

ING PRIME RATE TRUST
Form POS 8C
April 22, 2010
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As filed with the Securities and Exchange Commission on April 22, 2010

Securities Act File No. 333-161327

Investment Company Act File No. 811-05410

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-2

(Check Appropriate box or boxes)

Registration Statement Under The Securities Act Of 1933 x

Pre-Effective Amendment No. "

Post-Effective Amendment No. 1 x

and/or

Registration Statement Under The Investment Company Act Of 1940 x

Amendment No. 82 x

(Check appropriate box or boxes)

ING PRIME RATE TRUST

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(Exact Name of Registrant Specified in Charter)

7337 E. Doubletree Ranch Road

Scottsdale, AZ 85258

(Address of Principal Executive Offices)

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

Huey P. Falgout, Jr.

ING Investments, LLC

7337 East Doubletree Ranch Road

Scottsdale, AZ 85258

(Name and Address of Agent for Service)

With copies to:

Jeffrey S. Poretz, Esq.

Dechert LLP

1775 I Street, NW

Washington, DC 20006

Approximate Date of Proposed Offering:

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

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

It is proposed that this filing will become effective:

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

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ING PRIME RATE TRUST

(Registrant)

5,000,000 Common Shares

CONTENTS OF REGISTRATION STATEMENT

This Registration Statement consists of the following papers and documents:

- * Cover Sheet

- * Contents of Registration Statement

- * ING Prime Rate Trust 5,000,000 Common Shares Prospectus dated June 30, 2010

- * ING Prime Rate Trust 5,000,000 and 25,000,000 Statement of Additional Information dated June 30, 2010

- * Part C

- * Signature Page

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Prospectus

June 30, 2010

5,000,000 Common Shares

ING Prime Rate Trust

This Prospectus sets forth concisely the information about ING Prime Rate Trust (“Trust”) that a prospective investor ought to know before investing. You should read it carefully before you invest, and keep it for future reference. The Trust has filed with the U.S. Securities and Exchange Commission (“SEC”) a Statement of Additional Information dated June 30, 2010 containing additional information about the Trust. The Statement of Additional Information is incorporated by reference in its entirety into this Prospectus. You may obtain a free copy of the Statement of Additional Information, annual shareholder report and unaudited semi-annual shareholder report by contacting the Trust at (800) 336-3436 or by writing to the Trust at 7337 East Doubletree Ranch Road, Scottsdale, Arizona 85258. The Trust's Statement of Additional Information, annual shareholder report and unaudited semi-annual shareholder report are also available free of charge on the Trust's website at www.ingfunds.com. The Prospectus, Statement of Additional Information and other information about the Trust are also available on the SEC's website (www.sec.gov). The table of contents for the Statement of Additional Information appears in the back of this Prospectus. Common Shares of the Trust trade on the New York Stock Exchange (“NYSE”) under the symbol PPR. Market fluctuations and general economic conditions can adversely affect the Trust. There is no guarantee that the Trust will achieve its investment objective. Investment in the Trust involves certain risks and special considerations, including risks associated with the Trust's use of leverage. See “Risk Factors and Special Considerations” later in this Prospectus for a discussion of any factors that make an investment in the Trust speculative or high risk. Neither the SEC nor any state securities commission has approved or disapproved these securities, or determined that this Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

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These pages contain a description of the Trust, including the Trust's investment objective, principal investment strategies and risks.

You'll also find:

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

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Introduction

Risk is the potential that your investment will lose money or not earn as much as you hope. All mutual funds have varying degrees of risk, depending on the securities in which they invest. Please read this Prospectus carefully to be sure you understand the principal investment strategies and risks associated with the Trust. You should consult the Statement of Additional Information (“SAI”) for a complete list of the investment strategies and risks.

The Trust involves certain risks and special considerations, including risks associated with investing in below investment-grade assets and risks associated with the Trust's use of borrowing and other leverage strategies. See “Risk Factors and Special Considerations” later in this Prospectus.

If you have any questions about the Trust, please call your investment professional or us at 1-800-336-3436.

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

Who should invest in the Trust?

The Trust May be a Suitable Investment if You:

- are seeking a high level of current income; and
- are willing to accept the risks associated with an investment in a leveraged portfolio consisting primarily of senior loans that are typically below investment-grade credit quality.

Description of the Trust

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

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

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

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

If you have any
questions, please
call
1-800-336-3436.
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Prospectus Synopsis

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

DESCRIPTION OF THE TRUST

The Trust	The Trust is a diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended, and the rules, regulations, and exemptive orders thereunder (“1940 Act”). It was organized as a Massachusetts business trust on December 2, 1987. As of June 10, 2010, the Trust's net asset value (“NAV”) per Common Share was \$[].
NYSE Listed	As of June 10, 2010, the Trust had [] Common Shares outstanding, which are traded on the NYSE under the symbol PPR. At that date, the last reported sales price of a Common Share of the Trust was \$[].
Investment Objective	To provide investors with as high a level of current income as is consistent with the preservation of capital. There is no assurance that the Trust will achieve its investment objective.
Adviser/Sub-Adviser	<p>The Trust’s investment adviser is ING Investments, LLC (“ING Investments” or “Adviser”), an Arizona limited liability company. As of March 31, 2010, ING Investments managed approximately \$__ billion in assets.</p> <p>The Adviser is an indirect, wholly-owned subsidiary of ING Groep N.V. (“ING Groep”)(NYSE: ING). ING Groep is a global financial institution of Dutch origin offering banking, investments, life insurance, and retirement services to over 75 million private, corporate, and institutional clients in more than 50 countries. With a diverse workforce of about 125,000 people, ING Groep comprises a broad spectrum of prominent companies that increasingly serve their clients under the ING brand.</p> <p>ING Groep has adopted a formal restructuring plan that was approved by the European Commission in November 2009 under which the ING life insurance businesses, including the retirement services and investment management businesses, which include the Adviser and its affiliates, would be divested by ING Groep by the end of 2013. While there can be no assurance that it will be carried out, the restructuring plan presents certain risks, including uncertainty about the effect on the businesses of the ING entities that service the Trust and potential termination of the Trust's existing advisory agreement, which may trigger the need for shareholder approval of new agreements.</p> <p>The Adviser receives an annual fee, payable monthly, in an amount equal to 0.80% of the Trust's average daily gross asset value, minus the sum of the Trust's accrued and unpaid dividends on any outstanding preferred shares and accrued liabilities (other than liabilities for the principal amount of any borrowings incurred, commercial paper or notes issued by the Trust and the liquidation preference of any outstanding preferred shares) (“Managed Assets”). This definition includes the assets acquired through the Trust's use of leverage.</p> <p>ING Investment Management Co. (“ING IM” or “Sub-Adviser”) serves as sub-adviser to the Trust. See “Investment Management and Other Service Providers — Sub-Adviser” later in this Prospectus. ING IM is an affiliate of the Adviser.</p>

Distributions

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

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Prospectus Synopsis

Principal Investment Strategies	<p>The Trust seeks to achieve its investment objective by investing, under normal market conditions, at least 80% of its net assets (plus borrowings for investment purposes) in U.S. dollar denominated floating rate secured senior loans (“Senior Loans”). The Trust will provide shareholders with at least 60 days' prior notice of any change in this investment policy. Under normal market conditions, the Trust invests at least 80% of its assets in Senior Loans made to corporations or other business entities organized under U.S. or Canadian law and that are domiciled in the United States and in U.S. territories and possessions or Canada.</p> <p>The Senior Loans in which the Trust invests either hold the most senior position in the capital structure of the borrower, hold an equal ranking with other senior debt, or have characteristics that the Adviser or Sub-Adviser believes justify treatment as senior debt. These Senior Loans are typically below investment-grade quality.</p> <p>The Trust typically makes its investments in Senior Loans by purchasing a portion of the overall loan, <i>i.e.</i>, the Trust becomes one of a number of lenders investing in the loan. The Trust may also make its investments in Senior Loans through the use of derivative instruments such as participations, credit-linked notes, credit default swaps, and total return swaps as long as the reference obligation for any such instrument is a Senior Loan. Investments through the use of such derivative instruments involve counterparty risk, <i>i.e.</i>, the risk that the party from which such instrument is purchased will not perform as agreed. The Trust seeks to minimize such counterparty risk by purchasing such investments from large, well established and highly rated counterparties.</p>
Other Investment Strategies and Policies	<p>Assets not invested in Senior Loans may be invested in unsecured loans; subordinated loans; and tranches of floating rate asset-backed securities, including structured notes, short-term debt securities, and equities acquired in connection with investments in loans. See “Investment Objective and Policies” later in this Prospectus.</p> <p>Loans in which the Trust invests typically have multiple reset periods at the same time with each reset period applicable to a designated portfolio of the loan. The maximum duration of an interest rate reset on any loan in which the Trust may invest is one year. In order to achieve overall reset balance, the Trust will ordinarily maintain a dollar-weighted average time until the next interest rate adjustment on its loans of 90 days or less.</p> <p>Normally at least 80% of the Trust's portfolio will be invested in Senior Loans with maturities of one to ten years. The maximum maturity on any loan in which the Trust may invest is ten years. To seek to increase the yield on the Common Shares, the Trust may engage in lending its portfolio securities. Such lending will be fully secured by investment-grade collateral held by an independent agent.</p> <p>The Trust may invest up to 20% of its total assets, measured at the time of investment, in a combination of one or more of the following types of investments: loans to borrowers organized or located in countries outside the United States and outside U.S. territories and possessions or Canada; unsecured floating rate loans, notes and other debt instruments; floating rate subordinated loans; tranches of floating rate asset-backed securities; short-term debt securities; and equity securities incidental to investment in loans. See “Investment Objective and Policies” later in this Prospectus.</p> <p>The Trust may engage in executing repurchase and reverse repurchase agreements.</p>
Leverage	<p>To seek to increase the yield on the Common Shares, the Trust employs financial leverage by borrowing money and may also issue preferred shares. The timing and terms of leverage will be determined by the Trust’s Board of Trustees (“Board”) in consultation with the Adviser or Sub-Adviser. See “Risk Factors and Special Considerations — Leverage” later in this Prospectus.</p>

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Borrowings The Trust may borrow money in an amount permitted under the 1940 Act, including the rules, regulations, interpretations thereunder and any exemptive or other relief provided by the SEC. The Trust's obligations to holders of its debt are senior to its ability to pay dividends on, or repurchase, Common Shares and preferred shares, or to pay holders of Common Shares and preferred shares in the event of liquidation.

If you have any
questions, please call
1-800-336-3436.
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Prospectus Synopsis

Preferred Shares	<p>Under the 1940 Act, the Trust may issue preferred shares so long as immediately after any issuance of preferred shares the value of the Trust's total assets (less all Trust liabilities and indebtedness that is not senior indebtedness) is at least twice the amount of the Trust's senior indebtedness plus the involuntary liquidation preference of all outstanding shares.</p> <p>The Trust is authorized to issue an unlimited number of shares of a class of preferred stock in one or more series. In November 2000, the Trust issued 3,600 shares each of Series M, T, W, Th and F Auction Rate Cumulative Preferred Shares, \$0.01 par value, \$25,000 liquidation preference per share, for a total issuance of \$450 million ("Preferred Shares"). The Trust's obligations to holders of the Preferred Shares are senior to its ability to pay dividends on, or repurchase, Common Shares, or to pay holders of Common Shares in the event of liquidation.</p> <p>The 1940 Act also requires that the holders of the Preferred Shares, voting as a separate class, have the right to:</p> <ul style="list-style-type: none"> elect at least two trustees at all times; and elect a majority of the trustees at any time when dividends on any series of Preferred Shares are unpaid for two full years. <p>In each case, the holders of Common Shares voting separately as a class will elect the remaining trustees.</p> <p>Since early February 2008, the Trust has not received sufficient hold orders or any purchase requests for its Preferred Shares during their weekly auctions that equaled the full amount of such shares. As a result, under the terms of the Preferred Shares, the amounts sold, if any, by each selling shareholder are reduced pro rata or to zero. In addition, the dividend rate on such Preferred Shares, which is normally set by means of a Dutch auction procedure, automatically reset to the maximum rate permitted under the Preferred Shares program. That maximum rate is 150% of the applicable commercial paper base rate on the day of the auction. It is unclear whether the dividend rate for the Preferred Shares will be set by means of an auction again in the future. On June 9, 2008, the Trust announced the approval by the Board of a partial redemption of its outstanding Preferred Shares. The Trust subsequently redeemed approximately \$225 million of the \$450 million of its outstanding Preferred Shares. Additionally, from January 19 through January 25, 2010, as part of an already-announced series of quarterly redemptions, the Trust redeemed \$25 million of the \$225 million of its then outstanding Preferred Shares. The Preferred Shares were redeemed using proceeds available through the Trust's existing bank loan facility and with cash held by the Trust. Redemption costs and the on-going costs of obtaining leverage through a bank loan facility may reduce returns to Common Shares and may be higher than the costs of leverage obtained through the Preferred Shares. The Trust and the Board will continue to closely monitor the situation and evaluate potential options to restore liquidity to and/or provide additional refinancing options for this market in the context of regulatory guidelines, as well as the economic and tax implications for both its Common and Preferred shareholders. There can be no assurance that any means for liquidity will be identified, and if they are, it is possible that the Trust's leverage or its benefits from leverage will diminish.</p>
Diversification	<p>The Trust maintains a diversified investment portfolio through an investment strategy which seeks to limit exposure to any one issuer or industry.</p> <p>As a diversified investment company, the Trust may not make investments in any one issuer (other than the U.S. government) if, immediately after such purchase or acquisition, more than 5% of the value of the Trust's total assets would be invested in such issuer, or the Trust would own more than 25% of any outstanding issue. The Trust will consider a borrower on a loan, including a loan participation, to be the issuer of that loan. In addition, with respect to a loan under which the Trust does not have privity with the borrower or would not have a direct cause of action against the</p>

borrower in the event of the failure of the borrower to make payment of scheduled principal or interest, the Trust will also separately meet the foregoing requirements and consider each interpositioned bank (a lender from which the Trust acquires a loan) to be an issuer of the loan. This investment strategy is a fundamental policy that may not be changed without shareholder approval. With respect to no more than 25% of its total assets, the Trust may make investments that are not subject to the foregoing restrictions.

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Prospectus Synopsis

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

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

Shareholders may elect to participate in the Shareholder Investment Program by telephoning the Trust or submitting a completed Participation Form to PNC Global Investing Servicing (U.S.) Inc. (“PNC”).

Common Shares also may be offered pursuant to privately negotiated transactions between the Trust or the Distributor and individual investors. Common Shares of the Trust issued in connection with privately negotiated transactions will be issued at the greater of: (i) NAV per Common Share of the Trust's Common Shares; or (ii) at a discount ranging from 0% to 5% of the average daily market price of the Trust's Common Shares at the close of business on the two business days preceding the date upon which Common Shares are sold pursuant to the privately negotiated transaction. See “Plan of Distribution” later in this Prospectus.

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

RISK FACTORS AND SPECIAL CONSIDERATIONS

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

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

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

If you have any
questions, please call
1-800-336-3436.
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Prospectus Synopsis

Leverage	The Trust's use of leverage through borrowings or the issuance of preferred shares can adversely affect the yield on the Trust's Common Shares. To the extent that the Trust is unable to invest the proceeds from the use of leverage in assets which pay interest at a rate which exceeds the rate paid on the leverage, the yield on the Trust's Common Shares will decrease. In addition, in the event of a general market decline in the value of assets such as those in which the Trust invests, the effect of that decline will be magnified in the Trust because of the additional assets purchased with the proceeds of the leverage. As of June 10, 2010 the Trust had \$___ million in outstanding borrowings under one credit facility and \$___ million of Preferred Shares (issued and outstanding).
Limited Secondary Market For Loans	Because of the limited secondary market for loans, the Trust may be limited in its ability to sell loans in its portfolio in a timely fashion and/or at a favorable price.
Demand For Loans	An increase in demand for loans may adversely affect the rate of interest payable on new loans acquired by the Trust and it may also increase the price of loans in the secondary market. A decrease in the demand for loans may adversely affect the price of loans in the Trust's portfolio, which could cause the Trust's NAV to decline.
Impact of Shareholder Investment Program and Privately Negotiated Transactions	The issuance of Common Shares through the Shareholder Investment Program and/or through privately negotiated transactions may have an adverse effect on prices in the secondary market for the Trust's Common Shares by increasing the number of Common Shares available for sale. In addition, the Common Shares may be issued at a discount to the market price for such Common Shares, which may put downward pressure on the market price for Common Shares of the Trust.
Investment in Foreign Borrowers	<p>The Trust may invest up to 20% of its total assets, measured at the time of investment, in loans, secured or unsecured, to borrowers that are organized or located in countries outside the United States and outside U.S. territories or possessions or Canada.</p> <p>The Trust may invest up to 15% of its total assets, measured at the time of investment, in investments denominated in the Organization for Economic Co-operation and Development ("OECD") currencies (including the euro), other than the U.S. dollar. The Trust will engage in currency exchange transactions to seek to hedge, as closely as practicable, 100% of the economic impact to the Trust arising from foreign currency fluctuations. The Trust may not be entirely successful in implementing this hedging strategy, resulting in the Trust being adversely affected by foreign currency fluctuations. Investment in foreign borrowers involves special risks, including that foreign borrowers may be subject to:</p> <ul style="list-style-type: none"> less rigorous regulatory, accounting and reporting requirements than U.S. borrowers; differing legal systems and laws relating to creditors' rights; the potential inability to enforce legal judgments; economic adversity that would result if the value of the borrower's non-U.S. dollar denominated revenues and assets were to fall because of fluctuations in currency values; and the potential for political, social and economic adversity in the foreign borrower's country.
Temporary Defensive Positions	When market conditions make it advisable, the Trust may hold a portion of its assets in cash and short-term interest bearing instruments. Moreover, in periods when, in the opinion of the Adviser or Sub-Adviser, a temporary defensive position is appropriate, up to 100% of the Trust's assets may be held in cash and/or short-term interest bearing instruments. The Trust may not achieve its investment objective when pursuing a temporary defensive position.

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What You Pay to Invest - Trust Expenses

The cost you pay to invest in the Trust includes the expenses incurred by the Trust. In accordance with SEC requirements, the table below shows the expenses of the Trust, including interest expense on borrowings, as a percentage of the average net assets of the Trust, and not as a percentage of gross assets or Managed Assets. By showing expenses as a percentage of net assets, expenses are not expressed as a percentage of all of the assets that are invested for the Trust. The Table below assumes that the Trust has issued Preferred Shares and has borrowed an aggregate amount equal to 30% of its Managed Assets. For information about the Trust's expense ratios if the Trust had not borrowed or issued Preferred Shares, see "Risk Factors and Special Considerations — Annual Expenses Without Borrowings or Preferred Shares."

Shareholder Transaction Expenses:

Shareholder Investment Program Fees	NONE
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Privately Negotiated Transactions:

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

Management and Administrative Fees ⁽¹⁾	_____%
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Interest Expense on Borrowed Funds	_____%
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Other Operating Expenses ⁽²⁾	_____%
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Acquired Fund Fees and Expenses ⁽³⁾	_____%
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Total Annual Expenses ⁽⁴⁾	_____%
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- (1) Pursuant to the Investment Advisory Agreement with the Trust, the Adviser is paid a fee of 0.80% of the Trust's Managed Assets. Pursuant to its Administration Agreement with the Trust, the Administrator is paid a fee of 0.25% of the Trust's Managed Assets. See "Investment Management and Other Service Providers — The Administrator."
- (2) Other Operating Expenses are based on estimated amounts for the current fiscal year which, in turn, are based on other operating expenses for the fiscal year ended February 28, 2010, and do not include the expenses of borrowing.
- (3) The Acquired Fund Fees and Expenses are not fees or expenses incurred by the Trust directly. These fees and expenses include the Trust's pro rata share, if any, of the cumulative expenses charged by the Acquired Funds in which the Trust invests. The fees and expenses, if any, will vary based on the Trust's allocation of assets to, and the annualized net expenses of the particular Acquired Funds. The impact of these fees and expenses, if any, is shown in Total Annual Expenses.
- (4) If the expenses of the Trust are calculated based on the Managed Assets of the Trust (assuming that the Trust has used leverage by borrowing an aggregate amount equal to 30% of the Trust's Managed Assets), the Total Annual Expense ratio would be _____%.

Example

The following Example shows the amount of the expenses that an investor in the Trust would bear on a \$1,000 investment that is held for the different time periods in the table. The Example assumes that all dividends and other

distributions are reinvested at NAV and that the percentage amounts listed under Total Annual Expenses in the table above remain the same in the years shown. The table and the assumption in the Example of a 5% annual return are required by regulations of the SEC applicable to all investment companies. The assumed 5% annual return is not a prediction of, and does not represent, the projected or actual performance of the Trust's Common Shares. For more complete descriptions of certain of the Trust's costs and expenses, see "Investment Management and Other Service Providers."

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

	1	3	5	10
	Year	Years	Years	Years

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

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

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

If you have any questions, please call
1-800-336-3436.

What You Pay to Invest - Trust Expenses 7

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Financial Highlights

The table below sets forth selected financial information. The financial information for the most recent five fiscal years has been derived from the financial statements in the Trust's annual shareholder report dated as of February 28, 2010. The information in the table below has been audited by KPMG LLP, an independent registered public accounting firm. A report of the Trust's independent registered public accounting firm along with the Trust's 2010 financial statements, which includes the financial highlights for the most recent five fiscal years, is included in the Trust's annual shareholder report dated as of February 28, 2010. A free copy of the annual shareholder report may be obtained by calling (800) 336-3436.

	Years Ended February 28 or February 29,				
	2010	2009	2008	2007	2006
Per Share Operating Performance					
Net asset value, beginning of year	\$	6.11	7.65	7.59	7.47
Income (loss) from investment operations:					
Net investment income	\$	0.46	0.75	0.71	0.57
Net realized and unrealized gain (loss) on investments, foreign currency related transactions and unfunded commitments	\$	(2.29)	(1.57)	0.06	0.12
Distribution to Preferred Shareholders	\$	(0.06)	(0.16)	(0.16)	(0.11)
Total from investment operations	\$	(1.89)	(0.98)	0.61	0.58
Distributions to Common Shareholders from net investment income	\$	(0.41)	(0.56)	(0.55)	(0.46)
Reduction in net asset value from Preferred Shares offerings	\$	—	—	—	—
Net asset value, end of year	\$	3.81	6.11	7.65	7.59
Closing market price at end of year	\$	3.50	5.64	7.40	7.02
Total Investment Return⁽¹⁾					
Total investment return at closing market price ⁽²⁾	%	(32.03) ^(a)	(17.25)	13.84	(0.82)
Total investment return at net asset value ⁽³⁾	%	(31.93) ^(a)	(13.28)	8.85	8.53
Ratios/Supplemental Data					
Net assets end of year (000's)	\$	552,840	886,976	1,109,539	1,100,671
Preferred Shares-Aggregate amount outstanding (000's)	\$	225,000	450,000	450,000	450,000
Liquidation and market value per share of Preferred Shares	\$	25,000	25,000	25,000	25,000
Asset coverage inclusive of Preferred Shares and debt per share ⁽⁴⁾	\$	70,175	53,125	62,925	55,050

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

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Financial Highlights — (CONTINUED)

	Years Ended February 28 or February 29,				
	2005	2004	2003	2002	2001
Per Share Operating Performance					
Net asset value, beginning of year	\$ 7.34	6.73	7.20	8.09	8.95
Income (loss) from investment operations:					
Net investment income	\$ 0.45	0.46	0.50	0.74	0.88
Net realized and unrealized gain (loss) on investments, foreign currency related transactions and unfunded commitments	\$ 0.16	0.61	(0.47)	(0.89)	(0.78)
Distribution to Preferred Shareholders	\$ (0.05)	(0.04)	(0.05)	(0.11)	(0.06)
Total from investment operations	\$ 0.56	1.07	0.03	(0.15)	0.10
Distributions to Common Shareholders from net investment income	\$ (0.43)	(0.42)	(0.45)	(0.63)	(0.86)
Reduction in net asset value from Preferred Shares offerings	\$ —	—	—	—	(0.04)
Net asset value, end of year	\$ 7.47	7.34	6.73	7.20	8.09
Closing market price at end of year	\$ 7.56	7.84	6.46	6.77	8.12
Total Investment Return⁽¹⁾					
Total investment return at closing market price ⁽²⁾	% 2.04	28.77	2.53	(9.20)	9.10
Total investment return at net asset value ⁽³⁾	% 7.70	15.72	0.44	(3.02)	0.19
Ratios/Supplemental Data					
Net assets end of year (000's)	\$ 1,082,748	1,010,325	922,383	985,982	1,107,432
Preferred Shares-Aggregate amount outstanding (000's)	\$ 450,000	450,000	450,000	450,000	450,000
Liquidation and market value per share of Preferred Shares	\$ 25,000	25,000	25,000	25,000	25,000
Asset coverage inclusive of Preferred Shares and debt per share ⁽⁴⁾	\$ 53,600	62,425	62,375	58,675	53,825
Borrowings at end of year (000's)	\$ 496,000	225,000	167,000	282,000	510,000
Asset coverage per \$1,000 of debt ⁽⁴⁾	\$ 4,090	7,490	9,218	6,092	4,054
Average borrowings (000's)	\$ 414,889	143,194	190,671	365,126	450,197

Ratios to average net assets including Preferred Shares⁽⁵⁾

Expenses (before interest and other fees related to revolving credit facility)	%	1.60	1.45	1.49	1.57	1.62
Net expenses after expense waiver	%	2.21	1.65	1.81	2.54	3.97
Gross expenses prior to expense waiver	%	2.22	1.65	1.81	2.54	3.97
Net investment income	%	4.21	4.57	4.97	6.83	9.28

Ratios to average net assets plus borrowings

Expenses (before interest and other fees related to revolving credit facility)	%	1.63	1.84	1.82	1.66	1.31
Net expenses after expense waiver	%	2.26	2.09	2.23	2.70	3.21
Gross expenses prior to expense waiver	%	2.27	2.09	2.23	2.70	3.21
Net investment income	%	4.32	5.82	6.10	7.24	7.50

Ratios to average net assets

Expenses (before interest and other fees related to revolving credit facility)	%	2.29	2.11	2.19	2.25	1.81
Net expenses after expense waiver	%	3.17	2.40	2.68	3.64	4.45
Gross expenses prior to expense waiver	%	3.18	2.40	2.68	3.64	4.45
Net investment income	%	6.04	6.68	7.33	9.79	10.39
Portfolio turnover rate	%	93	87	48	53	46
Common shares outstanding at end of year (000's)		145,033	137,638	136,973	136,973	136,847

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Financial Highlights — (CONTINUED)

- (1) Total investment return calculations are attributable to common shares.
- (2) Total investment return at market value has been calculated assuming a purchase at market value at the beginning of each period and assumes reinvestment of dividends and capital gain distributions, if any, in accordance with the provisions of the dividend reinvestment plan.
- (3) Total investment return at net asset value has been calculated assuming a purchase at net asset value at the beginning of each period and a sale at net asset value at the end of each period and assumes reinvestment of dividends and capital gain distributions, if any, in accordance with the provisions of the dividend reinvestment plan. This calculation differs from total investment return at market value because it excludes the effects of changes in the market values of the Trust's shares.
- (4) Asset coverage ratios, as presented in previous prospectuses, represented the coverage available for both the borrowings and preferred shares expressed in relation to each \$1,000 of borrowings and preferred shares liquidation value outstanding. The Asset coverage ratio per \$1,000 of debt is now presented to represent the coverage available to each \$1,000 of borrowings before consideration of any preferred shares liquidation, while the Asset coverage inclusive of Preferred shares, presents the coverage available to both borrowings and preferred shares, expressed in relation to the per share liquidation price of the preferred shares. The Preferred Shares were first offered November 2, 2000. Asset coverage, with respect to Preferred Shares, represents the total assets of the Trust, less all liabilities and indebtedness not represented by “senior securities” (i.e. the Trust's Preferred Shares and borrowings described above) in relation to the total amount of Preferred Shares and borrowings outstanding.
- (5) Ratios do not reflect the effect of dividend payments to Preferred Shareholders; income ratios reflect income earned on assets attributable to the Preferred Shares; ratios do not reflect any add-back for the borrowings.
 - (a) There was no impact on total return due to payments by affiliates.

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Trading and NAV Information

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

Calendar Quarter Ended	Price		NAV		Premium/(Discount) To NAV		Reported NYSE Volume
	High	Low	High	Low	High	Low	
March 31, 2008	6.41	5.25	6.92	5.87	(4.33)	(13.08)	38,127,200
June 30, 2008	6.05	5.58	6.53	6.08	(5.02)	(11.33)	22,528,000
September 30, 2008	5.69	4.23	6.44	5.60	(11.65)	(26.31)	28,055,900
December 31, 2008	4.39	2.59	5.56	3.22	3.68	(35.03)	45,017,400
March 31, 2009	3.99	2.98	3.85	3.35	7.14	(17.91)	26,200,000
June 30, 2009							
September 30, 2009							
December 31, 2009							
March 31, 2010							

On June 10, 2010, 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 10, 2010 was \$[]. See "Transaction Policies — Net Asset Value." This represented a []% discount below the 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.

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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 market conditions, at least 80% of the Trust's net assets (plus borrowings for investment purposes) will be invested in Senior Loans. This investment policy may be changed without shareholder approval so long as the Trust provides its shareholders with at least 60 days' prior notice of any changes in this investment policy. Under normal market conditions, the Trust invests at least 80% of its assets in Senior Loans made to corporations or other business entities organized under U.S. or Canadian law and that are domiciled in the United States and in U.S. territories and possessions or Canada.

The Senior Loans in which the Trust invests either hold the most senior position in the capital structure of the borrower, hold an equal ranking with other senior debt, or have characteristics (such as a senior position secured by liens on a borrower's assets) that the Adviser or Sub-Adviser believes justify treatment as senior debt. These Senior Loans are typically below investment-grade credit quality.

The Trust typically makes its investments in Senior Loans by purchasing a portion of the overall loan, *i.e.*, the Trust becomes one of a number of lenders investing in the loan. The Trust may also make its investments in Senior Loans through the use of derivative instruments such as participations, credit-linked notes, credit default swaps and total return swaps as long as the reference obligation for any such instrument is a Senior Loan. Investments through the use of such derivative instruments involve counterparty risk, *i.e.*, the risk that the party from which such instrument is purchased will not perform as agreed. The Trust seeks to minimize such counterparty risk by purchasing such investments only from large, well established and highly rated counter-parties.

2.Other Investments. Under normal market conditions, the Trust may invest up to 20% of its total assets, measured at the time of investment, in a combination of one or more of the following types of investments ("Other Investments"):

- loans to borrowers organized or located in countries outside the United States and outside U.S. territories and possessions or Canada;
- unsecured floating rate loans, notes and other debt instruments;
- floating rate subordinated loans;
- tranches of floating rate asset-backed securities, including structured notes;
- short-term debt securities; and
- equity securities incidental to investments in loans.

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

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

Fundamental Diversification Policies

1. Industry Diversification. The Trust may invest in any industry. The Trust may not invest more than 25% of its total assets, measured at the time of investment, 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 any holders of Preferred Shares and any other preferred shares, voting separately as a class.

Investment Policies

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

1. Limitations on currencies. The Trust's investments must be denominated in U.S. dollars, provided that the Trust may invest up to 15% of its total assets in investments denominated in the OECD currencies (including the euro), other than the U.S. dollar. The Trust will engage in currency exchange transactions to seek to hedge, as closely as practicable, 100% of the economic impact to the Trust arising from foreign currency fluctuations.

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

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

a. Unsecured Debt Instruments. The Trust may not invest in unsecured floating rate loans, notes and other debt

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Investment Objective and Policies instruments, in an aggregate amount that exceeds 20% of the Trust's total assets, measured at the time of investment.

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

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

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

5.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.”

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

Policy on Borrowing

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

The Trust may issue notes, commercial paper, or other evidences of indebtedness and may be required to secure repayment by mortgaging, pledging, or otherwise granting a security interest in the Trust's assets. The terms of any such borrowings will be subject to the provisions of the 1940 Act and they will also be subject to the more restrictive terms of any credit agreements relating to borrowings and, to the extent the Trust seeks a rating for borrowings, to additional guidelines imposed by rating agencies, which are expected to be more restrictive than the provisions of the 1940 Act. The Trust may borrow money in an amount permitted under the 1940 Act, including the rules, regulations, interpretations thereunder and any exemptive or other relief provided by the SEC. See “Risk Factors and Special Considerations — Leverage” and “Risk Factors and Special Considerations — Restrictive Covenants and 1940 Act Restrictions.”

Policy on Issuance of Preferred Shares

The Trust has a policy of issuing preferred shares for investment purposes. The Trust seeks to use the proceeds from preferred shares to acquire loans and other investments which pay interest at a rate higher than the dividends payable on preferred shares. The terms of the issuance of preferred shares are subject to the 1940 Act and to additional guidelines imposed by rating agencies, which are more restrictive than the provisions of the 1940 Act. Under the 1940 Act, the Trust may issue preferred shares so long as immediately after any issuance of preferred shares the value of the Trust's total assets (less all Trust liabilities and indebtedness that is not senior indebtedness) is at least twice the amount of the Trust's senior indebtedness plus the involuntary liquidation preference of all outstanding Preferred Shares. See "Risk Factors and Special Considerations — Leverage." In November 2000, the Trust issued 18,000 Preferred Shares for a total of \$450 million. In July 2008, the Trust redeemed approximately \$225 million of the \$450 million of its outstanding Preferred Shares. Additionally, from January 19 through January 25, 2010, as part of an already-announced series of quarterly redemptions the Trust redeemed \$25 million of the \$225 million of its then outstanding Preferred Shares.

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The Trust's Investments

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

Senior Loan Characteristics

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

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

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

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

Senior Loans typically pay interest at least quarterly at rates which equal a fixed percentage spread over a base rate such as the London Inter-Bank Offered Rate ("LIBOR"). For example, if LIBOR were 3% and the borrower were paying a fixed spread of 2.50%, the total interest rate paid by the borrower would be 5.50%. Base rates, and therefore the total rates paid on Senior Loans, float, *i.e.*, they change as market rates of interest change.

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

Senior Loans generally are arranged through private negotiations between a borrower and several financial institutions represented by an agent who is usually one of the originating lenders. In larger transactions, it is common to have several agents; however, generally only one such agent has primary responsibility for ongoing administration of a Senior Loan. Agents are typically paid fees by the borrower for their services. The agent is primarily responsible for

negotiating the loan agreement which establishes the terms and conditions of the Senior Loan and the rights of the borrower and the lenders. The agent also is responsible for monitoring collateral and for exercising remedies available to the lenders such as foreclosure upon collateral.

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

The Trust acquires Senior Loans from lenders such as commercial and investment banks, insurance companies, finance companies, other investment companies and private investment funds.

Investment by the Trust

The Trust typically invests in Senior Loans primarily by purchasing an assignment of a portion of a Senior Loan from a third party, either in connection with the original loan transaction (*i.e.*, in the primary market) or after the initial loan transaction (*i.e.*, in the secondary market). When the Trust purchases a Senior Loan in the primary market, it may share in a fee paid to the original lender. When the Trust purchases a Senior Loan in the secondary market, it may pay a fee to, or forego a portion of interest payments from, the lender making the assignment. The Trust may also make its investments in Senior Loans through the use of derivative instruments such as participations, credit-linked notes, credit default swaps, and total return swaps as long as the reference obligation for any such instrument is a Senior Loan.

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The Trust's Investments through the use of such derivative instruments involve counter party risk, *i.e.*, the risk that the party from which such instrument is purchased will not perform as agreed. Unlike an assignment as described below, the Trust does not have a direct contractual relationship with the borrower. The Trust seeks to minimize such counter party risk by purchasing such investments only from large, well established and highly rated counter parties.

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

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

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

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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.

Borrowings under the Credit Facility Program

The Trust has a policy of borrowing to acquire income-producing investments which, by their terms, pay interest at a rate higher than the rate the Trust pays on borrowings. Accordingly, borrowing has the potential to increase the Trust's total income. The Trust currently is a party to one credit facility with financial institutions that permit the Trust to borrow up to an aggregate of \$125 million. Interest is payable on the credit facility by the Trust at a variable rate that is tied to either LIBOR, the federal funds rate, or a commercial paper based rate and includes a facility fee on unused commitments. As of June 10, 2010 the Trust had \$___ million in outstanding borrowings. Collectively, the lenders under the credit facility have a security interest in all assets of the Trust.

Under the credit facility, the lenders have the right to liquidate Trust assets in the event of default by the Trust under such credit facility, and the Trust may be prohibited from paying dividends in the event of certain adverse events or conditions respecting the Trust or Adviser or Sub-Adviser until the credit facility is repaid in full or until the event or condition is cured.

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 “Risk Factors and Special Considerations — Credit Risk on Senior Loans.” Changes in market interest rates may also have an impact on the Trust's NAV. See “Risk Factors and Special Considerations — Interest Rate Risk.” Another factor which can affect the Trust's NAV is changes in the pricing obtained for the Trust's assets. See “Transaction Policies — Valuation of the Trust's Assets” later in this Prospectus.

Credit Derivatives

The Trust may enter into credit default swaps, either as a buyer or a seller of the swap. As a buyer of the swap, the Trust pays a fee to protect against the risk that a security held by the Trust will default. As a seller of the swap, the Trust receives payment(s) in return for its obligation to pay the counterparty an agreed upon value of a security in the event of a default of the security issuer. Credit default swaps are largely unregulated and susceptible to liquidity, credit, and counterparty risks.

Credit Risk on Senior Loans

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

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

decline in the NAV of the Trust's Common Shares. See "The Trust's Investments — Investment by the Trust."

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

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

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

Demand for Loans

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

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Risk Factors and Special Considerations the Trust wishes to purchase in the secondary market. A decrease in the demand for loans may adversely affect the price of loans in the Trust's portfolio, which could cause the Trust's NAV to decline.

Derivative Instruments

Derivative instruments are subject to a number of risks, including the risk of changes in the market price of the underlying securities, credit risk with respect to the counterparty, risk of loss due to changes in interest rates and liquidity risk. The use of certain derivatives may also have a leveraging effect which may increase the volatility of the Trust and reduce its returns.

Discount From NAV

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

Equity Securities Incidental to Investment in Loans

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

Impact of Shareholder Investment Program and Privately Negotiated Transactions

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

Interest Rate Risk

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

that changes to the rate of interest paid on the portfolio as a whole will tend to lag behind changes in market rates.

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

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

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

Lending Portfolio Securities

To generate additional income, the Trust may lend portfolio securities, in an amount equal to up to 33 $\frac{1}{3}$ % of the Trust's total assets, to broker-dealers, major banks, or other recognized domestic institutional borrowers of securities. As with other extensions of credit, there are risks of delay in recovery or even

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Risk Factors and Special Considerations 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.

Leverage

The Trust may borrow money in an amount permitted under the 1940 Act, including the rules, regulations, interpretations thereunder and any exemptive or other relief provided by the SEC. The Trust may also issue preferred shares so long as immediately after any issuance of preferred shares the value of the Trust's total assets (less all Trust liabilities and indebtedness that is not senior indebtedness) is at least twice the amount of the Trust's senior indebtedness plus the involuntary liquidation preference of all outstanding shares. In November 2000, the Trust issued 18,000 Preferred Shares for a total of \$450 million. In July 2008, the Trust redeemed approximately \$225 million of the \$450 million of its outstanding Preferred Shares. Additionally, from January 19 through January 25, 2010, as part of an already-announced series of quarterly redemptions the Trust redeemed \$25 million of the \$225 million of its then outstanding Preferred Shares. Borrowings and the issuance of preferred shares are referred to in this Prospectus collectively as "leverage." The Trust may use leverage for investment purposes, to finance the repurchase of its Common Shares, and to meet other cash requirements. The use of leverage for investment purposes increases both investment opportunity and investment risk.

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

To the extent that the Trust is unable to invest the proceeds from the use of leverage in assets which pay interest at a rate which exceeds the rate paid on the leverage, the yield on the Trust's Common Shares will decrease. In addition, in the event of a general market decline in the value of assets such as those in which the Trust invests, the effect of that decline will be magnified in the Trust because of the additional assets purchased with the proceeds of the leverage. The Trust's lenders and Preferred Shareholders will have priority to the Trust's assets over the Trust's Common shareholders.

The Trust currently uses leverage by borrowing money on a floating rate basis and by the issuance of Preferred Shares. The current rate on the borrowings (as of June 10, 2010) is ____%. The current dividend rate on the Preferred Shares (as of June 10, 2010) is ____%.

Since early February 2008, the Trust has not received sufficient hold orders or any purchase requests for its Preferred Shares during their weekly auctions that equaled the full amount of such shares. As a result, under the terms of the Preferred Shares, the amounts sold, if any, by each selling shareholder are reduced pro rata or to zero. In addition, the dividend rate on such Preferred Shares, which is normally set by means of a Dutch auction procedure, automatically reset to the maximum rate permitted under the Preferred Shares program. That maximum rate is 150% of the applicable commercial paper base rate on the day of the auction. It is unclear whether the dividend rate for the Preferred Shares will be set by means of an auction again in the future. On June 9, 2008, the Trust announced the approval by the Board of a partial redemption of its outstanding Preferred Shares. The Trust subsequently redeemed approximately \$225 million of the \$450 million of its outstanding Preferred Shares. Additionally, from January 19 through January 25, 2010, as part of an already-announced series of quarterly redemptions, the Trust redeemed \$25 million of the \$225 million of its then outstanding Preferred Shares. The Preferred Shares were redeemed using proceeds available through the Trust's existing bank loan facility and with cash held by the Trust. Redemption costs and the on-going costs of obtaining leverage through a bank loan facility may reduce returns to Common Shares and

may be higher than the costs of leverage obtained through the Preferred Shares. The Trust and the Board will continue to closely monitor the situation and evaluate potential options to restore liquidity to and/or provide additional refinancing options for this market in the context of regulatory guidelines, as well as the economic and tax implications for both its Common and Preferred shareholders. There can be no assurance that any means for liquidity will be identified, and if they are, it is possible that the Trust's leverage or its benefits from leverage will diminish.

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 and any other preferred shares, may constitute a substantial lien and burden by reason of their prior claim against the income of the Trust and against the net assets of the Trust in liquidation.

The Trust is not permitted to declare dividends or other distributions, including dividends and distributions with respect to Common Shares or Preferred Shares, or to purchase Common Shares or Preferred Shares unless: (i) at the time thereof the Trust meets certain asset coverage requirements; and (ii) there is no event of default under any credit facility program that is continuing. See "Risk Factors and Special Considerations — Restrictive Covenants and 1940 Act Restrictions" later in this Prospectus. 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 or repurchase, Common Shares unless all accrued dividends on the Preferred Shares and all accrued interest on borrowings have been paid or set aside for payment.

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

The Trust is subject to certain restrictions imposed by lenders to the Trust and may be subject to certain restrictions imposed by guidelines of one or more rating agencies which may issue ratings for debt or the Preferred Shares issued by the Trust. These restrictions are expected to 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

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Risk Factors and Special Considerations covenants or guidelines could impede the Adviser or Sub-Adviser from fully managing the Trust's portfolio in accordance with the Trust's investment objective and policies.

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Risk Factors and Special Considerations

Annual Expenses Without Borrowings or Preferred Shares

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

**Annual Expenses Without Borrowings or Preferred Shares
(as a percentage of net assets attributable to Common Shares)**

Management and Administrative Fees ⁽¹⁾	_____%
Other Operating Expenses ⁽²⁾	_____%
Total Annual Expenses	_____%

(1) Pursuant to the Investment Advisory Agreement with the Trust, the Adviser is paid a fee of 0.80% of the Trust's Managed Assets. Pursuant to its Administration Agreement with the Trust, the Administrator is paid a fee of 0.25% of the Trust's Managed Assets. See "Investment Adviser and Other Service Providers — The Administrator."

(2) Other Operating Expenses are based on estimated amounts for the current fiscal year which, in turn, are based on other operating expenses for the fiscal year ended February 28, 2010, and does not include the expenses of borrowing.

Effect of Leverage

The following table is designed to illustrate the effect on return to a holder of the Trust's Common Shares of the leverage created by the Trust's use of borrowing, using the annual interest rate of ___%, assuming the Trust has used leverage by borrowing an aggregate amount equal to 30% 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.

To cover the annual interest and dividends on the borrowings and the Preferred Shares for the current fiscal year (assuming that the current interest and dividend rates remain in effect for the entire fiscal year and assuming that the Trust borrows an amount equal to 25% of its Managed Assets and the current Preferred Shares remain outstanding), the Trust would need to earn 0.10% on its amount of Managed Assets as of June 10, 2010.

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 attributable to Common Shares as of the beginning of the fiscal year to determine the Corresponding Return to Common Shareholders.

Limited Secondary Market for Loans

Although the resale, or secondary, market for loans has grown substantially over the past decade, both in overall size and number of market participants, there is no organized exchange or board of trade on which loans are traded. Instead, the secondary market for loans is a private, unregulated inter-dealer or inter-bank re-sale market.

Loans usually trade in large denominations (typically in \$1 million or larger 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 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. Reliable market value quotations may not be readily available for some loans and valuation of such loans may require more research than for liquid securities. In addition, elements of judgment may play a greater role in valuation of loans than for securities with a more developed secondary market because there is less reliable, objective market value data available. In addition, if the Trust purchases a relatively large portion of a loan

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Risk Factors and Special Considerations to generate extra income sometimes paid to large lenders, the limitations of the secondary market may inhibit the Trust from selling a portion of the loan and reducing its exposure to a borrower when the Adviser or Sub-Adviser deems it advisable to do so.

Non-U.S. and Non-Canadian Issuers

Subject to the aggregate 20% limit on Other Investments, the Trust may invest up to 20% of its total assets in loans, secured or unsecured, to borrowers that are organized or located in countries outside the United States and outside U.S. territories and possessions or Canada. Investment in non-U.S. entities involves special risks, including that non-U.S. entities may be subject to less rigorous accounting and reporting requirements than U.S. entities, less rigorous regulatory requirements, differing legal systems and laws relating to creditors' rights, the potential inability to enforce legal judgments, fluctuations in currency values and the potential for political, social and economic adversity. The Trust may invest up to 15% of its total assets in investments denominated in OECD currencies (including the euro), other than the U.S. dollar.

The Trust will engage in currency exchange transactions to seek to hedge, as closely as practicable, 100% of the economic impact to the Trust arising from foreign currency fluctuations.

Prepayment or Call Risk

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

Ranking of Senior Indebtedness

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

Restrictive Covenants and 1940 Act Restrictions

The credit agreements governing the credit facility program ("Credit Agreements") include usual and customary covenants for this type of transaction, including limits on the Trust's ability to: (i) issue preferred shares; (ii) incur liens or pledge portfolio securities; (iii) change its investment objective or fundamental investment restrictions without the approval of lenders; (iv) make changes in any of its business objectives, purposes or operations that could result in a material adverse effect; (v) make any changes in its capital structure; (vi) amend the Trust documents in a manner which could adversely affect the rights, interests or obligations of any of the lenders; (vii) engage in any business other than the businesses currently engaged in; (viii) create, incur, assume or permit to exist certain debt except for certain specified types of debt; and (ix) permit any of its Employee Retirement Security Act ("ERISA") affiliates to cause or permit to occur an event that could result in the imposition of a lien under the Internal Revenue Code of 1986 or ERISA. In addition, the Credit Agreements do not permit the Trust's asset coverage ratio (as defined in the Credit Agreements) to fall below 300% at any time ("Credit Agreement Asset Coverage Test").

Under the requirements of the 1940 Act, the Trust must have asset coverage of at least 300% immediately after any borrowing under a 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 Preferred Shares: (i) at any time that an event of default under the credit agreement has occurred and is continuing; or (ii) if, after giving effect to such declaration, the Trust would not meet the Credit Agreement Asset Coverage Test set forth in the Credit Agreements.

Short-Term Debt Securities

Subject to the aggregate 20% limit on Other Investments, the Trust may invest in short-term debt securities. Short-term debt securities are subject to the risk of the issuer's inability to meet principal and interest payments on the obligation and also may be subject to price volatility due to such factors as interest rates, market perception of the creditworthiness of the issuer, and general market liquidity. Because short-term debt securities typically pay interest at a fixed-rate, when interest rates decline, the value of the Trust's short-term debt securities can be expected to rise, and when interest rates rise, the value of those securities can be expected to decline.

Unsecured Debt Instruments and Subordinated Loans

Subject to the aggregate 20% limit on Other Investments, the Trust may invest up to 20% of its total assets in unsecured floating rate loans, notes and other debt instruments and 5% of its total assets in floating rate subordinated loans. Unsecured loans and subordinated loans share the same credit risks as those discussed 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.

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Net Asset Value

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

Valuation of the Trust’s Assets

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

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

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

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

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

- the nature, adequacy and value of the collateral, including the Trust's rights, remedies and interests with respect to the collateral;
- the creditworthiness of the borrower and the cash flow coverage of outstanding principal and interest, based on an evaluation of its financial condition, financial statements and information about the borrower's business, cash flows, capital structure and future prospects;
- information relating to the market for the loan, including price quotations for, and trading in, the loan and interests in similar loans and the market environment and investor attitudes toward the loan and interests in similar loans;
- the reputation and financial condition of the agent of the loan and any intermediate participants in the loans;
- the borrower's management; and
- the general economic and market conditions affecting the fair value of the loan.

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

Account Access

Unless your Common Shares are held through a third-party fiduciary or in an omnibus registration at your bank or brokerage firm, you may be able to access your account information over the internet at www.ingfunds.com, or via a touch tone telephone by calling (800) 336-3436. Should you wish to speak with a Shareholder Services Representative, you may call the toll-free number listed above and select Option 2.

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questions, please call
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Transaction Policies Privacy Policy

The Trust has adopted a policy concerning investor privacy. To review the privacy policy, contact a Shareholder Services Representative at (800) 336-3436, obtain a policy over the Internet at www.ingfunds.com, or see the privacy promise that accompanies this Prospectus.

Householding

To reduce expenses, we may mail only one copy of the Trust's Prospectus and each annual and semi-annual shareholder report to those addresses shared by two or more accounts. If you wish to receive individual copies of these documents, please call a Shareholder Services Representative at (800) 336-3436 or speak to your investment professional. We will begin sending you individual copies 30 days after receiving your request.

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Investment Management and Other Service Providers

The business and affairs of the Trust, including supervision of the duties performed by the Trust's Adviser and Sub-Adviser, are managed under the direction of the Board. The names and business addresses of the Trustees and Officers of the Trust and their principal occupations and other affiliations during the past five years are set forth under "Management of the Trust " in the SAI.

ADVISER

ING Investments, an Arizona limited liability company, serves as the Adviser to the Trust. ING Investments has overall responsibility for the management of the Trust. ING Investments oversees all investment advisory and portfolio management services for the Trust.

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

ING Investments is registered with the SEC as an investment adviser. ING Investments is an indirect, wholly-owned subsidiary of ING Groep (NYSE: ING). ING Groep is a global financial institution of Dutch origin offering banking, investments, life insurance and retirement services to over 75 million private, corporate and institutional clients in more than 50 countries. With a diverse workforce of about 125,000 people, ING Groep comprises a broad spectrum of prominent companies that increasingly serve their clients under the ING brand. ING Investments became an investment management firm in April, 1995.

ING Groep has adopted a formal restructuring plan that was approved by the European Commission in November 2009 under which the ING life insurance businesses, including the retirement services and investment management businesses, which include the Adviser and its affiliates, would be divested by ING Groep by the end of 2013. While there can be no assurance that it will be carried out, the restructuring plan presents certain risks, including uncertainty about the effect on the businesses of the ING entities that service the Trust and potential termination of the Trust's existing advisory agreement, which may trigger the need for shareholder approval of new agreements.

The principal office of ING Investments is located at 7337 East Doubletree Ranch Road, Scottsdale, Arizona 85258.

As of March 31, 2010, ING Investments managed approximately \$__ billion in assets.

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

For information regarding the basis for the Board's approval of the investment advisory and investment sub-advisory relationships, please refer to the Trust's annual shareholder report dated February 28, 2010.

SUB-ADVISER

ING Investments has engaged a sub-adviser to provide the day-to-day management of the Trust's portfolio. The sub-adviser is an affiliate of ING Investments. ING Investments is responsible for monitoring the investment program and performance of the sub-adviser. Under the terms of the sub-advisory agreement, the agreement can be terminated by either ING Investments or the Board. In the event the sub-advisory agreement is terminated, the sub-adviser may

be replaced subject to any regulatory requirements or ING Investments may assume day-to-day investment management of the Trust.

ING Investment Management Co.

ING IM, a Connecticut corporation, serves as the Sub-Adviser to the Trust. ING IM is responsible for managing the assets of the Trust in accordance with the Trust's investment objective and policies, subject to oversight by ING Investments and the Trust's Board.

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

The principal office of ING IM is located at 230 Park Avenue, New York, New York, 10169.

As of March 31, 2010, ING IM managed approximately \$___ billion in assets.

For its services, ING IM is entitled to receive a sub-advisory fee of 0.3600%, expressed as an annual rate based on the Managed Assets of the Trust. This sub-advisory fee is paid by ING Investments, not by the Trust.

Portfolio Management. The following individuals jointly share responsibility for the day-to-day management of the Trust's portfolio and have co-managed the Trust since 2000.

Jeffrey A. Bakalar, Senior Vice President and Group Head of the ING IM Senior Loan Group, since November 1999. Mr. Bakalar also serves as Senior Vice President of ING Prime Rate Trust and ING Senior Income Fund, both closed-end funds sub-advised by ING IM that invest primarily in Senior Loans.

Daniel A. Norman, Senior Vice President and Group Head of the ING IM Senior Loan Group, since November 1999. Mr. Norman also serves as Senior Vice President of ING Prime Rate Trust and ING Senior Income Fund, both closed-end funds sub-advised by ING IM that invest primarily in Senior Loans.

If you have any questions, please call 1-800-336-3436.
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Investment Management and Other Service Providers Additional Information Regarding the Portfolio Managers

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

The Administrator

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

Under an administration agreement between the Administrator and the Trust ("Administration Agreement"), the Administrator administers the Trust's corporate affairs subject to the supervision of the Trust's Board. In that connection, the Administrator monitors the provisions of the Senior Loan agreements and any agreements with respect to interests in Senior Loans and is responsible for recordkeeping with respect to the Senior Loans in the Trust's repurchase offers portfolio. The Administrator also furnishes the Trust with office facilities and furnishes executive personnel together with clerical and certain recordkeeping and administrative services necessary to administer the Trust. These services include preparation of annual and other reports to shareholders and to the SEC. The Administrator also handles the filing of federal, state and local income tax returns not being furnished by the Custodian or Transfer Agent (as defined herein). The Administration Agreement also requires the Administrator to assist in managing and supervising all aspects of the general day-to-day business activities and operations of the Trust, including custodial, transfer agency, dividend disbursing, accounting, auditing, compliance and related services. The Administrator has authorized all of its officers and employees who have been elected as officers of the Trust to serve in such capacities. All services furnished by the Administrator under the Administration Agreement may be furnished by such officers or employees of the Administrator.

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

Transfer Agent, Dividend Disbursing Agent and Registrar

The transfer agent, dividend disbursing agent and registrar for the Common Shares is PNC Global Investing Servicing (U.S.) Inc. ("PNC"), whose principal business address is 301 Bellevue Parkway, Wilmington, Delaware 19809.

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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Dividends and Distributions

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

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

Dividend Reinvestment. Unless you instruct the Trust to pay you dividends in cash, dividends and distributions paid by the Trust will be reinvested in additional Common Shares of the Trust. You may request to receive dividends in cash at any time by giving PNC written notice or by contacting the ING's Shareholder Services Department at (800) 336-3436.

If you have any questions,
please call 1-800-336-3436.
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Shareholder Investment Program

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

Common Shares are offered by the Trust through the Program. The Program allows participating shareholders to reinvest all dividends (“Dividends”) in additional Common Shares of the Trust and also allows participants to purchase additional Common Shares through optional cash investments in amounts ranging from a minimum of \$100 to a maximum of \$100,000 per month.

The Trust and the Distributor reserve the right to reject any purchase order. Please note that cash, traveler's checks, third-party checks, money orders and checks drawn on non-U.S. banks (even if payment may be effected through a U.S. bank) generally will not be accepted.

Common Shares will be issued by the Trust under the Program when the Trust's Common Shares are trading at a premium to NAV. If the Trust's Common Shares are trading at a discount to NAV, Common Shares issued under the Program will be purchased on the open market. Common Shares issued under the Program directly from the Trust will be acquired at the greater of: (i) NAV at the close of business on the day preceding the relevant investment date; or (ii) the average of the daily market price of the Common Shares during the pricing period minus a discount of 5% for reinvested Dividends and 0% to 5% for optional cash investments. Common Shares issued under the Program, when shares are trading at a discount to NAV, will be purchased in the market by PNC at market price. Shares issued by the Trust under the Program will be issued without a fee or a commission.

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

In order for participants to purchase shares through the Program in any month, the Program administrator must receive from the participant any optional cash investment by the relevant investment date. The relevant investment date will be set in advance by the Trust, upon which optional cash investments are first applied by PNC to the purchase of Common Shares. Participants may obtain a schedule of relevant dates, including investments dates, the dates by which optional cash investment payments must be received and the dates in which shares will be paid, by calling ING's Shareholder Services Department at (800) 336-3436.

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

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

Currently, persons who are not shareholders of the Trust may not participate in the Program. The Board may elect to change this policy at a future date and permit non-shareholders to participate in the Program. Shareholders may request to receive their Dividends in cash at any time by giving PNC written notice or by contacting ING's Shareholder Services Department at (800) 336-3436. Shareholders may elect to close their account at any time by giving PNC 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 PNC as agent of the Program and paid for by check when actually sold.

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

Additional information about the Program may be obtained by contacting ING's Shareholder Services Department at (800) 336-3436.

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Plan of Distribution Privately Negotiated Transactions

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

Common Shares issued by the Trust in connection with privately negotiated transactions will be issued at the greater of: (i) NAV per Common Share of the Trust's Common Shares; or (ii) at a discount ranging from 0% to 5% of the average of the daily market price of the Trust's Common Shares at the close of business on the two business days preceding the date upon which Common Shares are sold pursuant to the privately negotiated transaction. The discount to apply to such privately negotiated transactions will be determined by the Trust with regard to each specific transaction. The Trust will not pay any commissions with regard to privately negotiated transactions, but an investor may be subject to a front end sales load of up to 3% paid to or retained by a third party broker-dealer through which such transaction may be effected.

Use of Proceeds

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

As of June 10, 2010, the Trust had \$___ million in outstanding borrowings under one credit facility. 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.

If you have any
questions, please call
1-800-336-3436.
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Description of the Trust

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

The Declaration of Trust provides that the Trustees of the Trust may authorize separate classes of shares of beneficial interest. The Trustees have authorized an unlimited number of shares of beneficial interest, without par value, all of which were initially classified as Common Shares. The Declaration of Trust also authorizes the creation of an unlimited number of shares of beneficial interest with preference rights, including preferred shares, without par value, in one or more series, with rights as determined by the Board, by action of the Board without the approval of the shareholders. The following table shows the number of: (i) shares authorized; (ii) shares held by the Trust for its own account; and (iii) shares outstanding, for each class of authorized securities of the Trust as of June 10, 2010.

Title of Class	Number Authorized	Number Held By	
		the Trust for its Own Account	Number Outstanding
[Common Shares	unlimited	0	[]
Preferred Shares, Series M	3,600	0	1,800
Preferred Shares, Series T	3,600	0	1,800
Preferred Shares, Series W	3,600	0	1,800
Preferred Shares, Series Th	3,600	0	1,800
Preferred Shares, Series F	3,600	0	1,800]

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

The Trust is responsible for paying the following expenses, among others: the fees payable to the Adviser; the fees payable to the Administrator; the fees and certain expenses of the Trust's custodian and transfer agent, including the cost of providing records to the Administrator in connection with its obligation of maintaining required records of the Trust; the charges and expenses of the Trust's legal counsel, legal counsel to the Trustees who are not “interested persons” of the Trust, as defined in the 1940 Act and independent accountants; commissions and any issue or transfer

taxes chargeable to the Trust in connection with its transactions; all taxes and corporate fees payable by the Trust to governmental agencies; the fees of any trade association of which the Trust is a member; the costs of share certificates representing Common Shares of the Trust; organizational and offering expenses of the Trust and the fees and expenses involved in registering and maintaining registration of the Trust and its Common Shares with the SEC, including the preparation and printing of the Trust's registration statement and prospectuses for such purposes; allocable communications expenses with respect to investor services, and all expenses of shareholders' and Trustees' meetings and of preparing, printing and mailing reports, proxy statements and prospectuses to shareholders; fees for independent loan pricing services; the cost of insurance; and litigation and indemnification expenses and extraordinary expenses not incurred in the ordinary course of the Trust's business.

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

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

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

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

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

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

Conversion to Open-End Fund

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

Repurchase of Common Shares

In recognition of the possibility that the Trust's Common Shares may trade at a discount to their NAV, the Trust may, from time to time, take action to attempt to reduce or eliminate a market value discount from NAV by repurchasing its Common Shares in the open market or by tendering its Common Shares at NAV. So long as any Preferred Shares are outstanding, the Trust may not purchase, redeem or otherwise acquire any Common Shares unless: (i) 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 (ii) at the time of such purchase, redemption or acquisition, asset coverage requirements set forth in the Declaration of Trust and the Trust's Certificate of Designation for Preferred Shares are met. Repurchases of Common Shares may result in the Trust being required to redeem Preferred Shares to satisfy asset coverage requirements.

Fundamental and Non-Fundamental Policies of the Trust

The investment objective of the Trust, certain policies of the Trust specified herein as fundamental and the investment restrictions of the Trust described in the SAI are fundamental policies of the Trust and may not be changed without a majority vote of the shareholders of the Trust. The term majority vote means the affirmative vote of: (i) more than 50% of the outstanding shares of the Trust; or (ii) 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.

If you have any questions,
please call 1-800-336-3436.
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Description of the Capital Structure

Common Shares

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

Whenever preferred shares are outstanding, holders of Common Shares will not be entitled to receive any distributions from the Trust, unless at the time of such declaration: (i) all accrued dividends on preferred shares or accrued interest on borrowings have been paid; and (ii) 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 would be required to comply with other asset coverage requirements as a condition of the Trust obtaining a rating of the preferred shares from a rating agency. These requirements include asset coverage tests more stringent than under the 1940 Act. See "Preferred Shares."

Borrowings

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

Preferred Shares

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

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

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

The Preferred Shares would 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 would 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.

Since early February 2008, the Trust has not received sufficient hold orders or any purchase requests for its Preferred Shares during their weekly auctions that equaled the full amount of such shares. As a result, under the terms of the Preferred Shares, the amounts sold, if any, by each selling shareholder are reduced pro rata or to zero. In addition, the dividend rate on such Preferred Shares, which is normally set by means of a Dutch auction procedure, automatically reset to the maximum rate permitted under the Preferred Shares program. That maximum rate is 150% of the applicable commercial paper base rate on the day of the auction. It is unclear whether the dividend rate for the Preferred Shares will be set by means of an auction again in the future. On June 9, 2008, the Trust announced the approval by the Board of a partial redemption of its outstanding Preferred Shares. The Trust subsequently redeemed approximately \$225 million of the \$450 million of its outstanding Preferred Shares. Additionally, from January 19 through January 25, 2010, as part of an already-announced series of quarterly redemptions, the Trust redeemed \$25 million of the \$225 million of its then outstanding Preferred Shares. The Preferred Shares were redeemed using proceeds available through the Trust's existing bank loan facility and with cash held by the Trust. Redemption costs and the on-going costs of obtaining leverage through a bank loan facility may reduce returns to Common Shares and may be higher than the costs of leverage obtained through the Preferred Shares. The Trust and the Board will continue to closely monitor the situation and evaluate potential options to restore liquidity to and/or provide additional refinancing options for this market in the context of regulatory guidelines, as well as the

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Description of the Capital Structure economic and tax implications for both its Common and Preferred shareholders. There can be no assurance that any means for liquidity will be identified, and if they are, it is possible that the Trust's leverage or its benefits from leverage will diminish.

If you have any questions, please call
1-800-336-3436.

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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 stocks of the Trust. However, it is possible that the IRS might take a contrary position asserting, for example, that the Preferred Shares constitute debt of the Trust. The discussion below assumes that the Preferred Shares are stocks.

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

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

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

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

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

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

As with all investment companies, the Trust may be required to withhold U.S. federal income tax at the current rate of 28% (currently scheduled to increase to 31% after 2010) of all taxable distributions payable to a shareholder if the shareholder fails to provide the Trust with his or her correct taxpayer identification number or to make required certifications, or if the shareholder has been notified by the IRS that he or she is subject to backup withholding. Backup withholding is not an additional tax; rather, it is a way in which the IRS ensures it will collect taxes otherwise due. Any amounts withheld may be credited against a shareholder's U.S. federal income tax liability.

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More Information

Distribution Arrangements

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

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

Legal Matters

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

Independent Registered Public Accounting Firm

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

Registration Statement

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

If you have any
questions, please call
1-800-336-3436.
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Statement of Additional Information

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ING Prime Rate Trust

7337 East Doubletree Ranch Road
Scottsdale, Arizona 85258
(800) 336-3436

5,000,000 Common Shares of Beneficial Interest

Trust ADVISORS AND AGENTS

Adviser

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

Sub-Adviser

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

Administrator

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

Custodian

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

Independent Registered Public Accounting Firm

KPMG LLP
99 High Street
Boston, MA 02110

Distributor

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

Transfer Agent

PNC Global Investing Servicing (U.S.) Inc.
301 Bellevue Parkway

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Wilmington, DE 19809

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Washington DC 20006

Institutional Investors and Analysts

Call ING Prime Rate Trust
(800) 336-3436

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

**When contacting the SEC, you will want to refer to the Trust's SEC file number. The file number is as follows:
1940 Act File No. 811-05410**

PRPRO-UPRT5M

(0610-063010)

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STATEMENT OF ADDITIONAL INFORMATION

June 30, 2010

ING Prime Rate Trust

7337 East Doubletree Ranch Road

Scottsdale, Arizona 85258-2034

(800) 336-3436

ING Prime Rate Trust (Trust) is a diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended (1940 Act). The Trust 's investment objective is to provide investors with as high a level of current income as is consistent with the preservation of capital. There is no assurance that the Trust will achieve its investment objective. The Trust is managed by ING Investments, LLC (ING Investments or Adviser) and sub-advised by ING Investment Management Co. (ING IM or Sub-Adviser).

This Statement of Additional Information (SAI) does not constitute a prospectus, but should be read in conjunction with the Prospectuses relating thereto dated June 30, 2010, copies of which may be obtained without charge from the Trust at the address and phone number listed above. This SAI does not include all the information that a prospective investor should consider before purchasing Common Shares in this offering, and investors should obtain and read the Prospectuses prior to purchasing such shares. In addition, the Trust 's financial statements and the independent registered public accounting firm 's report thereon included in the annual shareholder report dated February 28, 2010, are incorporated herein by reference. Copies of the Prospectuses may be obtained without charge by contacting the Trust at the address and phone number written above.

The Prospectuses and SAI omit certain information contained in the registration statement filed with the U.S. Securities and Exchange Commission (SEC). The registration statement may be obtained from the SEC upon payment of the fee prescribed, or inspected at the SEC 's office for no charge. The registration statement is also available on the SEC 's website (www.sec.gov). Capitalized terms used in this SAI have the same meaning as in the Prospectuses and some additional terms are defined particularly for this SAI.

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CHANGE OF NAME

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

INVESTMENT OBJECTIVE

The Trust's investment objective is to obtain as high a level of current income as is consistent with the preservation of capital. The Trust seeks to achieve its investment objective by investing under normal market conditions at least 80% of its net assets (plus borrowings for investment purposes) in U.S. dollar-denominated floating rate secured senior loans (Senior Loans). Under normal market conditions, the Trust invests at least 80% of its assets in Senior Loans made to corporations or other business entities organized under U.S. or Canadian law and that are domiciled in the United States and in U.S. territories and possessions or Canada.

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

The Trust may also invest up to 20% of its total assets, measured at the time of investment, in a combination of one or more of the following types of investments: loans to borrowers outside the United States and in U.S. territories and possessions or Canada, unsecured floating rate loans, notes and other debt securities, floating rate subordinated loans, tranches of floating rate asset-backed securities, including structured notes, short-term debt instruments equity securities acquired in connection with investments in loans and other instruments as described under Additional Information About Investments and Investment Techniques. During periods when, in the opinion of the Trust's Adviser or Sub-Adviser, a temporary defensive posture in the market is appropriate, the Trust may hold up to 100% of its assets in cash and/or in short-term debt instruments.

INVESTMENT RESTRICTIONS

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

The Trust will not:

1. issue senior securities, except insofar as the Trust may be deemed to have issued a senior security by reason of: (i) entering into certain interest rate hedging transactions; (ii) entering into reverse repurchase agreements; (iii) borrowing money in an amount permitted under the 1940 Act, including the rules, regulations, interpretations thereunder, and any exemptive relief provided by the SEC; or (iv) issuing a class or classes of preferred shares in an amount not exceeding 50%, or such other percentage permitted by law, of the Trust's total assets less all liabilities and indebtedness not represented by senior securities;
2. invest more than 25% of its total assets in any industry;
3. invest in marketable warrants other than those acquired in conjunction with Senior Loans and such warrants will not constitute more than 5% of its assets;
4. make investments in any one issuer other than U.S. government securities if, immediately after

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such purchase or acquisition, more than 5% of the value of the Trust's total assets would be invested in such issuer, or the Trust would own more than 25% of any outstanding issue, except that up to 25% of the Trust's total assets may be invested without regard to the foregoing restrictions. For the purpose of the foregoing restriction, the Trust will consider the borrower of a Senior Loan to be the issuer of such Senior Loan. In addition, with respect to a Senior Loan under which the Trust does not have privity with the borrower or would not have a direct cause of action against the borrower in the event of the failure of the borrower to pay scheduled principal or interest, the Trust will also separately meet the foregoing requirements and consider each interpositioned bank (a lender from which the Trust acquires a Senior Loan) to be an issuer of the Senior Loan;

5. act as an underwriter of securities, except to the extent that it may be deemed to act as an underwriter in certain cases when disposing of its portfolio investments or acting as an agent or one of a group of co-agents in originating Senior Loans;
6. purchase or sell equity securities (except that the Trust may, incidental to the purchase or ownership of an interest in a Senior Loan, or as part of a borrower reorganization, acquire, sell and exercise warrants and/or acquire or sell other equity securities), real estate, real estate mortgage loans, commodities, commodity futures contracts, or oil or gas exploration or development programs; or sell short, purchase or sell straddles, spreads, or combinations thereof, or write put or call options;
7. make loans of money or property to any person, except that the Trust: (i) may make loans to corporations or other business entities, or enter into leases or other arrangements that have the characteristics of a loan; (ii) may lend portfolio instruments; and (iii) may acquire securities subject to repurchase agreements;
8. purchase shares of other investment companies, except in connection with a merger, consolidation, acquisition or reorganization; or
9. make investments on margin or hypothecate, mortgage or pledge any of its assets except for the purpose of securing borrowings as described above in connection with the issuance of senior securities and then only in an amount up to $33\frac{1}{3}\%$ (50% in the case of the issuance of a preferred class of shares), or such other percentage permitted by law, of the value of the Trust's total assets (including, with respect to borrowings, the amount borrowed) less all liabilities other than borrowings (or, in the case of the issuance of senior securities, less all liabilities and indebtedness not represented by senior securities).

With regard to paragraph number 2 above, the Trust will consider the borrower on a loan, including a loan participation, to be the issuer of that loan. In addition, with respect to a loan under which the Trust does not have privity with the borrower or would not have a direct cause of action against the borrower in the event of the failure of the borrower to pay scheduled principal or interest, the Trust will also consider each interpositioned bank (a lender from which the Trust acquires a loan) to be an issuer of the loan.

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

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

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

ADDITIONAL INFORMATION ABOUT INVESTMENTS AND INVESTMENT TECHNIQUES

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

Derivatives

Generally, derivatives can be characterized as financial instruments whose value is derived, at least in part, from the value of an underlying asset or assets. Types of derivatives include options, futures contracts, options on futures and forward contracts. Derivative instruments may be used for a variety of reasons, including enhancing return, hedging certain market risks, or providing a substitute for purchasing or selling particular securities. Derivatives may provide a cheaper, quicker or more specifically focused way for the Trust to invest than traditional securities would.

Derivatives can be volatile and involve various types and degrees of risk, depending upon the characteristics of the particular derivative and the portfolio as a whole. Derivatives permit the Trust to increase or decrease the level of risk, or change the character of the risk, to which its portfolio is exposed in much the same way as the Trust can increase or decrease the level of risk, or change the character of the risk, of its portfolio by making investments in specific securities.

Derivatives may be purchased on established exchanges or through privately negotiated transactions referred to as over-the-counter derivatives. Exchange-traded derivatives generally are guaranteed by the clearing agency, which is the issuer or counterparty to such derivatives. This guarantee usually is supported by a daily payment system (i.e., margin requirements) operated by the clearing agency in order to reduce overall credit risk. As a result, unless the clearing agency defaults, there is relatively little counterparty credit risk associated with derivatives purchased on an exchange. By contrast, no clearing agency guarantees over-the-counter derivatives. Therefore, each party to an over-the-counter derivative bears the risk that the counterparty will default. Accordingly, the Trust will consider the creditworthiness of counterparties to over-the-counter derivatives in the same manner as they would review the credit quality of a security to be purchased by the Trust. Over-the-counter derivatives are less liquid than exchange-traded derivatives since the other party to the transaction may be the only investor with sufficient understanding of the derivative to be interested in bidding for it.

Equity Securities

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

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Interest Rates and Portfolio Maturity

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

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

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

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

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

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

Finally, to the extent that changes in market rates of interest are reflected, not in a change to a base rate such as

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LIBOR, but in a change in the spread over the base rate which is payable on loans of the type and quality in which the Trust invests, the Trust's NAV could be adversely affected. Again, this is because the value of a loan asset in the Trust is partially a function of whether it is paying what the market perceives to be a market rate of interest for the particular loan given its individual credit and other characteristics. However, unlike changes in market rates of interest for which there is only a temporary lag before the portfolio reflects those changes, changes in a loan's value based on changes in the market spread on loans in the Trust's portfolio may be of longer duration.

Interest Rate Hedging Transactions

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

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

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

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

The swap, cap and floor market has grown substantially in recent years with a large number of banks and financial services firms acting both as principals and as agents utilizing standardized swap documentation. As a result, this market has become relatively liquid. There can be no assurance; however, that the Trust will be

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able to enter into interest rate swaps or to purchase interest rate caps or floors at prices or on terms the Adviser or Sub-Adviser believes are advantageous to the Trust. In addition, although the terms of interest rate swaps, caps and floors may provide for termination, there can be no assurance that the Trust will be able to terminate an interest rate swap or to sell or offset interest rate caps or floors that it has purchased.

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

Lease Participations

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

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

The Office of the Comptroller of the Currency has established regulations which set forth circumstances under which national banks may engage in lease financings. Among other things, the regulation requires that a lease be a net-full payout lease representing the noncancelable obligation of the lessee and that the bank make certain determinations with respect to any estimated residual value of leased property relied upon by the bank to yield a full return on the lease. The Trust may invest in lease financings only if the Lease Participation meets these banking law requirements.

Lending Loan Interests and Other Portfolio Instruments

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

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

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The Trust may lend its portfolio instruments so long as the terms and the structure of such loans are not inconsistent with the requirements of the 1940 Act, which currently require that: (a) the borrower pledge and maintain with the Trust collateral consisting of cash, a letter of credit issued by a domestic U.S. bank, or securities issued or guaranteed by the U.S. government having a value at all times not less than 100% of the value of the instruments loaned; (b) the borrowers add to such collateral whenever the price of the instruments loaned rises (*i.e.*, the value of the loan is marked-to-market on a daily basis); (c) the loan be made subject to termination by the Trust at any time; and (d) the Trust receives reasonable interest on the loan (which may include the Trust's investing any cash collateral in interest bearing short-term investments), any distributions on the loaned instruments and increase in their market value. The Trust may lend its portfolio instruments to member banks of the Federal Reserve System, members of the NYSE or other entities determined by the Adviser or Sub-Adviser to be creditworthy. All relevant facts and circumstances, including the creditworthiness of the qualified institution, will be monitored by the Adviser or Sub-Adviser, and will be considered in making decisions with respect to the lending of portfolio instruments.

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

Originating Senior Loans Reliance on Agents

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

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

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

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

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

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

Other Investment Companies

An investment company is a company engaged in the business of pooling investors' money and trading in securities for them. Examples include face-amount certificate companies, unit investment trusts and management companies. When the Trust invests in other investment companies, shareholders of the Trust bear their proportionate share of the underlying investment companies' fees and expenses.

The Trust may invest in other investment companies to the extent permitted under the 1940 Act and the rules, regulations, and exemptive orders thereunder. For so long as shares of the Trust are purchased by another fund in reliance on Section 12(d)(1)(G) of the 1940 Act, the Trust will not purchase securities of a registered open-end investment company or registered unit investment trust in reliance on Section 12(d)(1)(F) or Section 12(d)(1)(G) of the 1940 Act.

There are some potential disadvantages associated with investing in other investment companies. In addition to the advisory and operational fees, the Trust bears directly in connection with its own operation, the Trust would also bear its pro-rata portions of each other investment company's advisory and operational expenses. When the Trust invests in other investment companies, you indirectly pay a proportionate share of the expenses of that other investment company (including management fees, administration fees, and custodial fees) in addition to the expenses of the Trust.

Additional Information on Senior Loans

Senior Loans are direct obligations of corporations or other business entities and are arranged by banks or other commercial lending institutions and made generally to finance internal growth, mergers, acquisitions, stock repurchases, and leveraged buyouts. Senior Loans usually include restrictive covenants which must be maintained by the borrower. Such covenants, in addition to the timely payment of interest and principal, may

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include mandatory prepayment provisions arising from free cash flow and restrictions on dividend payments, and usually state that a borrower must maintain specific minimum financial ratios as well as establishing limits on total debt. A breach of covenant, which is not waived by the agent, is normally an event of acceleration, *i.e.*, the agent has the right to call the outstanding Senior Loan. In addition, loan covenants may include mandatory prepayment provisions stemming from free cash flow. Free cash flow is cash that is in excess of capital expenditures plus debt service requirements of principal and interest. The free cash flow shall be applied to prepay the Senior Loan in an order of maturity described in the loan documents. Under certain interests in Senior Loans, the Trust may have an obligation to make additional loans upon demand by the borrower. The Trust intends to ensure its ability to satisfy such demands by segregating sufficient assets in high quality short-term liquid investments or by sufficiently maintaining unused borrowing capacity.

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

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

Senior Loans frequently require full or partial prepayment of a loan when there are a