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ING PRIME RATE TRUST  
Form N-CSRS  
November 06, 2003

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OMB APPROVAL  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811-5410  
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ING Prime Rate Trust  
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(Exact name of registrant as specified in charter)

7337 E. Doubletree Ranch Rd., Scottsdale, AZ 85258  
-----

(Address of principal executive offices) (Zip code)

C T Corporation System, 101 Federal Street, Boston, MA 02110  
-----

(Name and address of agent for service)

Registrant's telephone number, including area code: 1-800-992-0180  
-----

Date of fiscal year end: February 28  
-----

Date of reporting period: August 31, 2003  
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ITEM 1. REPORTS TO STOCKHOLDERS.

The following is a copy of the report transmitted to stockholders pursuant to Rule 30e-1 under the Act (17 CFR 270.30e-1):

SEMI-ANNUAL REPORT

SEMI-ANNUAL REPORT

AUGUST 31, 2003

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ING PRIME RATE TRUST

[GRAPHIC]

[ING FUNDS LOGO]

ING Prime Rate Trust

SEMI-ANNUAL REPORT

August 31, 2003

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ING Prime Rate Trust

PORTFOLIO MANAGERS' REPORT

Dear Shareholders:

ING Prime Rate Trust (the "Trust") is a diversified, closed-end investment company that seeks to provide investors with as high a level of current income as is consistent with the preservation of capital. The Trust seeks to achieve this objective by investing in a professionally managed portfolio comprised primarily of senior loans.

PERFORMANCE SUMMARY

The Trust declared \$0.11 of common dividends during the second fiscal quarter ended August 31, 2003, which, based on the average month-end net asset value ("NAV") per share of \$7.01, resulted in an annualized distribution rate of 5.98%. (1) Total return (based on NAV) for the quarter was 3.43%, versus a gross total return of 2.09% for the S&P/LSTA Loan Index, while total return for the six months ended August 31, 2003 was 7.52%. The Trust's common shares also continued to perform well during the quarter. Total return based on the market value of the Trust's common shares (assuming full dividend reinvestment) for the quarter was 7.54% and was 19.52% for the six months. The returns for the S&P 500

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Index for the same time periods were 5.07% and 20.88% respectively.

### MARKET/TRUST SPECIFIC DEVELOPMENT

The overall tone of the senior loan market continued to brighten during the quarter. Against the backdrop of an increasingly healthy macroeconomic picture and improving corporate earnings, the default rate on non-investment grade bank debt continued to decline, as evidenced by a 2.7% twelve-month lagging default rate at the end of August, as compared to 6.0% at the beginning of 2003. Further, many issuers that were struggling earlier in the year were able to take advantage of more receptive capital markets to improve their balance sheet and liquidity positions. The net effect has been a broad-based rally in loan prices and markedly improved investor sentiment.

Specific to the Trust, recent performance continues to be favorably impacted by three primary factors: 1) ongoing strength within sectors for which we have been increasing relative weightings; 2) further improvement in market prices for several of the Trust's larger holdings; and 3) continued decline in the number of existing non-performing assets. During the quarter, we increased our exposure to the Cable Television (10.5% of total assets at August 31, 2003, versus 8.6% at May 31, 2003) and Cellular Communications (8.3%, as compared to 7.4%) sectors. Both industry groups continue to display improving operating and credit trends, and renewed acceptance by -- and access to -- alternative capital markets. Buoyed largely by positive balance sheet developments at Charter Communications (3.2% of total assets as of August 31, 2003), each of the Trust's cable holdings gained ground during the quarter. The same can be said for the Trust's wireless positions, led by Nextel Communications (at 5.0% of total assets as of August 31, 2003, the single largest holding in the portfolio). We continue to monitor developments in both the cable and wireless sectors closely.

As a key component of our ongoing strategy, we remain focused on maintaining an appropriate level of diversification across both industry sector and issuer lines. During the quarter, the Trust's average amount outstanding per loan remained at roughly 0.3% of total loan assets, while the number of individual loans declined modestly, to 330 from 343, based largely on refinancing activities. As stated in prior reports, we continue to believe that adequate diversification represents the best line of defense against broad-based credit risk.

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### USE OF LEVERAGE

The Trust utilizes financial leverage to seek to increase the yield to the holders of common shares. As of August 31, 2003, the Trust had \$484 million of leverage, consisting of \$450 million of "Aaa(2)/AAA(3)" rated cumulative auction rate preferred shares, and \$34 million outstanding under \$415 million in available credit facilities. Total leverage, as a percentage of total assets (including preferred shares), was 33.2% at quarter end. The weighted average leverage cost including all borrowings and preferred shares as of quarter end was 1.35%. While the use of leverage for investment purposes increases both investment opportunity and investment risk, we continue to deploy leverage only when it is in the best interest of the Trust's common shareholders.

### OUTLOOK

Coming off the impressive turnaround in the secured loan market that commenced earlier in the year, we expect the balance of 2003 to be marked by relative stability. Clearly, given the rapid price appreciation experienced during the first half of the year, there generally remains minimal upside in existing loan prices. Nonetheless, near-term performance could be underpinned by continued

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improvement in credit and market conditions generally, and the continuation of a reasonably sanguine attitude on the part of loan investors. Moreover, the prospect of rising short-term rates in response to the now visible recovery in the U.S. economy bodes well for the performance of adjustable rate senior loans. As we move into the last part of 2003, we will continue to adhere to a disciplined investment strategy that seeks to maintain a high degree of diversification while attempting to take advantage of selective market opportunities.

We thank you for your investment in ING Prime Rate Trust.

/s/ Jeffrey A. Bakalar

/s/ Daniel A. Norman

Jeffrey A. Bakalar  
SENIOR VICE PRESIDENT  
CO-SENIOR PORTFOLIO MANAGER  
AELTUS INVESTMENT MANAGEMENT, INC.

Daniel A. Norman  
SENIOR VICE PRESIDENT  
CO-SENIOR PORTFOLIO MANAGER  
AELTUS INVESTMENT MANAGEMENT, INC.

ING Prime Rate Trust  
October 15, 2003

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1. The distribution rate is calculated by annualizing dividends declared during the quarter and dividing the resulting annualized dividend by the Trust's average month-end net asset value (in the case of NAV) or the average month-end NYSE Composite closing price (in the case of Market). The distribution rate is based solely on the actual dividends and distributions, which are made at the discretion of management. The distribution rate may or may not include all investment income and ordinarily will not include capital gains or losses, if any.
2. Obligations rated Aaa by Moody's are judged to be of the highest quality, with minimal credit risk.
3. An obligator rated 'AAA' has extremely strong capacity to meet its financial commitments. 'AAA' is the highest Issuer Credit Rating assigned by Standard & Poor's.

PERFORMANCE DATA REPRESENTS PAST PERFORMANCE AND IS NO GUARANTEE OF FUTURE RESULTS. INVESTMENT RETURN AND PRINCIPAL VALUE OF AN INVESTMENT IN THE TRUST WILL FLUCTUATE. SHARES, WHEN SOLD, MAY BE WORTH MORE OR LESS THAN THEIR ORIGINAL COST.

SENIOR LOANS ARE SUBJECT TO CREDIT RISKS AND THE POTENTIAL FOR NON-PAYMENT OF SCHEDULED PRINCIPAL OR INTEREST PAYMENTS, WHICH MAY RESULT IN A REDUCTION OF THE TRUST'S NAV.

THIS LETTER CONTAINS STATEMENTS THAT MAY BE "FORWARD-LOOKING STATEMENTS." ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE PROJECTED IN THE "FORWARD-LOOKING STATEMENTS."

THE VIEWS EXPRESSED IN THIS LETTER REFLECT THOSE OF THE PORTFOLIO MANAGERS ONLY THROUGH THE END OF THE PERIOD OF THE REPORT AS STATED ON THE COVER. THE PORTFOLIO MANAGERS' VIEWS ARE SUBJECT TO CHANGE AT ANY TIME BASED ON MARKET AND OTHER CONDITIONS.

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### INDEX DESCRIPTIONS

The S&P 500 INDEX is a capitalization-weighted index of 500 stocks chosen for market size, liquidity, and industry group representation.

The S&P/LSTA LEVERAGED LOAN INDEX ("LLI") is a total return index that captures accrued interest, repayments, and market value changes. It represents a broad cross section of leveraged loans syndicated in the United States, including dollar-denominated loans to overseas issuers. Standard & Poor's and the Loan Syndications & Trading Association ("LSTA") conceived the LLI to establish a performance benchmark for the syndicated leveraged loan industry.

ALL INDICES ARE UNMANAGED. AN INVESTOR CANNOT INVEST DIRECTLY IN AN INDEX.

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STATISTICS AND PERFORMANCE as of August 31, 2003

### PORTFOLIO CHARACTERISTICS

|   |    |          |
|---|----|----------|
| Net Assets  | \$ | 963,74   |
| Assets Invested in Senior Loans   | \$ | 1,372,97 |
| Senior Loans Represented  |    |          |
| Average Amount Outstanding per Loan   | \$ | 4,16     |
| Industries Represented  |    |          |
| Average Loan Amount per Industry  | \$ | 38,13    |
| Portfolio Turnover Rate   |    |          |
| Weighted Average Days to Interest Rate Reset                                |    | 50       |
| Average Loan Final Maturity   |    | 51 m     |
| Total Leverage as a Percentage of Total Assets (including Preferred Shares) |    |          |

### TOP TEN INDUSTRY SECTORS AS A PERCENTAGE OF:

|  | NET ASSETS | TOTAL |
|--|------------|-------|
| Cable Television                       | 15.8%      | 10.   |
| Cellular Communications                | 12.6%      | 8.    |
| Healthcare, Education and Childcare    | 10.9%      | 7.    |
| Automotive                             | 9.3%       | 6.    |
| Leisure, Amusement and Entertainment   | 9.1%       | 6.    |
| Containers, Packaging and Glass        | 8.8%       | 5.    |
| Beverage, Food and Tobacco             | 6.5%       | 4.    |
| Chemicals, Plastics and Rubber         | 6.5%       | 4.    |
| Printing and Publishing                | 5.8%       | 3.    |
| Diversified/Conglomerate Manufacturing | 5.4%       | 3.    |

### TOP TEN SENIOR LOAN ISSUERS AS A PERCENTAGE OF:

|                                       | NET ASSETS | TOTAL |
|---------------------------------------|------------|-------|
| Nextel Communications(1)              | 7.6%       | 5.    |
| Charter Communications Operating, LLC | 4.8%       | 3.    |
| Wyndham International, Inc.           | 2.0%       | 1.    |

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|                                       |      |    |
|---------------------------------------|------|----|
| Century Cable Holdings, Inc.          | 1.8% | 1. |
| Olympus Cable Holdings, LLC           | 1.8% | 1. |
| Safelite Glass Corporation            | 1.8% | 1. |
| Graphic Packaging International, Inc. | 1.8% | 1. |
| Community Health Systems, Inc.        | 1.8% | 1. |
| Dean Foods Company                    | 1.6% | 1. |
| Lamar Media Corporation               | 1.6% | 1. |

-----  
 (1) INCLUDES NEXTEL FINANCE COMPANY AND NEXTEL OPERATIONS, INC.

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### YIELDS AND DISTRIBUTION RATES

| QUARTER ENDED     | PRIME<br>RATE | NET ASSET<br>VALUE ("NAV")<br>30-DAY SEC<br>YIELD (A) | MARKET<br>30-DAY SEC<br>YIELD (A) | AVERAGE<br>ANNUALIZED<br>DISTRIBUTION<br>RATE AT NAV (B) | AVE<br>ANNU<br>DISTR<br>RATE AT |
|-------------------|---------------|---|-----------------------------------|--|---------------------------------|
| -----             | -----         | -----   | -----                             | -----  | -----                           |
| August 31, 2003   | 4.00%         | 5.82%   | 5.45%                             | 5.98%  | 5                               |
| May 31, 2003      | 4.25%         | 6.93%   | 6.75%                             | 6.16%  | 6                               |
| February 28, 2003 | 4.25%         | 6.93%   | 7.23%                             | 6.52%  | 6                               |
| November 30, 2002 | 4.25%         | 8.02%   | 9.10%                             | 6.86%  | 7                               |

### AVERAGE ANNUAL TOTAL RETURNS

|                                  | NAV    | MARKET |
|----------------------------------|--------|--------|
| 1 Year                           | 10.16% | 35.41% |
| 3 Years                          | 0.86%  | 3.33%  |
| 5 Years                          | 2.81%  | 2.69%  |
| 10 Years                         | 6.14%  | 6.44%  |
| Since Trust Inception(F), (H)    | 6.58%  | N/A    |
| Since Initial Trading on NYSE(G) | N/A    | 6.69%  |

ASSUMES RIGHTS WERE EXERCISED AND EXCLUDES SALES CHARGES AND COMMISSIONS(C), (D), (E)

PERFORMANCE DATA REPRESENTS PAST PERFORMANCE AND IS NO GUARANTEE OF FUTURE RESULTS. INVESTMENT RETURN AND PRINCIPAL VALUE OF AN INVESTMENT IN THE TRUST WILL FLUCTUATE. SHARES, WHEN SOLD, MAY BE WORTH MORE OR LESS THAN THEIR ORIGINAL COST.

See statistics and performance footnotes on page 7.

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### STATISTICS AND PERFORMANCE FOOTNOTES

(A) Yield is calculated by dividing the Trust's net investment income per share for the most recent thirty days by the net asset value (in the case of NAV)

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or the NYSE Composite closing price (in the case of market) at quarter-end. Yield calculations do not include any commissions or sales charges, and are compounded for six months and annualized for a twelve-month period to derive the Trust's yield consistent with the SEC standardized yield formula for open-end investment companies.

- (B) The distribution rate is calculated by annualizing each monthly dividend, then averaging the annualized dividends declared for each month during the quarter and dividing the resulting average annualized dividend amount by the Trust's average net asset value (in the case of NAV) or the NYSE Composite closing price (in the case of Market) at the end of the period.
- (C) Calculation of total return assumes a hypothetical initial investment at the net asset value (in the case of NAV) or the NYSE Composite closing price (in the case of Market) on the last business day before the first day of the stated period, with all dividends and distributions reinvested at the actual reinvestment price.
- (D) On December 27, 1994, the Trust issued to its shareholders transferable rights which entitled the holders to subscribe for 17,958,766 shares of the Trust's common stock at the rate of one share of common stock for each four rights held. On January 27, 1995, the offering expired and was fully subscribed. The Trust issued 17,958,766 shares of its common stock to exercising rights holders at a subscription price of \$8.12. Offering costs of \$4,470,955 were charged against the offering proceeds.
- (E) On October 18, 1996, the Trust issued to its shareholders non-transferable rights which entitled the holders to subscribe for 18,122,963 shares of the Trust's common stock at the rate of one share of common stock for each five rights held. On November 12, 1996, the offering expired and was fully subscribed. The Trust issued 18,122,963 shares of its common stock to exercising rights holders at a subscription price of \$9.09. Offering costs of \$6,972,203 were charged against the offering proceeds.
- (F) Inception Date -- May 12, 1988. Since inception return is not applicable since the Trust did not trade on the NYSE prior to March 9, 1992.
- (G) Initial Trading on NYSE -- March 9, 1992.
- (H) Reflects partial waiver of fees.

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### ADDITIONAL NOTES AND INFORMATION

#### SHAREHOLDER INVESTMENT PROGRAM

The Trust offers a Shareholder Investment Program (the "Program," formerly known as the Dividend Reinvestment and Cash Purchase Plan) which allows holders of the Trust's common shares a simple way to reinvest dividends and capital gains distributions, if any, in additional common shares of the Trust. The Program also offers holders of the Trust's common shares the ability to make optional cash investments in any amount from \$100 to \$25,000 on a monthly basis. Amounts in excess of \$25,000 require prior approval of the Trust. DST Systems, Inc., the Trust's Transfer Agent, is the administrator for the Program.

For dividend reinvestment purposes, DST Systems, Inc. will purchase shares of the Trust on the open market when the market price plus estimated commissions is less than the net asset value on the valuation date. The Trust may issue new shares when the market price plus estimated commissions is equal to or exceeds the net asset value on the valuation date. New shares may be issued at the

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greater of (i) net asset value or (ii) the market price of the shares during the pricing period, minus a discount of 5%.

For optional cash investments, shares will be purchased on the open market by the DST Systems, Inc. when the market price plus estimated commissions is less than the net asset value on the valuation date. New shares may be issued by the Trust when the market price plus estimated commissions is equal to or exceeds the net asset value on the valuation date.

There is no charge to participate in the Program. Participants may elect to discontinue participation in the Program at any time. Participants will share, on a pro-rata basis, in the fees or expenses of any shares acquired in the open market.

Participation in the Program is not automatic. If you would like to receive more information about the Program or if you desire to participate, please contact your broker or our Shareholder Services Department at (800) 992-0180.

### KEY FINANCIAL DATES -- CALENDAR 2003 DIVIDENDS:

| DECLARATION DATE<br>----- | EX-DIVIDEND DATE<br>----- | PAYABLE DATE<br>----- |
|---------------------------|---------------------------|-----------------------|
| January 31                | February 6                | February 25           |
| February 28               | March 6                   | March 24              |
| March 31                  | April 8                   | April 23              |
| April 30                  | May 8                     | May 22                |
| May 30                    | June 6                    | June 23               |
| June 30                   | July 8                    | July 22               |
| July 31                   | August 7                  | August 22             |
| August 29                 | September 8               | September 22          |
| September 30              | October 8                 | October 22            |
| October 31                | November 6                | November 24           |
| November 28               | December 8                | December 22           |
| December 19               | December 29               | January 13, 2004      |

RECORD DATE WILL BE TWO BUSINESS DAYS AFTER EACH EX-DIVIDEND DATE. THESE DATES ARE SUBJECT TO CHANGE.

### STOCK DATA

The Trust's shares are traded on the New York Stock Exchange (Symbol: PPR). Effective March 1, 2002, the Trust's name changed to ING Prime Rate Trust and its CUSIP number changed to 44977W106. The Trust's NAV and market price are published daily under the "Closed-End Funds" feature in Barron's, The New York Times, The Wall Street Journal and many other regional and national publications.

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### STATEMENT OF ASSETS AND LIABILITIES as of August 31, 2003 (Unaudited)

#### ASSETS:

|   |    |      |
|---|----|------|
| Investments in securities at value (Cost \$1,495,277,021) | \$ | 1,43 |
| Cash  |    | 1    |
| Receivables:  |    |      |



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|  |         |
|--|---------|
| Interest   |         |
| Other  |         |
| Prepaid expenses   |         |
|  | -----   |
| Total assets   | 1,45    |
|  | -----   |
| LIABILITIES:   |         |
| Notes payable  | 3       |
| Deferred arrangement fees on senior loans  |         |
| Dividends payable -- preferred shares  |         |
| Payable to affiliates  |         |
| Accrued trustees' fees   |         |
| Other accrued expenses   |         |
|  | -----   |
| Total liabilities  | 4       |
|  | -----   |
| Preferred shares, \$25,000 stated value per share at liquidation value (18,000 shares outstanding)   | 45      |
|  | -----   |
| NET ASSETS   | \$ 96   |
|  | =====   |
| Net assets value per common share outstanding (net assets less preferred shares at liquidation value, divided by 137,287,725 shares of beneficial interest authorized and outstanding, no par value) | \$      |
|  | -----   |
| NET ASSETS CONSIST OF:   |         |
| Paid-in capital  | \$ 1,29 |
| Undistributed net investment income  | 1       |
| Accumulated net realized loss on investments   | (27     |
| Net unrealized depreciation of investments   | (6      |
|  | -----   |
| NET ASSETS   | \$ 96   |
|  | =====   |

See Accompanying Notes to Financial Statements

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STATEMENT OF OPERATIONS for the Six Months Ended August 31, 2003 (Unaudited)

|  |       |
|--|-------|
| INVESTMENT INCOME:                                 |       |
| Interest   | \$ 4  |
| Arrangement fees earned                            |       |
| Dividends  |       |
| Other  |       |
|  | ----- |
| Total investment income                            | 4     |
|  | ----- |
| EXPENSES:  |       |
| Investment management fees                         |       |
| Administration fees                                |       |
| Transfer agent fees                                |       |
| Interest expense                                   |       |
| Shareholder reporting expense                      |       |
| Custodian fees                                     |       |
| Revolving credit facility fees                     |       |
| Professional fees                                  |       |
| Preferred Shares -- Dividend disbursing agent fees |       |

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|   |    |     |
|---|----|-----|
| Insurance expense                                     |    |     |
| Pricing expense                                       |    |     |
| ICI fees  |    |     |
| Postage expense                                       |    |     |
| Trustees' fees  |    |     |
| Miscellaneous expense                                 |    |     |
| Total expenses  |    | 1   |
| Net investment income                                 |    | 3   |
| REALIZED AND UNREALIZED GAIN (LOSS) FROM INVESTMENTS: |    |     |
| Net realized loss on investments                      |    | (3) |
| Net change in unrealized appreciation of investments  |    | 6   |
| Net realized and unrealized gain on investments       |    | 3   |
| DISTRIBUTIONS TO PREFERRED SHAREHOLDERS:              |    |     |
| From net investment income                            |    | (   |
| Net increase in net assets resulting from operations  | \$ | 6   |

See Accompanying Notes to Financial Statements

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STATEMENTS OF CHANGES IN NET ASSETS

|  | SIX MONTHS<br>ENDED<br>AUGUST 31,<br>2003<br>----<br>(UNAUDITED) |    |
|--|--|----|
| INCREASE IN NET ASSETS FROM OPERATIONS:                            |  |    |
| Net investment income  | \$ 33,889,441  | \$ |
| Net realized loss on investments                                   | (30,356,789)   |    |
| Net change in unrealized appreciation on investments               | 66,833,349   |    |
| Distributions to preferred shareholders from net investment income | (2,665,338)  |    |
| Net increase (decrease) in net assets resulting from operations    | 67,700,663   |    |
| DISTRIBUTIONS TO COMMON SHAREHOLDERS:                              |  |    |
| Distributions from net investment income                           | (28,651,386)   |    |
| Decrease in net assets from distributions to common shareholders   | (28,651,386)   |    |
| CAPITAL SHARE TRANSACTIONS:  |  |    |
| Dividends reinvested for common shares                             | 2,313,805  |    |
| Net increase from capital share transactions                       | 2,313,805  |    |

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|  |                |    |
|--|----------------|----|
| Net increase (decrease) in net assets  | 41,363,082     |    |
|  |                |    |
| NET ASSETS:  |                |    |
| Beginning of period  | 922,383,342    |    |
|  |                |    |
| End of period (including undistributed<br>net investment income of \$14,296,066<br>and \$11,723,349, respectively) | \$ 963,746,424 | \$ |
|  |                |    |

See Accompanying Notes to Financial Statements

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### STATEMENT OF CASH FLOWS for the Six Months Ended August 31, 2003 (Unaudited)

#### INCREASE (DECREASE) IN CASH

##### CASH FLOWS FROM OPERATING ACTIVITIES:

|   |  |      |
|---|--|------|
| Interest received                       |  | \$ 3 |
| Dividends received                      |  |      |
| Facility fees paid                      |  |      |
| Dividends paid to preferred shareholder |  | (    |
| Arrangement fees received               |  |      |
| Other income received                   |  |      |
| Interest paid                           |  | (    |
| Other operating expenses paid           |  | (    |
| Purchases of securities                 |  | (52  |
| Proceeds from sales of securities       |  | 67   |

|   |  |       |
|---|--|-------|
| Net cash provided by operating activities |  | \$ 17 |
|   |  |       |

##### CASH FLOWS FROM FINANCING ACTIVITIES:

|  |  |     |
|--|--|-----|
| Dividends paid to common shareholders  |  | (2  |
| Net repayment of notes payable         |  | (13 |
| Dividends reinvested for common shares |  |     |

|   |  |     |
|---|--|-----|
| Net cash flows used in financing activities |  | (15 |
|   |  |     |

|                             |  |   |
|-----------------------------|--|---|
| Net change in cash          |  | 1 |
| Cash at beginning of period |  |   |

|                       |  |      |
|-----------------------|--|------|
| Cash at end of period |  | \$ 1 |
|                       |  |      |

##### RECONCILIATION OF NET INCREASE IN NET ASSETS RESULTING FROM

##### OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

|  |  |      |
|--|--|------|
| Net increase in net assets resulting from operations |  | \$ 6 |
|  |  |      |

##### Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:

|   |  |     |
|---|--|-----|
| Change in unrealized depreciation of securities       |  | (6  |
| Net accretion of discounts on securities              |  | (   |
| Realized loss on sale of securities                   |  | 3   |
| Purchase of securities                                |  | (52 |
| Proceeds on sale of securities                        |  | 67  |
| Increase in other assets                              |  |     |
| Decrease in interest receivable                       |  |     |
| Decrease in prepaid expenses                          |  |     |
| Increase in deferred arrangement fees on senior loans |  |     |

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Increase in dividends payable -- preferred shareholder  
 Increase in payable to affiliate  
 Increase in accrued trustees' fees  
 Increase in other accrued expenses

Total adjustments

Net cash provided by operating activities

-----  
 10  
 -----  
 \$ 17  
 =====

See Accompanying Notes to Financial Statements

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### FINANCIAL HIGHLIGHTS

For a common share outstanding throughout the period

|   | SIX MONTHS<br>ENDED<br>AUGUST 31,<br>2003 | YEARS EN<br>----- |
|---|---|-------------------|
| -----   |   |                   |
|   | (UNAUDITED)                               |                   |
| PER SHARE OPERATING PERFORMANCE   |   |                   |
| Net asset value, beginning of period  | \$ 6.73                                   |                   |
| Net investment income   | \$ 0.23                                   |                   |
| Net realized and unrealized gain (loss) on investments                                | \$ 0.29                                   |                   |
|   | -----                                     |                   |
| Increase (decrease) in net asset value from<br>investment operations                  | \$ 0.52                                   |                   |
| Distributions to Common Shareholders from<br>net investment income                    | \$ (0.21)                                 |                   |
| Distribution to Preferred Shareholders  | \$ (0.02)                                 |                   |
| Increase in net asset value from share offerings                                      | \$ --                                     |                   |
| Reduction in net asset value from Preferred Shares offerings                          | \$ --                                     |                   |
|   | -----                                     |                   |
| Net asset value, end of period  | \$ 7.02                                   |                   |
|   | =====                                     |                   |
| Closing market price at end of period   | \$ 7.37                                   |                   |
| TOTAL INVESTMENT RETURN(1)  |   |                   |
| Total investment return at closing market price(2)                                    | %   | 19.52             |
| Total investment return at net asset value(3)   | %   | 7.52              |
| RATIOS/SUPPLEMENTAL DATA  |   |                   |
| Net assets end of period (000's)  | \$  | 963,746           |
| Preferred Shares-Aggregate amount outstanding (000's)                                 | \$  | 450,000           |
| Liquidation and market value per share of Preferred Shares                            | \$  | 25,000            |
| Borrowings at end of period (000's)   | \$  | 34,000            |
| Asset coverage ratios(6)  | %   | 299               |
| Average borrowings (000's)  | \$  | 105,598           |
| Ratios to average net assets including Preferred Shares(7)                            |   |                   |
| Expenses (before interest and other fees<br>related to revolving credit facility) (8) | %   | 1.43              |
| Expenses(8)   | %   | 1.59              |
| Net investment income(8)  | %   | 4.83              |
| Ratios to average net assets plus borrowing   |   |                   |
| Expenses (before interest and other fees related to                                   |   |                   |

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|   |   |         |   |
|---|---|---------|---|
| revolving credit facility) (8)  | % | 1.90    |   |
| Expenses(8)   | % | 2.11    |   |
| Net investment income(8)  | % | 6.41    |   |
| Ratios to average net assets  |   |         |   |
| Expenses (before interest and other fees<br>related to revolving credit facility) (8) | % | 2.11    |   |
| Expenses(8)   | % | 2.34    |   |
| Net investment income(8)  | % | 7.13    |   |
| Portfolio turnover rate   | % | 35      |   |
| Common shares outstanding at end of period (000's)                                    |   | 137,288 | 1 |

YEARS ENDED FEBRU

2001 2

PER SHARE OPERATING PERFORMANCE

|   |  |           |     |
|---|--|-----------|-----|
| Net asset value, beginning of period  |  | 8.95      |     |
| Net investment income   |  | 0.88      |     |
| Net realized and unrealized gain (loss) on investments                                |  | (0.78)    |     |
| Increase (decrease) in net asset value from<br>investment operations                  |  | 0.10      |     |
| Distributions to Common Shareholders from<br>net investment income                    |  | (0.86)    |     |
| Distribution to Preferred Shareholders  |  | (0.06)    |     |
| Increase in net asset value from share offerings                                      |  | --        |     |
| Reduction in net asset value from Preferred Shares offerings                          |  | (0.04)    |     |
| Net asset value, end of period  |  | 8.09      |     |
| Closing market price at end of period   |  | 8.12      |     |
| TOTAL INVESTMENT RETURN(1)  |  |           |     |
| Total investment return at closing market price(2)                                    |  | 9.10      |     |
| Total investment return at net asset value(3)   |  | 0.19      |     |
| RATIOS/SUPPLEMENTAL DATA  |  |           |     |
| Net assets end of period (000's)  |  | 1,107,432 | 1,2 |
| Preferred Shares-Aggregate amount outstanding (000's)                                 |  | 450,000   |     |
| Liquidation and market value per share of Preferred Shares                            |  | 25,000    |     |
| Borrowings at end of period (000's)   |  | 510,000   | 4   |
| Asset coverage ratios(6)  |  | 215       |     |
| Average borrowings (000's)  |  | 450,197   | 5   |
| Ratios to average net assets including Preferred Shares(7)                            |  |           |     |
| Expenses (before interest and other fees<br>related to revolving credit facility) (8) |  | 1.62      |     |
| Expenses(8)   |  | 3.97      |     |
| Net investment income(8)  |  | 9.28      |     |
| Ratios to average net assets plus borrowing   |  |           |     |
| Expenses (before interest and other fees related to<br>revolving credit facility) (8) |  | 1.31      |     |
| Expenses(8)   |  | 3.21      |     |
| Net investment income(8)  |  | 7.50      |     |
| Ratios to average net assets  |  |           |     |
| Expenses (before interest and other fees<br>related to revolving credit facility) (8) |  | 1.81      |     |
| Expenses(8)   |  | 4.45      |     |
| Net investment income(8)  |  | 10.39     |     |
| Portfolio turnover rate   |  | 46        |     |
| Common shares outstanding at end of period (000's)                                    |  | 136,847   | 1   |

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- (1) Total investment return calculations are attributable to common shareholders.
- (2) Total investment return measures the change in the market value of your investment assuming reinvestment of dividends and capital gain distributions, if any, in accordance with the provisions of the dividend reinvestment plan.
- (3) Total investment return at net asset value has been calculated assuming a purchase at net asset value at the beginning of each period and a sale at net asset value at the end of each period and assumes reinvestment of dividends and capital gain distributions in accordance with the provisions of the dividend reinvestment plan. This calculation differs from total investment return because it excludes the effects of changes in the market values of the Trust's shares.
- (4) The Investment Manager agreed to reduce its fee for a period of three years from the Expiration Date of the November 12, 1996 Rights Offering to 0.60% of the average daily net assets, plus the proceeds of any outstanding borrowings, over \$1.15 billion.
- (5) Calculated on total expenses before impact on earnings credits.
- (6) Asset coverage represents the total assets available for settlement of Preferred Stockholder's interest and notes payables in relation to the Preferred Shareholder interest and notes payable balance outstanding. The Preferred Shares were first offered November 2, 2000.
- (7) Ratios do not reflect the effect of dividend payments to Preferred Shareholders; income ratios reflect income earned on assets attributable to preferred shares.
- (8) Annualized for periods less than one year.

See Accompanying Notes to Financial Statements

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NOTES TO FINANCIAL STATEMENTS as of August 31, 2003 (Unaudited)

### NOTE 1 -- SIGNIFICANT ACCOUNTING POLICIES

ING Prime Rate Trust (the "Trust"), a Massachusetts business trust, is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as a diversified, closed-end, investment management company. The Trust invests in senior loans which are exempt from registration under the Securities Act of 1933 as amended (the "33 Act"), but contain certain restrictions on resale and cannot be sold publicly. These loans bear interest (unless otherwise noted) at rates that float periodically at a margin above the Prime Rate of a U.S. bank specified in the credit agreement, the London Inter-Bank Offered Rate ("LIBOR"), the certificate of deposit rate, or in some cases another base lending rate. The following is a summary of the significant accounting policies consistently followed by the Trust in the preparation of its financial statements. The policies are in conformity with accounting principles generally accepted in the United States of America.

- A. SENIOR LOAN AND OTHER SECURITY VALUATION. 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 determined by the Board of Trustees to be independent and believed to be reliable. Loans for which reliable market value quotations are not readily available may be valued with reference to another loan or a group of loans for which quotations are more readily available and whose characteristics are comparable to the loan being valued. Under this approach, the comparable loan or loans serve as a proxy for changes in value 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 the proxy procedure described above. As of August 31, 2003, 94.68% of total investments were valued based on these

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procedures. 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.

Prices from a pricing source may not be available for all loans and ING Investments, LLC (the "Investment Manager") or Aeltus Investment Management, Inc. ("ING Aeltus" the "Sub-Advisor"), may believe that the price for a loan derived from market quotations or the proxy procedure described above is not reliable or accurate. Among other reasons, this may be the result of information about a particular loan or borrower known to the Investment Manager that the Investment Manager believes may not be known to the pricing service or reflected in a price quote. In this event, the loan is valued at fair value as determined in good faith under procedures established by the Trust's Board of Trustees and in accordance with the provisions of the 1940 Act. Under these procedures, fair value is determined by the Investment Manager and monitored by the Trust's Board of Trustees through its Valuation Committee. In fair valuing a loan, consideration is given to several factors, which may include, among others, the following: (i) 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; (ii) the nature, adequacy and value of the collateral, including the Trust's rights, remedies and interests with respect to the collateral; (iii) 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; (iv) information relating to the market for the loan, including price quotations for, and trading in, the loan and interests in similar loans; (v) the reputation and financial condition of the agent for the loan and any intermediate participants in the loan; (vi) the borrower's management; and (vii) 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 valued at the last reported sale price. Securities reported by NASDAQ will be valued at NASDAQ official closing price. Debt and equity securities traded in the over-the-counter market and listed securities for

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which no sale was reported on that date are valued at the mean between the last reported bid and asked price. Securities other than senior loans for which reliable quotations are not readily available and all other assets will be valued at their respective fair values as determined in good faith by, or under procedures established by, the Board of Trustees of the Trust. Investments in securities maturing in less than 60 days from the date of acquisition are valued at amortized cost.

- B. FEDERAL INCOME TAXES. It is the Trust's policy to comply with the requirements of the Internal Revenue Code applicable to "regulated investment companies" and to distribute all of its taxable income to its shareholders. Therefore, no provision for Federal income taxes is required. In addition, by distributing during each calendar year substantially all of its net investment income and net realized capital gains (if any), the Trust intends not to be subject to any federal excise tax.
- C. SECURITY TRANSACTIONS AND REVENUE RECOGNITION. Loans are booked on a settlement date basis and security transactions are accounted for on trade date (date the order to buy or sell is executed). Realized gains or losses

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are reported on the basis of identified cost of securities delivered. Dividend income is recognized on the ex-dividend date. Interest income is recorded on an accrual basis at the then-current interest rate of the loan. The accrual of interest on loans is discontinued when, in the opinion of management, there is an indication that the borrower may be unable to meet payments as they become due. Upon such discontinuance, all unpaid accrued interest is reversed. Cash collections on nonaccrual senior loans are generally applied as a reduction to the recorded investment of the loan. Senior loans are returned to accrual status only after all past due amounts have been received. For all loans acquired prior to March 1, 2001, arrangement fees, which represent non-refundable fees associated with the acquisition of loans are deferred and recognized over the shorter of 2.5 years or the actual terms of the loan. For all loans, except revolving credit facilities, acquired subsequent to February 28, 2001, fees are treated as discounts and accreted as described in Note 1.H. Fees associated with revolving credit facilities acquired subsequent to February 28, 2001 are deferred and recognized over the shorter of 4 years or the actual term of the loan.

- D. DISTRIBUTIONS TO COMMON SHAREHOLDERS. The Trust records distributions to its shareholders on the ex-dividend date. Distributions from income are declared by the Trust on a monthly basis. Distributions from capital gains, if any, are declared on an annual basis.
- E. DIVIDEND REINVESTMENTS. Pursuant to the Shareholder Investment Program (formerly known as the Automatic Dividend Reinvestment Plan), DST Systems, Inc., the Plan Agent, purchases, from time to time, shares of beneficial interest of the Trust on the open market to satisfy dividend reinvestments. Such shares are purchased only when the closing sale or bid price plus commission is less than the net asset value per share of the stock on the valuation date. If the market price plus commissions is equal to or exceeds the net asset value, new shares are issued at the greater of (i) net asset value or (ii) the market price of the shares during the pricing period, minus a discount of 5%.
- F. USE OF ESTIMATES. Management of the Trust has made certain estimates and assumptions relating to the reporting of assets, liabilities, revenues, expenses and contingencies to prepare these financial statements in conformity with generally accepted accounting principles in the United States of America. Actual results could differ from these estimates.
- G. SHARE OFFERINGS. During the year ended February 28, 1999, the Trust began issuing shares under various shelf registration statements, whereby the net proceeds received by the Trust from share sales may not be less than the greater of (i) the NAV per share or (ii) 94% of the average daily market price over the relevant pricing period.

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- H. CHANGE IN ACCOUNTING PRINCIPLE. In November 2000 the American Institute of Certified Public Accountants (the "AICPA") issued a revised version of the AICPA Audit and Accounting Guide for Investment Companies (the "Guide"). Effective March 1, 2001, the Fund adopted the provisions of the Guide and began amortizing premiums and accreting discounts on debt securities. Prior to March 1, 2001, the Trust had not amortized premiums nor accreted discounts. The cumulative effect of this accounting change had no impact on net assets of the Trust, but resulted in a \$3,653,000 increase in the cost of securities and a corresponding \$3,653,000 increase in net unrealized depreciation of investments, based on securities held by the Trust on March 1, 2001.



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### NOTE 2 -- INVESTMENTS

For the six months ended August 31, 2003, the cost of purchases and the proceeds from principal repayment and sales of investments, excluding short-term notes, totaled \$515,831,953 and \$665,034,023, respectively. At August 31, 2003, the Trust held senior loans valued at \$1,372,978,553 representing 96.0% of its total investments. The market value of these assets is established as set forth in Note 1.

The senior loans acquired by the Trust may take the form of a direct lending relationship with the borrower, an assignment of a lender's interest in a loan. The lead lender in a typical corporate loan syndicate administers the loan and monitors collateral. In the event that the lead lender becomes insolvent, enters FDIC receivership or, if not FDIC insured, enters into bankruptcy, the Trust may incur certain costs and delays in realizing payment, or may suffer a loss of principal and/or interest.

Common and preferred shares, and stock purchase warrants held in the portfolio were acquired in conjunction with senior loans held by the Trust. Certain of these stocks and warrants are restricted and may not be publicly sold without registration under the '33 Act, or without an exemption under the '33 Act. In some cases, these restrictions expire after a designated period of time after issuance of the shares or warrant.

The Fund values portfolio securities by using the market value of the securities when reliable market value quotations for the securities are readily available. When reliable market value quotations are not readily available, the Fund determines, in good faith, the fair value of the

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securities in accordance with the Trust's fair valuation procedures as established by the Board of Trustees. Dates of acquisition and cost or assigned basis of restricted securities are as follows:

|  | DATE OF<br>ACQUISITION<br>----- |
|--|---------------------------------|
| Allied Digital Technologies Corporation -- Residual Interest in<br>Bankruptcy Estate | 06/05/02                        |
| AM Cosmetics Corporation -- Liquidation Interest                                     | 03/07/03                        |
| Block Vision Holdings Corporation -- Common Shares                                   | 09/30/02                        |
| Boston Chicken Inc. -- Residual Interest in Boston Chicken Plan Trust                | 12/26/00                        |
| Cedar Chemical -- Liquidation Interest   | 12/31/02                        |
| Covenant Care, Inc. -- Warrants  | 12/22/95                        |
| Covenant Care, Inc. -- Warrants  | 01/18/02                        |
| Decision One Corporation -- Common Shares  | 06/16/00                        |
| Electro Mechanical Solutions -- Residual Interest in Bankruptcy Estate               | 10/02/02                        |
| Enterprise Profit Solutions -- Liquidation Interest                                  | 10/21/02                        |
| Euro United Corporation -- Residual Interest in Bankruptcy Estate                    | 06/21/02                        |
| Exide Technologies -- Warrants   | 11/30/01                        |
| Gevity HR -- Common Shares   | 07/21/97                        |
| Grand Union Company -- Residual Interest in Bankruptcy Estate                        | 07/01/02                        |
| Holmes Products Corporation -- Warrants  | 10/24/01                        |
| Humphreys, Inc. -- Residual Interest in Bankruptcy Estate                            | 05/15/02                        |
| Imperial Home Decor Group, Inc. -- Common Shares                                     | 05/02/01                        |
| IHDG Realty -- Common Shares   | 05/02/01                        |
| Insilco Technologies -- Residual Interest in Bankruptcy Estate                       | 05/02/03                        |

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|  |          |
|--|----------|
| Intera Group, Inc. -- Common Shares                                    | 11/29/02 |
| Kevco, Inc. -- Residual Interest in Bankruptcy Estate                  | 06/05/02 |
| Morris Material Handling, Inc. -- Common Shares                        | 10/09/01 |
| MP Holdings, Inc. -- Common Shares                                     | 04/16/01 |
| Murray's Discount Auto Stores, Inc. -- Escrow                          | 08/11/03 |
| Neoplan USA Corporation -- Common Shares                               | 08/29/03 |
| Neoplan USA Corporation -- Series B Preferred Shares                   | 08/29/03 |
| Neoplan USA Corporation -- Series C Preferred Shares                   | 08/29/03 |
| Neoplan USA Corporation -- Series D Preferred Shares                   | 08/29/03 |
| New Piper Aircraft -- Residual Interest in Litigation Proceeds         | 07/02/03 |
| New World Restaurant Group, Inc. -- Warrants                           | 09/27/01 |
| Safelite Glass Corporation -- Common Shares                            | 09/12/00 |
| Safelite Realty -- Common Shares                                       | 09/12/00 |
| Sarcom Corporation -- Common Shares                                    | 12/11/02 |
| Sarcom Corporation -- Preferred Shares                                 | 12/11/02 |
| Scientific Games Corporation -- Warrants                               | 05/11/01 |
| Soho Publishing -- Common Shares                                       | 01/10/02 |
| Stellex Aerostructures, Inc. -- Common Shares                          | 10/17/01 |
| Targus Group, Inc. -- Common Shares                                    | 03/11/03 |
| Tartan Textile Services, Inc. -- Series D Preferred Shares             | 07/16/01 |
| Tartan Textile Services, Inc. -- Series E Preferred Shares             | 07/16/01 |
| Telinget, Inc. -- Common Shares  | 09/18/02 |
| Tembec, Inc. -- Common Shares  | 01/08/02 |
| Transtar Metals -- Residual Interest in Bankruptcy Estate              | 01/09/03 |
| TSR Wireless, LLC -- Residual Interest in Bankruptcy Estate            | 10/15/02 |
| U.S. Aggregates -- Residual Interest in Bankruptcy Estate              | 04/07/03 |
| U.S. Office Products Company -- Residual Interest in Bankruptcy Estate | 06/11/02 |

Total restricted securities excluding senior loans (market value of \$32,355,438 was 3.4% of net assets at August 31, 2003)

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### NOTE 3 -- MANAGEMENT AND ADMINISTRATION AGREEMENTS

The Trust has entered into an Investment Management Agreement with the Investment Manager, a wholly-owned subsidiary of ING Funds Services, LLC (the "Administrator"), to provide advisory and management services. The Investment Management Agreement compensates the Investment Manager with a fee, computed daily and payable monthly, at an annual rate of 0.80% of the Trust's average daily net assets (inclusive of preferred stock) plus borrowings ("Managed Assets").

The Investment Manager entered into a subadvisory agreement with ING Aeltus, a wholly owned subsidiary of ING Groep N.V. effective August 19, 2003. Subject to such policies as the Board or the Investment Manager may determine, ING Aeltus manages the Trust's assets in accordance with the Trust's investment objectives, policies, and limitations.

The Trust has also entered into an Administration Agreement with the Administrator to provide administrative services and also to furnish facilities. The Administrator is compensated with a fee, computed daily and payable monthly, at an annual rate of 0.25% of the Trust's average daily Managed Assets.

At August 31, 2003, the Trust had the following amounts recorded in payable to affiliates on the accompanying Statement of Assets and Liabilities:

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| ACCRUED INVESTMENT<br>MANAGEMENT FEES | ACCRUED<br>ADMINISTRATIVE FEES | TOTAL        |
|---------------------------------------|--------------------------------|--------------|
| \$ 979,448                            | \$ 306,077                     | \$ 1,285,525 |

The Trust has adopted a Retirement Policy covering all independent trustees of the Trust who will have served as a independent trustee for at least five years at the time of retirement. Benefits under this plan are based on an annual rate as defined in the plan agreement.

#### NOTE 4 -- COMMITMENTS

The Trust has entered into both a \$90 million 364-day revolving credit agreement which matures on August 25, 2004 and a \$325 million 364-day revolving securitization facility which matures on June 12, 2004, collateralized by assets of the Trust. Borrowing rates under these agreements are based on a fixed spread over LIBOR, the federal funds rate, or a commercial paper-based rate. Prepaid arrangement fees for any unborrowed amounts are amortized over the term of the agreements. The amount of borrowings outstanding at August 31, 2003, was \$34 million, at a weighted average interest rate of 1.8%. The amount of borrowings represented 2.3% of total assets at August 31, 2003. Average borrowings for the period ended August 31, 2003 were \$105,597,826 and the average annualized interest rate was 2.1%.

As of August 31, 2003, the Trust had unfunded loan commitments pursuant to the terms of the following loan agreements:

|                                       |               |
|---------------------------------------|---------------|
| Amerco, Inc.                          | \$ 11,744,035 |
| Aurora Foods, Inc.                    | 91,429        |
| Block Vision Holdings Corporation     | 118,771       |
| Centennial Cellular Operating Company | 2,000,000     |
| Cincinnati Bell, Inc.                 | 977,392       |
| Citadel Broadcasting Company          | 3,500,000     |
| Express Script, Inc.                  | 3,092,006     |
| Fleming Companies, Inc.               | 1,204,412     |
| Hercules Inc.                         | 1,500,000     |
| Houghton Mifflin Company              | 1,923,077     |
| Levi Strauss & Company                | 2,033,333     |
| Lyondell Chemical Company             | 9,000,000     |
| Neoplan USA Corporation               | \$ 2,057,038  |
| Nextel Finance Company                | 8,524,898     |
| Park Place Entertainment Corporation  | 4,951,971     |
| Primedia, Inc.                        | 1,223,947     |
| Relizon Company                       | 7,556,646     |
| Sears Roebuck and Company             | 10,000,000    |
| Six Flags Theme Parks, Inc.           | 3,000,000     |
| Smurfit-Stone Container               | 2,046,432     |
| United Defense Industries, Inc.       | 3,000,000     |
| Waste Connections, Inc.               | 4,862,069     |
| Western Wireless Corporation          | 6,000,000     |
|                                       | -----         |
|                                       | \$ 90,437,456 |
|                                       | =====         |

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### NOTE 5 -- RIGHTS AND OTHER OFFERINGS

As of August 31, 2003, share offerings pursuant to shelf registrations were as follows:

| REGISTRATION<br>DATE<br>----- | SHARES<br>REGISTERED<br>----- | SHARES<br>REMAINING<br>----- |
|-------------------------------|-------------------------------|------------------------------|
| 6/11/98                       | 15,000,000                    | --                           |
| 6/19/98                       | 10,000,000                    | 9,730,800                    |
| 9/15/98                       | 25,000,000                    | 19,170,354                   |
| 3/04/99                       | 5,000,000                     | 3,241,645                    |

On November 2, 2000, the Trust issued 3,600 shares each of Series M, Series W and Series F Auction Rate Cumulative Preferred Shares, \$.01 Par Value, \$25,000 liquidation preference, for a total issuance of \$270 million. Also, on November 16, 2000, the Trust issued 3,600 shares of Series T and Series Th Auction Rate Cumulative Preferred Shares, \$.01 Par Value, \$25,000, liquidation preference, for a total issuance of \$180 million. Costs associated with the offering of approximately \$5,438,664 were charged against the proceeds received. The Trust used the net proceeds of the offering to partially pay down the then existing indebtedness. The Trust may reborrow amounts in the future to increase its use of leverage which will be consistent with the limitations imposed by the 1940 Act. Preferred Shares pay dividends based on a rate set at auctions, normally held every 7 days. In most instances dividends are also payable every 7 days, on the first business day following the end of the rate period.

### NOTE 6 -- CUSTODIAL AGREEMENT

State Street Bank and Trust Company ("SSB") serves as the Trust's custodian and recordkeeper. Custody fees paid to SSB are reduced by earnings credits based on the cash balances held by SSB for the Trust. There were no earnings credits for the period ended August 31, 2003.

### NOTE 7 -- SUBORDINATED LOANS AND UNSECURED LOANS

The primary risk arising from investing in subordinated loans or in unsecured loans is the potential loss in the event of default by the issuer of the loans. The Trust may acquire a subordinated loan only if, at the time of acquisition, it acquires or holds a Senior Loan from the same borrower. The Trust will acquire unsecured loans only where the Investment Manager believes, at the time of acquisition, that the Trust would have the right to payment upon default that is not subordinate to any other creditor. The Trust may invest up to 5% of its total assets, measured at the time of investment, in subordinated loans and unsecured loans. As of August 31, 2003, the Trust held 2.1% of its total assets in subordinated loans and unsecured loans.

### NOTE 8 -- FEDERAL INCOME TAXES

Dividends paid by the Trust from net investment income and distributions of net realized short-term capital gains (if any) are, for federal income tax purposes, taxable as ordinary income to shareholders. The tax composition of dividends and distributions to common shareholders for six months ended August 31, 2003 and year ended February 28, 2003 were as follows:

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|                   | ORDINARY<br>INCOME<br>----- | LONG-TERM<br>CAPITAL GAINS<br>----- | TAX RETURN<br>OF CAPITAL<br>----- |
|-------------------|-----------------------------|-------------------------------------|-----------------------------------|
| August 31, 2003   | \$ 28,651,386               | \$ --                               | \$ --                             |
| February 28, 2003 | 61,643,423                  | --                                  | --                                |

The amount of distributions from net investment income and net realized capital gains are determined in accordance with federal income tax regulations, which may differ from generally accepted accounting principles. These "book/tax" differences are either considered temporary or

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permanent in nature. Key differences are the treatment of short-term capital gains, foreign currency transactions, organization costs and other temporary differences. To the extent that these differences are permanent in nature, such amounts are reclassified within the capital accounts based on their federal tax-basis treatment; temporary differences do not require reclassifications. To the extent distributions exceed net investment income and/or net realized capital gains for tax purposes, they are reported as distributions of paid-in capital.

NOTE 9 -- SUBSEQUENT EVENTS

Subsequent to August 31, 2003, the Trust paid to Common Shareholders the following dividends from net investment income:

| PER SHARE AMOUNT<br>----- | DECLARATION DATE<br>----- | RECORD DATE<br>----- | PAYABLE<br>----- |
|---------------------------|---------------------------|----------------------|------------------|
| \$ 0.0340                 | 9/30/03                   | 10/10/03             | 10/22/03         |

Subsequent to August 31, 2003, the Trust paid to Preferred Shareholders the following dividends from net investment income:

| PREFERRED<br>SHARES<br>----- | TOTAL<br>PER SHARE<br>AMOUNT<br>----- | AUCTION<br>DATES<br>----- | RECORD<br>DATES<br>----- | PAY<br>DA<br>----- |
|------------------------------|---------------------------------------|---------------------------|--------------------------|--------------------|
| Series M                     | \$ 32.89                              | 09/08/03 to 10/10/03      | 09/16/03 to 10/20/03     | 09/16/03           |
| Series T                     | \$ 33.53                              | 09/02/03 to 10/07/03      | 09/09/03 to 10/14/03     | 09/10/03           |
| Series W                     | \$ 32.33                              | 09/03/03 to 10/08/03      | 09/10/03 to 10/15/03     | 09/11/03           |
| Series Th                    | \$ 31.14                              | 09/04/03 to 10/09/03      | 09/11/03 to 10/16/03     | 09/12/03           |
| Series F                     | \$ 33.23                              | 09/05/03 to 10/10/03      | 09/12/03 to 10/17/03     | 09/15/03           |

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PORTFOLIO OF INVESTMENTS as of August 31, 2003 (Unaudited)

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SENIOR LOANS\*: 142.5%

| PRINCIPAL AMOUNT                   | BORROWER/TRANCHE DESCRIPTION                  | BANK LOAN RATINGS+ (UNAUDITED) |     |
|------------------------------------|---|--------------------------------|-----|
|                                    |   | MOODY'S                        | S&P |
| <b>AEROSPACE AND DEFENSE: 2.6%</b> |   |                                |     |
|                                    | ALLIANT TECHSYSTEMS, INC.                     | Ba2                            | BB- |
| \$ 2,282,527                       | Term Loan, maturing April 20, 2009            |                                |     |
|                                    | DRS TECHNOLOGIES, INC.                        | Ba3                            | BB- |
| 1,965,053                          | Term Loan, maturing September 30, 2008        |                                |     |
|                                    | PIEDMONT AVIATION SERVICES                    | NR                             | NR  |
| 4,680,432                          | Term Loan, maturing July 23, 2006             |                                |     |
| 4,680,432                          | Term Loan, maturing July 23, 2007             |                                |     |
|                                    | TITAN CORPORATION                             | Ba3                            | BB- |
| 2,970,000                          | Term Loan, maturing June 30, 2009             |                                |     |
|                                    | TRANSDIGM, INC.                               | B1                             | B+  |
| 2,000,000                          | Term Loan, maturing July 22, 2010             |                                |     |
|                                    | UNITED DEFENSE INDUSTRIES, INC.               | Ba3                            | BB  |
| 6,224,849                          | Term Loan, maturing August 13, 2009           |                                |     |
| <b>AUTOMOTIVE: 9.3%</b>            |   |                                |     |
|                                    | AFTERMARKET TECHNOLOGY CORPORATION            | Ba2                            | BB- |
| 1,718,025                          | Term Loan, maturing February 08, 2008         |                                |     |
| 1,249,438                          | Term Loan, maturing February 08, 2008         |                                |     |
|                                    | AMERICAN AXLE & MANUFACTURING, INC.           | Ba1                            | BB+ |
| 5,116,000                          | Term Loan, maturing April 30, 2006            |                                |     |
|                                    | COLLINS & AIKMAN PRODUCTS                     | B1                             | B+  |
| 4,413,703                          | Term Loan, maturing December 31, 2005         |                                |     |
|                                    | DURA OPERATING CORPORATION                    | Ba3                            | BB  |
| 3,168,000                          | Term Loan, maturing December 31, 2008         |                                |     |
| (2)                                | EXIDE TECHNOLOGIES                            | NR                             | D   |
| 1,612,012 (3)                      | Revolver, maturing December 18, 2003          |                                |     |
| 371,195 (3)                        | Term Loan, maturing December 18, 2003         |                                |     |
| 3,227,260 (3)                      | Term Loan, maturing March 18, 2005            |                                |     |
| (2)                                | FEDERAL-MOGUL CORPORATION                     | Ca                             | D   |
| 1,500,000                          | Term Loan, maturing February 24, 2004         |                                |     |
| 5,880,000                          | Term Loan, maturing February 24, 2005         |                                |     |
|                                    | FORD MOTOR CREDIT COMPANY                     | A3                             | BBB |
| 10,000,000                         | Floating Rate Note, maturing October 25, 2004 |                                |     |
|                                    | GOODYEAR TIRE & RUBBER COMPANY                | Ba2                            | BB+ |
| 5,500,000                          | Term Loan, maturing March 31, 2006            |                                |     |
|                                    | HLI OPERATING COMPANY, INC.                   | Ba3                            | BB- |
| 5,000,000                          | Term Loan, maturing June 03, 2009             |                                |     |
|                                    | METALDYNE COMPANY, LLC                        | B2                             | BB- |
| 3,990,000                          | Term Loan, maturing December 31, 2009         |                                |     |
|                                    | POLYPORE, INC.                                | Ba3                            | BB- |
| 5,431,250                          | Term Loan, maturing December 31, 2007         |                                |     |
|                                    | SAFELITE GLASS CORPORATION                    | B3                             | B+  |
| 6,729,690                          | Term Loan, maturing September 30, 2007        |                                |     |
| 10,823,607                         | Term Loan, maturing September 30, 2007        |                                |     |
|                                    | STONERIDGE, INC.                              | Ba3                            | BB  |
| 575,000                            | Term Loan, maturing April 30, 2008            |                                |     |

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| PRINCIPAL AMOUNT                 | BORROWER/TRANCHE DESCRIPTION            | BANK LOAN RATINGS+ (UNAUDITED) |      |
|----------------------------------|---|--------------------------------|------|
|                                  |   | MOODY'S                        | S&P  |
| AUTOMOTIVE (CONTINUED)           |   |                                |      |
|                                  | TENNECO AUTOMOTIVE, INC.                | B1                             | B    |
| \$ 1,281,583                     | Term Loan, maturing November 04, 2007   |                                |      |
| 1,281,583                        | Term Loan, maturing May 04, 2008        |                                |      |
|                                  | TRW AUTOMOTIVE ACQUISITIONS CORPORATION | Ba2                            | BB   |
| 11,000,000                       | Term Loan, maturing February 28, 2011   |                                |      |
|                                  | UNITED COMPONENTS, INC.                 | B1                             | BB-  |
| 3,500,000                        | Term Loan, maturing June 30, 2010       |                                |      |
| BANKING: 0.6%                    |   |                                |      |
|                                  | (2) OUTSOURCING SOLUTIONS, INC.         | NR                             | D    |
| 12,055,854                       | (3) Term Loan, maturing June 10, 2006   |                                |      |
| BEVERAGE, FOOD AND TOBACCO: 6.5% |   |                                |      |
|                                  | AURORA FOODS, INC.                      | B3                             | CC   |
| 1,908,571                        | Revolver, maturing June 30, 2005        |                                |      |
| 3,080,832                        | Term Loan, maturing June 30, 2005       |                                |      |
|                                  | BIRDS EYE FOODS, INC.                   | Ba3                            | B+   |
| 6,959,969                        | Term Loan, maturing June 30, 2008       |                                |      |
|                                  | COMMONWEALTH BRANDS, INC.               | Ba3                            | BB-  |
| 7,221,500                        | Term Loan, maturing August 28, 2007     |                                |      |
|                                  | CONSTELLATION BRANDS, INC.              | Ba1                            | BB   |
| 5,225,250                        | Term Loan, maturing November 30, 2008   |                                |      |
|                                  | COTT BEVERAGES, INC.                    | Ba3                            | BB+  |
| 170,000                          | Term Loan, maturing December 31, 2006   |                                |      |
|                                  | CP KELCO APS                            | B3                             | B    |
| 3,031,650                        | Term Loan, maturing March 31, 2008      |                                |      |
| 1,008,020                        | Term Loan, maturing September 30, 2008  |                                |      |
|                                  | DEAN FOODS COMPANY                      | Ba1                            | BB+  |
| 15,339,361                       | Term Loan, maturing July 15, 2008       |                                |      |
|                                  | DEL MONTE CORPORATION                   | Ba3                            | BB-  |
| 4,632,124                        | Term Loan, maturing December 20, 2010   |                                |      |
|                                  | (2) FLEMING COMPANIES, INC.             | B3                             | D    |
| 2,141,029                        | Revolver, maturing June 18, 2007        |                                |      |
| 1,685,300                        | Term Loan, maturing June 18, 2008       |                                |      |
|                                  | INTERSTATE BRANDS CORPORATION           | Ba2                            | BBB- |
| 941,272                          | Term Loan, maturing July 19, 2007       |                                |      |
| 990,000                          | Term Loan, maturing July 19, 2007       |                                |      |
|                                  | MAFCO WORLDWIDE CORPORATION             | B1                             | B    |
| 1,913,076                        | Term Loan, maturing March 31, 2006      |                                |      |
|                                  | NATIONAL DAIRY HOLDINGS, L.P.           | Ba2                            | BB+  |
| 2,468,750                        | Term Loan, maturing April 30, 2009      |                                |      |
|                                  | NUTRASWEET ACQUISITION CORPORATION      | Ba3                            | NR   |
| 384,204                          | Term Loan, maturing June 30, 2006       |                                |      |
|                                  | REDDY ICE GROUP, INC.                   | B1                             | B+   |

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|           |   |     |      |
|-----------|---|-----|------|
| 2,000,000 | Term Loan, maturing August 15, 2009<br>SOUTHERN WINE & SPIRITS OF AMERICA, INC. | Ba3 | BBB- |
| 1,980,000 | Term Loan, maturing July 02, 2008   |     |      |

See Accompanying Notes to Financial Statements

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| PRINCIPAL AMOUNT                | BORROWER/TRANCHE DESCRIPTION                             | BANK LOAN RATINGS+ (UNAUDITED) |      |
|---------------------------------|--|--------------------------------|------|
|                                 |  | MOODY'S                        | S&P  |
| BUILDINGS AND REAL ESTATE: 1.0% |  |                                |      |
|                                 | (2) AMERCO, INC.   | NR                             | NR   |
| \$ 225,966                      | Debtor in Possession Term Loan, maturing August 13, 2004 |                                |      |
|                                 | BUILDING MATERIALS HOLDING CORPORATION                   | Ba2                            | BB-  |
| 2,000,000                       | Term Loan, maturing August 21, 2010                      |                                |      |
|                                 | (2) HQ GLOBAL WORKPLACES, INC.                           | NR                             | NR   |
| 3,865,243                       | (3) Term Loan, maturing November 06, 2005                |                                |      |
|                                 | MACERICH PARTNERSHIP, L.P.                               | Ba2                            | NR   |
| 4,723,200                       | Term Loan, maturing July 26, 2005                        |                                |      |
|                                 | WERNER HOLDINGS COMPANY, INC.                            | Ba3                            | B+   |
| 1,000,000                       | Term Loan, maturing June 11, 2009                        |                                |      |
| CABLE TELEVISION: 15.8%         |  |                                |      |
|                                 | (2) ADELPHIA COMMUNICATIONS CORPORATION                  | NR                             | BBB  |
| 2,945,693                       | Debtor in Possession Term Loan, maturing June 25, 2004   |                                |      |
|                                 | BRESNAN COMMUNICATIONS, LLC                              | B1                             | BB-  |
| 5,000,000                       | Term Loan, maturing December 31, 2007                    |                                |      |
|                                 | CC VI OPERATING COMPANY, LLC                             | B2                             | CCC+ |
| 10,252,739                      | Term Loan, maturing November 12, 2008                    |                                |      |
|                                 | CC VIII OPERATING, LLC                                   | B2                             | B-   |
| 4,432,500                       | Term Loan, maturing February 02, 2008                    |                                |      |
|                                 | (2) CENTURY CABLE HOLDINGS, LLC                          | Caa1                           | D    |
| 1,230,000                       | Revolver, maturing March 31, 2009                        |                                |      |
| 15,000,000                      | Term Loan, maturing June 30, 2009                        |                                |      |
| 5,000,000                       | Term Loan, maturing December 31, 2009                    |                                |      |
|                                 | CHARTER COMMUNICATIONS OPERATING, LLC                    | B2                             | B    |
| 33,139,417                      | Term Loan, maturing March 18, 2008                       |                                |      |
| 16,313,699                      | Term Loan, maturing September 18, 2008                   |                                |      |
|                                 | COMCAST CABLE COMMUNICATIONS                             | Ba1                            | BBB  |
| 10,000,000                      | Term Loan, maturing November 05, 2006                    |                                |      |
|                                 | FALCON CABLE COMMUNICATIONS, LLC                         | B2                             | BB   |
| 1,284,138                       | Term Loan, maturing December 31, 2007                    |                                |      |
|                                 | (2) FRONTIERVISION OPERATING PARTNERS, L.P.              | B2                             | D    |
| 2,593,939                       | Revolver, maturing October 31, 2005                      |                                |      |
| 2,000,000                       | Term Loan, maturing September 30, 2005                   |                                |      |
| 2,400,000                       | Term Loan, maturing March 31, 2006                       |                                |      |
|                                 | (2) HILTON HEAD COMMUNICATIONS, L.P.                     | Caa1                           | NR   |



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|            |   |     |     |
|------------|---|-----|-----|
| 4,000,000  | Revolver, maturing September 30, 2007<br>INSIGHT MIDWEST HOLDINGS, LLC    | Ba3 | BB+ |
| 14,500,000 | Term Loan, maturing December 31, 2009<br>MCC IOWA MEDIACOM BROADBAND      | Ba3 | BB+ |
| 13,500,000 | Term Loan, maturing September 30, 2010<br>(2) OLYMPUS CABLE HOLDINGS, LLC | B2  | D   |
| 2,000,000  | Term Loan, maturing June 30, 2010   |     |     |
| 18,250,000 | Term Loan, maturing September 30, 2010                                    |     |     |

See Accompanying Notes to Financial Statements

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| PRINCIPAL AMOUNT               | BORROWER/TRANCHE DESCRIPTION  | BANK LOAN RATINGS+ (UNAUDITED)<br>MOODY'S | S&P  |
|--------------------------------|---|---|------|
| CARGO TRANSPORT: 1.9%          |   |   |      |
| \$ 2,000,000                   | (2) AMERICAN COMMERCIAL LINES, LLC<br>Debtor in Possession Term Loan, maturing<br>July 31, 2004 | Ba3                                       | NR   |
| 1,258,356                      | (2) AMERICAN COMMERCIAL LINES, LLC<br>Term Loan, maturing June 30, 2006                         | Caa1                                      | D    |
| 1,804,934                      | Term Loan, maturing June 30, 2007<br>CSX/HORIZON LINES, LLC                                     | Ba3                                       | BB-  |
| 1,664,286                      | Term Loan, maturing February 27, 2009<br>GEMINI LEASING, INC.                                   | B1  | NR   |
| 4,117,116                      | (3) Term Loan, maturing August 12, 2005<br>NEOPLAN USA CORPORATION                              | NR  | NR   |
| 5,442,111                      | Term Loan, maturing June 30, 2006<br>PACER INTERNATIONAL, INC.                                  | B1  | BB-  |
| 2,788,235                      | Term Loan, maturing June 10, 2010<br>TEREX CORPORATION  | B1  | BB-  |
| 1,965,025                      | Term Loan, maturing December 31, 2009   |   |      |
| CELLULAR COMMUNICATIONS: 12.6% |   |   |      |
| 1,015,735                      | AIRGATE PCS, INC.<br>Term Loan, maturing June 06, 2007  | B2  | CCC- |
| 11,868,789                     | Term Loan, maturing September 30, 2008<br>CENTENNIAL CELLULAR OPERATING CORPORATION             | B3  | B    |
| 1,898,194                      | Term Loan, maturing November 30, 2006<br>CENTENNIAL PUERTO RICO OPERATIONS<br>CORPORATION       | B3  | B    |
| 632,731                        | Term Loan, maturing November 30, 2006<br>INDEPENDENT WIRELESS ONE CORPORATION                   | Caa1                                      | D    |
| 10,000,000                     | (3) Term Loan, maturing June 20, 2008<br>MICROCELL TELECOMMUNICATIONS, INC.                     | NR  | CCC+ |
| 2,489,235                      | Term Loan, maturing March 01, 2006<br>NEXTEL FINANCE COMPANY                                    | Ba2                                       | BB   |
| 777,734                        | Revolver, maturing December 31, 2007  |   |      |
| 29,979,462                     | Term Loan, maturing December 31, 2007   |   |      |

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|            |   |     |    |
|------------|---|-----|----|
| 1,739,339  | Term Loan, maturing June 30, 2008                                   |     |    |
| 1,739,339  | Term Loan, maturing December 31, 2008                               |     |    |
| 38,312,488 | Term Loan, maturing March 31, 2009<br>NEXTEL OPERATIONS, INC.       | Ba2 | BB |
| 2,006,617  | Term Loan, maturing February 10, 2007<br>RURAL CELLULAR CORPORATION | B2  | B- |
| 3,000,000  | Term Loan, maturing April 03, 2008                                  |     |    |
| 3,459,377  | Term Loan, maturing October 03, 2008                                |     |    |
| 3,459,377  | Term Loan, maturing April 03, 2009<br>WESTERN WIRELESS CORPORATION  | B3  | B- |
| 4,000,000  | Revolver, maturing March 31, 2008                                   |     |    |
| 6,825,000  | Term Loan, maturing March 31, 2008                                  |     |    |
| 4,135,439  | Term Loan, maturing September 30, 2008                              |     |    |

See Accompanying Notes to Financial Statements

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| PRINCIPAL AMOUNT                      | BORROWER/TRANCHE DESCRIPTION   | BANK LOAN RATINGS+ (UNAUDITED)<br>MOODY'S | S&P  |
|---------------------------------------|--|---|------|
| CHEMICALS, PLASTICS AND RUBBER: 6.5%  |  |   |      |
|                                       | ACADIA ELASTOMERS CORPORATION  | NR  | NR   |
| \$ 8,503,650                          | Term Loan, maturing March 31, 2004<br>EQUISTAR CHEMICALS, L.P.             | Ba2                                       | BB   |
| 4,950,238                             | Term Loan, maturing August 24, 2007<br>FMC CORPORATION                     | Ba1                                       | BBB- |
| 3,980,000                             | Term Loan, maturing October 21, 2007<br>GEO SPECIALTY CHEMICALS, INC.      | B3  | CCC+ |
| 1,740,101                             | Term Loan, maturing December 31, 2007<br>HERCULES, INC.                    | Ba1                                       | BB   |
| 4,975,000                             | Term Loan, maturing May 15, 2007<br>HUNTSMAN, LLC                          | B2  | B+   |
| 4,579,474                             | Term Loan, maturing March 31, 2007   |   |      |
| 9,393,213                             | Term Loan, maturing March 31, 2007<br>HUNTSMAN INTERNATIONAL, LLC          | B1  | B+   |
| 509,663                               | Term Loan, maturing June 30, 2005  |   |      |
| 4,624,593                             | Term Loan, maturing June 30, 2007  |   |      |
| 4,624,593                             | Term Loan, maturing June 30, 2008<br>JOHNSON DIVERSEY, INC.                | Ba3                                       | BB-  |
| 3,814,010                             | Term Loan, maturing November 03, 2009<br>MILLENNIUM AMERICA, INC.          | Ba1                                       | BB   |
| 760,000                               | Term Loan, maturing June 18, 2006<br>NOVEON, INC.                          | B1  | BB-  |
| 7,901,655                             | Term Loan, maturing September 30, 2008<br>ROCKWOOD SPECIALTIES GROUP, INC. | B1  | B+   |
| 4,000,000                             | Term Loan, maturing July 23, 2010  |   |      |
| CONTAINERS, PACKAGING AND GLASS: 8.8% |  |   |      |
|                                       | BERRY PLASTICS CORPORATION   | B1  | B+   |

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|            |   |     |     |
|------------|---|-----|-----|
| 2,970,000  | Term Loan, maturing July 22, 2010<br>BLUE RIDGE PAPER PRODUCTS, INC.            | B3  | B+  |
| 8,539,269  | Term Loan, maturing May 14, 2006<br>CONSTAR INTERNATIONAL, INC.                 | B1  | BB- |
| 2,977,500  | Term Loan, maturing November 20, 2009<br>CROWN CORK & SEAL COMPANY, INC.        | Ba3 | BB  |
| 3,500,000  | Term Loan, maturing September 15, 2008<br>GRAPHIC PACKAGING INTERNATIONAL, INC. | B1  | B+  |
| 17,000,000 | Term Loan, maturing August 08, 2009<br>GREIF BROS. CORPORATION                  | Ba3 | BB  |
| 2,970,000  | Term Loan, maturing August 23, 2009<br>IMPAXX, INC.                             | NR  | NR  |
| 4,139,485  | Term Loan, maturing April 30, 2005<br>JEFFERSON SMURFIT CORPORATION             | Ba3 | B+  |
| 1,647,273  | Term Loan, maturing March 31, 2007<br>KERR GROUP, INC.                          | B1  | BB- |
| 2,500,000  | Term Loan, maturing August 13, 2010<br>(2) LINCOLN PULP & EASTERN FINE          | NR  | NR  |
| 92,280     | (3) Term Loan, maturing December 31, 2001                                       |     |     |

See Accompanying Notes to Financial Statements

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| PRINCIPAL AMOUNT                            | BORROWER/TRANCHE DESCRIPTION   | BANK LOAN RATINGS+ (UNAUDITED) MOODY'S | S&P |
|---|--|--|-----|
| CONTAINERS, PACKAGING AND GLASS (CONTINUED) |  |  |     |
| \$ 14,881,108                               | (3) Term Loan, maturing August 31, 2004<br>NEXPAK CORPORATION                | NR                                     | NR  |
| 2,191,514                                   | (3) Term Loan, maturing March 31, 2004                                       |  |     |
| 2,191,551                                   | (3) Term Loan, maturing March 31, 2004<br>OWENS-ILLINOIS GROUP, INC.         | B1                                     | BB  |
| 12,000,000                                  | Term Loan, maturing April 01, 2008<br>PLIANT CORPORATION                     | B2                                     | BB- |
| 1,752,828                                   | Term Loan, maturing May 31, 2008<br>SILGAN HOLDINGS, INC.                    | Ba2                                    | BB  |
| 2,990,000                                   | Term Loan, maturing November 30, 2008<br>SMURFIT-STONE CONTAINER             | Ba3                                    | B+  |
| 953,568                                     | Revolver, maturing February 28, 2005<br>SMURFIT-STONE CONTAINER CANADA, INC. | Ba3                                    | B+  |
| 1,589,025                                   | Term Loan, maturing June 30, 2009<br>STONE CONTAINER CORPORATION             | Ba3                                    | B+  |
| 9,378,477                                   | Term Loan, maturing June 30, 2009<br>TEKNI-PLEX, INC.                        | B1                                     | B+  |
| 2,910,000                                   | Term Loan, maturing June 21, 2008  |  |     |
| DATA AND INTERNET SERVICES: 0.6%            |  |  |     |
|   | ARCH WIRELESS HOLDINGS, INC.   | Caa3                                   | NR  |
| 74,806                                      | Senior Note, maturing May 15, 2007<br>ICG COMMUNICATIONS, INC.               | NR                                     | NR  |
| 4,808,187                                   | Term Loan, maturing May 31, 2005<br>MCLEODUSA, INC.                          | Caa2                                   | NR  |

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1,329,412 Term Loan, maturing May 30, 2008

DIVERSIFIED/CONGLOMERATE MANUFACTURING: 5.4%

|               |                                      |     |     |
|---------------|--------------------------------------|-----|-----|
|               | BARJAN PRODUCTS, LLC                 | NR  | NR  |
| 4,813,875 (3) | Term Loan, maturing May 31, 2006     |     |     |
|               | BRAND SERVICES, INC.                 | B1  | B+  |
| 3,980,000     | Term Loan, maturing October 16, 2009 |     |     |
|               | DRESSER, INC.                        | Ba3 | BB- |
| 5,219,136     | Term Loan, maturing April 10, 2009   |     |     |
|               | FLOWSERVE CORPORATION                | Ba3 | BB- |
| 1,391,258     | Term Loan, maturing June 30, 2006    |     |     |
| 4,293,900     | Term Loan, maturing June 30, 2009    |     |     |
|               | GENERAL CABLE CORPORATION            | B1  | BB- |
| 1,528,207     | Term Loan, maturing May 28, 2007     |     |     |
|               | MANITOWOC COMPANY, INC.              | Ba2 | BB- |
| 1,960,000     | Term Loan, maturing May 09, 2007     |     |     |
|               | MUELLER GROUP, INC.                  | B1  | B+  |
| 5,940,000     | Term Loan, maturing May 31, 2008     |     |     |
|               | NEPTUNE TECHNOLOGY GROUP, INC.       | B1  | B+  |
| 4,625,000     | Term Loan, maturing March 31, 2010   |     |     |
|               | NORCROSS SAFETY PRODUCTS, LLC        | B1  | B+  |
| 958,413       | Term Loan, maturing March 20, 2009   |     |     |

See Accompanying Notes to Financial Statements

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| PRINCIPAL AMOUNT                                    | BORROWER/TRANCHE DESCRIPTION           | BANK LOAN RATINGS+ (UNAUDITED) MOODY'S | S&P  |
|---|--|--|------|
| DIVERSIFIED/CONGLOMERATE MANUFACTURING: (CONTINUED) |  |  |      |
|   | SPX CORPORATION                        | Ba2                                    | BBB- |
| \$ 14,084,108                                       | Term Loan, maturing September 30, 2009 |  |      |
|   | UNITED PET GROUP                       | NR                                     | NR   |
| 5,734,052   | Term Loan, maturing March 31, 2006     |  |      |
| DIVERSIFIED/CONGLOMERATE SERVICE: 1.0%              |  |  |      |
|   | IRON MOUNTAIN, INC.                    | Ba3                                    | BB   |
| 1,992,000   | Term Loan, maturing February 15, 2008  |  |      |
|   | PRIVATE BUSINESS, INC.                 | NR                                     | NR   |
| 3,485,669   | Term Loan, maturing August 19, 2006    |  |      |
|   | US INVESTIGATIONS SERVICES, LLC        | B1                                     | BB-  |
| 4,394,708   | Term Loan, maturing January 10, 2009   |  |      |
| ECOLOGICAL: 0.9%                                    |  |  |      |
|   | ALLIED WASTE NORTH AMERICA, INC.       | Ba3                                    | BB   |
| 3,642,857   | Term Loan, maturing January 15, 2010   |  |      |
|   | (2) IT GROUP, INC.                     | Caa1                                   | NR   |
| 4,154,605 (3)                                       | Term Loan, maturing June 11, 2007      |  |      |

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|                   |     |  |      |      |
|-------------------|-----|--|------|------|
|                   |     | WASTE CONNECTIONS, INC.                | Ba3  | BB   |
| 5,137,931         |     | Revolver, maturing May 16, 2005        |      |      |
| ELECTRONICS: 1.8% |     |  |      |      |
|                   | (2) | ACTERNA, LLC                           | Caa1 | D    |
| 6,098,973         | (3) | Term Loan, maturing September 30, 2007 |      |      |
|                   |     | DECISION ONE CORPORATION               | B3   | CCC  |
| 8,962,218         |     | Term Loan, maturing April 18, 2005     |      |      |
| 1,777,181         |     | Term Loan, maturing April 18, 2005     |      |      |
|                   |     | KNOWLES ELECTRONICS, INC.              | B2   | CCC+ |
| 2,174,459         |     | Term Loan, maturing June 29, 2007      |      |      |
|                   |     | SARCOM, INC.                           | NR   | NR   |
| 1,003,670         |     | Term Loan, maturing June 30, 2007      |      |      |
|                   |     | TRANSACTION NETWORK SERVICES, INC.     | Ba3  | BB-  |
| 3,687,500         |     | Term Loan, maturing April 03, 2007     |      |      |
| FINANCE: 0.5%     |     |  |      |      |
|                   |     | RENT-A-CENTER, INC.                    | Ba2  | BB   |
| 5,000,000         |     | Term Loan, maturing May 28, 2009       |      |      |
| GAMING: 4.2%      |     |  |      |      |
|                   | (2) | ALADDIN GAMING, LLC                    | Caa1 | NR   |
| 2,968,421         | (3) | Term Loan, maturing August 26, 2006    |      |      |
| 4,455,000         | (3) | Term Loan, maturing February 26, 2008  |      |      |
|                   |     | ALLIANCE GAMING CORPORATION            | B1   | BB-  |
| 4,937,500         |     | Term Loan, maturing December 31, 2006  |      |      |
|                   |     | AMERISTAR CASINOS, INC.                | Ba3  | BB-  |
| 2,914,266         |     | Term Loan, maturing December 20, 2006  |      |      |

See Accompanying Notes to Financial Statements

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| PRINCIPAL AMOUNT   | BORROWER/TRANCHE DESCRIPTION           | BANK LOAN RATINGS+ (UNAUDITED) MOODY'S | S&P  |
|--------------------|--|--|------|
| GAMING (CONTINUED) |  |  |      |
| \$ 4,410,000       | ARGOSY GAMING COMPANY                  | Ba2                                    | BB   |
|                    | Term Loan, maturing July 31, 2008      |  |      |
|                    | BOYD GAMING CORPORATION                | Ba1                                    | BB+  |
| 990,000            | Term Loan, maturing June 24, 2008      |  |      |
|                    | ISLE OF CAPRI CASINOS, INC.            | Ba2                                    | BB-  |
| 987,500            | Term Loan, maturing April 26, 2008     |  |      |
|                    | MANDALAY RESORT GROUP                  | Ba2                                    | BB+  |
| 9,000,000          | Term Loan, maturing August 21, 2006    |  |      |
|                    | PARK PLACE ENTERTAINMENT CORPORATION   | Ba1                                    | BBB- |
| 5,048,029          | Revolver, maturing December 31, 2003   |  |      |
|                    | PENN NATIONAL GAMING                   | Ba3                                    | B+   |
| 3,491,250          | Term Loan, maturing September 01, 2007 |  |      |

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|  |  |     |      |
|--|--|-----|------|
| 2,351,351                                  | UNITED AUBURN INDIAN COMMUNITY<br>Term Loan, maturing January 24, 2009       | Ba3 | BB-  |
| GROCERY: 0.2%                              |  |     |      |
| 1,980,000                                  | GIANT EAGLE, INC.<br>Term Loan, maturing August 02, 2009                     | Ba2 | BB+  |
| HEALTHCARE, EDUCATION AND CHILDCARE: 10.9% |  |     |      |
| 2,755,102                                  | ALARIS MEDICAL SYSTEMS, INC.<br>Term Loan, maturing June 30, 2009            | B1  | BB   |
| 1,038,168                                  | ALLIANCE IMAGING, INC.<br>Term Loan, maturing November 02, 2006              | B1  | B+   |
| 6,217,331                                  | Term Loan, maturing June 10, 2008  |     |      |
| 2,094,750                                  | AMERIPATH, INC.<br>Term Loan, maturing March 27, 2010                        | B1  | B+   |
| 4,912,500                                  | APRIA HEALTHCARE GROUP, INC.<br>Term Loan, maturing July 20, 2008            | Ba1 | BBB- |
| 2,463,800                                  | CAREMARK RX, INC.<br>Term Loan, maturing March 31, 2006                      | Ba2 | BBB- |
| 14,897,475                                 | COMMUNITY HEALTH SYSTEMS, INC.<br>Term Loan, maturing July 16, 2010          | Ba3 | BB-  |
| 2,000,000                                  | Term Loan, maturing January 16, 2011   |     |      |
| 5,215,273                                  | COVENANT CARE, INC.<br>Term Loan, maturing February 15, 2004                 | NR  | NR   |
| 9,000,000                                  | DAVITA, INC.<br>Term Loan, maturing March 31, 2009                           | Ba3 | BB-  |
| 3,076,923                                  | EXPRESS SCRIPTS, INC.<br>Term Loan, maturing March 31, 2008                  | Ba1 | BBB- |
| 3,990,000                                  | FISHER SCIENTIFIC INTERNATIONAL, INC.<br>Term Loan, maturing March 31, 2010  | Ba3 | BB+  |
| 1,539,950                                  | GENESIS HEALTH VENTURES, INC.<br>Floating Rate Note, maturing April 02, 2007 | Ba3 | B+   |
| 8,742,857                                  | HCA, INC.<br>Term Loan, maturing April 30, 2006                              | Ba1 | BBB- |
| 1,850,000                                  | IASIS HEALTHCARE CORPORATION<br>Term Loan, maturing February 09, 2009        | B1  | B+   |

See Accompanying Notes to Financial Statements

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| PRINCIPAL AMOUNT                                | BORROWER/TRANCHE DESCRIPTION  | BANK LOAN RATINGS+ (UNAUDITED) |     |
|---|---|--------------------------------|-----|
|   |   | MOODY'S                        | S&P |
| HEALTHCARE, EDUCATION AND CHILDCARE (CONTINUED) |   |                                |     |
| \$ 3,324,867                                    | INSIGHT HEALTH SERVICES CORPORATION<br>Term Loan, maturing October 17, 2008 | B1                             | B+  |
| 1,666,667                                       | Term Loan, maturing October 17, 2008  |                                |     |
| 5,000,000                                       | KINETIC CONCEPTS, INC.<br>Term Loan, maturing August 05, 2010               | B1                             | BB- |
|   | MAGELLAN HEALTH SERVICES, INC.  | NR                             | D   |

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|  |   |      |     |
|--|---|------|-----|
| 1,231,415                                    | Term Loan, maturing February 12, 2005     |      |     |
| 1,231,415                                    | Term Loan, maturing February 12, 2006     |      |     |
|  | MARINER HEALTH CARE, INC.                 | B1   | NR  |
| 988,381                                      | Floating Rate Note, maturing May 13, 2009 |      |     |
|  | MEDCO HEALTH                              | Ba1  | BBB |
| 3,000,000                                    | Term Loan, maturing June 30, 2010         |      |     |
|  | OXFORD HEALTH PLANS, INC.                 | Ba2  | BB+ |
| 3,491,250                                    | Term Loan, maturing April 25, 2009        |      |     |
|  | PACIFICARE HEALTH SYSTEMS, INC.           | B1   | BB- |
| 1,000,000                                    | Term Loan, maturing June 03, 2008         |      |     |
|  | SYBRON DENTAL MANAGEMENT, INC.            | Ba3  | BB- |
| 1,135,132                                    | Term Loan, maturing June 06, 2009         |      |     |
|  | TRIAD HOSPITALS, INC.                     | Ba3  | BB  |
| 1,961,818                                    | Term Loan, maturing September 30, 2008    |      |     |
|  | VANGUARD HEALTH SYSTEMS, INC.             | Ba3  | B+  |
| 5,472,500                                    | Term Loan, maturing January 03, 2010      |      |     |
|  | VICAR OPERATING, INC.                     | B1   | B+  |
| 5,956,845                                    | Term Loan, maturing June 30, 2009         |      |     |
| HOME AND OFFICE FURNISHING, HOUSEWARES: 1.4% |   |      |     |
|  | GLOBAL IMAGING SYSTEMS, INC.              | Ba3  | BB- |
| 1,500,000                                    | Term Loan, maturing June 25, 2009         |      |     |
|  | HOLMES PRODUCTS CORPORATION               | B2   | B   |
| 2,426,292                                    | Term Loan, maturing February 05, 2007     |      |     |
|  | IDENTITY GROUP, INC.                      | NR   | NR  |
| 4,525,000                                    | Term Loan, maturing May 11, 2007          |      |     |
|  | IMPERIAL HOME DECOR GROUP, INC.           | NR   | NR  |
| 833,725 (3)                                  | Term Loan, maturing April 04, 2006        |      |     |
|  | SEALY MATTRESS COMPANY                    | B1   | B+  |
| 1,136,956                                    | Term Loan, maturing December 15, 2004     |      |     |
| 1,521,057                                    | Term Loan, maturing December 15, 2005     |      |     |
| 1,944,748                                    | Term Loan, maturing December 15, 2006     |      |     |
|  | TEMPUR PEDIC                              | B1   | B+  |
| 2,250,000                                    | Term Loan, maturing August 18, 2009       |      |     |
| INSURANCE: 0.3%                              |   |      |     |
|  | INFINITY PROPERTY & CASUALTY              | Baa3 | BBB |
| 3,000,000                                    | Term Loan, maturing June 30, 2010         |      |     |

See Accompanying Notes to Financial Statements

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| PRINCIPAL AMOUNT                           | BORROWER/TRANCHE DESCRIPTION | BANK LOAN RATINGS+ (UNAUDITED) |     |
|--|------------------------------|--------------------------------|-----|
|  |                              | MOODY'S                        | S&P |
| LEISURE, AMUSEMENT AND ENTERTAINMENT: 9.1% |                              |                                |     |
|  | AMF BOWLING WORLDWIDE, INC.  | B1                             | B   |

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| PRINCIPAL AMOUNT | BORROWER/TRANCHE DESCRIPTION  | MOODY'S | S&P  |
|------------------|---|---------|------|
| \$ 1,644,961     | Term Loan, maturing February 28, 2008<br>FITNESS HOLDINGS WORLDWIDE, INC.     | B1      | B    |
| 7,054,845        | Term Loan, maturing November 02, 2006   |         |      |
| 7,159,195        | Term Loan, maturing November 02, 2007<br>LODGENET ENTERTAINMENT CORPORATION   | B1      | B+   |
| 4,957,222        | Term Loan, maturing June 30, 2006<br>LOEWS CINEPLEX ENTERTAINMENT CORPORATION | NR      | NR   |
| 8,568,107        | Term Loan, maturing February 29, 2008<br>METRO-GOLDWYN-MAYER STUDIOS, INC.    | Ba3     | BB-  |
| 500,000          | Term Loan, maturing June 30, 2007   |         |      |
| 14,500,000       | Term Loan, maturing June 30, 2008<br>NEW JERSEY BASKETBALL, LLC               | B2      | B-   |
| 4,000,000        | Term Loan, maturing December 08, 2003<br>PANAVISION, INC.                     | Caa1    | CCC  |
| 13,951,985       | Term Loan, maturing March 31, 2005<br>PURE FISHING                            | NR      | NR   |
| 3,000,000        | Term Loan, maturing December 31, 2009<br>SIX FLAGS THEME PARKS, INC.          | Ba2     | BB-  |
| 10,000,000       | Term Loan, maturing June 30, 2009<br>VIVENDI UNIVERSAL ENTERTAINMENT, LLLP    | Ba2     | BB+  |
| 7,000,000        | Term Loan, maturing June 30, 2008<br>XANTERRA PARKS & RESORTS, LLC            | NR      | NR   |
| 3,287,317        | Term Loan, maturing September 30, 2004  |         |      |
| 3,287,317        | Term Loan, maturing September 30, 2005  |         |      |
| LODGING: 3.4%    |   |         |      |
|                  | EXTENDED STAY AMERICA, INC.   | Ba3     | BB-  |
| 9,114,441        | Term Loan, maturing January 15, 2008<br>GAYLORD ENTERTAINMENT COMPANY         | NR      | NR   |
| 5,000,000        | Term Loan, maturing March 22, 2006<br>WYNDHAM INTERNATIONAL, INC.             | NR      | CCC+ |
| 6,042,021        | Term Loan, maturing June 30, 2004   |         |      |
| 16,594,997       | Term Loan, maturing June 30, 2006   |         |      |
| MACHINERY: 2.8%  |   |         |      |
|                  | ALLIANCE LAUNDRY HOLDINGS, LLC  | B1      | B    |
| 3,650,062        | Term Loan, maturing August 02, 2007<br>ANTHONY CRANE RENTAL, L.P.             | Caa2    | CC   |
| 14,103,096       | Term Loan, maturing July 20, 2006<br>MORRIS MATERIAL HANDLING, INC.           | NR      | NR   |
| 249,574          | Term Loan, maturing September 28, 2004<br>NATIONAL WATERWORKS, INC.           | B1      | BB-  |
| 3,000,000        | Term Loan, maturing November 22, 2009<br>REXNORD CORPORATION                  | B1      | B+   |
| 6,708,333        | Term Loan, maturing November 25, 2009   |         |      |

See Accompanying Notes to Financial Statements

| PRINCIPAL AMOUNT | BORROWER/TRANCHE DESCRIPTION | BANK LOAN RATINGS+ (UNAUDITED) MOODY'S | S&P |
|------------------|------------------------------|--|-----|
|------------------|------------------------------|--|-----|



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|   |           |  |     |      |
|---|-----------|--|-----|------|
| MACHINERY (CONTINUED)                             |           |  |     |      |
|   |           | UNITED RENTALS (NORTH AMERICA), INC.   | Ba3 | BB   |
| \$  | 1,725,660 | Term Loan, maturing August 31, 2007    |     |      |
|   | 821,051   | VUTEK, INC.                            | B1  | NR   |
|   |           | Term Loan, maturing July 31, 2005      |     |      |
|   | 1,695,438 | Term Loan, maturing July 31, 2007      |     |      |
|   | 647,686   | Term Loan, maturing December 30, 2007  |     |      |
| MINING, STEEL, IRON AND NON-PRECIOUS METALS: 0.9% |           |  |     |      |
|   |           | PEABODY ENERGY CORPORATION             | Ba1 | BB+  |
|   | 8,977,500 | Term Loan, maturing March 21, 2010     |     |      |
| OIL AND GAS: 2.3%                                 |           |  |     |      |
|   |           | CITGO PETROLEUM CORPORATION            | Ba2 | BB+  |
|   | 2,500,000 | Term Loan, maturing February 27, 2006  |     |      |
|   |           | PACIFIC ENERGY GROUP, LLC              | Ba2 | BBB- |
|   | 4,000,000 | Term Loan, maturing July 26, 2009      |     |      |
|   |           | PLAINS MARKETING, L.P.                 | Ba1 | BBB- |
|   | 3,465,000 | Term Loan, maturing September 21, 2007 |     |      |
|   |           | PMC COMPANY                            | Ba1 | BBB- |
|   | 2,760,000 | Term Loan, maturing May 05, 2006       |     |      |
|   |           | TESORO PETROLEUM CORPORATION           | Ba3 | BB   |
|   | 3,325,000 | Term Loan, maturing April 17, 2007     |     |      |
|   |           | W-H ENERGY SERVICES, INC.              | B2  | B+   |
|   | 3,421,281 | Term Loan, maturing April 16, 2007     |     |      |
|   |           | WILLIAMS PRODUCTION RMT COMPANY        | B1  | BB   |
|   | 2,500,000 | Term Loan, maturing May 30, 2007       |     |      |
| OTHER BROADCASTING AND ENTERTAINMENT: 1.7%        |           |  |     |      |
|   |           | AMERICAN MOVIE CLASSICS                | Ba1 | BBB- |
|   | 1,000,000 | Term Loan, maturing March 14, 2009     |     |      |
|   |           | DIRECTV HOLDINGS, LLC                  | Ba2 | BB-  |
|   | 6,000,000 | Term Loan, maturing March 06, 2010     |     |      |
|   |           | PEGASUS MEDIA & COMMUNICATIONS, INC.   | B3  | B-   |
|   | 5,812,722 | Term Loan, maturing April 30, 2005     |     |      |
|   |           | RAINBOW MEDIA GROUP                    | Ba2 | BB+  |
|   | 4,000,000 | Term Loan, maturing March 14, 2009     |     |      |
| OTHER TELECOMMUNICATIONS: 1.1%                    |           |  |     |      |
|   |           | CINCINNATI BELL, INC.                  | B1  | B+   |
|   | 1,022,608 | Revolver, maturing November 09, 2004   |     |      |
|   | 2,996,643 | Term Loan, maturing November 09, 2004  |     |      |
|   | 2,509,138 | Term Loan, maturing December 30, 2006  |     |      |
|   | 301,315   | Term Loan, maturing June 29, 2007      |     |      |
|   |           | GCI HOLDINGS, INC.                     | Ba3 | BB+  |
|   | 1,500,000 | Term Loan, maturing October 15, 2004   |     |      |
|   |           | INTERA GROUP, INC.                     | NR  | NR   |
|   | 2,729,873 | Term Loan, maturing December 31, 2005  |     |      |

See Accompanying Notes to Financial Statements

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| PRINCIPAL AMOUNT                                 | BORROWER/TRANCHE DESCRIPTION           | BANK LOAN RATINGS+ (UNAUDITED) |     |
|--|--|--------------------------------|-----|
|  |  | MOODY'S                        | S&P |
| OTHER TELECOMMUNICATIONS (CONTINUED)             |  |                                |     |
| \$ 1,741,297 (3)                                 | Term Loan, maturing December 31, 2005  |                                |     |
| 909,384 (3)                                      | Term Loan, maturing December 31, 2005  |                                |     |
| PERSONAL AND NON DURABLE CONSUMER PRODUCTS: 4.3% |  |                                |     |
|  | ARMKEL, LLC                            | Ba3                            | B+  |
| 1,698,894  | Term Loan, maturing March 28, 2009     |                                |     |
|  | BUHRMANN U.S., INC.                    | B1                             | B+  |
| 2,261,865  | Term Loan, maturing October 26, 2005   |                                |     |
| 1,090,140  | Term Loan, maturing October 26, 2007   |                                |     |
|  | CHURCH & DWIGHT COMPANY, INC.          | Ba2                            | BB  |
| 1,653,385  | Term Loan, maturing September 30, 2007 |                                |     |
|  | JOSTENS, INC.                          | Ba3                            | BB- |
| 4,500,000  | Term Loan, maturing July 29, 2010      |                                |     |
|  | NORWOOD PROMOTIONAL PRODUCTS, INC.     | NR                             | NR  |
| 9,439,520  | Term Loan, maturing February 01, 2005  |                                |     |
| 7,731,328 (3)                                    | Term Loan, maturing February 01, 2005  |                                |     |
| 1,998,167 (3)                                    | Term Loan, maturing February 01, 2005  |                                |     |
|  | PAINT SUNDRY BRANDS CORPORATION        | B2                             | B+  |
| 802,212  | Term Loan, maturing August 11, 2005    |                                |     |
| 785,675  | Term Loan, maturing August 11, 2006    |                                |     |
|  | PLAYTEX PRODUCTS, INC.                 | B1                             | B+  |
| 11,161,766                                       | Term Loan, maturing May 31, 2009       |                                |     |
|  | RAYOVAC CORPORATION                    | Ba3                            | BB- |
| 4,450,000  | Term Loan, maturing September 30, 2009 |                                |     |
| PERSONAL, FOOD & MISCELLANEOUS SERVICES: 3.0%    |  |                                |     |
|  | AFC ENTERPRISES, INC.                  | B1                             | B   |
| 2,010,111  | Term Loan, maturing May 23, 2009       |                                |     |
|  | COINMACH CORPORATION                   | B1                             | BB- |
| 4,900,000  | Term Loan, maturing July 25, 2009      |                                |     |
|  | DOMINO'S, INC.                         | B1                             | BB- |
| 6,426,230  | Term Loan, maturing June 25, 2010      |                                |     |
|  | GATE GOURMET BORROWER, LLC             | B1                             | BB  |
| 1,000,000  | Term Loan, maturing December 31, 2008  |                                |     |
| 1,000,000  | Term Loan, maturing December 31, 2009  |                                |     |
|  | OTIS SPUNKMEYER, INC.                  | B1                             | B+  |
| 6,755,577  | Term Loan, maturing February 20, 2009  |                                |     |
|  | PAPA GINO'S, INC.                      | NR                             | NR  |
| 1,585,227  | Term Loan, maturing August 31, 2006    |                                |     |
| 4,593,750  | Term Loan, maturing August 31, 2007    |                                |     |
|  | RELIZON COMPANY                        | Ba3                            | BB- |
| 657,143  | Revolver, maturing August 04, 2006     |                                |     |

PRINTING AND PUBLISHING: 5.8%

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|           |  |    |    |
|-----------|--|----|----|
| 1,770,506 | ADAMS OUTDOOR ADVERTISING, L.P.<br>Term Loan, maturing February 08, 2008 | B1 | B+ |
|-----------|--|----|----|

See Accompanying Notes to Financial Statements

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| PRINCIPAL AMOUNT                    | BORROWER/TRANCHE DESCRIPTION   | BANK LOAN RATINGS+ (UNAUDITED) |     |
|-------------------------------------|--|--------------------------------|-----|
|                                     |  | MOODY'S                        | S&P |
| PRINTING AND PUBLISHING (CONTINUED) |  |                                |     |
| \$ 3,979,644                        | AMERICAN MEDIA OPERATIONS, INC.<br>Term Loan, maturing April 01, 2007              | Ba3                            | B+  |
| 4,829,268                           | DEX MEDIA EAST, LLC<br>Term Loan, maturing May 08, 2009                            | Ba3                            | BB- |
| 2,481,250                           | HOLLINGER INTERNATIONAL PUBLISHING, INC.<br>Term Loan, maturing September 30, 2009 | Ba2                            | BB- |
| 576,923                             | HOUGHTON MIFFLIN COMPANY<br>Revolver, maturing February 28, 2008                   | Ba3                            | BB- |
| 15,000,000                          | LAMAR MEDIA CORPORATION<br>Term Loan, maturing June 30, 2010                       | Ba2                            | BB- |
| 4,000,000                           | MOORE CORPORATION<br>Term Loan, maturing March 15, 2010                            | Ba2                            | BB+ |
| 776,053                             | PRIMEDIA, INC.<br>Revolver, maturing June 30, 2008                                 | B3                             | B   |
| 3,527,706                           | R.H. DONNELLEY, INC.<br>Term Loan, maturing June 30, 2009                          | Ba3                            | BB  |
| 7,730,788                           | READER'S DIGEST ASSOCIATIONS, INC.<br>Term Loan, maturing June 30, 2010            | Ba1                            | BB+ |
| 6,532,511                           | TRANSWESTERN PUBLISHING COMPANY<br>Term Loan, maturing May 20, 2008                | Ba3                            | BB- |
| 2,541,000                           | ZIFF DAVIS MEDIA, INC.<br>Term Loan, maturing June 27, 2008                        | B3                             | CCC |
| 1,694,296                           | Term Loan, maturing March 31, 2007   |                                |     |
| RADIO AND TV BROADCASTING: 4.4%     |  |                                |     |
| 2,827,160                           | BLOCK COMMUNICATIONS, INC.<br>Term Loan, maturing November 15, 2009                | Ba2                            | BB- |
| 483,778                             | CITADEL BROADCASTING COMPANY<br>Term Loan, maturing June 26, 2008                  | Ba2                            | B+  |
| 2,992,500                           | CUMULUS MEDIA, INC.<br>Term Loan, maturing March 28, 2010                          | Ba3                            | B+  |
| 10,982,904                          | EMMIS OPERATING COMPANY<br>Term Loan, maturing August 31, 2009                     | Ba2                            | B+  |
| 1,990,000                           | FISHER BROADCASTING, INC.<br>Term Loan, maturing February 28, 2010                 | Ba3                            | B+  |
| 4,000,000                           | GRAY TELEVISION, INC.<br>Term Loan, maturing December 31, 2010                     | Ba3                            | B+  |
| 2,102,857                           | LIN TELEVISION CORPORATION<br>Term Loan, maturing December 31, 2007                | Ba2                            | BB  |
| 4,900,000                           | PAXSON COMMUNICATIONS CORPORATION<br>Term Loan, maturing June 30, 2006             | B1                             | BB- |
|                                     | SINCLAIR BROADCAST GROUP, INC.<br>Term Loan, maturing June 30, 2006                | Ba2                            | BB  |

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|           |                                       |     |     |
|-----------|---------------------------------------|-----|-----|
| 4,859,000 | Term Loan, maturing December 31, 2009 |     |     |
| 2,915,400 | Term Loan, maturing December 31, 2009 |     |     |
|           | SUSQUEHANNA MEDIA COMPANY             | Ba1 | BB- |
| 2,468,750 | Term Loan, maturing June 30, 2008     |     |     |
|           | TELEVICENTRO OF PUERTO RICO, LLC      | Ba2 | BB  |
| 1,897,143 | Term Loan, maturing December 31, 2007 |     |     |

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| PRINCIPAL AMOUNT                   | BORROWER/TRANCHE DESCRIPTION          | BANK LOAN RATINGS+ (UNAUDITED) MOODY'S | S&P  |
|------------------------------------|---------------------------------------|--|------|
| RETAIL: 3.1%                       |                                       |  |      |
|                                    | ADVANCE STORES COMPANY, INC.          | Ba3                                    | BB-  |
| \$ 3,568,468                       | Term Loan, maturing November 30, 2007 |  |      |
| 3,568,468                          | Term Loan, maturing November 30, 2007 |  |      |
|                                    | CH OPERATING, LLC                     | B2                                     | B+   |
| 2,175,136                          | Term Loan, maturing June 21, 2007     |  |      |
|                                    | CSK AUTO, INC.                        | Ba3                                    | BB-  |
| 1,500,000                          | Term Loan, maturing February 15, 2006 |  |      |
|                                    | PANTRY, INC.                          | B1                                     | B+   |
| 4,950,593                          | Term Loan, maturing March 31, 2007    |  |      |
|                                    | PETCO ANIMAL SUPPLIES, INC.           | Ba3                                    | BB-  |
| 2,559,432                          | Term Loan, maturing October 26, 2008  |  |      |
|                                    | RITE AID CORPORATION                  | B1                                     | BB   |
| 8,000,000                          | Term Loan, maturing April 30, 2008    |  |      |
|                                    | SHOPPERS DRUG MART CORPORATION        | Baa3                                   | BBB+ |
| 811,765                            | Term Loan, maturing February 04, 2009 |  |      |
|                                    | TRAVELCENTERS OF AMERICA, INC.        | Ba3                                    | BB   |
| 2,376,484                          | Term Loan, maturing November 14, 2008 |  |      |
| TELECOMMUNICATIONS EQUIPMENT: 4.2% |                                       |  |      |
|                                    | AMERICAN TOWER, L.P.                  | B2                                     | B    |
| 8,756,739                          | Term Loan, maturing June 30, 2007     |  |      |
| 1,659,646                          | Term Loan, maturing December 31, 2007 |  |      |
|                                    | CROWN CASTLE OPERATING COMPANY        | Ba3                                    | B-   |
| 12,967,500                         | Term Loan, maturing March 15, 2008    |  |      |
|                                    | PINNACLE TOWERS, INC.                 | B1                                     | D    |
| 8,108,418                          | Term Loan, maturing October 31, 2005  |  |      |
|                                    | SPECTRASITE COMMUNICATIONS, INC.      | B1                                     | B+   |
| 6,555,955                          | Term Loan, maturing December 31, 2007 |  |      |
|                                    | TRIPOINT GLOBAL COMMUNICATIONS, INC.  | NR                                     | NR   |
| 2,903,533                          | Term Loan, maturing May 31, 2006      |  |      |
| TEXTILES AND LEATHER: 2.6%         |                                       |  |      |
|                                    | (2) GALEY & LORD, INC.                | Caa2                                   | NR   |

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|           |  |     |    |
|-----------|--|-----|----|
| 2,692,043 | Term Loan, maturing April 02, 2005       |     |    |
| 1,927,515 | Term Loan, maturing April 01, 2006       |     |    |
|           | LEVI STRAUSS & COMPANY                   | B1  | BB |
| 466,667   | Revolver, maturing March 31, 2006        |     |    |
| 4,870,982 | Term Loan, maturing July 31, 2006        |     |    |
|           | (2) MALDEN MILLS INDUSTRIES, INC.        | NR  | NR |
| 8,958,296 | (3) Term Loan, maturing October 28, 2006 |     |    |
|           | POLYMER GROUP, INC.                      | NR  | NR |
| 8,902,127 | Term Loan, maturing December 31, 2006    |     |    |
|           | TARGUS GROUP, INC.                       | NR  | NR |
| 3,284,012 | Term Loan, maturing August 31, 2006      |     |    |
|           | WILLIAM CARTER COMPANY                   | Ba3 | BB |
| 1,944,040 | Term Loan, maturing September 08, 2008   |     |    |

See Accompanying Notes to Financial Statements

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| PRINCIPAL AMOUNT                              | BORROWER/TRANCHE DESCRIPTION   | BANK LOAN RATINGS+ (UNAUDITED) |     |
|---|--|--------------------------------|-----|
|   |  | MOODY'S                        | S&P |
| UTILITIES: 1.0%                               |  |                                |     |
| \$ 3,000,000                                  | CALPINE CONSTRUCTION FINANCE COMPANY, L.P.<br>Term Loan, maturing February 26, 2009          | NR                             | B+  |
|   | CALPINE CORPORATION  | Ba3                            | B   |
| 2,000,000                                     | Term Loan, maturing July 16, 2007  |                                |     |
|   | MICHIGAN ELECTRIC TRANSMISSION COMPANY   | Baa2                           | BB+ |
| 2,970,000                                     | Term Loan, maturing May 01, 2007   |                                |     |
|   | PIKE ELECTRIC, INC.  | Ba3                            | BB- |
| 1,647,059                                     | Term Loan, maturing April 18, 2010   |                                |     |
|   | TOTAL SENIOR LOANS<br>(COST \$1,429,444,118)   |                                |     |
| OTHER CORPORATE DEBT: 1.5%                    |  |                                |     |
| DATA AND INTERNET SERVICES: 0.1%              |  |                                |     |
|   | ARCH WIRELESS HOLDINGS, INC.   | Ca                             | NR  |
| 739,789                                       | (3) Subordinated Note, maturing May 15, 2009   |                                |     |
| FINANCE: 1.0%                                 |  |                                |     |
| 10,000,000                                    | VALUE ASSET MANAGEMENT, INC.<br>Senior Subordinated Bridge Note,<br>maturing August 31, 2005 | B3                             | B   |
| HEALTHCARE, EDUCATION AND CHILDCARE: 0.0%     |  |                                |     |
|   | BLOCK VISION HOLDINGS CORPORATION  | NR                             | NR  |
| 13,365  | Junior Term Loan, maturing January 31, 2006  |                                |     |
| HOME AND OFFICE FURNISHINGS, HOUSEWARES: 0.0% |  |                                |     |
|   | MP HOLDINGS, INC.  | NR                             | NR  |
| 45,229  | Subordinated Note, maturing March 14, 2007   |                                |     |

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|  |   |    |    |
|--|---|----|----|
| PERSONAL AND NON DURABLE CONSUMER PRODUCTS: 0.3% |   |    |    |
|  | PAINT SUNDRY BRANDS                               | B2 | B+ |
| 2,875,000  | Subordinated Note, maturing August 11, 2008       |    |    |
| TEXTILES AND LEATHER: 0.1%                       |   |    |    |
|  | TARTAN TEXTILE SERVICES, INC.                     | NR | NR |
| 1,332,583  | Subordinated Note, maturing April 01, 2011        |    |    |
|  | TOTAL OTHER CORPORATE DEBT<br>(COST \$14,232,242) |    |    |

### SECURITY DESCRIPTION

---

#### EQUITIES AND OTHER ASSETS: 4.4%

|      |      |     |   |
|------|------|-----|---|
| (1), | (@), | (R) | Allied Digital Technologies Corporation<br>(Residual Interest in Bankruptcy Estate) |
|      | (@), | (R) | AM Cosmetics Corporation (Liquidation Interest)                                     |
|      | (@)  |     | Arch Wireless Holdings, Inc. (102,124 Common Shares)                                |
|      | (@), | (R) | Block Vision Holdings Corporation (571 Common Shares)                               |
| (2), | (@), | (R) | Boston Chicken, Inc. (Residual Interest in Boston Chicken<br>Plan Trust)            |
|      | (@), | (R) | Cedar Chemical (Liquidation Interest)   |

See Accompanying Notes to Financial Statements

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### SECURITY DESCRIPTION

---

|      |      |  |   |
|------|------|--|---|
| (@), | (R)  | Covenant Care, Inc. (Warrants for 19,000 Common Shares,<br>Expires January 13, 2005) |   |
| (@), | (R)  | Covenant Care, Inc. (Warrants for 26,901<br>Common Shares, Expires March 31, 2013)   |   |
|      | (@)  | Dan River, Inc. (127,306 Common Shares)  |   |
|      | (@), | (R)  | Decision One Corporation (350,059 Common Shares)  |
| (2), | (@), | (R)  | Electro Mechanical Solutions (Residual Interest in Bankruptcy<br>Estate)                    |
|      | (@), | (R)  | Enterprise Profit Solutions (Liquidation Interest)  |
| (4), | (@), | (R)  | Euro United Corporation (Residual Interest in Bankruptcy Estate)                            |
| (2), | (@), | (R)  | Exide Technologies (Warrants for 16,501 Common<br>Shares, Expires March 16, 2006)           |
|      | (@)  |  | Genesis Health Ventures, Inc. (190,605 Common Shares)                                       |
|      | (@)  |  | Genesis Health Ventures, Inc. (2,223 Preferred Shares)                                      |
|      | (@), | (R)  | Gevity HR (60,056 Common Shares)  |
| (2), | (@), | (R)  | Grand Union Company (Residual Interest in Bankruptcy Estate)                                |
|      | (@)  |  | Hayes Lemmerz (73,835 Common Shares)  |
|      | (@)  |  | Hayes Lemmerz (246 Preferred Shares)  |
|      | (@), | (R)  | Holmes Products Corporation (Warrants for 13,848,.56<br>Common Shares, Expires May 7, 2006) |
| (2), | (@), | (R)  | Humphreys, Inc. (Residual Interest in Bankruptcy Estate)                                    |
|      | (@), | (R)  | IHDG Realty (300,141 Common Shares)   |
|      | (@), | (R)  | Imperial Home Decor Group, Inc. (300,141 Common Shares)                                     |

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|      |      |     |   |
|------|------|-----|---|
| (2), | (@), | (R) | Insilco Technologies (Residual Interest in Bankruptcy Estate)                                 |
|      | (@), | (R) | Intera Group, Inc. (864 Common Shares)  |
| (2), | (@), | (R) | Kevco, Inc. (Residual Interest in Bankruptcy Estate)  |
|      | (@)  |     | Mariner Health Care, Inc. (126,525 Common Shares)   |
|      | (@)  |     | Microcell Telecommunications, Inc.<br>(2,473 1st Preferred Voting Shares)                     |
|      | (@)  |     | Microcell Telecommunications, Inc.<br>(171,635 1st Preferred Non-Voting Shares)               |
|      | (@)  |     | Microcell Telecommunications, Inc.<br>(53,271 2nd Preferred Non-Voting Shares)                |
|      | (@), | (R) | Morris Material Handling, Inc. (481,373 Common Shares)  |
|      | (@), | (R) | MP Holdings, Inc. (590 Common Shares)   |
|      | (@), | (R) | Murray's Discount Auto Stores, Inc. (Escrow)  |
|      | (@), | (R) | Neoplan USA Corporation (17,348 Common Shares)  |
|      | (@), | (R) | Neoplan USA Corporation (1,814,180 Series B Preferred Shares)                                 |
|      | (@), | (R) | Neoplan USA Corporation (1,084,000 Series C Preferred Shares)                                 |
|      | (@), | (R) | Neoplan USA Corporation (3,524,300 Series D Preferred Shares)                                 |
|      | (@), | (R) | New Piper Aircraft (Residual Interest in Litigation Proceeds)                                 |
|      | (@), | (R) | New World Restaurant Group, Inc. (Warrants for 4,489<br>Common Shares, Expires June 15, 2006) |
|      | (@), | (R) | Safelite Glass Corporation (660,808 Common Shares)  |
|      | (@), | (R) | Safelite Realty (44,605 Common Shares)  |
|      | (@), | (R) | Sarcom, Inc. (462,984 Common Shares)  |
|      | (@), | (R) | Sarcom, Inc. (4,015 Preferred Shares)   |

See Accompanying Notes to Financial Statements

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### SECURITY DESCRIPTION

|   |      |  |  |
|---|------|--|--|
| (@),  | (R)  | Scientific Games Corporation (48,930 Warrants for Class B<br>Non-Voting Common Shares, Expires October 2003) | \$   |
| (@),  | (R)  | Soho Publishing (17,582 Common Shares)   |  |
| (@),  | (R)  | Stellax Aerostructures, Inc. (11,130 Common Shares)  |  |
| (@),  | (R)  | Targus Group, Inc. (Warrants for 66,824 Common Shares,<br>Expires)   |  |
| (@),  | (R)  | Tartan Textile Services, Inc. (23,449 Shares of Series D<br>Preferred Stock)                                 |  |
| (@),  | (R)  | Tartan Textile Services, Inc. (36,775 Shares of Series E<br>Preferred Stock)                                 |  |
| (@),  | (R)  | Teligent, Inc. (50 Common Shares)  |  |
| (@),  | (R)  | Tembec, Inc. (167,239 Common Shares)   |  |
| (1),  | (@), | (R)  | Transtar Metals (Residual Interest in Bankruptcy Estate)                 |
| (1),  | (@), | (R)  | TSR Wireless, LLC (Residual Interest in Bankruptcy Estate)               |
| (2),  | (@), | (R)  | U.S. Aggregates (Residual Interest in Bankruptcy Estate)                 |
| (2),  | (@), | (R)  | U.S. Office Products Company (Residual Interest in<br>Bankruptcy Estate) |
| TOTAL FOR EQUITIES AND OTHER ASSETS<br>(COST \$51,600,661)                  |      |  |  |
| TOTAL INVESTMENTS<br>(COST \$1,495,277,021) (5)                             |      |  | 148.4%   |
| PREFERRED SHARES AND LIABILITIES IN EXCESS OF<br>CASH AND OTHER ASSETS, NET |      |  | (48.4)   |

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NET ASSETS

-----  
100.0%  
=====

- 
- (@) Non-income producing security.
  - (R) Restricted security.
    - \* Senior loans, while exempt from registration under the Security Act of 1933, as amended contain certain restrictions on resale and cannot be sold publicly. These senior loans bear interest (unless otherwise noted) at rates that float periodically at a margin above the London Inter-Bank Offered Rate ("LIBOR") and other short-term rates.
  - NR Not Rated
    - + Bank Loans rated below Baa3 by Moody's Investor Services, Inc. or BBB- by Standard & Poor's Group are considered to be below investment grade.
  - (1) The borrower filed for protection under Chapter 7 of the U.S. Federal bankruptcy code.
  - (2) The borrower filed for protection under Chapter 11 of the U.S. Federal bankruptcy code.
  - (3) Loan is on non-accrual basis.
  - (4) The borrower filed for protection under the Canadian Bankruptcy and Insolvency Act.
  - (5) For federal income tax purposes, the cost of investment is \$1,504,314,070 and net unrealized depreciation consists of the following:

|  |                               |                 |
|--|-------------------------------|-----------------|
|  | Gross Unrealized Appreciation | \$ 14,099,727   |
|  | Gross Unrealized Depreciation | (88,135,225)    |
|  |                               | -----           |
|  | Net Unrealized Depreciation   | \$ (74,035,497) |
|  |                               | =====           |

See Accompanying Notes to Financial Statements

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SHAREHOLDER MEETING INFORMATION (Unaudited)

A special meeting of shareholders of the ING Prime Rate Trust held August 19, 2003, at the offices of ING Funds, 7337 East Doubletree Ranch Road, Scottsdale, AZ 85258.

A brief description of each matter voted upon as well as the results are outlined below:

ING PRIME RATE TRUST, COMMON SHARES

1. To elect nine members of the Board of Trustees to represent the interests of the holders of the Common Shares of the Trust until the election and qualification of their successors.

ING PRIME RATE TRUST, PREFERRED SHARES

2. To elect two members of the Board of Trustees to represent the interests of the holders of Auction Rate Cumulative Preferred Shares -- Series M, T, W, TH, and F of the Trust -- until the election and qualification of their successors.



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### ING PRIME RATE TRUST

3. To ratify selection of KPMG LLP as the current independent auditor of the Trust.
4. To approve a Sub-Advisory Agreement between ING Investments, LLC and Aeltus Investment Management, Inc., with no change in the advisor, the portfolio managers, or the overall management fee paid by the Trust.
5. To transact such other business as may properly come before the Annual Meeting or any adjournment(s) or postponement(s) thereof.

|                        | PROPOSAL              | SHARES VOTED FOR | SHARES VOTED AGAINST OR WITHHELD | SHARES ABSTAINED |
|------------------------|-----------------------|------------------|----------------------------------|------------------|
|                        | -----                 | -----            | -----                            | -----            |
| Common Shares          | Paul S. Doherty       | 114,685,160      | 2,423,071                        | --               |
| Trustees               | J. Michael Earley     | 114,782,052      | 2,326,179                        | --               |
|                        | R. Barbara Gitenstein | 114,708,163      | 2,400,068                        | --               |
|                        | Thomas J. McInerney   | 114,686,460      | 2,421,771                        | --               |
|                        | David W.C. Putnam     | 114,770,313      | 2,337,918                        | --               |
|                        | Blaine E. Rieke       | 114,692,561      | 2,415,670                        | --               |
|                        | John G. Turner        | 114,800,060      | 2,308,171                        | --               |
|                        | Roger B. Vincent      | 114,776,458      | 2,331,773                        | --               |
|                        | Richard A. Wedemeyer  | 114,695,507      | 2,412,724                        | --               |
| Preferred Shares       | Walter H. May         | 17,595           | 62                               | --               |
| Trustees               | Jock Patton           | 17,580           | 77                               | --               |
| KPMG LLP               | 3                     | 114,713,065      | 1,205,046                        | 1,207,777        |
| Sub-Advisory Agreement | 4                     | 113,175,355      | 2,221,470                        | 1,729,063        |
| Such other business    | 5                     | 111,634,959      | 2,906,152                        | 2,584,777        |

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### ADDITIONAL INFORMATION (Unaudited)

#### REPURCHASE OF SECURITIES BY CLOSED-END COMPANIES

In accordance with Section 23(c) of the 1940 Act, and Rule 23c-1 under the 1940 Act the Trust may from time to time purchase shares of beneficial interest of the Trust in the open market, in privately negotiated transactions and/or purchase shares to correct erroneous transactions.

#### SHAREHOLDER INVESTMENT PROGRAM

The Trust offers a Shareholder Investment Program (the "Program") which enables investors to conveniently add to their holdings at reduced costs. Should you desire further information concerning this Program, please contact the Shareholder Servicing Agent at (800) 992-0180.

#### NUMBER OF SHAREHOLDERS

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The approximate number of record holders of Common Stock as of September 30, 2003 was 7,821 which does not include approximately 49,749 beneficial owners of shares held in the name of brokers of other nominees.

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### TRUSTEE AND OFFICER INFORMATION (Unaudited)

The business and affairs of the Trust are managed under the direction of the Trust's Board of Trustees. A trustee who is not an interested person of the Trust, as defined in the 1940 Act, is an independent trustee ("Independent Trustee"). The Trustees of the Trust are listed below. The statement of Additional Information includes additional information about trustees of the Registrant and is available, without charge, upon request at 1-800-992-0180.

| NAME, ADDRESS<br>AND AGE<br>-----   | POSITION(S)<br>HELD WITH<br>THE REGISTRANT(S)<br>----- | TERM OF OFFICE<br>AND LENGTH OF<br>TIME SERVED(1)<br>----- | PRINCIPAL<br>OCCUPATION(S)<br>DURING THE<br>PAST FIVE YEARS<br>-----  |
|---|--|--|---|
| <b>NON-INTERESTED TRUSTEES:</b>   |  |  |   |
| Paul S. Doherty(2)<br>7337 E. Doubletree Ranch Rd.<br>Scottsdale, Arizona 85258<br>Born: 1934       | Trustee  | November<br>1999 - present                                 | Mr. Doherty is President and Partner, Doherty, Wallace, Pillsbury and Murphy, P.C., Attorneys (1996 - Present); Director, Tambrands, Inc. (1993 - 1998); and Trustee of each of the funds managed by Northstar Investment Management Corporation (1993 - 1999). |
| J. Michael Earley(3)<br>7337 E. Doubletree Ranch Rd.<br>Scottsdale, Arizona 85258<br>Born: 1945     | Trustee  | February<br>2002 - present                                 | President and Chief Executive Officer, Bankers Trust Company, N.A. (1992 - Present).  |
| R. Barbara Gitenstein(2)<br>7337 E. Doubletree Ranch Rd.<br>Scottsdale, Arizona 85258<br>Born: 1948 | Trustee  | February<br>2002 - present                                 | President, College of New Jersey (1999 - Present). Formerly, Executive Vice President and Provost, Drake University (1992 - 1998).  |
| Walter H. May(2)<br>7337 E. Doubletree Ranch Rd.<br>Scottsdale, Arizona 85258<br>Born: 1936         | Trustee  | November<br>1999 - present                                 | Retired. Formerly, Managing Director and Director of Marketing, Piper Jaffray, Inc.; Trustee of each of the funds managed by Northstar Investment Management Corporation (1996 - 1999).   |
| Jock Patton(2)<br>7337 E. Doubletree Ranch Rd.<br>Scottsdale, Arizona 85258<br>Born: 1945           | Trustee  | August<br>1995 - present                                   | Private Investor (June 1997 - Present). Formerly Director and Chief Executive Officer, Rainbow Multimedia Group, Inc. (January 1999 - December  |

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2001); Director of Stuart Entertainment, Inc.; Director of Artisoft, Inc. (1994 - 1998).

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| NAME, ADDRESS<br>AND AGE<br>-----   | POSITION(S)<br>HELD WITH<br>THE REGISTRANT(S)<br>----- | TERM OF OFFICE<br>AND LENGTH OF<br>TIME SERVED(1)<br>----- | PRINCIPAL<br>OCCUPATION(S)<br>DURING THE<br>PAST FIVE YEARS<br>-----   |
|---|--|--|--|
| David W.C. Putnam(3)<br>7337 E. Doubletree Ranch Rd.<br>Scottsdale, Arizona 85258<br>Born: 1939 | Trustee  | November<br>1999 - present                                 | President and Director, F.L. Putnam Securities Company, Inc. and its affiliates; President, Secretary and Trustee, The Principled Equity Market Fund. Formerly, Trustee, Trust Realty Trust (December Corp.; Anchor Investment Trust; Bow 2000 - Present); Ridge Mining Company and each of the F.L. Putnam funds managed by Northstar Investment Foundation Management Corporation (1994 - 1999). |

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|   |         |                            |   |
|---|---------|----------------------------|---|
| Blaine E. Rieke<br>7337 E. Doubletree Ranch Rd.<br>Scottsdale, Arizona 85258<br>Born: 1933          | Trustee | February<br>2001 - present | General Partner, Huntington Partners (January 1997 - Present). Chairman of the Board and Trustee of each of the funds managed by ING Investment Management Co. LLC (November 1998 - February 2001).   |
| Roger B. Vincent<br>7337 E. Doubletree Ranch Rd.<br>Scottsdale, Arizona 85258<br>Born: 1945         | Trustee | February<br>2002 - present | President, Springwell Corporation (1989 - Present). Formerly, Director Tatham Offshore, Inc. (1996 - 2000).   |
| Richard A. Wedemeyer (3)<br>7337 E. Doubletree Ranch Rd.<br>Scottsdale, Arizona 85258<br>Born: 1936 | Trustee | February<br>2001 - present | Retired. Mr. Wedemeyer was formerly Vice President - Finance and Administration, Channel Corporation (June 1996 - April 2002). Formerly Trustee, First Choice Funds (1997 - 2001); and of each of the funds managed by ING Investment Management Co. LLC (1998 - 2001). |

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| NAME, ADDRESS<br>AND AGE<br>-----  | POSITION(S)<br>HELD WITH<br>THE REGISTRANT(S)<br>----- | TERM OF OFFICE<br>AND LENGTH OF<br>TIME SERVED(1)<br>----- | PRINCIPAL<br>OCCUPATION(S)<br>DURING THE<br>PAST FIVE YEARS<br>-----  |
|--|--|--|---|
| INTERESTED TRUSTEES:   |  |  |   |
| Thomas J. McInerney (4)<br>7337 E. Doubletree Ranch Rd.<br>Scottsdale, Arizona 85258<br>Born: 1956 | Trustee  | February<br>2001 - present                                 | Chief Executive Officer, ING U.S. Financial Services (September 2001 to present); General Manager and Chief Executive Officer, ING U.S. Worksite Financial Services (December 2000 to present); Member, ING Americas Executive Committee (2001 to present); President, Chief Executive Officer and Director of Northern Life Insurance Company (2001 to present), ING Aeltus Holding Company, Inc. (2000 to present), ING Retail Holding Company (1998 to |

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present). Formerly, ING Life Insurance and Annuity Company (1997 to November 2002), ING Retirement Holdings, Inc. (1997 to March 2003); General Manager and Chief Executive Officer, ING Worksite Division (December 2000 to October 2001), President, ING-SCI, Inc. (August 1997 to December 2000); President, Aetna Financial Services (August 1997 to December 2000); and has held a variety of line and corporate staff positions since 1978.

John G. Turner(5)  
7337 E. Doubletree Ranch Rd.  
Scottsdale, Arizona 85258  
Born: 1939

Trustee

November  
1999 - present

Chairman, Hillcrest Capital Partners (May 2002 - Present); President, Turner Investment Company (January 2002 - Present). Mr. Turner was formerly Vice Chairman of ING Americas (2000 - 2002); Chairman and Chief Executive Officer of ReliaStar Financial Corp.

- 
- (1) Trustees serve until their successors are duly elected and qualified, subject to the Board's retirement policy.
  - (2) Valuation Committee member.
  - (3) Audit Committee member.
  - (4) Mr. McInerney is an "interested person," as defined by the 1940 Act, because of his affiliation with ING U.S. Worksite Financial Services, an affiliate of ING Investments, LLC.
  - (5) Mr. Turner is an "interested person," as defined by the 1940 Act, because of his affiliation with ING Americas, an affiliate of ING Investments, LLC.

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| NAME, ADDRESS<br>AND AGE<br>-----   | POSITION(S) HELD<br>WITH THE TRUST<br>-----         | TERM OF OFFICE<br>AND LENGTH OF<br>TIME SERVED (1)<br>----- |  |
|---|---|---|--|
| <b>OFFICERS:</b>  |   |   |  |
| James M. Hennessy<br>7337 E. Doubletree Ranch Rd.<br>Scottsdale, Arizona 85258<br>Born: 1949  | President and Chief<br>Executive Officer            | February 2001 - present                                     | President<br>ING Capi<br>Services  |
|   | Chief Operating Officer                             | June 2000 - present   | Investme<br>Distribu   |
|   | Senior Executive Vice<br>President                  | June 2000 - February 2001                                   | Inc. and<br>December<br>and Chie   |
|   | Secretary   | April 1995 - February 2001                                  | Distribu   |
| Michael J. Roland<br>7337 E. Doubletree Ranch Rd.<br>Scottsdale, Arizona 85258<br>Born: 1958  | Executive Vice President<br>and Assistant Secretary | February 2002 - present                                     | Executiv<br>Officer<br>Services  |
|   | Chief Financial Officer                             | June 1998 - present   | ING Advi<br>(Decembe   |
|   | Senior Vice President                               | June 1998 - February 2002                                   | Distribu<br>Inc. and<br>December<br>Presiden<br>Treasur<br>Inc. (De<br>Senior V<br>LLC, ING<br>Distribu<br>2001).                |
| Robert S. Naka<br>7337 E. Doubletree Ranch Rd.<br>Scottsdale, Arizona 85258<br>Born: 1963     | Senior Vice President                               | November 1999 - present                                     | Senior V   |
|   | Assistant Secretary                                 | July 1996 - present   | Secretar<br>Funds Di<br>ING Inve<br>present)<br>Inc. (si<br>Senior V<br>Secretar<br>Inc. (Oc<br>Presiden<br>to Octob<br>LLC (Feb |
| Daniel Norman<br>7337 E. Doubletree Ranch Rd.<br>Scottsdale, Arizona 85258<br>Born: 1957      | Senior Vice President                               | April 1995 - present  | Senior V   |
|   | Treasurer   | June 1997 - present   | (since D<br>Distribu<br>served a<br>ING sinc   |
| Jeffrey A. Bakalar<br>7337 E. Doubletree Ranch Rd.<br>Scottsdale, Arizona 85258<br>Born: 1959 | Senior Vice President                               | November 1999 - present                                     | Senior V<br>(since N<br>Presiden<br>ING Inve<br>November   |

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| NAME, ADDRESS<br>AND AGE<br>-----  | POSITION(S) HELD<br>WITH THE TRUST<br>-----       | TERM OF OFFICE<br>AND LENGTH OF<br>TIME SERVED (1)<br>----- |  |
|--|---|---|--|
| Elliot Rosen<br>7337 E. Doubletree Ranch Rd.<br>Scottsdale, Arizona 85258<br>Born: 1953          | Senior Vice President                             | May 2002 - present  | Senior V<br>(since F<br>Vice Pre<br>- Februa   |
| William H. Rivoir III<br>7337 E. Doubletree Ranch Rd.<br>Scottsdale, Arizona 85258<br>Born: 1951 | Senior Vice President and<br>Assistant Secretary  | February 2001 - present                                     | Senior V<br>Capital<br>Services<br>Funds Di<br>ING Inve<br>Distribu<br>Distribu<br>Inc., Pi<br>Express<br>Liquidat<br>Formerly<br>Assistan<br>Manageme<br>2002) an<br>June 199<br>Pilgrim<br>February<br>ING Inve<br>and Assi<br>Distribu<br>ING Inve<br>America<br>(since D<br>Vice Pre<br>ING Fund<br>ING Inve<br>Financia<br>Senior V<br>LLC (sin<br>Secretar<br>(since F<br>LLC (sin |
| Curtis F. Lee<br>7337 E. Doubletree Ranch Rd.<br>Scottsdale, Arizona 85258<br>Born: 1955         | Senior Vice President and<br>Chief Credit Officer | February 2002 - present                                     | Senior V<br>Officer<br>LLC (sin<br>series o<br>Bank in<br>loan man<br>June 199   |
| Kimberly A. Anderson<br>7337 E. Doubletree Ranch Rd.<br>Scottsdale, Arizona 85258<br>Born: 1964  | Vice President<br>Secretary                       | February 2001 - present<br>February 2001 - August<br>2003   | Vice Pre<br>ING Fund<br>Distribu<br>Investme<br>Lexingto<br>December   |

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| NAME, ADDRESS<br>AND AGE<br>-----  | POSITION(S) HELD<br>WITH THE TRUST<br>-----         | TERM OF OFFICE<br>AND LENGTH OF<br>TIME SERVED(1)<br>----- |
|--|---|--|
| Robyn L. Ichilov<br>7337 E. Doubletree Ranch Rd.<br>Scottsdale, Arizona 85258<br>Born: 1967    | Vice President                                      | November 1997 - present                                    |
| J. David Greenwald<br>7337 E. Doubletree Ranch Rd.<br>Scottsdale, Arizona 85258<br>Born: 1957  | Vice President                                      | August 2003 - present                                      |
| Lauren D. Bensinger<br>7337 E. Doubletree Ranch Rd.<br>Scottsdale, Arizona 85258<br>Born: 1957 | Vice President                                      | March 2003 - present                                       |
| Huey P. Falgout<br>7337 E. Doubletree Ranch Rd.<br>Scottsdale, Arizona 85258<br>Born: 1963     | Secretary   | August 2003 - present                                      |
| Todd Modic<br>7337 E. Doubletree Ranch Rd.<br>Scottsdale, Arizona 85258<br>Born: 1967          | Vice President<br>Assistant Vice President          | August 2003 - present<br>February 2002 - August<br>2003    |
| Susan P. Kinens<br>7337 E. Doubletree Ranch Rd.<br>Scottsdale, Arizona 85258                   | Assistant Vice President<br>and Assistant Secretary | February 2003 - present                                    |

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Born: 1976

Maria M. Anderson                              Assistant Vice President              August 2001 - present  
7337 E. Doubletree Ranch Rd.  
Scottsdale, Arizona 85258  
Born: 1958

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

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INVESTMENT MANAGER  
ING Investments, LLC  
7337 E. Doubletree Ranch Road  
Scottsdale, Arizona 85258-2034

ADMINISTRATOR  
ING Fund Services, LLC  
7337 E. Doubletree Ranch Road  
Scottsdale, Arizona 85258-2034  
1-800-992-0180

INSTITUTIONAL INVESTORS AND ANALYSTS  
Call ING Prime Rate Trust  
1-800-336-3436, Extension 2217

DISTRIBUTOR  
ING Funds Distributor, LLC  
7337 E. Doubletree Ranch Road  
Scottsdale, Arizona 85258-2034  
1-800-334-3444

TRANSFER AGENT  
DST Systems, Inc.  
P.O. Box 219368  
Kansas City, Missouri 64141-9368

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

LEGAL COUNSEL  
Dechert LLP  
1775 Eye Street, N.W.  
Washington, D.C. 20006

INDEPENDENT AUDITORS  
KPMG LLP  
355 S. Grand Avenue, Suite 2000  
Los Angeles, CA 90071

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### WRITTEN REQUESTS

Please mail all account inquiries and other comments to:  
ING Prime Rate Trust Account  
c/o ING Fund Services, LLC  
7337 E. Doubletree Ranch Road  
Scottsdale, Arizona 85258-2034

### TOLL-FREE SHAREHOLDER INFORMATION

Call us from 9:00 a.m. to 7:00 p.m. Eastern time on any business day for account or other information, at 1-800-992-0180

A prospectus containing more complete information regarding the Trust, including charges and expenses, may be obtained by calling ING Funds Distributor, LLC, Distributor, at 1-800-992-0180. Please read the prospectus carefully before you invest or send money. The Form N-PX (Proxy Voting Record) will be available without charge, upon request, by calling 800-992-0180 on or about 8/31/04; and on the fund's website at [www.ingfunds.com](http://www.ingfunds.com); and on the SEC's website [www.sec.gov](http://www.sec.gov).

[ING FUNDS LOGO]

PRTSAR0803-102903

### ITEM 2. CODE OF ETHICS.

Not applicable.

### ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Not applicable.

### ITEMS 4-8. [RESERVED]

### ITEM 9. CONTROLS AND PROCEDURES.

(a) Based on our evaluation conducted within 90 days of the filing date, hereof, the design and operation of the registrant's disclosure controls and procedures are effective to ensure that material information relating to the registrant is made known to the certifying officers by others within the appropriate entities, particularly during the period in which Forms N-CSR are being prepared, and the registrant's disclosure controls and procedures allow timely preparation and review of the information for the registrant's Form N-CSR and the officer certifications of such Form N-CSR.

(b) There were no significant changes in the registrant's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

### ITEM 10. EXHIBITS.

(a) Not applicable.

(b) A separate certification for each principal executive officer and principal financial officer of the registrant as required by Rule 30a-2 under the Act (17 CFR 270.30a-2) is attached hereto as EX-99.CERT. The officer certifications required by Section 906 of the Sarbanes-Oxley Act of 2002 are attached hereto as EX-99.906CERT

### SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the

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Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant): ING PRIME RATE TRUST

By /s/ James M. Hennessy

-----  
James M. Hennessy  
President and Chief Executive Officer

Date November 6, 2003  
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Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By /s/ James M. Hennessy

-----  
James M. Hennessy  
President and Chief Executive Officer

Date November 6, 2003  
-----

By /s/ Michael J. Roland

-----  
Michael J. Roland  
Executive Vice President and Chief Financial Officer

Date November 6, 2003  
-----