

ING PRIME RATE TRUST
Form N-2
August 13, 2009
Table of Contents

As filed with the Securities and Exchange Commission on August 13, 2009

Securities Act File No. 333-_____

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. ..

Post-Effective Amendment No. ..

and/or

Registration Statement Under The Investment Company Act Of 1940 x

Amendment No. 79

(Check appropriate box or boxes) x

ING PRIME RATE TRUST

(Exact Name of Registrant Specified in Charter)

7337 E. Doubletree Ranch Road

Scottsdale, AZ 85258

(Address of Principal Executive Offices)

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

Huey P. Falgout, Jr.

With copies to:

ING Investments, LLC

7337 East Doubletree Ranch Road

Jeffrey S. Poretz, Esq.

Scottsdale, AZ 85258

Dechert LLP

(Name and Address of Agent for Service)

1775 I Street, NW

Washington, DC 20006

Approximate Date of Proposed Offering:

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

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.

It is proposed that this filing will become effective:

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

Calculation of Registration Fee Under the Securities Act of 1933

Title of Securities Being Registered	Amount Being Registered	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee(2)
Shares of Beneficial Interest, without par value	25,000,000	\$5.23	\$130,750,000	\$7,295.85

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(d) under the Securities Act of 1933, based on net asset value per share as of August 11, 2009.

(2) Transmitted prior to filing.

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The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to Section 8(a), may determine.

Table of Contents

ING PRIME RATE TRUST

(Registrant)

25,000,000 Common Shares

CONTENTS OF REGISTRATION STATEMENT

This Registration Statement consists of the following papers and documents:

Cover Sheet

Contents of Registration Statement

ING Prime Rate Trust 25,000,000 Common Shares Prospectus dated August 17, 2009.

ING Prime Rate Trust 5,000,000 and 25,000,000 Statement of Additional Information dated August 17, 2009.

Part C

Signature Page

Table of Contents

Prospectus

August 17, 2009

25,000,000 Common Shares

ING Prime Rate Trust

This Prospectus sets forth concisely the information about ING Prime Rate Trust (“Trust”) that a prospective investor ought to know before investing. You should read it carefully before you invest, and keep it for future reference. The Trust has filed with the U.S. Securities and Exchange Commission (“SEC”) a Statement of Additional Information dated August 17, 2009 containing additional information about the Trust. The Statement of Additional Information is incorporated by reference in its entirety into this Prospectus. You may obtain a free copy of the Statement of Additional Information, 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 Statement of Additional Information, annual shareholder report and semi-annual shareholder report are available free of charge on the Trust’s website at www.ingfunds.com. The Prospectus, Statement of Additional Information and other information about the Trust are also available on the SEC’s website (www.sec.gov). The table of contents for the Statement of Additional Information appears in the back 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” later in this Prospectus for a discussion of any factors that make an 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.

INVESTMENTS

What's Inside

Investment
Objective
Principal
Investment
Strategies
Risks
How the
fund has
performed
What you
pay to
invest

These pages contain a description of the 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.

<u>Introduction</u>	1
<u>Prospectus Synopsis</u>	2
<u>What You Pay to Invest - Trust Expenses</u>	7
<u>Financial Highlights</u>	9
<u>Trading and NAV Information</u>	12
<u>Investment Objective and Policies</u>	13
<u>The Trust's Investments</u>	15
<u>Risk Factors and Special Considerations</u>	17
<u>Investment Management and Other Service Providers</u>	24
<u>Dividends and Distributions</u>	26
<u>Plan of Distribution</u>	27
<u>Use of Proceeds</u>	28
<u>Description of the Trust</u>	29
<u>Description of the Capital Structure</u>	31
<u>Tax Matters</u>	32
<u>More Information</u>	33
<u>Statement of Additional Information Table of Contents</u>	34

Table Of Contents

Table Of Contents

Introduction

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 on the securities in which they invest. Please read this Prospectus carefully to be sure you understand the principal investment strategies and risks associated with the Trust. You should consult the Statement of Additional Information (“SAI”) for a complete list of the investment strategies and risks.

The 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” later in this Prospectus.

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
1-800-992-0180.
Introduction 1

Table Of Contents

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, and the rules, regulations, and exemptive orders thereunder (“1940 Act”). It was organized as a Massachusetts business trust on December 2, 1987. As of June 11, 2009, the Trust's net asset value (“NAV”) per Common Share was \$4.87.
NYSE Listed	As of June 11, 2009, the Trust had 145,156,048.878 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 \$4.12.
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	<p>The Trust’s investment adviser is ING Investments, LLC (“ING Investments” or “Adviser”), an Arizona limited liability company. As of March 31, 2009, ING Investments managed approximately \$32.9 billion in assets.</p> <p>The Adviser is an indirect, wholly-owned subsidiary of ING Groep N.V. (“ING Groep”)(NYSE: ING). ING Groep is a global financial institution of Dutch origin offering banking, investments, life insurance, and retirement services to over 75 million private, corporate, and institutional clients in more than 50 countries. With a diverse workforce of about 125,000 people, ING Groep comprises a broad spectrum of prominent companies that increasingly serve their clients under the ING brand.</p> <p>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” later in this Prospectus. ING IM is an affiliate of the Adviser.</p>
Distributions	Income dividends on Common Shares accrue, are declared, and are 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 borrowings for investment purposes) in U.S. dollar denominated floating rate secured senior loans (“Senior Loans”). The Trust will provide shareholders with at least 60 days' prior notice of any change in this investment policy. Under normal circumstances, the Trust invests at least 80% of its assets in Senior Loans made to corporations or other business entities organized under U.S. or Canadian law

and that are domiciled in the United States and in U.S. territories and possessions or Canada. The Senior Loans in which the Trust invests either hold the most senior position in the capital structure of the borrower, 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 quality. The Trust typically makes its investments in Senior Loans by purchasing a portion of the overall loan, *i.e.*, the Trust becomes one of a number of lenders investing in the loan. The Trust may also make its investments in Senior Loans through the use of derivative instruments such as participations, credit-linked notes, credit default swaps, and total return swaps as long as the reference obligation for any such instrument is a Senior Loan. Investments through the use of such derivative instruments involve counterparty risk, *i.e.*, 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.

2 Prospectus Synopsis

Table Of Contents

Prospectus Synopsis

Other Investment Strategies and Policies	<p>Assets not invested in Senior Loans may be invested in unsecured loans; subordinated loans; and tranches of floating rate asset-backed securities, including structured notes, short-term debt securities, and equities acquired in connection with investments in loans. See “Investment Objective and Policies” later in this Prospectus.</p> <p>Loans in which the Trust invests typically have multiple reset periods at the same time with each reset period applicable to a designated portfolio of the loan. The maximum duration of an interest rate reset on any loan in which the Trust may invest is one year. In order to achieve overall reset balance, the Trust will ordinarily maintain a dollar-weighted average time until the next interest rate adjustment on its loans of 90 days or less.</p> <p>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.</p> <p>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: loans to borrowers organized outside the United States and in U.S. territories and possessions or Canada; unsecured floating rate loans, notes and other debt instruments; floating rate subordinated loans; tranches of floating rate asset-backed securities; short-term debt securities; and equity securities incidental to investment in loans. See “Investment Objective and Policies” later in this Prospectus.</p> <p>The Trust may engage in executing repurchase and reverse repurchase agreements.</p>
Leverage	<p>To seek to increase the yield on the Common Shares, the Trust employs financial leverage by borrowing money and may also issue 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” later in this Prospectus.</p>
Borrowings	<p>The Trust may borrow money in an amount permitted under the 1940 Act, including the rules, regulations, interpretations thereunder and any exemptive or other relief provided by the SEC. 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.</p>

If you have any questions, please call 1-800-992-0180.
Prospectus Synopsis 3

Table Of Contents

Prospectus Synopsis

Preferred Shares	<p>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.</p> <p>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.</p> <p>The 1940 Act also requires that the holders of the Preferred Shares, voting as a separate class, have the right to:</p> <ul style="list-style-type: none"> elect at least two trustees at all times; and elect a majority of the trustees at any time when dividends on any series of Preferred Shares are unpaid for two full years. <p>In each case, the holders of Common Shares voting separately as a class will elect the remaining trustees.</p> <p>Since early February 2008, the Trust has not received sufficient hold orders or any purchase requests for its Preferred Shares during their weekly auctions that equaled the full amount of such shares. As a result, under the terms of the Preferred Shares, the amounts sold, if any, by each selling shareholder are reduced pro rata or to zero. In addition, the dividend rate on such Preferred Shares, which is normally set by means of a Dutch auction procedure, automatically reset to the maximum rate permitted under the Preferred Shares program. That maximum rate is 150% of the applicable commercial paper base rate on the day of the auction. It is unclear whether the dividend rate for the Preferred Shares will be set by means of an auction again in the future. On June 9, 2008, the Trust announced the approval by the Board of a partial redemption of its outstanding Preferred Shares. The Trust subsequently redeemed approximately \$225 million of the \$450 million of its outstanding Preferred Shares. The Preferred Shares were redeemed using proceeds available through the Trust's existing bank loan facility and with cash held by the Trust. Redemption costs and the on-going costs of obtaining leverage through a bank loan facility may reduce returns to Common Shares and may be higher than the costs of leverage obtained through the Preferred Shares. The Trust and the Board will continue to closely monitor the situation and evaluate potential options to restore liquidity to and/or provide additional refinancing options for this market in the context of regulatory guidelines, as well as the economic and tax implications for both its Common and Preferred shareholders. There can be no assurance that any means for liquidity will be identified, and if they are, it is possible that the Trust's leverage or its benefits from leverage will diminish.</p>
Diversification	<p>The Trust maintains a diversified investment portfolio, an investment strategy which seeks to limit exposure to any one issuer or industry.</p> <p>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</p>

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.

4 Prospectus Synopsis

Table Of Contents

Prospectus Synopsis

- 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 ("Distributor") reserve the right to reject any purchase order. Please note that cash, traveler's checks, third-party checks, money orders, and checks drawn on non-U.S. banks (even if payment may be effected through a U.S. bank) generally will not be accepted. Common Shares may be issued by the Trust under the Shareholder Investment Program only if the Trust's Common Shares are trading at a premium to NAV. If the Trust's Common Shares are trading at a discount to NAV, Common Shares purchased under the Shareholder Investment Program will be purchased on the open market. See "Plan of Distribution" later in this Prospectus.
- Shareholders may elect to participate in the Shareholder Investment Program by telephoning the Trust or submitting a completed Participation Form to PNC Global Investing Servicing (U.S.) Inc. ("PNC").
- 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" later in this Prospectus.
- 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 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, which will cause the Trust's NAV to 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 or 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 11, 2009 the Trust had \$3 million in outstanding borrowings under one credit facility and \$225 million of Preferred Shares (issued and outstanding).

If you have any
questions, please call
1-800-992-0180.
Prospectus Synopsis 5

Table Of Contents

Prospectus Synopsis

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. A decrease in the demand for loans may adversely affect the price of loans in the Trust's portfolio, which could cause the Trust's NAV to decline.
Impact of Shareholder Investment Program and Privately Negotiated Transactions	The issuance of Common Shares through the Shareholder Investment Program and/or through privately negotiated transactions may have an adverse effect on prices in the secondary market for the Trust's Common Shares by increasing the number of Common Shares available for sale. In addition, the Common Shares may be issued at a discount to the market price for such Common Shares, which may put downward pressure on the market price for Common Shares of the Trust.
Investment in Foreign Borrowers	<p>The Trust may invest up to 20% of its total assets, measured at the time of investment, in loans, secured or unsecured, to borrowers that are organized or located in countries outside the United States and in U.S. territories or possessions or Canada.</p> <p>The Trust may invest up to 15% of its total assets, measured at the time of investment, in investments denominated in the Organization for Economic Co-operation and Development ("OECD") currencies (including the euro), other than the U.S. dollar. The Trust will engage in currency exchange transactions to seek to hedge, as closely as practicable, 100% of the economic impact to the Trust arising from foreign currency fluctuations. The Trust may not be entirely successful in implementing this hedging strategy, resulting in the Trust being adversely affected by foreign currency fluctuations. Investment in foreign borrowers involves special risks, including that foreign borrowers may be subject to:</p> <ul style="list-style-type: none"> less rigorous regulatory, accounting and reporting requirements than U.S. borrowers; differing legal systems and laws relating to creditors' rights; the potential inability to enforce legal judgments; economic adversity that would result if the value of the borrower's non-U.S. dollar denominated revenues and assets were to fall because of fluctuations in currency values; and the potential for political, social and economic adversity in the foreign borrower's country.
Temporary Defensive Positions	When market conditions make it advisable, the Trust may hold a portion of its assets in cash and 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 and/or short-term interest bearing instruments. The Trust may not achieve its investment objective when pursuing a temporary defensive position.

6 Prospectus Synopsis

Table Of Contents

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 Preferred Shares and has borrowed an aggregate amount equal to 30% 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
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Privately Negotiated Transactions:

Commission (as a percentage of offering price)	3.00%
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Annual Expenses (as a percentage of net assets attributable to Common Shares):

Management and Administrative Fees ⁽¹⁾	1.77%
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Interest Expense on Borrowed Funds	1.52%
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Other Operating Expenses ⁽²⁾	0.21%
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Acquired Fund Fees and Expenses ⁽³⁾	N/A
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Total Annual Expenses ⁽⁴⁾	3.50%
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- (1) Pursuant to the Investment Advisory Agreement with the Trust, the Adviser is paid a fee of 0.80% of the Trust's Managed Assets. Pursuant to its Administration Agreement with the Trust, the 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, 2009, and do not include the expenses of borrowing.
- (3) The Acquired Fund Fees and Expenses are not fees or expenses incurred by the Trust directly. These fees and expenses include the Trust's pro rata share, if any, of the cumulative expenses charged by the Acquired Funds in which the Trust invests. The fees and expenses, if any, will vary based on the Trust's allocation of assets to, and the annualized net expenses of the particular Acquired Funds. The impact of these fees and expenses, if any, is shown in Total Annual Expenses.
- (4) If the expenses of the Trust are calculated based on the Managed Assets of the Trust (assuming that the Trust has used leverage by borrowing an aggregate amount equal to 30% of the Trust's Managed Assets), the Total Annual Expense ratio would be 2.08%.

Example

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

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

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a \$1,000 investment, assuming a 5% annual return and where the Trust has borrowed in an aggregate amount equal to 30% of its Managed Assets.	\$65	\$137	\$213	\$426

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

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

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

What You Pay to Invest - Trust Expenses 7

Table Of Contents

Table Of Contents
Financial Highlights

The table below sets forth selected financial information. The financial information for the most recent five fiscal years has been derived from the financial statements in the Trust's annual shareholder report dated as of February 28, 2009. 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 2009 financial statements, which includes the financial highlights for the most recent five fiscal years, is included in the Trust's annual shareholder report dated as of February 28, 2009. A free copy of the annual shareholder report may be obtained by calling (800) 992-0180.

	Years Ended February 28 or February 29,				
	2009	2008	2007	2006	2005
Per Share Operating Performance					
Net asset value, beginning of year	\$ 6.11	7.65	7.59	7.47	7.34
Income (loss) from investment operations:					
Net investment income	\$ 0.46	0.75	0.71	0.57	0.45
Net realized and unrealized gain (loss) on investments, foreign currency related transactions and unfunded commitments	\$ (2.29)	(1.57)	0.06	0.12	0.16
Distribution to Preferred Shareholders	\$ (0.06)	(0.16)	(0.16)	(0.11)	(0.05)
Total from investment operations	\$ (1.89)	(0.98)	0.61	0.58	0.56
Distributions to Common Shareholders from net investment income	\$ (0.41)	(0.56)	(0.55)	(0.46)	(0.43)
Reduction in net asset value from Preferred Shares offerings	\$ —	—	—	—	—
Net asset value, end of year	\$ 3.81	6.11	7.65	7.59	7.47
Closing market price at end of year	\$ 3.50	5.64	7.40	7.02	7.56
Total Investment Return⁽¹⁾					
Total investment return at closing market price ⁽²⁾	% (32.03) ^(a)	(17.25)	13.84	(0.82)	2.04
Total investment return at net asset value ⁽³⁾	% (31.93) ^(a)	(13.28)	8.85	8.53	7.70
Ratios/Supplemental Data					
Net assets end of year (000's)	\$ 552,840	886,976	1,109,539	1,100,671	1,082,748
Preferred Shares-Aggregate amount outstanding (000's)	\$ 225,000	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

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Asset coverage inclusive of Preferred Shares and debt per share ⁽⁴⁾	\$	70,175	53,125	62,925	55,050	53,600
Borrowings at end of year (000's)	\$	81,000	338,000	281,000	465,000	496,000
Asset coverage per \$1,000 of debt ⁽⁴⁾	\$	10,603	4,956	6,550	4,335	4,090
Average borrowings (000's)	\$	227,891	391,475	459,982	509,178	414,889
Ratios to average net assets including Preferred Shares⁽⁵⁾						
Expenses (before interest and other fees related to revolving credit facility)	%	1.54	1.54	1.57	1.64	1.60
Net expenses after expense waiver	%	2.38	3.05	3.27	3.02	2.21
Gross expenses prior to expense waiver	%	2.38	3.05	3.27	3.02	2.22
Net investment income	%	6.22	7.23	6.68	5.44	4.21
Ratios to average net assets plus borrowings						
Expenses (before interest and other fees related to revolving credit facility)	%	1.54	1.60	1.56	1.58	1.63
Net expenses after expense waiver	%	2.37	3.17	3.25	2.90	2.26
Gross expenses prior to expense waiver	%	2.37	3.17	3.25	2.90	2.27
Net investment income	%	6.21	7.53	6.63	5.24	4.32
Ratios to average net assets						
Expenses (before interest and other fees related to revolving credit facility)	%	1.95	2.20	2.21	2.33	2.29
Net expenses after expense waiver	%	3.01	4.36	4.62	4.27	3.17
Gross expenses prior to expense waiver	%	3.01	4.36	4.62	4.27	3.18
Net investment income	%	7.86	10.35	9.42	7.71	6.04
Portfolio turnover rate	%	10	60	60	81	93
Common shares outstanding at end of year (000's)		145,178	145,094	145,033	145,033	145,033

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

Financial Highlights 9

Table Of Contents

Financial Highlights — (CONTINUED)

	Years Ended February 28 or February 29,				
	2004	2003	2002	2001	2000
Per Share Operating Performance					
Net asset value, beginning of year	\$ 6.73	7.20	8.09	8.95	9.24
Income (loss) from investment operations:					
Net investment income	\$ 0.46	0.50	0.74	0.88	0.79
Net realized and unrealized gain (loss) on investments, foreign currency related transactions and unfunded commitments	\$ 0.61	(0.47)	(0.89)	(0.78)	(0.30)
Distribution to Preferred Shareholders	\$ (0.04)	(0.05)	(0.11)	(0.06)	—
Total from investment operations	\$ 1.07	0.03	(0.15)	0.10	0.49
Distributions to Common Shareholders from net investment income	\$ (0.42)	(0.45)	(0.63)	(0.86)	(0.78)
Reduction in net asset value from Preferred Shares offerings	\$ —	—	—	(0.04)	—
Net asset value, end of year	\$ 7.34	6.73	7.20	8.09	8.95
Closing market price at end of year	\$ 7.84	6.46	6.77	8.12	8.25
Total Investment Return⁽¹⁾					
Total investment return at closing market price ⁽²⁾	% 28.77	2.53	(9.20)	9.10	(5.88)
Total investment return at net asset value ⁽³⁾	% 15.72	0.44	(3.02)	0.19	5.67
Ratios/Supplemental Data					
Net assets end of year (000's)	\$ 1,010,325	922,383	985,982	1,107,432	1,217,339
Preferred Shares-Aggregate amount outstanding (000's)	\$ 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	—
Asset coverage inclusive of Preferred Shares and debt per share ⁽⁴⁾	\$ 62,425	62,375	58,675	53,825	—
Borrowings at end of year (000's)	\$ 225,000	167,000	282,000	510,000	484,000
Asset coverage per \$1,000 of debt ⁽⁴⁾	\$ 7,490	9,218	6,092	4,054	3,515
Average borrowings (000's)	\$ 143,194	190,671	365,126	450,197	524,019

Ratios to average net assets including Preferred Shares⁽⁵⁾

Expenses (before interest and other fees related to revolving credit facility)	%	1.45	1.49	1.57	1.62	—
Net expenses after expense waiver	%	1.65	1.81	2.54	3.97	—
Gross expenses prior to expense waiver	%	1.65	1.81	2.54	3.97	—
Net investment income	%	4.57	4.97	6.83	9.28	—

Ratios to average net assets plus borrowings

Expenses (before interest and other fees related to revolving credit facility)	%	1.84	1.82	1.66	1.31	1.00 ⁽⁶⁾
Net expenses after expense waiver	%	2.09	2.23	2.70	3.21	2.79 ⁽⁶⁾
Gross expenses prior to expense waiver	%	2.09	2.23	2.70	3.21	2.79 ⁽⁶⁾
Net investment income	%	5.82	6.10	7.24	7.50	6.12

Ratios to average net assets

Expenses (before interest and other fees related to revolving credit facility)	%	2.11	2.19	2.25	1.81	1.43 ⁽⁶⁾
Net expenses after expense waiver	%	2.40	2.68	3.64	4.45	4.00 ⁽⁶⁾
Gross expenses prior to expense waiver	%	2.40	2.68	3.64	4.45	4.00 ⁽⁶⁾
Net investment income	%	6.68	7.33	9.79	10.39	8.77
Portfolio turnover rate	%	87	48			