton. Mr. Patton served as Chairperson of the Executive Committee.

The Executive Committee held no meetings during the fiscal year ended February 28, 2007.

Audit Committee. The Board has established an Audit Committee whose functions include, among others, meeting with the independent registered public accounting firm of the Trust to review the scope of the Trust's audit, its financial statements and interim accounting controls, and meeting with management concerning these matters, among other things. The Audit Committee currently consists of four (4) Independent Trustees. The following Trustees currently serve as members of the Audit Committee: Messrs. Earley and Putnam, Ms. Chadwick and Dr. Gitenstein. Mr. Earley currently serves as Chairperson of the Audit

Committee, and also has been designated as the Audit Committee's financial expert under the Sarbanes-Oxley Act.

Prior to May 10, 2007, the following Trustees served as members of the Audit Committee: Messrs. Earley, Kenny, Vincent, and Putnam and Ms. Pressler. During the period prior to May 10, 2007, Mr. Earley served as Chairperson of the Audit Committee, and Mr. Kenny was designated as the Audit Committee's financial expert under the Sarbanes-Oxley Act.

The Audit Committee held six (6) meetings during the fiscal year ended February 28, 2007.

Compliance Committee. The Board has established a Compliance Committee for the purpose of, among others things, coordinating activities between the Board and the Chief Compliance Officer (CCO) of the Trust. The Compliance Committee facilitates the information flow among Board members and the CCO between Board meetings; works with the CCO and management to identify the types of reports to be submitted by the CCO to the Compliance Committee and the Board; coordinates CCO oversight activities with other ING Fund boards; and makes recommendations regarding the role, performance and oversight of the CCO. The Board also oversees quarterly compliance reporting.

Effective May 10, 2007, the functions of the Board's Valuation, Proxy and Brokerage Committee were combined with the functions of the Compliance Committee. As a result of this combination, the functions of the Compliance Committee now include determining the value of securities held by the Trust for which market value quotations are not readily available; overseeing management's administration of proxy voting; and overseeing the effectiveness of the investment adviser's usage of the Trust's brokerage and the adviser's compliance with changing regulations regarding the allocation of brokerage for services (other than pure trade executions).

The Compliance Committee currently consists of four (4) Independent Trustees: Messrs. Boyer, Kenny and Vincent and Ms. Pressler. Mr. Kenny currently serves as Chairperson of the Compliance Committee.

Prior to May 10, 2007, the Compliance Committee consisted of five (5) Independent Trustees: Messrs. Boyer, Earley, Putnam, Kenny and Patton. Mr. Kenny served as Chairperson of the Compliance Committee during the period prior to May 10, 2007.

The Compliance Committee held four (4) **meetings** during the fiscal year ended February 28, 2007.

Valuation, Proxy and Brokerage Committee. As is discussed above, prior to May 10, 2007 the Board had established and in place a Valuation, Proxy and Brokerage Committee. On that date, the Board's Committees were reconstituted and the functions of the Valuation, Proxy and Brokerage Committee were combined with that of the Compliance

Committee, and the reconstituted Compliance Committee was the surviving Committee. The Compliance Committee now oversees valuation, proxy voting and brokerage matters formerly overseen by the Valuation, Proxy and Brokerage Committee.

Prior to May 10, 2007, the Valuation, Proxy and Brokerage Committee functions included, among others: reviewing the determination of the value of securities held by the Trust for which market value quotations are not readily available; overseeing management's administration of proxy voting; and overseeing the effectiveness of the investment adviser's usage of the Trust's brokerage; and overseeing the adviser's compliance with changing regulations regarding the allocation of brokerage for services (other than pure trade executions). The Valuation, Proxy and Brokerage Committee consisted of four (4) Independent Trustees. The following Trustees served as members of the Valuation, Proxy and Brokerage Committee: Dr. Gitenstein and Ms. Chadwick and Messrs. Boyer and Patton. Ms. Chadwick served as Chairperson of the Valuation, Proxy and Brokerage Committee.

The Valuation, Proxy and Brokerage Committee held five (5) meetings during the fiscal year ended February 28, 2007.

Nominating and Governance Committee. The Board has established a Nominating and Governance Committee for the purpose of, among other things: (1) identifying and recommending to the Board candidates it proposes for nomination to fill Independent Trustees vacancies on the Board; (2) reviewing workload and capabilities of Independent Board members and recommending changes to size or composition of the Board, as necessary; (3) monitoring regulatory developments and recommending modifications to the Committee's responsibilities; (4) considering and recommending the creation of additional committees or changes to Trustee policies and procedures based on rule changes and best practices in corporate governance; (5) reviewing compensation of Independent Board members and making recommendations for any changes; and (6) overseeing the Board's annual self evaluation process.

In evaluating candidates, the Nominating and Governance Committee may consider a variety of factors, but it has not at this time set any specific minimum qualifications that must be met. Specific qualifications of candidates for Board membership will be based on the needs of the Board at the time of nomination. The Nominating and Governance Committee will consider nominations received from shareholders and shall assess shareholder nominees in the same manner as it reviews its own nominees. A shareholder nominee for Trustee should be submitted in writing to the Trust's Secretary. Any such shareholder nomination should include, at a minimum, the following information as to each individual proposed for nominations as Trustee: such individual's written consent to be named in the proxy statement as a nominee (if nominated) and to serve as a Trustee (if elected), and all information relating to such individual that is required to be disclosed in the solicitation of proxies for election of Trustees, or is otherwise required, in each case under applicable federal securities laws, rules and regulations.

The Secretary shall submit all nominations received in a timely manner to the Nominating and Governance Committee. To be timely, any such submission must be delivered to the Trust's Secretary not earlier than the 90th day prior to such meeting and

not later than the close of business on the later of the 60th day prior to such meeting or the 10th day following the day on which public announcement of the date of the meeting is first made, by either the disclosure in a press release or in a document publicly filed by the Trust with the SEC.

The Nominating and Governance Committee currently consists of five (5) Independent Trustees. The following Trustees serve as members of the Nominating and Governance Committee: Dr. Gitenstein, Ms. Chadwick and Messrs. Boyer, Kenny, and Vincent. Mr. Boyer serves as Chairperson of the Nominating and Governance Committee.

Prior to May 10, 2007, the membership of the Nominating and Governance Committee consisted of four (4) Independent Trustees. The following Trustees serve as members of the Nominating and Governance Committee: Dr. Gitenstein and Messrs. Kenny, Patton and Vincent. During the period prior to May 10, 2007, Dr. Gitenstein served as Chairperson of the Nominating and Governance Committee.

The Nominating and Governance Committee held no meetings during the fiscal year ended February 28, 2007.

Investment Review Committees. The Board has established two Investment Review Committees to, among others things, monitor the investment performance of the Trust and make recommendations to the Board with respect to the Trust.

The Investment Review Committee for the Domestic Equity Funds currently consists of four (4) Independent Trustees and one (1) Trustee who is an interested person of the Trust, as defined in the 1940 Act. The following Trustees serve as members of the Investment Review Committee for the Domestic Equity Funds: Ms. Chadwick, Dr. Gitenstein and Messrs. Earley, Putnam, and Turner. Ms. Chadwick serves as Chairperson of the Investment Review Committee for the Domestic Equity Funds.

Prior to May 10, 2007, the Investment Review Committee for the Domestic Equity Funds was comprised of (5) Independent Trustees and one (1) Trustee who is an interested person, as defined in the 1940 Act, of the Trust. During the period prior to May 10, 2007, the following Trustees served as members of the Investment Review Committee for the Domestic Equity Funds: Ms. Chadwick and Messrs. Patton, Putnam, Earley, Turner and Vincent. Mr. Vincent served as Chairperson of the Investment Review Committee for the Domestic Equity Funds.

The Investment Review Committee for the Domestic Equity Funds held six (6) meetings during the fiscal year ended February 28, 2007.

The Investment Review Committee for the International/Balanced/Fixed Income Funds currently consists of of four (4) Independent Trustees. The following Trustees serve as members of the Investment Review Committee for the International/Balanced/Fixed Income Funds: Ms. Pressler and Messrs. Kenny, Boyer, and

Vincent. Mr. Boyer serves as Chairperson of the Investment Review Committee for the International/Balanced/Fixed Income Funds.

Prior to May 10, 2007, the Investment Review Committee for the International/Balanced/Fixed Income Funds consisted of four (4) Independent Trustees. During the period prior to May 10, 2007, the following Trustees served as members of the Investment Review Committee for the International/Balanced/Fixed Income Funds: Ms. Pressler and Dr. Gitenstein and Messrs. Kenny and Boyer. Mr. Boyer served as Chairperson of the Investment Review Committee for the International/Balanced/Fixed Income Funds.

The Investment Review Committee for the International/Balanced/Fixed Income Funds held nine (9) meetings during the fiscal year ended February 28, 2007.

Contracts Committee. The Board has established a Contracts Committee for the purpose of overseeing the annual renewal process relating to investment advisory and sub-advisory agreements and, at the discretion of the Board, other agreements or plans involving the ING Funds. The responsibilities of the Contracts Committee include, among other things: (1) identifying the scope and format of information to be provided by service providers in connection with contract renewals; (2) providing guidance to independent legal counsel regarding specific information requests to be made by such counsel on behalf of the Trustees; (3) evaluating regulatory and other developments that might have an impact on applicable review and renewal processes; (4) reporting to the Trustees its recommendations and decisions regarding the foregoing matters; (5) assisting in the preparation of a written record of the factors considered by Trustees relating to the approval and renewal of advisory and sub-advisory agreements; and (6) recommending to the Trustees specific steps to be taken by them regarding the renewal process, including, for example, proposed schedules of meetings by the Trustees. The Contracts Committee is not responsible for making substantive recommendations whether to approve, renew, reject or modify agreements or plans.

The Contracts Committee currently consists of five (5) Independent Trustees. The following Trustees serve as members of the Contracts Committee: Meses. Pressler and Chadwick and Messrs. Boyer, Vincent, and Putnam. Ms. Pressler serves as Chairperson of the Contracts Committee.

Prior to May 10, 2007, the Contracts Committee consisted of six (6) Independent Trustees. The following Trustees served as members of the Contracts Committee: Mses. Chadwick and Pressler and Messrs. Boyer, Patton, Vincent and Kenny. During the period prior to May 10, 2007, Ms. Pressler served as Chairperson of the Contracts Committee.

The Contracts Committee held eight (8) meetings during the fiscal year ended February 28, 2007.

Trustee Ownership of Securities

Share Ownership Policy

In order to further align the interests of the Independent Trustees with shareholders, it is the policy of the Board that the Independent Trustees own, beneficially, shares of one or more funds in the ING Family of Funds at all times (Policy). For purposes of the Policy, beneficial ownership of fund shares includes (a) ownership of a variable annuity contract or a variable life insurance policy whose proceeds are invested in a fund; and (b) shares associated with amounts deferred under ING Funds deferred compensation plan.

Under this Policy, the initial value of investments in the ING Family of Funds that are directly or indirectly beneficially owned by a Trustee must equal at least \$50,000. Existing Trustees shall have a reasonable amount of time from the date of adoption of this Policy in order to satisfy the foregoing requirements. A new Trustee must satisfy the foregoing requirements within a reasonable amount of time of becoming a Trustee. A decline in the value of any Fund investments will not cause a Trustee to have to make any additional investments under this Policy.

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The following table describes each Trustee's ownership of equity securities of the Trust and the aggregate holdings of shares of equity securities of all Funds overseen by the Trustee for the calendar year ended December 31, 2006.

| Name of Trustee | Dollar Range of Equity Securities in the Trust as of December 31, 2006 | Aggregate Dollar Range of Equity Securities in all Registered Investment Companies Overseen by Trustee in Family of Investment Companies |
|--|--|--|
| Independent Trustees | | |
| John V. Boyer | \$0 | \$0 |
| Patricia W. Chadwick | \$0 | Over \$100,000 |
| J. Michael Earley | \$0 | \$50,001 - \$100,000 |
| R. Barbara Gitenstein | \$0 | \$50,001 - \$100,000 |
| Patrick W. Kenny | \$0 | \$10,001 - \$50,000 |
| Walter H. May(2) | \$0 | \$50,001 - \$100,000(1) |
| Jock Patton(3) | \$10,001 - \$50,000 | Over \$100,000 |
| Sheryl K. Pressler | \$0 | \$50,001 - \$100,000(1) |
| David W. C. Putnam | Over \$100,000 | Over \$100,000 |
| Roger B. Vincent | \$0 | Over \$100,000 |
| | | \$50,001 - \$100,000(1) |
| Trustees who are Interested Persons | | |
| John G. Turner | Over \$100,000 | Over \$100,000 |
| Shaun P. Mathews(4) | \$0 | \$10,001 - \$50,000 |
| | | Over \$100,000(1) |

(1) Held in a deferred compensation account and/or a 401k account.

(2) Mr. May retired on January 11, 2007.

(3) Mr. Patton will retire as a Trustee effective June 30, 2007.

(4) Mr. Mathews commenced service as a Trustee on June 14, 2006.

Independent Trustee Ownership of Securities

Set forth in the table below is information regarding each Independent Trustee's (and his or her immediate family members') share ownership in securities of the Trust's investment adviser or principal underwriter, and the ownership of securities in an entity controlling, controlled by or under common control with the investment adviser or principal underwriter of the Trust (not including registered investment companies) as of December 31, 2006.

| Name of Trustee | Name of Owners and Relationship to Trustee | Company | Title of Class | Value of Securities | Percentage of Class |
|-----------------------|--|---------|----------------|---------------------|---------------------|
| John V. Boyer | N/A | N/A | N/A | \$ 0 | N/A |
| Patricia W. Chadwick | N/A | N/A | N/A | \$ 0 | N/A |
| J. Michael Earley | N/A | N/A | N/A | \$ 0 | N/A |
| R. Barbara Gitenstein | N/A | N/A | N/A | \$ 0 | N/A |
| Patrick W. Kenny | N/A | N/A | N/A | \$ 0 | N/A |
| Walter H. May(1) | N/A | N/A | N/A | \$ 0 | N/A |
| Jock Patton(2) | N/A | N/A | N/A | \$ 0 | N/A |
| Sheryl K. Pressler | N/A | N/A | N/A | \$ 0 | N/A |
| David W. C. Putnam | N/A | N/A | N/A | \$ 0 | N/A |
| Roger B. Vincent | N/A | N/A | N/A | \$ 0 | N/A |

-
- (1) Mr. May retired on January 11, 2007.
 - (2) Mr. Patton will retire as a Trustee effective June 30, 2007.

Compensation Of Trustees

A new compensation policy went into effect July 1, 2007. Pursuant to this policy, each Trustee is reimbursed for expenses incurred in connection with each meeting of the Board or any Committee attended. Further, each Independent Trustee is compensated for his or her services, on a quarterly basis, according to a fee schedule adopted by the Board. The fee schedule consists of an annual retainer, and does not include additional compensation for attendance at regular or special Board and Committee meetings. Further, Committee Chairpersons receive an additional annual retainer for their services in that capacity.

The Trust pays to each Trustee who is not an interested person of the Trust a *pro rata* share of an annual retainer of \$200,000. The Trust also pays a *pro rata* portion of the following fees: (i) Mr. Vincent, as Chairperson of the Board, receives an additional annual retainer of \$75,000; (ii) Mses. Chadwick and Pressler and Messrs. Earley, Boyer⁽¹⁾ and Kenny, as Chairpersons of Committees of the Board, each receives an additional annual retainer of \$40,000, \$60,000, \$30,000, \$50,000 and \$30,000, respectively; and (iii) the Trustees out-of-pocket expenses for attendance at Board meeting. The *pro rata* share paid by the Trust is based on the Trust's average net assets, computed as a percentage of the average net assets of all the funds managed by the Adviser or its affiliate, Directed Services, LLC, for which the Trustees serve in common as Trustees.

Prior to July 1, 2007, each Trustee was reimbursed for expenses incurred in connection with each meeting of the Board or any Committee meeting attended. Each Independent Trustee was compensated for his or her services according to a fee schedule adopted by the Board, and received a fee that consists of an annual retainer component and a meeting fee component.

The Trust paid each Trustee who was not an interested person a *pro rata* share, as described below, of: (i) an annual retainer of \$45,000 (Mses. Chadwick and Pressler and Messrs. Earley, Boyer, Kenny, Vincent and Dr. Gitenstein⁽²⁾, as Chairpersons of Committees of the Board, each received an additional annual retainer of \$10,000, \$15,000, \$20,000, \$20,000, \$10,000, \$20,000 and \$10,000, respectively. Mr. Patton as Chairperson of the Board, received an additional annual retainer of \$30,000.); (ii) \$7,000 for each in person meeting of the Board (Mr. Patton, as Chairperson of the Board, received an additional \$1,000 for each Board meeting); (iii) \$3,000 per attendance of any Committee meeting (Chairpersons of Committees of the Board received an additional \$1,000 for each Committee meeting); (iv) \$2,000 per special telephonic meeting; and (v) out-of-pocket expenses. The *pro rata* share paid by the Trust was based on the Trust's average net assets as a percentage of the average net assets of all the funds managed by the Investment Adviser or its affiliate, Directed Services, LLC, for which the Trustees served in common as Trustees.

The following table sets forth information provided by the Trust's Adviser regarding the compensation of Trustees by the Trust and other funds managed by ING Investments and its affiliates for the fiscal year ended February 28, 2007. Officers of the Trust and Trustees who are interested persons of the Trust do not receive any compensation from the Trust or any other funds managed by ING Investments or its affiliates.

- (1) Mr. Boyer receives an annual retainer of \$40,000 for his services as the Chairperson of the Investment Review Committee International/Balanced/Fixed Income, and he may receive up to \$10,000 for his services as the Chairperson of the Nominating and Governance Committee. The \$2,500 retainer payable to Mr. Boyer each quarter for his services to the Nominating and Governance Committee is paid only if the Committee has been active for that quarter. If the Nominating and Governance Committee has been active during all four quarters in a given year, the Chairperson will receive the full annual retainer of \$10,000.

- (2) The Chairperson for the Nominating and Governance Committee was paid on a quarterly basis and only if the Nominating and Governance Committee had been active for that quarter. The compensation payable each quarter to the Chairperson was \$2,500, which if the Nominating and Governance Committee had been active for all four quarters, would result in the Chairperson receiving the full annual retainer of \$10,000.

COMPENSATION TABLE

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| Name of Trustee | Aggregate Compensation from Trust | Pension or Retirement Benefits Accrued as Part of Trust Expenses | Estimated Annual Benefits Upon Retirement(1) | Total Compensation from Trust and Fund Complex Paid to Trustees(2),(3) |
|----------------------------------|-----------------------------------|--|--|--|
| John V. Boyer Trustee | \$ 5,501 | N/A | N/A | \$ 200,000 |
| Patricia W. Chadwick Trustee | \$ 4,053 | N/A | N/A | \$ 148,000 |
| J. Michael Earley Trustee | \$ 4,318 | N/A | N/A | \$ 158,000 |
| R. Barbara Gitenstein Trustee | \$ 4,066 | N/A | N/A | \$ 148,000 |
| Patrick W. Kenny (4) Trustee | \$ 3,683 | N/A | N/A | \$ 134,250 |
| Walter H. May(5) Trustee | \$ 10,949 | N/A | N/A | \$ 432,000 |

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| Name of Trustee | Aggregate Compensation from Trust | Pension or Retirement Benefits Accrued as Part of Trust Expenses | Estimated Annual Benefits Upon Retirement(1) | Total Compensation from Trust and Fund Complex Paid to Trustees(2),(3) |
|---|---|--|--|--|
| Thomas J. McInerney (6), (7) Trustee | N/A | N/A | N/A | N/A |
| Jock Patton(8) Trustee | \$ 5,647 | N/A | N/A | \$ |
| <u>4.3</u> | <u>Amended and Restated Credit Agreement, dated as of June 30, 2017, by and among McDermott International, Inc., a syndicate of lenders and letter of credit issuers, and Cr dit Agricole Corporate and Investment Bank, as administrative agent and collateral agent (incorporated by reference to Exhibit 4.1 to McDermott International, Inc.'s Current Report on Form 8-K filed on June 30, 2017 (File No. 1-08430)).</u> | | | |
| <u>4.4</u> | <u>Intercreditor Agreement, dated April 16, 2014, by and among McDermott International, Inc., McDermott Finance L.L.C., the other Guarantors party thereto, Cr dit Agricole Corporate and Investment Bank, as first priority agent, and Wells</u> | | | |

Fargo Bank,
National
Association,
as second
priority agent
(incorporated
by reference
to Exhibit 4.4
to McDermott
International,
Inc.'s Current
Report on
Form 8-K filed
on April 16,
2014 (File No.
1-08430)).

Amended and
Restated
Pledge and
Security
Agreement,
dated as of
June 30,
2017, made
by McDermott
International,
Inc. and the
Guarantors
referred to
therein in
favor of Crédit
Agricole
Corporate and
Investment
Bank, as
collateral
agent
(incorporated
by reference
to Exhibit 4.2
to McDermott
International,
Inc.'s Current
Report on
Form 8 K filed
on June 30,
2017 (File No.
1-08430)).

4.5

4.6

Form of
Second Lien
Pledge and
Security
Agreement,
dated April 16,
2014, made
by McDermott
International,
Inc. and the
Guarantors
party thereto
in favor of
Wells Fargo
Bank, National
Association,
as collateral
agent
(incorporated

by reference to Exhibit 4.6 to McDermott International, Inc.'s Current Report on Form 8-K filed on April 16, 2014 (File No. 1-08430).

Indenture, dated April 7, 2014, between McDermott International, Inc. and U.S. Bank National Association (incorporated by reference to Exhibit 4.1 to McDermott International, Inc.'s Current Report on Form 8-K filed on April 7, 2014 (File No. 1-08430)).

4.7

First Supplemental Indenture dated April 7, 2014, between McDermott International, Inc. and U.S. Bank National Association relating to Amortizing Notes included in Tangible Equity Units (incorporated by reference to Exhibit 4.2 to McDermott International, Inc.'s Current Report on Form 8-K filed on April 7, 2014 (File No. 1-08430)).

4.8

4.9

Purchase Contract Agreement, dated April 7, 2014, between McDermott International, Inc. and U.S. Bank National Association.

relating to
Tangible
Equity Units
(incorporated
by reference
to Exhibit 4.3
to McDermott
International,
Inc.'s Current
Report on
Form 8-K filed
on April 7,
2014 (File No.
1-08430)).

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| Exhibit Number | Description |
|-----------------------|--|
| 4.10 | <u>Form of Unit for Tangible Equity Units (incorporated by reference to Exhibit 4.4 to McDermott International, Inc.'s Current Report on Form 8-K filed on April 7, 2014 (File No. 1-08430)).</u> |
| 4.11 | <u>Form of Purchase Contract, relating to Tangible Equity Units (incorporated by reference to Exhibit 4.5 to McDermott International, Inc.'s Current Report on Form 8-K filed on April 7, 2014 (File No. 1-08430)).</u> |
| 4.12 | <u>Form of Amortizing Notes, relating to Tangible Equity Units (incorporated by reference to Exhibit 4.6 to McDermott International, Inc.'s Current Report on Form 8-K filed on April 7, 2014 (File No. 1-08430)).</u> |
| 4.13 | <u>Assumption Agreement, dated January 16, 2015, by and among North Ocean II KS, North Ocean II AS, McDermott Blackbird Holdings, LLC and Wells Fargo Bank, National Association, as collateral agent for the Secured Parties (incorporated by reference to Exhibit 4.22 to McDermott International, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2014 (File No. 1-08430)).</u> |
| 4.14 | <u>First Supplemental Indenture and Guarantee, dated January 16, 2015, by and among North Ocean II KS, North Ocean II AS, McDermott Blackbird Holdings, LLC, McDermott International, Inc., as the Issuer, each other then-existing Guarantor under the Indenture, Wells Fargo Bank, National Association, as Trustee, paying agent, registrar, and Wells Fargo Bank, National Association, as Collateral Agent (incorporated by reference to Exhibit 4.23 to McDermott International, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2014 (File No. 1-08430)).</u> |
| 4.15 | <u>Assumption Agreement, dated as of October 13, 2015 by Eldridge Pte. Ltd. in favor of Wells Fargo Bank, National Association, as collateral agent (incorporated by reference to Exhibit 4.3 to McDermott International Inc.'s Current Report on Form 8-K filed on October 19, 2015 (File No. 1-08430)).</u> |
| 4.16 | <u>Second Supplemental Indenture and Guarantee, dated as of October 13, 2015, among Eldridge Pte. Ltd., McDermott International, Inc. as the issuer, each existing guarantor under the Indenture, Wells Fargo Bank, National Association, as trustee, paying agent and registrar, and Wells Fargo Bank, National Association, as collateral agent (incorporated by reference to Exhibit 4.4 to McDermott International Inc.'s Current Report on Form 8-K filed on October 19, 2015 (File No. 1-08430)).</u> |
| 4.17 | <u>Assumption Agreement, dated as of January 27, 2017 by McDermott Asia Pacific Sdn. Bhd. in favor of Wells Fargo Bank, National Association, as collateral agent for the Secured Parties (incorporated by reference to Exhibit 4.24 to McDermott International, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2016 (File No. 1-08430)).</u> |
| 4.18 | <u>Third Supplemental Indenture and Guarantee, dated as of January 27, 2017, among McDermott Asia Pacific Sdn. Bhd., McDermott International, Inc. as the Issuer, each existing guarantor under the Indenture, Wells Fargo Bank, National Association, as Trustee, paying agent and registrar, and Wells Fargo Bank, National Association, as collateral agent (incorporated by reference to Exhibit 4.25 to McDermott International, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2016 (File No. 1-08430)).</u> |
| 4.19 | <u>Assumption Agreement, dated as of February 15, 2017 by McDermott (Amazon Chartering), Inc. in favor of Wells Fargo Bank, National Association, as collateral agent for the Secured Parties (incorporated by reference to Exhibit 4.27 to McDermott International, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2016 (File No. 1-08430)).</u> |

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| Exhibit Number | Description |
|---------------------------|---|
| 4.20 | <u>Fourth Supplemental Indenture and Guarantee, dated as of February 15 2017, among McDermott (Amazon Chartering), Inc., McDermott International, Inc. as the Issuer, each existing guarantor under the Indenture, Wells Fargo Bank, National Association, as Trustee, paying agent and registrar, and Wells Fargo Bank, National Association, as collateral agent (incorporated by reference to Exhibit 4.28 to McDermott International, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2016 (File No. 1-08430)).</u> |
| 4.21 | <u>Assumption Agreement, dated September 29, 2017, by and among McDermott Asia Pacific Sdn. Bhd., Malmac Sdn. Bhd. and Cr dit Agricole Corporate and Investment Bank, as administrative agent and collateral agent for the Credit Agreement, (incorporated by reference to Exhibit 4.1 to McDermott International, Inc.'s Quarterly Report on Form 10-Q for the Quarter ended September 30, 2017 (File No. 1-08430)).</u> |

We and certain of our consolidated subsidiaries are parties to other debt instruments under which the total amount of securities authorized does not exceed 10% of our total consolidated assets. Pursuant to paragraph 4(iii)(A) of Item 601 (b) of Regulation S-K, we agree to furnish a copy of those instruments to the Commission upon its request.

| Exhibit Number | Description |
|---------------------------|---|
| 10.1* | <u>2009 McDermott International, Inc. Long-Term Incentive Plan (incorporated by reference to Appendix A to McDermott International, Inc.'s Proxy Statement on Schedule 14A filed on March 27, 2009 (File No. 1-08430)).</u> |
| 10.2* | <u>Form of Change in Control Agreement among McDermott International, Inc., J. Ray McDermott, Inc. and certain officers (incorporated by reference to Exhibit 10.10 to McDermott International, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2010 (File No. 1-08430)).</u> |
| 10.3* | <u>Form of Change in Control Agreement among McDermott International, Inc., J. Ray McDermott, Inc. and Liane K. Hinrichs (incorporated by reference to Exhibit 10.11 to McDermott International, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2010 (File No. 1-08430)).</u> |
| 10.4* | <u>Form of 2009 LTIP Stock Option Grant Agreement for replacement grants in connection with the B&W spin-off (incorporated by reference to Exhibit 10.39 to McDermott International, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2010 (file No. 1-08430)).</u> |
| 10.5 | <u>Rabbi Trust Agreement by and between McDermott International, Inc. and Mellon Bank, N.A., as amended as of November 18, 2010 (incorporated by reference to Exhibit 10.43 to McDermott International, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2010 (file No. 1-08430)).</u> |
| 10.6* | <u>McDermott International, Inc. Executive Incentive Compensation Plan (as amended and restated March 1, 2011) (incorporated by reference to Exhibit 10.45 to McDermott International, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2010 (file No. 1-08430)).</u> |
| 10.7* | <u>Form of 2009 LTIP 2012 Stock Option Grant Agreement (incorporated by reference to Exhibit 10.3 to McDermott International, Inc.'s Current Report on Form 8-K filed on March 6, 2012 (file No. 1-08430)).</u> |
| 10.8* | <u>Form of 2009 LTIP March 5, 2013 Performance Share Grant Agreement (incorporated by reference to Exhibit 10.32 to McDermott International, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2012 (file No. 1-08430)).</u> |

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| Exhibit Number | Description |
|----------------|---|
| <u>10.9*</u> | <u>Form of 2009 LTIP March 5, 2013 Restricted Stock Unit Grant Agreement (incorporated by reference to Exhibit 10.33 to McDermott International, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2012 (file No. 1-08430)).</u> |
| <u>10.10*</u> | <u>Form of 2009 LTIP March 5, 2013 Stock Option Grant Agreement (incorporated by reference to Exhibit 10.34 to McDermott International, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2012 (file No. 1-08430)).</u> |
| <u>10.11*</u> | <u>Form of 2009 LTIP March 5, 2013 Retention Restricted Stock Unit Grant Agreement (incorporated by reference to Exhibit 10.35 to McDermott International, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2012 (file No. 1-08430)).</u> |
| <u>10.12*</u> | <u>Letter Agreement dated October 17, 2013 between McDermott International, Inc. and David Dickson (incorporated by reference to Exhibit 10.1 to McDermott International, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 (File No. 1-08430)).</u> |
| <u>10.13*</u> | <u>Change of Control Agreement among McDermott International, Inc., McDermott, Inc. and David Dickson (incorporated by reference to Exhibit 10.2 to McDermott International, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 (File No. 1-08430)).</u> |
| <u>10.14*</u> | <u>Retention Restricted Stock Award Grant Agreement dated as of October 31, 2013 between McDermott International, Inc. and David Dickson (incorporated by reference to Exhibit 10.3 to McDermott International, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 (File No. 1-08430)).</u> |
| <u>10.15*</u> | <u>Form of Retention Restricted Stock Unit Grant Agreement dated as of August 8, 2013 between McDermott International, Inc. and various employees (incorporated by reference to Exhibit 10.4 to McDermott International, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 (File No. 1-08430)).</u> |
| <u>10.16*</u> | <u>Form of 2014 Restricted Stock Unit Grant Agreement (incorporated by reference to Exhibit 10.1 to McDermott International, Inc.'s Current Report on Form 8-K filed on March 7, 2014 (File No. 1-08430)).</u> |
| <u>10.17*</u> | <u>Form of 2014 Performance Share Grant Agreement (incorporated by reference to Exhibit 10.2 to McDermott International, Inc.'s Current Report on Form 8-K filed on March 7, 2014 (File No. 1-08430)).</u> |
| <u>10.18*</u> | <u>McDermott International, Inc. Director and Executive Deferred Compensation Plan, as Amended and Restated May 6, 2014 (incorporated by reference to Exhibit 10.4 to McDermott International, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2014 (File No. 1-08430)).</u> |
| <u>10.19*</u> | <u>McDermott International, Inc. 2014 Long-Term Incentive Plan (incorporated by reference to Appendix A to McDermott International, Inc.'s Proxy Statement on Schedule 14A filed on March 24, 2014 (File No. 1-08430)).</u> |
| <u>10.20*</u> | <u>Letter Agreement dated August 8, 2014 between McDermott International, Inc. and Stuart Spence (incorporated by reference to Exhibit 10.1 to McDermott International, Inc.'s Current Report on Form 8-K filed on August 25, 2014 (File No. 1-08430)).</u> |

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| Exhibit Number | Description |
|-----------------------|---|
| <u>10.21*</u> | <u>Form of 2015 Restricted Stock Unit Grant Agreement (incorporated by reference to Exhibit 10.31 to McDermott International, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2014 (File No. 1-08430)).</u> |
| <u>10.22*</u> | <u>Form of 2015 Performance Share Grant Agreement (incorporated by reference to Exhibit 10.32 to McDermott International, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2014 (File No. 1-08430)).</u> |
| <u>10.23*</u> | <u>Form of 2016 Restricted Stock Unit Grant Agreement (incorporated by reference to Exhibit 10.1 to McDermott International, Inc.'s Current Report on Form 8-K filed with the Commission on March 3, 2016 (File No. 1-08430)).</u> |
| <u>10.24*</u> | <u>Form of 2016 Performance Unit Grant Agreement (incorporated by reference to Exhibit 10.2 to McDermott International, Inc.'s Current Report on Form 8-K filed with the Commission on March 3, 2016 (File No. 1-08430)).</u> |
| <u>10.25*</u> | <u>Form of Amendment to Change in Control Agreement (incorporated by reference to Exhibit 10.3 to McDermott International, Inc.'s Current Report on Form 8-K filed with the Commission on March 3, 2016 (File No. 1-08430)).</u> |
| <u>10.26*</u> | <u>2016 McDermott International, Inc. Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to McDermott International, Inc.'s Current Report on Form 8-K filed with the Commission on April 14, 2016 (File No. 1-08430)).</u> |
| <u>10.27*</u> | <u>Form of 2016 Non-Employee Director Restricted Stock Grant Letter (incorporated by reference to Exhibit 10.1 to McDermott International, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 (File No. 1-08430)).</u> |
| <u>10.28*</u> | <u>Form of 2014 Amended and Restated Performance Share Grant Agreement (incorporated by reference to Exhibit 10.30 to McDermott International, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2016 (File No. 1-08430)).</u> |
| <u>10.29*</u> | <u>Form of 2017 Restricted Stock Unit Grant Agreement (incorporated by reference to Exhibit 10.1 to McDermott International, Inc.'s Current Report on Form 8-K filed on March 3, 2017 (File No. 1-08430)).</u> |
| <u>10.30*</u> | <u>Form of 2017 Performance Unit Grant Agreement (incorporated by reference to Exhibit 10.2 to McDermott International, Inc.'s Current Report on Form 8-K filed on March 3, 2017 (File No. 1-08430)).</u> |
| <u>10.31*</u> | <u>Separation Agreement dated effective August 8, 2017 by and between Liane K. Hinrichs and McDermott, Inc. (incorporated by reference to Exhibit 10.1 to McDermott International, Inc.'s Current Report on Form 8-K filed on August 11, 2017 (File No. 1-08430)).</u> |
| <u>10.32**</u> | <u>Commitment Letter dated December 18, 2017 to which McDermott International, Inc., Barclays Bank PLC, Crédit Agricole Corporate and Investment Bank and Goldman Sachs Bank USA are parties (incorporated by reference to Exhibit 10.1 to McDermott International, Inc.'s Current Report on Form 8-K filed on December 18, 2017 (File No. 1-08430)).</u> |
| <u>12.1**</u> | <u>Ratio of Earnings to Fixed Charges.</u> |

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| Exhibit Number | Description |
|-----------------------|---|
| <u>21.1**</u> | <u>Significant Subsidiaries of the Registrant.</u> |
| <u>23.1**</u> | <u>Consent of Deloitte & Touche LLP.</u> |
| <u>31.1**</u> | <u>Rule 13a-14(a)/15d-14(a) certification of Chief Executive Officer with respect to the Original Filing.</u> |
| <u>31.2**</u> | <u>Rule 13a-14(a)/15d-14(a) certification of Chief Financial Officer with respect to the Original Filing.</u> |
| <u>31.3</u> | <u>Rule 13a-14(a)/15d-14(a) certification of Chief Executive Officer with respect to this Amendment.</u> |
| <u>31.4</u> | <u>Rule 13a-14(a)/15d-14(a) certification of Chief Financial Officer with respect to this Amendment.</u> |
| <u>32.1**</u> | <u>Section 1350 certification of Chief Executive Officer.</u> |
| <u>32.2**</u> | <u>Section 1350 certification of Chief Financial Officer.</u> |
| 101.INS XBRL | Instance Document** |
| 101.SCH XBRL | Taxonomy Extension Schema Document** |
| 101.CAL XBRL | Taxonomy Extension Calculation Linkbase Document** |
| 101.LAB XBRL | Taxonomy Extension Label Linkbase Document** |
| 101.PRE XBRL | Taxonomy Extension Presentation Linkbase Document** |
| 101.DEF XBRL | Taxonomy Extension Definition Linkbase Document** |

* Management contract or compensatory plan or arrangement.

** Incorporated by reference to the corresponding exhibit to the Original Filing.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

McDERMOTT INTERNATIONAL, INC.

March 7, 2018

By:

/s/ John M. Freeman
John M. Freeman
Senior Vice President, General
Counsel and Corporate Secretary

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