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ING PRIME RATE TRUST
Form POS 8C
April 30, 2003

As filed with the Securities and Exchange Commission on April 30, 2003
1933 Act File No. 333-61831
1940 Act File No. 811-05410

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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
 Pre-Effective Amendment No.
 Post-Effective Amendment No. 9
and
 REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940
 Amendment No. 51

ING PRIME RATE TRUST
Exact Name of Registrant Specified in Charter

7337 E. Doubletree Ranch Road
Scottsdale, Arizona 85258
Address of Principal Executive Offices (Number, Street, City, State, Zip Code)

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

Huey P. Falgout, Jr.
ING Investments, LLC
7337 E. Doubletree Ranch Road
Scottsdale, Arizona 85258
Name and Address (Number, Street, State, Zip Code) of Agent for Service

With copies to:

Jeffrey S. Poretz, Esq.
Dechert LLP
1775 I Street, NW
Washington, DC 20006

Approximate Date of Proposed Public 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.

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PROSPECTUS

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July 1, 2003

25,000,000
Common Shares

ING PRIME RATE TRUST

This Prospectus contains important information about investing in the ING Prime Rate Trust (the Trust). You should read it carefully before you invest, and keep it for future reference.

The Trust has filed with the Securities and Exchange Commission (the SEC) a Statement of Additional Information dated July 1, 2003 (the SAI) 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 by contacting the Trust at (800) 992-0180 or by writing to the Trust at 7337 E. Doubletree Ranch Road, Scottsdale, Arizona 85258. The Prospectus, SAI and other information about the Trust are available on the SEC's website (<http://www.sec.gov>).

Common Shares of the Trust trade on the New York Stock Exchange (the 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" beginning on page 11.

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.

[LION LOGO]
ING FUNDS

WHAT'S INSIDE

[GRAPHIC] OBJECTIVE

[GRAPHIC] INVESTMENT STRATEGY

[GRAPHIC] RISKS

This Prospectus describes the Trust's objective, investment strategy and risks.

You'll also find:

[GRAPHIC] WHAT YOU PAY TO INVEST.

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 THE TRUST

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

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 page 11.

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

[GRAPHIC]

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

THIS PROSPECTUS IS DESIGNED TO HELP YOU MAKE INFORMED DECISIONS ABOUT YOUR INVESTMENTS. PLEASE READ IT CAREFULLY.

Who should invest in the Trust?

ING PRIME RATE TRUST MAY SUIT YOU 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 of senior loans that are typically below investment grade credit quality.

DESCRIPTION OF THE TRUST

The Trust is a diversified, closed-end 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. The Trust cannot guarantee that it will achieve its investment objective. In addition, 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.

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Common Shares of the Trust trade on the NYSE under the symbol PPR.

The Trust's investment manager is ING Investments, LLC.

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

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PROSPECTUS SUMMARY

The following summary 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 (the 1940 Act). It is organized as a Massachusetts business trust. As of June 16, 2003, the Trust's net asset value (NAV) per Common Share was \$_____.

NYSE LISTED

As of June 16, 2003, the Trust had _____ Common Shares outstanding, which are traded on the NYSE under the symbol PPR. As of June 16, 2003, the last reported sales price of a Common Share of the Trust was \$_____.

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.

INVESTMENT MANAGER

The Trust's investment manager is ING Investments, LLC (ING Investments or the Investment Manager), an Arizona limited liability company. The Investment Manager had assets under management of \$__ billion as of May 31, 2003.

The Investment Manager is an indirect wholly-owned subsidiary of ING Groep N.V. (NYSE: ING) (ING Groep). ING Groep is a global financial institution active in the fields of insurance, banking and asset management in more than 65 countries with almost 100,000 employees.

The Investment Manager receives an annual fee, payable monthly, in a maximum 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.

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Subject to shareholder approval, the Trust's Board of Trustees has approved Aeltus Investment Management, Inc. to serve as the Sub-Adviser to the Trust effective August 18, 2003. See "Investment Management and other Services-Proposed Sub-Adviser" on page 21.

PRIMARY INVESTMENT

The Trust seeks to achieve its investment objective by investing under normal STRATEGY circumstances at least 80% of its Managed Assets in higher yielding, U.S. dollar denominated, floating rate secured senior loans (Senior Loans). The Trust only invests in Senior Loans made to corporations or other business entities organized under U.S. or Canadian law and which are domiciled in the U.S., Canada or in U.S. territories or possessions.

Senior Loans 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 Investment Manager believes justify treatment as senior debt.

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PROSPECTUS SUMMARY

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" at page 6.

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. In order to achieve overall reset balance, the Trust will ordinarily maintain a dollar-weighted average time to 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 can 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 Investment Manager, 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 not invest in Senior Loans made to foreign borrowers other than borrowers organized under Canadian law and which are domiciled in the U.S., Canada or in U.S. territories or possessions.

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

LEVERAGE

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To seek to increase the yield on the Common Shares, the Trust employs financial leverage by borrowing money and issuing preferred shares. See "Risk Factors and Special Considerations -- Leverage" at page 12.

BORROWINGS

Under the 1940 Act, the Trust may borrow up to 33 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 redeem or repurchase, Common Shares and preferred shares, or to pay holders of Common Shares and preferred shares in the event of liquidation.

PREFERRED 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 (the Preferred Shares). The Trust's obligations to holders of the Preferred Shares and holders of any other preferred shares, are senior to its ability to pay dividends on, or redeem 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 and holders of any other preferred shares of the Trust, voting as a separate class, have the right to:

- * elect at least two trustees at all times
- * 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.

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

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PROSPECTUS SUMMARY

DIVERSIFICATION

The Trust maintains a diversified investment portfolio, a 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. This strategy is a fundamental policy that cannot 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.

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

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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 \$5,000 per month. The Trust reserves the right to reject any purchase order. Please note that cash, travelers checks, third party checks, money orders and checks drawn on non-US banks (even if payment may be effected through a US bank) will not be accepted. Subject to the permission of the Trust, participating shareholders may also make optional cash investments in excess of the monthly maximum. 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 net asset value (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" at page 19.

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).

DISTRIBUTIONS

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 through the Trust's Shareholder Investment Program.

ADMINISTRATOR

The Trust's administrator is ING Funds Services, LLC (the Administrator). The Administrator is an affiliate of the Investment Manager. 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 LOANS

Loans in the Trust's portfolio will typically be below investment grade credit quality. As a result, investment in the Trust involves the risk that borrowers may default on obligations to pay principal or interest when due, that lenders may have difficulty liquidating the collateral securing the loans or enforcing their rights under the terms of the loans, and that the Trust's investment objective may not be realized.

INTEREST RATE RISK

Changes in market interest rates will affect the yield on the Trust's Common Shares. If market interest rates fall, the yield on the Trust's Common Shares will also fall. In addition, changes in market interest rates may cause the Trust's NAV to experience moderate volatility because of the lag between changes in market rates and the resetting of the floating rates on assets in the Trust's portfolio. To the extent that market interest rate changes are reflected as a change in the market spreads for loans of the type and quality in which the Trust invests, the value of the Trust's portfolio may decrease in response to an increase in such spreads. 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.

DISCOUNT FROM OR PREMIUM TO 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 leverage.

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 the price of loans acquired in the secondary market.

SECONDARY MARKET FOR THE TRUST'S COMMON SHARES

The issuance of Common Shares through the Shareholder Investment Program 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.

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

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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 Managed Assets will be invested in higher yielding, U.S. dollar

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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. The Trust only invests in Senior Loans made to corporations or other business entities organized under U.S. or Canadian law and which are domiciled in the U.S., Canada or in U.S. territories or possessions.

Senior Loans 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 Investment Manager believes justify treatment as senior debt.

The Trust does not invest in Senior Loans whose interest rates are tied to non-domestic interest rates other than the London Inter-Bank Offered Rate (LIBOR).

2. OTHER INVESTMENTS. Under normal circumstances the Trust can also invest up to 20% of its total assets in the following types of investments (Other Investments):
 - * unsecured loans
 - * subordinated loans
 - * short-term debt securities
 - * equity securities incidental to investment 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 Investment Manager, 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.

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 Investment Manager follows certain investment policies set by the Trust's Board of Trustees. Some of those policies are set forth below. Please refer to the SAI for additional information on these and other investment policies.

1. PAYABLE IN U.S. DOLLARS. All investments purchased by the Trust must be

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denominated in U.S. dollars.

2. MATURITY. Normally at least 80% of the Trust's total assets will be invested in Senior Loans with maturities of one to ten years. The maximum maturity on any loan in which the Trust can invest is ten years.
3. INTEREST RATE RESETS. Normally, 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, the Trust will ordinarily maintain a dollar-weighted average time to next interest rate adjustment on its loan investments of 90 days or less.
4. LIMITATIONS ON SUBORDINATED AND UNSECURED LOANS. The Trust may also invest up to 5% of its total assets, measured at the time of investment, in subordinated and unsecured loans. The Trust may acquire a subordinated loan only if, at the time of acquisition, it acquires or holds a Senior Loan from the same borrower. The Trust will acquire unsecured loans only where the Investment Manager believes, at the time of acquisition, that the Trust would have the right to payment upon default that is not subordinate to any other creditor. The maximum of 5% of the Trust's assets invested in subordinated and unsecured loans will constitute part of the 20% of the Trust's assets that may be invested in "Other Investments" as described above, and will not count toward the 80% of the Trust's assets that are normally invested in Senior Loans.
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 Investment Manager 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
- 6 Investment Objective and Policies

INVESTMENT OBJECTIVE AND POLICIES

projections; the quality and experience of management; and adequacy of collateral coverage. The Investment Manager performs its own independent credit analysis of each borrower. In so doing, the Investment Manager may utilize information and credit analyses from agents that originate or administer loans, other lenders investing in a loan, and other sources. The Investment Manager 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 Investment Manager, (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.
8. SECURITIES LENDING. The Trust also may lend portfolio securities on a short-term or long-term basis, up to 33 1/3% of its total assets.

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POLICY ON BORROWING

Beginning in May of 1996, the Trust began 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 up to 33 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. The Trust is permitted to issue preferred shares with an aggregate liquidation value of up to 50% of the Trust's total assets (including the proceeds of the preferred shares and any borrowings). In November 2000, the Trust issued 18,000 Preferred Shares for a total of \$450 million. See "Risk Factors and Special Considerations -- Leverage."

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

Investment Objective and Policies 7

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 to finance 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 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 ING Investments to

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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 LIBOR or the Prime Rate.

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 LIBOR. For example, if LIBOR were 2.00% and the borrower were paying a fixed spread of 3.00%, the total interest rate paid by the borrower would be 5.00%. 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 the 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 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 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's investment in Senior Loans may take one of several forms including:

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acting as one of the group of lenders originating a Senior Loan, purchasing an assignment of a portion of a Senior Loan from a third party, or acquiring a participation in a Senior Loan. When the Trust is a member of the originating syndicate for a Senior Loan, it may share in a fee paid to the syndicate. When the Trust acquires a participation in, or an assignment of, a Senior Loan, it may pay a fee to, or forego a portion of interest payments from, the lender selling the participation or assignment. The Trust will act as lender, or purchase an assignment or participation, with respect to a Senior Loan only if the agent is determined by the Investment Manager to be creditworthy.

8 The Trust's Investments

THE TRUST'S INVESTMENTS

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."

ORIGINAL LENDER. When the Trust is one of the original lenders, it will have a direct contractual relationship with the borrower and can enforce compliance by the borrower with the terms of the loan agreement. It also may have negotiated rights with respect to any funds acquired by other lenders through set-off. Original lenders also negotiate voting and consent rights under the loan agreement. Actions subject to lender vote or consent generally require the vote or consent of the holders of some specified percentage of the outstanding principal amount of the Senior Loan. 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 releasing collateral therefore, frequently require the unanimous vote or consent of all lenders affected.

ASSIGNMENTS. When the Trust is a purchaser of an assignment, it typically 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. Assignments are, however, arranged through private negotiations between potential assignees and potential assignors, and the rights and obligations acquired by the purchaser of an assignment may be more limited than those held by the assigning lender.

PARTICIPATIONS. The Trust may also invest in participations in Senior Loans. The rights of the Trust when it acquires a participation are likely to be more limited than the rights of an original lender or an investor who acquired an assignment. Participation by the Trust in a lender's portion of a Senior Loan typically means that the Trust has a contractual relationship only with the lender, not with the borrower. This means that the Trust has 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 payments from the borrower.

With a participation, the Trust will have no right to enforce compliance by the borrower with the terms of the loan agreement or any rights with respect to any funds acquired by other lenders through set-off against the borrower. In addition, the Trust may not directly benefit from the collateral supporting the Senior Loan because it may be treated as a general creditor of the lender instead of the borrower. As a result, the Trust may be subject to delays, expenses and risks that are greater than those that exist when the Trust is the original lender or holds an assignment. This means the Trust must assume the credit risk of both the borrower and the lender selling the participation.

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In the event of bankruptcy or insolvency of a borrower, the obligation of the borrower to repay the Senior Loan may be subject to certain defenses that can be asserted by such borrower against the Trust as a result of improper conduct of the lender selling the participation. A participation in a Senior Loan will be deemed to be a Senior Loan for the purposes of the Trust's investment objective and policies.

SENIOR LOAN MARKET

Total U.S. domestic Senior Loan volume has increased dramatically over the last 10 years. Total Senior Loan volume was approximately \$375 billion in 1992. For the 2002 year, volume has increased to approximately \$969 billion. Originated Senior loan volume peaked in year 2000 at approximately \$1,296 billion. Despite continuing volatility in U.S. capital markets, demand has remained strong. Institutional investors other than banks, such as investment companies, insurance companies and private investment vehicles are continuing to increase investment allocations to the Senior Loan market. The entrance of new investors has helped create an active trading market in Senior Loans with approximately \$_____ billion in trading volume during 2002. The active secondary market, coupled with lender focus on portfolio management and the move toward standard market practices, has helped increase the liquidity for Seniors Loans.

Credit quality is the primary issue currently impacting the loan market. The industry has experienced deteriorating credit quality, high profile corporate bankruptcies, historically high default-rates and continuing concerns about the direction of the general economy.

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

The Trust's Investments 9

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		RE NYS
	HIGH	LOW	HIGH	LOW	HIGH	LOW	
March 31, 2001	8.400	7.500	8.08	8.06	3.96	(6.95)	16
June 30, 2001	7.990	7.470	7.87	7.83	1.52	(4.60)	14
September 30, 2001	7.750	6.100	7.76	7.58	(0.13)	(19.53)	15
December 31, 2001	6.820	6.350	7.46	7.30	(8.58)	(13.01)	17
March 31, 2002	6.950	6.640	7.29	7.25	(4.66)	(8.41)	11
June 30, 2002	6.950	6.230	7.25	7.13	(4.14)	(12.62)	13

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September 30, 2002	6.290	5.610	7.07	6.96	(11.03)	(19.40)	16
December 31, 2002	_____	_____	_____	_____	_____	_____	_____
March 31, 2003	_____	_____	_____	_____	_____	_____	_____

On June 16, 2003, the last reported sale price of a Common Share of the Trust's Common Shares on the NYSE was \$____. The Trust's NAV on June 16, 2003 was \$____. See "Transaction Policies -- Net Asset Value." On June 16, 2003 the last reported sale price of a share of the Trust's Common Shares on the NYSE (\$____) represented a ____% discount below NAV (\$____) 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.

10 Trading and NAV Information

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. If the Trust acquires a Senior Loan from another lender, either by means of assignment or by acquiring a participation, the Trust may also be subject to credit risks with respect to that lender. 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 of 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 usually 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

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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 or "BBB" by 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 Investment Manager, 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. Again, this is because the value of a loan asset in the Trust is partially

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

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RISK FACTORS AND SPECIAL CONSIDERATIONS

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

CHANGES TO NAV

The NAV of the Trust is expected to change in 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 "Credit Risk on Senior Loans" above. Changes in market interest rates may also have a moderate impact on the Trust's NAV. See "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 OR PREMIUM TO 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 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 up to 33 1/3% (or such other percentage permitted by law) of its total assets (including the amount borrowed) less all liabilities other than borrowings. The Trust may also issue preferred shares in an amount up to 50% of the Trust's total assets (including the proceeds of preferred shares and any borrowings). 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 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 Investment Manager seeks to use leverage for the purposes of making additional investments only if it believes, 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 Investment Manager 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

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exaggerate the loss to the Trust and may exaggerate 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.

12 Risk Factors and Special Considerations

RISK FACTORS AND SPECIAL CONSIDERATIONS

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 an assumed initial interest rate of __%, assuming the Trust has used leverage by borrowing an amount equal to 33 1/3% 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)	(____%)	(____%)	(____%)	____%	____%

- (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 as of the beginning of the fiscal year to determine the "Corresponding Return to Common Shareholders."

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, 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 any other preferred shares, or purchase Common Shares, Preferred Shares or any other 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, or accrued interest on borrowings, on the

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Preferred Shares or any other preferred shares, have been paid or set aside for payment.

Because the fee paid to the Investment Manager will be calculated on the basis of Managed Assets, the fee will be higher when leverage is utilized, giving the Investment Manager 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 Investment Manager from fully managing the Trust's portfolio in accordance with the Trust's investment objective and policies.

SECONDARY MARKET FOR THE TRUST'S SHARES

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.

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

Risk Factors and Special Considerations 13

RISK FACTORS AND SPECIAL CONSIDERATIONS

When the Trust's Common Shares are trading at a premium, the Trust may also issue Common Shares of the Trust that are sold through transactions effected on the NYSE or through broker-dealers who have entered into selected dealer agreements with ING Funds Distributor, LLC (ING Funds Distributor) the Trust's distributor. The increase in the number of outstanding Common Shares resulting from these offerings may put downward pressure on the market price for the Common Shares.

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 more than \$1 million units) 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.

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

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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.

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. Market quotations may not be readily available for some loans and valuation may require more research than for liquid securities. In addition, elements of judgment may play a greater role in valuation than for securities with a secondary market, because there is less reliable, objective market value data available. In addition, if the Trust purchases a relatively large 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 Investment Manager deems it advisable to do so.

LENDING PORTFOLIO SECURITIES

To generate additional income, the Trust may lend portfolio securities in an amount up to 33 1/3% of total Trust 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, but may also adversely affect the rate of interest payable on loans acquired by the Trust, the price of loans acquired in the secondary market and the rights provided to the Trust under the terms of the loan.

UNSECURED LOANS AND SUBORDINATED LOANS

Subject to the 20% of the Trust's assets that may be invested in Other Investments, the Trust may invest up to 5% of its total assets, measured at the time of investment, in unsecured loans and in 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 20% of the Trust's assets that may be invested in 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

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volatility due to such factors as interest rate sensitivity, 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

14 Risk Factors and Special Considerations

RISK FACTORS AND SPECIAL CONSIDERATIONS

rise, the value of those securities can be expected to decline.

INVESTMENTS IN EQUITY SECURITIES INCIDENTAL TO INVESTMENT IN LOANS

Subject to the 20% of the Trust's assets that may be invested in 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. 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.

BORROWINGS UNDER THE CREDIT FACILITY PROGRAM

In May 1996, the Trust began 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 \$540 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 October 8, 2002, the Trust had outstanding borrowings under the credit facilities of approximately \$205 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 Investment Manager until the credit facility is repaid in full or until the event or condition is cured.

The current credit facility for \$450 million is due to expire on July 16, 2003. The Trust intends to replace that facility with a similar facility from another financial institution on terms that are substantially identical to the terms of the current credit facility. This replacement credit facility is expected to be between \$300 and \$400 million.

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, Preferred Shares and any other preferred shares, with respect to the payment of dividends or upon

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liquidation.

RESTRICTIVE COVENANTS AND 1940 ACT RESTRICTIONS

The credit agreements governing the credit facility program (the 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 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 (the 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 senior securities 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 Agreement.

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

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WHAT YOU PAY TO INVEST -- TRUST EXPENSES

The following table is intended to assist you in understanding the various costs and expenses associated with investing in the Trust.(1)

SHAREHOLDER TRANSACTION EXPENSES

Shareholder Investment Program	
Commission (as a percentage of offering price) (2)	1.00%
Shareholder Investment Program Fees	NONE
Privately Negotiated Transactions	
Commission (as a percentage of offering price) (2)	3.00%
Shareholder Investment Program Fees	NONE

ANNUAL EXPENSES (AS A PERCENTAGE OF NET ASSETS)

Management and Administrative Fees(3)	%
Interest Expense on Borrowed Funds	%
Other Operating Expenses(4)	%
Total Annual Expenses	%

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- (1) The table above assumes that the Trust has used leverage by borrowing an amount equal to 33 1/3% of the Trust's Managed Assets and shows expenses as a percentage of net assets. However, certain expenses of the Trust, such as management fees, are calculated on the basis of Managed Assets. If the Trust's expenses assuming the use of leverage by borrowing an amount equal to 33 1/3% of Managed Assets are shown as a percentage of Managed Assets rather than as a percentage of net assets, the annual expenses in the fee table would read as follows:

ANNUAL EXPENSES (AS A PERCENTAGE OF MANAGED ASSETS)	
Management and Administrative Fees(3)	%
Interest Expense on Borrowed Funds	%
Other Operating Expenses(4)	%
Total Annual Expenses	%

Borrowing may be made for the purpose of acquiring additional income-producing investments when the Investment Manager believes that such use of borrowed proceeds will enhance the Trust's net yield.

- (2) In connection with optional cash investments in excess of \$5,000 pursuant to a waiver, a commission of up to 1.00% of the amount of such investment may be paid to ING Funds Distributor for services in connection with the sale of the Common Shares, while in connection with certain privately negotiated transactions, a commission of up to 3.00% of such investment may be paid to ING Funds Distributor. ING Funds Distributor may allow all or some of such commission to other broker-dealers. See "Distribution Arrangements." No commissions will be paid by the Trust or its shareholders in connection with the reinvestment of dividends and capital gains distributions or in connection with optional cash investments up to the maximum of \$5,000 per month.
- (3) Pursuant to the Investment Management 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, ING Funds Services, LLC., the Trust's Administrator, is paid a fee of 0.25% of the Trust's Managed Assets. See "Investment Management and Other Services -- The Administrator."
- (4) "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, 2003, and does not include the expenses of borrowing.

16 What You Pay to Invest -- Trust Expenses

WHAT YOU PAY TO INVEST -- TRUST EXPENSES

The following example applies to shares issued in connection with the Trust's Shareholder Investment Program. Because the assumed amount of investment in the example is \$1,000, the example does not reflect the maximum front-end commission of 1.00% on sales of greater than \$5,000 per month pursuant to a request for waiver.

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EXAMPLE -----	1 YEAR -----	3 YEARS -----	5 YEARS -----	10 Y -----
You would pay the following expenses on a \$1,000 investment, assuming a 5% annual return and where the Trust has borrowed	\$	\$	\$	\$
You would pay the following expenses on a \$1,000 investment, assuming a 5% annual return and where the Trust has not borrowed	\$	\$	\$	\$

The following example applies to shares issued in connection with privately negotiated transactions, which may have a maximum front-end commission of 3.0%.

EXAMPLE -----	1 YEAR -----	3 YEARS -----	5 YEARS -----	10 Y -----
You would pay the following expenses on a \$1,000 investment, assuming a 5% annual return and where the Trust has borrowed	\$	\$	\$	\$
You would pay the following expenses on a \$1,000 investment, assuming a 5% annual return and where the Trust has not borrowed	\$	\$	\$	\$

These hypothetical examples assume that all dividends and other distributions are reinvested at NAV and that the percentage amounts listed under Annual Expenses above remain the same in the years shown. The above tables and the assumption in the hypothetical example of a 5% annual return are required by regulation 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 Shares. For more complete descriptions of certain of the Trust's costs and expenses, see "Investment Management and Other Services."

THE FOREGOING EXAMPLES SHOULD NOT BE CONSIDERED A REPRESENTATION OF PAST OR FUTURE EXPENSES, AND ACTUAL EXPENSES MAY BE GREATER OR LESS THAN THOSE SHOWN.

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

What You Pay to Invest -- Trust Expenses 17

TRANSACTION POLICIES

NET ASSET VALUE

The NAV per Common Share of the Trust is determined once daily at the close of regular trading on the NYSE (normally 4:00 p.m. Eastern Time) on each day the NYSE is open. 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

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preferred shares) by the number of 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 of Trustees. 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 quotations are not available from a pricing service may be valued with reference to another loan or a group of loans for which quotations are more 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. 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 Investment Manager 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 Investment Manager that it believes 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 Trust's Board of Trustees, and in accordance with the provisions of the 1940 Act.

Under these procedures, fair value is determined by the Investment Manager and monitored by the Trust's Board of Trustees through its Valuation 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

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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 Securities reported by NASDAQ National Market System will be valued at the NASDAQ Official Closing Price on the valuation day, are stated at the last reported sale price on the day of valuation. 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 will be at amortized cost.

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

18 Transaction Policies

PLAN OF DISTRIBUTION

SHAREHOLDER INVESTMENT PROGRAM

The following is a summary of the Shareholder Investment Program (the "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 \$5,000 per month. The Trust reserves the right to reject any purchase order. Please note that cash, travelers checks, third party checks, money orders and checks drawn on non-US banks (even if payment may be effected through a US bank) will not be accepted. Subject to the permission of the Trust ("Waiver"), participating shareholders may also make optional cash investments in excess of the monthly maximum. Common Shares may be issued by the Trust under the 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 Program will be purchased on the open market.

Shareholders may elect to participate in the Program by telephoning the Trust or submitting a completed Participation Form to DST Systems, Inc. ("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

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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 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. Investment dates may vary depending on whether or not the optional cash investment exceeds \$5,000. Participants may obtain a schedule of relevant dates, including investments dates, the dates in which all requests for a Waiver must be received and the dates in which shares will be paid by calling ING's Shareholder Services Department at (800) 992-0180.

With the exception of shares purchased in connection with optional cash investments in excess of \$5,000, shares issued by the Trust under the Program will be issued commission free. Common Shares purchased for the Program directly from the Trust in connection with the Program 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%-5%, for optional cash investments.

It is solely within the Trust's discretion as to whether approval for any cash investments in excess of \$5,000 will be granted. In deciding whether to approve a request for Waiver, the Trust will consider relevant factors including, but not limited to, whether the Program is then acquiring newly issued Common Shares directly from the Trust or acquiring shares from third parties in the open market, the Trust's need for additional funds, the attractiveness of obtaining such additional funds through the sale of Common Shares as compared to other sources of funds, the purchase price likely to apply to any sale of Common Shares under the Program, the participant submitting the request, the extent and nature of such participant's prior participation in the Program, the number of Common Shares held by such participant and the aggregate amount of cash investments for which requests for Waiver have been submitted by all participants. If such requests are submitted for any Waiver for an aggregate amount in excess of the amount the Trust is then willing to accept, the Trust may honor such requests in order of receipt, pro rata or by any other method that the Trust determines in its sole discretion to be appropriate. For information on a commission that may apply in connection with an optional cash investment in excess of \$5,000, see "More Information -- Distribution Arrangements."

The Trust may establish for a minimum price applicable to the purchase of newly issued Common Shares through requests for Waiver, which will be a stated dollar amount that the market price of the Common Shares during a day in which the shares are reported on the New York Stock Exchange ("Trading Day") during the relevant pricing period must equal or exceed. No shares will be issued and funds submitted pursuant to requests for Waiver will be returned to the participant if the minimum price is not obtained for at least three of the five Trading Days.

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.

From time to time, financial intermediaries, including brokers and dealers, and other persons may wish to engage in positioning transactions in order to benefit from the discount from market price of the Common Shares acquired under the Program. Such transactions could cause fluctuations in the trading volume and price of the Common Shares. The difference between the price such owners pay to

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the Trust for Shares acquired under the Program, after deduction of the applicable discount from the market price, and the price at which such Common Shares are resold, may be deemed to constitute underwriting commissions received by such owners in connection with such transactions.

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

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PLAN OF DISTRIBUTION

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 \$5,000 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 of Trustees of the Trust 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, 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 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 from ING's Shareholder Services Department at (800) 992-0180, Option 2.

PRIVATELY NEGOTIATED TRANSACTIONS

The Common Shares may also be offered pursuant to privately negotiated transactions between the Trust and specific 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. For information on a commission that may apply in connection with privately negotiated transactions, see "More Information -- Distribution Arrangements."

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USE OF PROCEEDS

It is expected that 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 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 16, 2003, the Trust's outstanding borrowings under its credit facilities was \$___ 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 on Common Shares are declared and paid monthly under guidelines approved by the Board of Trustees.

Capital gains, if any, are declared and paid annually.

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 1-800-992-0180, Option 2.

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INVESTMENT MANAGEMENT AND OTHER SERVICES

INVESTMENT MANAGER

ING INVESTMENTS, LLC (the Investment Manager or ING Investments), an Arizona limited liability company, (formerly ING Pilgrim Investments, LLC), serves as Investment Manager to the Trust and has overall responsibility for the management of the Trust under the general supervision of the Board of Trustees. Its principal business address is 7337 East Doubletree Ranch Road, Scottsdale, Arizona 85258. The Trust and the Investment Manager have entered into an Investment Management Agreement that requires ING Investments to provide all investment advisory and portfolio management services for the Trust. It also requires ING Investments 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. ING Investments provides the Trust with office space, equipment and personnel necessary to administer the Trust. The agreement with ING Investments can be canceled by the Board of Trustees upon 60 days' written notice.

ING Investments is an indirect wholly-owned subsidiary of ING Groep N.V. (NYSE:

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ING) (ING Groep). ING Groep is a global financial institution active in the fields of insurance, banking and asset management in more than 65 countries with more than 100,000 employees. The Investment Manager is registered as an investment adviser with the SEC. As of May 31, 2003, ING Investments had assets under management of \$___ billion.

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

The Trust pays all operating and other expenses of the Trust not borne by ING Investments including, but not limited to, audit and legal fees, transfer agent, registrar and custodian fees, expenses in preparing repurchase offers, shareholder reports and proxy solicitation materials and other miscellaneous business expenses. The Trust also pays all taxes imposed on it and all brokerage commissions and loan-related fees.

PROPOSED SUB-ADVISER

Subject to shareholder approval, the Trust's Board of Trustees has approved Aeltus Investment Management, Inc., a Connecticut Corporation (Aeltus or Sub-Adviser) to serve as the Sub-Adviser to the Trust effective August 18, 2003. Aeltus is responsible for managing the assets of the Trust in accordance with its investment objective and policies, subject to oversight by ING Investments. The portfolio management team described below will not change.

Founded in 1972, Aeltus is registered as an investment adviser with the SEC. Aeltus is an indirect wholly-owned subsidiary of ING Groep N.V., and is an affiliate of ING Investments. Aeltus has acted as adviser of subadviser to mutual funds since 1994 and has managed institutional accounts since 1972.

As of June 2, 2003, Aeltus managed over \$_____ billion in assets. Its principal office is located at 10 State House Square, Hartford, Connecticut 06103-3602. For its services, Aeltus is entitled to receive a sub-advisory fee of _____, expressed as an annual rate based on the average daily [Managed Assets] of the Trust and is paid by ING Investments. Under the terms of the sub-advisory agreement, the agreement can be terminated by either ING Investments or the Board of Trustees. In the event the sub-advisory agreement is terminated, the Sub-Adviser may be replaced subject the any regulatory requirements or ING Investments may assume day-to-day investment management of the Trust.

PORTFOLIO MANAGEMENT. A portfolio management team consisting of the following individuals manages the Trust.

DANIEL A. NORMAN serves as Senior Vice President, Treasurer and Co-Senior Portfolio Manager of the Trust. Mr. Norman has served ING Prime Rate Trust in various capacities from February 1992 to the present. He also serves as Senior Vice President, Treasurer and Co-Senior Portfolio Manager of ING Senior Income Fund, another closed-end fund that invests primarily in Senior Loans. Mr. Norman is a Senior Vice President of ING Investments (since December 1994). Mr. Norman has served as an officer of other affiliates of ING since February 1992. Mr. Norman co-manages the Trust with Jeffrey A. Bakalar.

JEFFREY A. BAKALAR serves as Senior Vice President and Co-Senior Portfolio Manager of the Trust. Mr. Bakalar has served ING Prime Rate Trust in various capacities from February 1998 to the present. He also serves as Senior Vice President and Co-Senior Portfolio Manager of ING Senior Income Fund, another closed-end fund that invests primarily in Senior Loans. Prior to joining ING

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Investments, Mr. Bakalar was Vice President of The First National Bank of Chicago (July 1994 - January 1998). Mr. Bakalar co-manages the Trust with Daniel A. Norman.

CURTIS F. LEE serves as Senior Vice President and Chief Credit Officer of the Trust (since January 2001). He also serves as Senior Vice President and Chief Credit Officer of ING Senior Income Fund, another closed-end fund that invests primarily in Senior Loans. Mr. Lee is a Senior Vice President of and Chief Credit Officer of ING Investments (since August 1999). Prior to joining ING Investments, Mr. Lee held a series of positions with Standard Chartered Bank in the credit approval and problem loan management functions (1992 - 1999).

ROBERT L. WILSON serves as Senior Vice President and Portfolio Manager of the Trust (since July 1998). He also serves as Portfolio Manager of ING Senior Income Fund, another closed-end fund that invests primarily in Senior Loans. Mr. Wilson is a Vice President of ING Investments (since July 1998). Prior to joining ING Investments, Mr. Wilson was a Vice President of Bank of Hawaii (May 1997 - June 1998) and Vice President of Union Bank of California (November 1994 - May 1997).

MICHEL PRINCE serves as Portfolio Manager of the Trust (since May 1998). He also serves as Portfolio Manager of ING Senior Income Fund, another closed-end fund that invests primarily in Senior Loans. Mr. Prince is a Vice President of ING Investments (since May 1998). Prior to joining ING Investments, Mr. Prince was Vice President of Rabobank International, Chicago Branch (July 1996 - April 1998).

JASON T. GROOM serves as Portfolio Manager of the Trust (since November 2000). He also serves as Portfolio Manager of ING Senior Income Fund, another closed-end fund that invests primarily in Senior Loans. Mr. Groom is a Vice President of ING Investments (since June 2000). He served as an Assistant Vice President from July 1998 to May 2000. Prior to joining ING Investments, Mr. Groom was an Associate in the Corporate Finance Group of NationsBank (January 1998 - June 1998) and Assistant Vice President, Corporate Finance Group of The Industrial Bank of Japan Limited (August 1995 - December 1997).

CHARLES E. LEMIEUX serves as Portfolio Manager of the Trust (since July 1998). He also serves as Portfolio Manager of ING Senior Income Fund, another closed-end fund that invests primarily in Senior Loans.

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

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INVESTMENT MANAGEMENT AND OTHER SERVICES

Mr. LeMieux is a Vice President of ING Investments (since June 2000). He served as an Assistant Vice President of ING Investments from July 1998 to May 2000. Prior to joining ING Investments, Mr. LeMieux was Assistant Treasurer Cash Management with Salt River Project (October 1993 - June 1998).

MARK F. HAAK serves as Vice President and Portfolio Manager of the Trust (since June 1999). He also serves as Portfolio Manager of ING Senior Income Fund, another closed-end fund that invests primarily in Senior Loans. Mr. Haak is an Assistant Vice President of ING Investments (June 1999). Prior to joining ING Investments, Mr. Haak was Assistant Vice President, Corporate Banking with Norwest Bank (December 1997 - June 1998); Lead Financial Analyst and Portfolio Manager for Bank One AZ, N.A. (May 1996 - December 1997); and Credit Manager, Norwest Financial (May 1994 - May 1996).

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WILLIAM F. NUTTING, JR. serves as Vice President and Senior Portfolio Analyst and Secondary Loan Trader for the Trust (since December 1999). He also serves as Senior Portfolio Analyst and a Secondary Loan Trader for ING Senior Income Fund, another closed-end fund that invests primarily in Senior Loans. Mr. Nutting is an Assistant Vice President of ING Investments (since November 1999) and joined ING Funds Services in July 1995 as an Operations Associate.

RALPH E. BUCHER serves as Portfolio Manager of the Trust and Vice President of ING Investments (since November 2001). He also serves as Portfolio Manager of ING Senior Income Fund, another closed-end fund that invests primarily in Senior Loans. Prior to joining ING Investments, Mr. Bucher was the North American Head of Special Assets for Standard Chartered Bank (June 1999 - November 2001). Mr. Bucher has also held other senior credit approval positions with Societe Generale (June 1997 - June 1999) and with Standard Chartered (February 1992 - June 1997).

BRIAN S. HORTON serves as Portfolio Manager of the Trust and Vice President of ING Investments (since September 2001). He also serves as Portfolio Manager of ING Senior Income Fund, another closed-end fund that invests primarily in Senior Loans. Prior to joining ING Investments, Mr. Horton was a Vice President in the Corporate and Investment Banking Group at Bank of America Securities LLC, where he worked in the Consumer and Retail Industry Group, providing clients in those industries with services including debt and equity capital raising, mergers and acquisitions advisory, credit, derivatives, and other corporate and investment banking products (1999 - 2001). Mr. Horton also served in various other corporate finance and relationship management positions during his seven years at Bank of America, including corporate finance specialist for the Southeast U.S. region from (1997 - 1999). Mr. Horton's other professional experience includes positions as Associate at Salomon Brothers Inc. and Senior Investment Analyst for Franchise Finance Corporation of America.

MOHAMED N. BASMA serves as Vice President and Research Analyst for the Trust (since January 2000). He also serves as Vice President and Research Analyst for ING Senior Income Fund, another closed-end fund that invests primarily in Senior Loans. Prior to joining ING in January 2000, Mr. Basma was a senior auditor/consultant in the audit and business advisory group with Arthur Andersen, LLP. (1995-1997). Mr. Basma attended school for the years between Arthur Andersen and ING.

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 Investment Manager.

Under an Administration Agreement between ING Funds Services and the Trust, ING Funds Services administers the Trust's corporate affairs subject to the supervision of the Board of Trustees of the Trust. In that connection, ING Funds Services 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 to the Senior Loans in the Trust's repurchase offers portfolio. ING Funds Services 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. ING Funds Services 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 Administrator has authorized all of its officers and employees who have been elected as Trustees or officers of the Trust to serve in the latter capacities.

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All services furnished by the Administrator under the Administration Agreement may be furnished by such officers or employees of the Administrator.

The Trust pays ING Funds Services an administration fee, computed daily and payable monthly. The Administration Agreement states that ING Funds Services is entitled to receive a fee at an annual rate of 0.25% of the Trust's Managed Assets.

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 816 Wyandotte, 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.

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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 the Declaration of Trust dated December 2, 1987, as amended. 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, par value \$0.01 per share, 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, having a par value of \$0.01 per share, in one or more series, with rights as determined by the Board of Trustees, by action of the Board of Trustees without the approval of the shareholders. The following table shows the amount 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 16, 2003.

TITLE OF CLASS -----	AMOUNT AUTHORIZED -----	AMOUNT HELD BY TRUST FOR ITS OWN ACCOUNT -----	AMOUNT OUTSTANDING -----
Common Shares	unlimited	0	
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 of Trustees 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

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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.

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.

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 of 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

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that the Trustees will not

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

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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.

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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 of Trustees 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, par value \$.01 per share. 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 the 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 Consideration-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 Preferred Shares or 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

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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, having a par value of \$0.01 per share, 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 of Trustees' and the Investment Manager'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 of Trustees in consultation with the Investment Manager (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.

SENIOR SECURITIES TABLE

The table below sets forth certain specified information for the senior securities that are outstanding for the Trust; these securities are the Series M, T, W, Th and F Preferred Shares. The calculation of asset coverage per share is explained in a note to the table below.

	FOR THE FISCAL YEAR ENDED F		
	SERIES M	SERIES T	SERIES W
Total Number of Preferred Shares Outstanding	_____	_____	_____
Asset Coverage Per Preferred Share(1)	_____%	_____%	_____%
Involuntary Liquidating Preference Per Preferred Share	\$ _____	\$ _____	\$ _____
Stated Value Per Preferred Share	\$ _____	\$ _____	\$ _____
	FOR THE FISCAL YEAR ENDED F		
	SERIES M	SERIES T	SERIES W
Total Number of Preferred Shares Outstanding	3,600	3,600	3,600
Asset Coverage Per Preferred Share(1)	235%	235%	235%
Involuntary Liquidating Preference Per Preferred Share	\$25,000	\$25,000	\$25,000
Stated Value Per Preferred Share	\$25,000	\$25,000	\$25,000
	FOR THE FISCAL YEAR ENDED FE		
	SERIES M	SERIES T	SERIES W
Total Number of Preferred Shares Outstanding	3,600	3,600	3,600
Asset Coverage Per Preferred Share(1)	215%	215%	215%

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Involuntary Liquidating Preference Per Preferred Share	\$25,000	\$25,000	\$25,000
Stated Value Per Preferred Share	\$25,000	\$25,000	\$25,000

(1) Asset Coverage per share means the ratio of the total assets of the Trust to the total number of Preferred Shares outstanding at the end of the period.

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

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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 o