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ING PRIME RATE TRUST  
Form N-CSR  
May 07, 2004

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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 29  
-----

Date of reporting period: February 29, 2004  
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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):

ANNUAL REPORT

ANNUAL REPORT

FEBRUARY 29, 2004

ING PRIME  
RATE TRUST

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[GRAPHIC]

[ING FUNDS LOGO]

ING PRIME RATE TRUST

ANNUAL REPORT

February 29, 2004

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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.

PORTFOLIO CHARACTERISTICS

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AS OF FEBRUARY 29, 2004

|                                                                                   |    |               |
|-----------------------------------------------------------------------------------|----|---------------|
| Net Assets                                                                        | \$ | 1,010,325,441 |
| Total Assets                                                                      | \$ | 1,692,510,327 |
| Assets Invested in<br>Senior Loans                                                | \$ | 1,632,623,334 |
| Senior Loans Represented                                                          |    | 368           |
| Average Amount Outstanding<br>per Loan                                            | \$ | 4,436,476     |
| Industries Represented                                                            |    | 39            |
| Average Loan Amount<br>per Industry                                               | \$ | 41,862,137    |
| Portfolio Turnover Rate                                                           |    | 87%           |
| Weighted Average Days to<br>Interest Rate Reset                                   |    | 42            |
| Average Loan Final Maturity                                                       |    | 54 months     |
| Total Leverage as a Percentage<br>of Total Assets<br>(including Preferred Shares) |    | 39.88%        |

## PEFORMANCE SUMMARY

The Trust declared \$0.42 of dividends during the fiscal year ended February 29, 2004. Based on the average month-end net asset value ("NAV") per share of \$7.17, this resulted in an annualized distribution rate of 5.95%(1) for the year. The Trust's total return for the fiscal year, based on NAV, was 15.72%, versus a total return on the S&P/LSTA Leveraged Loan Index of 9.40% for the same period. The total market value return (based on full reinvestment of dividends) for the Trust's common shares during the fiscal year was 28.77%.

## MARKET OVERVIEW

The non-investment grade loan market closed out the twelve-month period ended February 29, 2004 in robust fashion, driven by bullish investor sentiment and the continuation of several positive trends, both macroeconomic and specific to credit markets. Although sustained job creation still appears elusive at this point, revitalization of the U.S. economy has clearly taken hold, as evidenced by above-consensus gross domestic product numbers during recent quarters, and stronger than expected corporate earnings across many key industry sectors. Importantly, an improved economic outlook played a significant role in the effective re-opening of debt capital markets to a broader spectrum of non-investment grade borrowers. At the corporate level, although top-line revenue growth remains difficult to come by during this period of muted pricing power and intense global competition, in general, corporate executives continue to do the right things, I.E., lower production costs, improve productivity, and address liquidity concerns via renewed access to capital. These factors, taken as a whole, propelled the leveraged loan market to record returns during 2003 with continued momentum into the first quarter of 2004.

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## PORTFOLIO OVERVIEW

Against the backdrop of an increasingly strong loan market, we continued during the fiscal year to emphasize industries and individual loan positions that we believe offer value. Cable television and wireless communications finished out the fiscal year as the Trust's two largest industry sectors, primarily on the basis of offering attractive returns for the underlying risk. During the fiscal year, several of the Trust's larger individual holdings from these two sectors benefited from fundamental credit improvement. Specifically, Charter Communications Operating, LLC reported several quarters in which it met or exceeded analyst expectations, and in doing so, the third largest cable television provider in the U.S. has effectively regained access to much needed capital in order to address specific balance sheet issues. As a result, the price of the company's term loans have returned to near-par levels. Charter's resurgence also directly impacted, in a favorable manner, the loans of Adelphia Communications and its subsidiaries, the country's fifth largest cable operator. Although Adelphia continues to work through a very complex Chapter 11 bankruptcy proceeding, the market value of the company's debt obligations continues to point to a full recovery to lenders upon exit from bankruptcy. We continue to monitor this situation closely.

### TOP TEN INDUSTRY SECTORS AS OF FEBRUARY 29, 2004 AS A PERCENTAGE OF:

|                                        | TOTAL<br>ASSETS | NET<br>ASSETS |
|----------------------------------------|-----------------|---------------|
|                                        | -----           | -----         |
| Cable Television                       | 11.9%           | 20.0%         |
| Cellular Communications                | 9.1%            | 15.2%         |
| Healthcare, Education and<br>Childcare | 6.5%            | 11.0%         |
| Printing and Publishing                | 6.4%            | 10.7%         |
| Automobile                             | 5.2%            | 8.7%          |
| Chemicals, Plastics and Rubber         | 4.5%            | 7.5%          |
| Beverage, Food and Tobacco             | 4.2%            | 7.0%          |
| Containers, Packaging and<br>Glass     | 4.0%            | 6.7%          |
| Radio and TV Broadcasting              | 3.6%            | 6.0%          |
| Leisure, Amusement,<br>Entertainment   | 3.4%            | 5.7%          |

Similarly, Nextel Communications ("Nextel"), the bellwether issuer in the non-investment grade wireless sector, turned in a succession of very strong quarters during the period under review and, during the Trust's fourth fiscal quarter, refinanced it's sizeable credit facility at attractive borrowing rates. We took this opportunity to reduce the Trust's overall exposure to Nextel. As in the recent past, Nextel's operational strength and capital markets activity has provided a catalyst to improved sentiment across the overall wireless sector, historically one of the Trust's largest.

While we proactively manage the Trust's largest exposures, we continue to maintain a high level of diversification of the portfolio, across both issuer and industry lines. As of February 29, 2004, the average individual position accounted for approximately 0.26% of the Trust's total assets, as compared to

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roughly 0.35% as of February 29, 2003. The average amount invested per industry was also reduced during the fiscal year, to approximately 2.47% of total assets, from 2.73% at the end of the year-ended February 28, 2003.

### TOP TEN SENIOR LOAN ISSUERS AS OF FEBRUARY 29, 2004 AS A PERCENTAGE OF:

|                                          | TOTAL<br>ASSETS | NET<br>ASSETS |
|------------------------------------------|-----------------|---------------|
|                                          | -----           | -----         |
| Charter Communications<br>Operating, LLC | 4.0%            | 6.8%          |
| Nextel Finance Company                   | 3.7%            | 6.3%          |
| Dex Media West, LLC                      | 1.7%            | 2.8%          |
| Conseco, Inc.                            | 1.5%            | 2.5%          |
| Crown Castle Operating<br>Company        | 1.3%            | 2.2%          |
| Wyndham International, Inc.              | 1.2%            | 2.1%          |
| General Growth Properties                | 1.2%            | 2.0%          |
| Olympus Cable Holdings, LLC              | 1.2%            | 2.0%          |
| Paxson Communications<br>Corporation     | 1.1%            | 1.9%          |
| Cincinnati Bell, Inc.                    | 1.1%            | 1.8%          |

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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 February 29, 2004, the Trust had \$450 million of "Aaa/AAA(2)" rated cumulative auction rate preferred shares outstanding, and \$225 million of borrowings outstanding under \$525 million in available credit facilities. Total leverage, as a percentage of total assets (including preferred shares), was 39.88% at year end. The use of leverage for investment purposes increases both investment opportunity and investment risk.

### OUTLOOK

As we move further into 2004, loan investors, when analyzing their options, will seek to balance the prospects of an improving domestic economy with a supply/demand picture still heavily in favor of loan issuers. On one hand, the current environment has distinctly impacted existing loan prices in a favorable manner. On the other, it has also ushered in a period of unprecedented spread tightening, and made uncovering value a difficult proposition. While there is likely little upside left in loan prices at this point, fortunately, absent any significant external economic or geopolitical shocks, the downside also appears limited, at least for the foreseeable future. Default levels continue to drift lower, and a generational low in corporate borrowing rates, combined with historically strong investor demand for higher-yielding investments, has enabled many corporations to shore up balance sheets and thereby improve cash flow. Over the next few months, all eyes will be on the Federal Reserve as it determines when it is appropriate to increase short-term interest rates. Given the ultra-short duration of floating rate loans, an upward move in short-term rates would prove positive for the Trust's distributable yield.

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

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/s/ Jeffrey A. Bakalar

/s/ Daniel A. Norman

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

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

ING Prime Rate Trust

April 4, 2004

- (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 Investors Service are judged to be of the highest quality, with minimal credit risk. 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.

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[CHART]

|           | ING Prime Rate Trust<br>at Market Value | ING Prime Rate Trust<br>at NAV | Credit Suisse First Boston<br>Leveraged Loan Index |
|-----------|-----------------------------------------|--------------------------------|----------------------------------------------------|
| 2/28/1994 | \$ 10,000                               | \$ 10,000                      | \$ 10,000                                          |
| 2/28/1995 | \$ 12,765                               | \$ 13,010                      | \$ 10,886                                          |
| 2/29/1996 | \$ 15,215                               | \$ 14,208                      | \$ 11,800                                          |
| 2/28/1997 | \$ 20,943                               | \$ 18,270                      | \$ 12,708                                          |
| 2/28/1998 | \$ 23,601                               | \$ 19,733                      | \$ 13,720                                          |
| 2/28/1999 | \$ 23,702                               | \$ 21,285                      | \$ 14,262                                          |
| 2/29/2000 | \$ 22,459                               | \$ 22,492                      | \$ 15,153                                          |
| 2/28/2001 | \$ 24,517                               | \$ 22,535                      | \$ 15,928                                          |
| 2/28/2002 | \$ 22,261                               | \$ 21,855                      | \$ 16,139                                          |
| 2/28/2003 | \$ 22,825                               | \$ 21,951                      | \$ 16,598                                          |
| 2/29/2004 | \$ 29,391                               | \$ 25,401                      | \$ 18,331                                          |

AVERAGE ANNUAL TOTAL RETURNS FOR THE PERIODS ENDED FEBRUARY 29, 2004

|                                                    | 1 YEAR<br>----- | 3 YEARS<br>----- | 5 YEARS<br>----- | 10 YEARS<br>----- | SI<br>INCE<br>----- |
|----------------------------------------------------|-----------------|------------------|------------------|-------------------|---------------------|
| Based on Net Asset Value (NAV)                     | 15.72%          | 4.07%            | 3.59%            | 5.91%             |                     |
| Based on Market Value                              | 28.77%          | 6.23%            | 4.25%            | 7.08%             |                     |
| Credit Suisse First Boston<br>Leveraged Loan Index | 10.44%          | 4.80%            | 5.15%            | 6.25%             |                     |
| S&P/LSTA Leveraged Loan Index(4)                   | 9.40%           | 4.95%            | 5.10%            | --                |                     |

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ASSUMES RIGHTS WERE EXERCISED AND EXCLUDES SALES CHARGES AND COMMISSIONS (5), (6), (7)

- (1) 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.
- (2) Reflects partial waiver of fees.
- (3) Initial Trading on NYSE -- March 9, 1992. Since inception performance for the index is shown from 03/01/92.
- (4) Since inception performance for the index is 5.37% from 1/1/97.
- (5) 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.
- (6) 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.
- (7) 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.

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. THE TRUST'S PERFORMANCE MAY BE LOWER OR HIGHER THAN THE PERFORMANCE DATA SHOWN. PLEASE LOG ON TO WWW.INGFUNDS.COM OR CALL (800) 992-0180 TO GET PERFORMANCE TO THE MOST RECENT MONTH END.

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.

| QUARTER ENDED | PRIME RATE | NET ASSET VALUE ("NAV")<br>30-DAY SEC YIELD (A) | MARKET<br>30-DAY SEC YIELD (A) | AVERAGE ANNUALIZED DISTRIBUTION RATE AT NAV (B) | AVERAGE ANNUALIZED DISTRIBUTION RATE AT MARKET (B) |
|---------------|------------|-------------------------------------------------|--------------------------------|-------------------------------------------------|----------------------------------------------------|
| -----         | -----      | -----                                           | -----                          | -----                                           | -----                                              |
|               |            |                                                 |                                |                                                 |                                                    |

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|                   |       |       |       |       |       |
|-------------------|-------|-------|-------|-------|-------|
| February 29, 2004 | 4.00% | 5.56% | 5.20% | 5.82% | 5.35% |
| November 30, 2003 | 4.00% | 6.51% | 6.30% | 5.83% | 5.68% |
| August 31, 2003   | 4.00% | 5.82% | 5.45% | 5.98% | 5.72% |
| May 31, 2003      | 4.25% | 6.93% | 6.75% | 6.16% | 6.07% |

- (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) 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.

### INDEX DESCRIPTIONS

THE S&P/LSTA LEVERAGED LOAN INDEX ("LLI") is an unmanaged 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. An investor cannot invest directly in an index.

THE CREDIT SUISSE FIRST BOSTON LEVERAGED LOAN INDEX is an unmanaged index of below-investment-grade loans designed to mirror the investable universe of the U.S. dollar-denominated leveraged loan market. An investor cannot invest directly in an index.

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### ING Prime Rate Trust

#### INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Trustees  
ING Prime Rate Trust:

We have audited the accompanying statement of assets and liabilities of the ING Prime Rate Trust (the "Trust"), including the portfolio of investments, as of February 29, 2004, the related statements of operations and cash flows for the year then ended, the statement of changes in net assets for each of the years in the two-year period then ended, and the financial highlights for each of the years in the five-year period then ended. These financial statements and financial highlights are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of February 29, 2004, by correspondence with the custodian



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and other appropriate audit procedures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of ING Prime Rate Trust as of February 29, 2004, the results of its operations and its cash flows for the year then ended, the changes in its net assets for each of the years in the two-year period then ended, and the financial highlights for each of the years in the five-year period then ended, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

April 19, 2004  
Los Angeles, California

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### ING Prime Rate Trust

STATEMENT OF ASSETS AND LIABILITIES as of February 29, 2004

**ASSETS:**

|                                                           |                |
|-----------------------------------------------------------|----------------|
| Investments in securities at value (Cost \$1,687,342,912) | \$ 1,682,172,3 |
| Cash                                                      | 2,468,0        |
| Receivables:                                              |                |
| Interest                                                  | 7,739,2        |
| Other                                                     | 93,3           |
| Prepaid expenses                                          | 37,2           |
| Total assets                                              | 1,692,510,3    |

**LIABILITIES:**

|                                           |           |
|-------------------------------------------|-----------|
| Notes payable                             | 225,000,0 |
| Deferred arrangement fees on senior loans | 4,231,0   |
| Dividends payable - preferred shares      | 67,2      |
| Payable to affiliates                     | 1,384,4   |
| Accrued trustees' fees                    | 42,2      |
| Other accrued expenses                    | 1,459,9   |
| Total liabilities                         | 232,184,8 |

|                                                                                                    |           |
|----------------------------------------------------------------------------------------------------|-----------|
| Preferred shares, \$25,000 stated value per share at liquidation value (18,000 shares outstanding) | 450,000,0 |
|----------------------------------------------------------------------------------------------------|-----------|

|            |                |
|------------|----------------|
| NET ASSETS | \$ 1,010,325,4 |
|------------|----------------|

|                                                                                                                                                                                                      |       |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| Net assets value per common share outstanding (net assets less preferred shares at liquidation value, divided by 137,638,271 shares of beneficial interest authorized and outstanding, no par value) | \$ 7. |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|

|                                           |                |
|-------------------------------------------|----------------|
| NET ASSETS CONSIST OF:<br>Paid-in capital | \$ 1,288,128,4 |
|-------------------------------------------|----------------|

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|                                              |                |
|----------------------------------------------|----------------|
| Undistributed net investment income          | 9,661,4        |
| Accumulated net realized loss on investments | (282,293,9     |
| Net unrealized depreciation of investments   | (5,170,5       |
|                                              | -----          |
| NET ASSETS                                   | \$ 1,010,325,4 |
|                                              | =====          |

See Accompanying Notes to Financial Statement

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ING Prime Rate Trust

STATEMENT OF OPERATIONS for the Year Ended February 29, 2004

|                                                       |              |
|-------------------------------------------------------|--------------|
| INVESTMENT INCOME:                                    |              |
| Interest                                              | \$ 81,183,8  |
| Arrangement fees earned                               | 3,273,2      |
| Dividends                                             | 254,3        |
| Other                                                 | 3,536,9      |
|                                                       | -----        |
| Total investment income                               | 88,248,3     |
|                                                       | -----        |
| EXPENSES:                                             |              |
| Investment management fees                            | 12,492,7     |
| Administration fees                                   | 3,903,9      |
| Transfer agent and registrar fees                     | 547,6        |
| Interest                                              | 2,715,4      |
| Shareholder reporting expense                         | 151,5        |
| Custodian fees                                        | 695,4        |
| Revolving credit facility fees                        | 97,9         |
| Professional fees                                     | 1,003,4      |
| Preferred Shares - Dividend disbursing agent fees     | 1,186,0      |
| Insurance expense                                     | 21,0         |
| Pricing expense                                       | 57,4         |
| ICI fees                                              | 24,2         |
| Postage expense                                       | 219,1        |
| Trustees' fees                                        | 73,2         |
| Miscellaneous expense                                 | 177,7        |
|                                                       | -----        |
| Total expenses                                        | 23,367,1     |
|                                                       | -----        |
| Net investment income                                 | 64,881,2     |
|                                                       | -----        |
| REALIZED AND UNREALIZED GAIN (LOSS) FROM INVESTMENTS: |              |
| Net realized loss on investments                      | (45,502,5    |
| Net change in unrealized appreciation of investments  | 126,661,2    |
|                                                       | -----        |
| Net realized and unrealized gain on investments       | 81,158,7     |
|                                                       | -----        |
| DISTRIBUTIONS TO PREFERRED SHAREHOLDERS:              |              |
| From net investment income                            | (5,199,5     |
|                                                       | -----        |
| Net increase in net assets resulting from operations  | \$ 140,840,4 |
|                                                       | =====        |

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See Accompanying Notes to Financial Statement

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ING Prime Rate Trust

## STATEMENTS OF CHANGES IN NET ASSETS

|                                                                                                             | YEAR ENDED<br>FEBRUARY 29,<br>2004 | YEAR ENDED<br>FEBRUARY 28,<br>2003 |
|-------------------------------------------------------------------------------------------------------------|------------------------------------|------------------------------------|
|                                                                                                             | -----                              | -----                              |
| <b>INCREASE IN NET ASSETS FROM OPERATIONS:</b>                                                              |                                    |                                    |
| Net investment income                                                                                       | \$ 64,881,220                      | \$ 69,429,000                      |
| Net realized loss on investments                                                                            | (45,502,509)                       | (115,778,000)                      |
| Change in unrealized appreciation on investments                                                            | 126,661,233                        | 51,893,000                         |
| Distributions to preferred shareholders from net investment income                                          | (5,199,537)                        | (7,499,000)                        |
|                                                                                                             | -----                              | -----                              |
| Net increase (decrease) in net assets resulting from operations                                             | 140,840,407                        | (1,954,900)                        |
|                                                                                                             | -----                              | -----                              |
| <b>DISTRIBUTIONS TO COMMON SHAREHOLDERS:</b>                                                                |                                    |                                    |
| Distributions from net investment income                                                                    | (57,649,691)                       | (61,643,400)                       |
|                                                                                                             | -----                              | -----                              |
| Decrease in net assets from distributions to common shareholders                                            | (57,649,691)                       | (61,643,400)                       |
|                                                                                                             | -----                              | -----                              |
| <b>CAPITAL SHARE TRANSACTIONS:</b>                                                                          |                                    |                                    |
| Dividends reinvested for common shares                                                                      | 4,364,604                          |                                    |
| Sales of shares in connection with shelf offering                                                           | 386,779                            |                                    |
|                                                                                                             | -----                              | -----                              |
| Net increase from capital share transactions                                                                | 4,751,383                          |                                    |
|                                                                                                             | -----                              | -----                              |
| Net increase (decrease) in net assets                                                                       | 87,942,099                         | (63,598,300)                       |
|                                                                                                             | -----                              | -----                              |
| <b>NET ASSETS:</b>                                                                                          |                                    |                                    |
| Beginning of period                                                                                         | 922,383,342                        | 985,981,600                        |
|                                                                                                             | -----                              | -----                              |
| End of period (including undistributed net investment income of \$9,661,472 and \$11,723,349, respectively) | \$ 1,010,325,441                   | \$ 922,383,300                     |
|                                                                                                             | =====                              | =====                              |
| <b>SUMMARY OF CAPITAL SHARE TRANSACTIONS:</b>                                                               |                                    |                                    |
| Shares issued in payment of distributions from net investments income                                       | 612,173                            |                                    |
| Shares sold in connection with shelf offering                                                               | 53,184                             |                                    |
|                                                                                                             | -----                              | -----                              |
| Net increase in shares outstanding                                                                          | 665,357                            |                                    |
|                                                                                                             | =====                              | =====                              |

See Accompanying Notes to Financial Statement

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ING Prime Rate Trust

STATEMENT OF CASH FLOWS for the Year Ended February 29, 2004

INCREASE (DECREASE) IN CASH

CASH FLOWS FROM OPERATING ACTIVITIES:

|                                          |              |
|------------------------------------------|--------------|
| Interest received                        | \$ 72,729,2  |
| Dividends received                       | 254,3        |
| Facility fees paid                       | (97,9        |
| Dividends paid to preferred shareholders | (5,178,6     |
| Arrangement fee received                 | 4,411,6      |
| Other income received                    | 3,524,6      |
| Interest paid                            | (2,715,4     |
| Other operating expenses paid            | (19,910,2    |
| Purchases of securities                  | (1,481,276,1 |
| Proceeds from sales of securities        | 1,424,283,2  |

|                                       |             |
|---------------------------------------|-------------|
| Net cash used in operating activities | \$ (3,975,3 |
|---------------------------------------|-------------|

CASH FLOWS FROM FINANCING ACTIVITIES:

|                                               |           |
|-----------------------------------------------|-----------|
| Dividends paid in cash to common shareholders | (53,285,0 |
| Proceeds from shelf offerings                 | 386,7     |
| Net issuance of notes payable                 | 58,000,0  |

|                                             |         |
|---------------------------------------------|---------|
| Net cash flows used in financing activities | 5,101,6 |
|---------------------------------------------|---------|

|                           |         |
|---------------------------|---------|
| Net change in cash        | 1,126,3 |
| Cash at beginning of year | 1,341,7 |

|                     |            |
|---------------------|------------|
| Cash at end of year | \$ 2,468,0 |
|---------------------|------------|

RECONCILIATION OF NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS TO NET CASH USED IN OPERATING ACTIVITIES:

|                                                      |              |
|------------------------------------------------------|--------------|
| Net increase in net assets resulting from operations | \$ 140,840,4 |
|------------------------------------------------------|--------------|

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

|                                                       |              |
|-------------------------------------------------------|--------------|
| Change in unrealized depreciation of securities       | (126,661,2   |
| Net accretion of discounts on securities              | (8,093,8     |
| Realized loss on sale of securities                   | 45,502,5     |
| Purchase of securities                                | (1,481,276,1 |
| Proceeds on sale of securities                        | 1,424,283,2  |
| Increase in other assets                              | (12,3        |
| Increase in interest receivable                       | (360,7       |
| Decrease in prepaid expenses                          | 166,4        |
| Increase in deferred arrangement fees on senior loans | 1,138,4      |
| Increase in preferred shareholder dividend payable    | 20,8         |
| Increase in affiliate payable                         | 151,8        |
| Increase in accrued trustees' fees                    | 12,8         |
| Increase in accrued expenses                          | 312,3        |

|                   |            |
|-------------------|------------|
| Total adjustments | (144,815,7 |
|-------------------|------------|

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|                                             |             |
|---------------------------------------------|-------------|
| Net cash used in operating activities       | \$ (3,975,3 |
| <hr style="border-top: 1px dashed black;"/> |             |
| NON CASH FINANCING ACTIVITIES               |             |
| Reinvestment of dividends                   | \$ 4,364,6  |

See Accompanying Notes to Financial Statement

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### ING PRIME RATE TRUST

#### FINANCIAL HIGHLIGHTS

For a common share outstanding throughout the period

|                                                                                | YEARS ENDED FEBRUARY                        |                                             |                                             |
|--------------------------------------------------------------------------------|---------------------------------------------|---------------------------------------------|---------------------------------------------|
|                                                                                | 2004                                        | 2003                                        | 2002                                        |
| <hr style="border-top: 1px dashed black;"/>                                    |                                             |                                             |                                             |
| PER SHARE OPERATING PERFORMANCE                                                |                                             |                                             |                                             |
| Net asset value, beginning of year                                             | \$ 6.73                                     | 7.20                                        | 8.                                          |
| Income from investment operations:                                             |                                             |                                             |                                             |
| Net investment income                                                          | \$ 0.46                                     | 0.50                                        | 0.                                          |
| Net realized and unrealized gain (loss) on investments                         | \$ 0.61                                     | (0.47)                                      | (0.                                         |
|                                                                                | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| Total from investment operations                                               | \$ 1.07                                     | 0.03                                        | (0.                                         |
| Distributions to Common Shareholders from net investment income                | \$ (0.42)                                   | (0.45)                                      | (0.                                         |
| Distribution to Preferred Shareholders                                         | \$ (0.04)                                   | (0.05)                                      | (0.                                         |
| Reduction in net asset value from Preferred Shares offerings                   | \$ --                                       | --                                          |                                             |
|                                                                                | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| Net asset value, end of year                                                   | \$ 7.34                                     | 6.73                                        | 7.                                          |
|                                                                                | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| Closing market price at end of year                                            | \$ 7.84                                     | 6.46                                        | 6.                                          |
| TOTAL INVESTMENT RETURN(1)                                                     |                                             |                                             |                                             |
| Total investment return at closing market price(2)                             | %                                           | 28.77                                       | 2.53                                        |
| Total investment return at net asset value(3)                                  | %                                           | 15.72                                       | 0.44                                        |
| RATIOS/SUPPLEMENTAL DATA                                                       |                                             |                                             |                                             |
| Net assets end of year (000's)                                                 | \$ 1,010,325                                | 922,383                                     | 985,9                                       |
| Preferred Shares-Aggregate amount outstanding (000's)                          | \$ 450,000                                  | 450,000                                     | 450,0                                       |
| Liquidation and market value per share of Preferred Shares                     | \$ 25,000                                   | 25,000                                      | 25,0                                        |
| Borrowings at end of year (000's)                                              | \$ 225,000                                  | 167,000                                     | 282,0                                       |
| Asset coverage ratios(4)                                                       | %                                           | 250                                         | 250                                         |
| Average borrowings (000's)                                                     | \$ 143,194                                  | 190,671                                     | 365,1                                       |
| Ratios to average net assets including Preferred Shares(5)                     |                                             |                                             |                                             |
| Expenses (before interest and other fees related to revolving credit facility) | %                                           | 1.45                                        | 1.49                                        |
| Expenses                                                                       | %                                           | 1.65                                        | 1.81                                        |
| Net investment income                                                          | %                                           | 4.57                                        | 4.97                                        |
| Ratios to average net assets plus borrowings                                   |                                             |                                             |                                             |
| Expenses (before interest and other fees related to revolving credit facility) | %                                           | 1.84                                        | 1.82                                        |
| Expenses                                                                       | %                                           | 2.09                                        | 2.23                                        |
| Net investment income                                                          | %                                           | 5.82                                        | 6.10                                        |
| Ratios to average net assets                                                   |                                             |                                             |                                             |

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|                                                                                   |   |         |         |       |
|-----------------------------------------------------------------------------------|---|---------|---------|-------|
| Expenses (before interest and other fees<br>related to revolving credit facility) | % | 2.11    | 2.19    | 2.    |
| Expenses                                                                          | % | 2.40    | 2.68    | 3.    |
| Net investment income                                                             | % | 6.68    | 7.33    | 9.    |
| Portfolio turnover rate                                                           | % | 87      | 48      |       |
| Common shares outstanding at end of period (000's)                                |   | 137,638 | 136,973 | 136,9 |

- (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) Asset coverage represents the total assets available for settlement of Preferred Stockholder's interest and notes payables in relation to the Preferred Shareholder interest and notes payable balance outstanding. The Preferred Shares were first offered November 2, 2000.
- (5) Ratios do not reflect the effect of dividend payments to Preferred Shareholders; income ratios reflect income earned on assets attributable to preferred shares.
- (6) Calculated on total expenses before impact on earnings credits.

See Accompanying Notes to Financial Statements

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### ING Prime Rate Trust

NOTES TO FINANCIAL STATEMENTS as of February 29, 2004

#### NOTE 1 -- ORGANIZATION

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.

#### NOTE 2 -- SIGNIFICANT ACCOUNTING POLICIES

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The following is a summary of the significant accounting policies consistently followed by the Fund in the preparation of its financial statements. The policies are in conformity with generally accepted accounting principles 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 February 29, 2004, 96.85% of total investments were valued based on these 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-Adviser"), 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 and Proxy 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 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

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all other assets will be valued at their respective fair values as determined in good faith by, and 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 subchapter M of the Internal Revenue Code and related excise tax provisions applicable to regulated investment companies and to distribute substantially all of its net investment income and net realized capital gains to its shareholders. Therefore, no federal income tax provision is required. No capital gain distributions shall be made until any capital loss carryforwards have been fully utilized or expire.
- 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 are reported on the basis of identified cost of securities sold. 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 received, 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 received are treated as discounts and accreted as described in Note 2.H. Fees associated with revolving credit facilities acquired subsequent to February 28, 2001 are deferred and recognized over the shorter of four years or the actual term of the loan.
- D. DISTRIBUTIONS TO COMMON SHAREHOLDERS. The Trust declares dividends monthly for net investment income. Distributions from capital gains, if any, are declared and paid annually. The Trust may make additional distributions to comply with the distribution requirements of the Internal Revenue Code. The character and amounts of income and gains to be distributed are determined in accordance with federal income tax regulations, which may differ from accounting principles generally accepted in the United States of America for investment companies. Dividends paid by the Trust from net investment income and distributions of net realized short-term capital gains are, for federal income tax purposes, taxable as ordinary income to shareholders. The Trust records distributions to its shareholders on the ex-dividend date.
- 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



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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.
- 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.

### NOTE 3 -- INVESTMENTS

For the year ended February 29, 2004, the cost of purchases and the proceeds from principal repayment and sales of investments, excluding short-term notes, totaled \$1,411,276,175 and \$1,354,283,285, respectively. At February 29, 2004, the Trust held senior loans valued at \$1,632,623,334 representing 97.1% of its total investments. The market value of these assets is established as set forth in Note 2.

The senior loans acquired by the Trust may take the form of a direct lending relationship with the borrower, or 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 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.

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Dates of acquisition and cost or assigned basis of restricted securities are as follows:

DATE OF  
ACQUISITION  
-----

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|                                                                                                                                  |          |
|----------------------------------------------------------------------------------------------------------------------------------|----------|
| Acterna, LLC -- Common Shares                                                                                                    | 12/24/03 |
| 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 |
| 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 |
| IHDG Realty -- Common Shares                                                                                                     | 05/02/01 |
| Imperial Home Decor Group, Inc. -- Common Shares                                                                                 | 05/02/01 |
| Imperial Home Decor Group, Inc. -- Liquidation Interest                                                                          | 01/22/04 |
| Insilco Technologies -- Residual Interest in Bankruptcy Estate                                                                   | 05/02/03 |
| Intera Group, Inc. -- Common Shares                                                                                              | 11/29/02 |
| IT Group, Inc. -- Residual Interest in Bankruptcy Estate                                                                         | 09/12/03 |
| 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. -- Interest in Undistributed Escrow Account                                                  | 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, Inc. -- Common Shares                                                                                                    | 12/11/02 |
| Sarcom, Inc. -- Preferred Shares                                                                                                 | 12/11/02 |
| Scientific Games Corporation -- Common Shares                                                                                    | 10/30/03 |
| 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 |
| Teligent, 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<br>\$29,831,010 was 3.0% of net assets at February 29, 2004) |          |

#### NOTE 4 -- 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

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"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.

### NOTE 5 -- TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES

At February 29, 2004, the Trust had the following amounts recorded in payable to affiliates on the accompanying Statement of Assets and Liabilities:

| ACCRUED INVESTMENT<br>MANAGEMENT FEES | ACCRUED<br>ADMINISTRATIVE FEES | TOTAL        |
|---------------------------------------|--------------------------------|--------------|
| \$ 1,054,795                          | \$ 329,623                     | \$ 1,384,418 |

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 6 -- COMMITMENTS

The Trust has entered into both a \$90 million 364-day revolving credit agreement which matures on August 25, 2004 and a \$435 million 364-day revolving securitization facility which matures on June 13, 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 these facilities are amortized over the term of the agreements. The amount of borrowings outstanding at February 29, 2004, was \$225 million. Weighted average interest rate on outstanding borrowings was 1.49%, excluding fees related to the unused portion of the facilities, and other fees. The amount of borrowings represented 13.21% of total assets at February 29, 2004. Average borrowings for the year ended February 29, 2004 were \$143,193,989 and the average annualized interest rate was 1.42% excluding other fees related to the unused portion of the facilities, and other fees.

As of February 29, 2004, the Trust had unfunded loan commitments pursuant to the terms of the following loan agreements:

|                                   |              |
|-----------------------------------|--------------|
| Amerco, Inc.                      | \$ 9,780,000 |
| Apria Healthcare Group, Inc.      | 2,000,000    |
| Atlantic Broadband Finance, LLC   | 2,000,000    |
| Block Vision Holdings Corporation | 118,771      |
| Cincinnati Bell, Inc.             | 2,506,646    |

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|                                      |               |
|--------------------------------------|---------------|
| Davita, Inc.                         | 3,000,000     |
| Federal Mogul Corporation            | 438,518       |
| Fleming Companies, Inc.              | 593,579       |
| Georgia-Pacific Corporation          | 16,466,667    |
| Green-Valley Ranch Gaming, LLC       | 1,000,000     |
| Hercules, Inc.                       | 918,992       |
| IESI Corporation                     | 993,125       |
| Insight Health Services Corporation  | 250,000       |
| J.C. Penney Company, Inc.            | 10,000,000    |
| Lyondell Chemical Company            | 9,000,000     |
| Neoplan USA Corporation              | \$ 315,000    |
| Nextel Finance Company               | 8,799,787     |
| Nutrasweet Acquisition Corporation   | 472,250       |
| Peabody Energy Corporation           | 2,500,000     |
| Pinnacle Entertainment               | 1,213,333     |
| Primedia, Inc.                       | 1,436,807     |
| Rural Cellular Corporation           | 1,046,863     |
| SBA Senior Finance, Inc.             | 615,385       |
| Six Flags Theme Parks, Inc.          | 1,750,000     |
| United Defense Industries, Inc.      | 3,000,000     |
| United Rentals (North America), Inc. | 2,222,222     |
| Western Wireless Corporation         | 6,500,000     |
|                                      | -----         |
|                                      | \$ 88,937,945 |
|                                      | =====         |

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### NOTE 7 -- RIGHTS AND OTHER OFFERINGS

As of February 29, 2004, outstanding share offerings pursuant to shelf registrations were as follows:

| REGISTRATION<br>DATE<br>----- | SHARES<br>REGISTERED<br>----- | SHARES<br>REMAINING<br>----- |
|-------------------------------|-------------------------------|------------------------------|
| 6/19/98                       | 10,000,000                    | 9,730,800                    |
| 9/15/98                       | 25,000,000                    | 19,114,255                   |
| 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 8 -- CUSTODIAL AGREEMENT

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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 year ended February 29, 2004.

### NOTE 9 -- 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 February 29, 2004, the Trust held 0.79% of its total assets in subordinated loans and unsecured loans.

### NOTE 10 -- FEDERAL INCOME TAXES

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 accounting principles generally accepted in the United States of America for investment companies. These book/tax differences may be either temporary or permanent. Permanent differences are reclassified within the capital accounts based on their federal tax-basis treatment; temporary differences are not reclassified. Key differences include the treatment of short-term capital gains and wash sale deferrals. Distributions in excess of net investment income and/or net realized capital gains for tax purposes are reported as distributions of paid-in capital.

The following permanent tax differences have been reclassified as of February 29, 2004:

| PAID-IN<br>CAPITAL | UNDISTRIBUTED<br>NET INVESTMENT<br>INCOME ON<br>INVESTMENTS | ACCUMULATED<br>NET REALIZED<br>GAINS<br>(LOSSES) |
|--------------------|-------------------------------------------------------------|--------------------------------------------------|
| \$ (4,571,118)     | \$ (4,093,869)                                              | \$ 8,664,987                                     |

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The tax composition of dividends and distributions to shareholders for years ended February 29, 2004 and February 28, 2003 were as follows:

| YEAR ENDED FEBRUARY 29, 2004 | YEAR ENDED FEBRUARY 28, 2003 |
|------------------------------|------------------------------|
| ORDINARY INCOME              | ORDINARY INCOME              |
| \$ 62,849,228                | \$ 69,142,490                |

The tax-basis components of distributable earnings and the expiration dates of

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the capital loss carryforwards which may be used to offset future realized capital gains for federal income tax purposes as of February 29, 2004 were:

| UNDISTRIBUTED<br>ORDINARY INCOME | UNREALIZED<br>APPRECIATION/<br>(DEPRECIATION) | POST-OCTOBER<br>CAPITAL LOSSES<br>DEFERRED | CAPITAL<br>LOSS<br>CARRYFORWARDS | EXPI<br>D |
|----------------------------------|-----------------------------------------------|--------------------------------------------|----------------------------------|-----------|
| -----                            | -----                                         | -----                                      | -----                            | -----     |
| \$ 8,429,077                     | \$ (6,655,665)                                | \$ (15,388,435)                            | \$ (264,120,731)                 | 200       |

### NOTE 11 -- SUBSEQUENT EVENTS

Subsequent to February 29, 2004, the Trust paid to Common Shareholders the following dividends from net investment income:

| PER SHARE AMOUNT | DECLARATION DATE | RECORD DATE | PAYABLE DATE |
|------------------|------------------|-------------|--------------|
| -----            | -----            | -----       | -----        |
| \$ 0.034         | 2/27/04          | 3/10/04     | 3/22/04      |

Subsequent to February 29, 2004, the Trust paid to Preferred Shareholders the following dividends from net investment income:

| PREFERRED<br>SHARES | TOTAL<br>PER SHARE<br>AMOUNT | AUCTION<br>DATES     | RECORD<br>DATES      | PAYABLE<br>DATES     |
|---------------------|------------------------------|----------------------|----------------------|----------------------|
| -----               | -----                        | -----                | -----                | -----                |
| Series M            | \$ 30.23                     | 03/01/04 to 04/05/04 | 03/08/04 to 04/12/04 | 03/09/04 to 04/13/04 |
| Series T            | \$ 30.67                     | 03/02/04 to 04/06/04 | 03/09/04 to 04/13/04 | 03/10/04 to 04/14/04 |
| Series W            | \$ 30.05                     | 03/03/04 to 04/07/04 | 03/10/04 to 04/14/04 | 03/11/04 to 04/15/04 |
| Series Th           | \$ 30.84                     | 03/04/04 to 04/08/04 | 03/11/04 to 04/15/04 | 03/12/04 to 04/16/04 |
| Series F            | \$ 30.67                     | 03/05/04 to 04/09/04 | 03/12/04 to 04/16/04 | 03/15/04 to 04/19/04 |

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### ING Prime Rate Trust

PORTFOLIO OF INVESTMENTS as of February 29, 2004

SENIOR LOANS\*: 161.6%

| PRINCIPAL AMOUNT            | BORROWER/TRANCHE DESCRIPTION | BANK LOAN<br>RATINGS+<br>(UNAUDITED) | MOODY'S | S&P   | VALUE |
|-----------------------------|------------------------------|--------------------------------------|---------|-------|-------|
| -----                       | -----                        | -----                                | -----   | ----- | ----- |
| AEROSPACE AND DEFENSE: 2.3% | ALLIANT TECHSYSTEMS, INC.    |                                      | Ba2     | BB-   |       |

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|                  |            |                                                                             |     |     |    |                           |
|------------------|------------|-----------------------------------------------------------------------------|-----|-----|----|---------------------------|
| \$               | 2,270,970  | Term Loan, maturing April 20, 2009<br>PIEDMONT AVIATION SERVICES            | NR  | NR  | \$ | 2,296,                    |
|                  | 4,680,432  | Term Loan, maturing July 23, 2006                                           |     |     |    | 4,633,                    |
|                  | 4,680,432  | Term Loan, maturing July 23, 2007<br>TITAN CORPORATION                      | Ba3 | BB- |    | 4,633,                    |
|                  | 2,955,000  | Term Loan, maturing June 30, 2009<br>TRANSDIGM, INC.                        | B1  | B+  |    | 2,955,                    |
|                  | 1,995,000  | Term Loan, maturing July 22, 2010<br>UNITED DEFENSE INDUSTRIES, INC.        | Ba2 | BB  |    | 2,020,                    |
|                  | 6,224,849  | Term Loan, maturing August 13, 2009                                         |     |     |    | 6,265,                    |
|                  |            |                                                                             |     |     |    | -----<br>22,804,<br>----- |
| AUTOMOBILE: 8.7% |            |                                                                             |     |     |    |                           |
|                  | 961,067    | AFTERMARKET TECHNOLOGY CORPORATION<br>Term Loan, maturing February 08, 2008 | Ba3 | BB- |    | 964,                      |
|                  | 1,321,517  | Term Loan, maturing February 08, 2008<br>COLLINS & AIKMAN PRODUCTS          | B1  | B+  |    | 1,318,                    |
|                  | 1,298,246  | Term Loan, maturing December 31, 2005                                       |     |     |    | 1,298,                    |
|                  | 701,754    | Term Loan, maturing December 31, 2005<br>DURA OPERATING CORPORATION         | Ba3 | BB  |    | 701,                      |
|                  | 3,152,000  | Term Loan, maturing December 31, 2008<br>(2) FEDERAL-MOGUL CORPORATION      | Ca  | NR  |    | 3,178,                    |
|                  | 8,502,361  | Revolver, maturing February 24, 2004                                        |     |     |    | 7,699,                    |
|                  | 4,059,121  | Term Loan, maturing February 24, 2004                                       |     |     |    | 3,678,                    |
|                  | 6,500,000  | Term Loan, maturing February 24, 2005<br>GOODYEAR TIRE & RUBBER COMPANY     |     |     |    | 5,896,                    |
|                  | 5,500,000  | Term Loan, maturing March 31, 2006                                          | B1  | BB+ |    | 5,548,                    |
|                  | 3,500,000  | Term Loan, maturing March 31, 2006<br>HLI OPERATING COMPANY, INC.           | B2  | B+  |    | 3,483,                    |
|                  | 4,797,222  | Term Loan, maturing June 03, 2009<br>KEYSTONE AUTOMOTIVE INDUSTRIES, INC.   | Ba3 | BB- |    | 4,896,                    |
|                  | 1,500,000  | Term Loan, maturing October 30, 2009<br>METALDYNE COMPANY, LLC              | B1  | B+  |    | 1,522,                    |
|                  | 4,401,703  | Term Loan, maturing December 31, 2009<br>PLASTECH, INC.                     | B2  | BB- |    | 4,446,                    |
|                  | 2,000,000  | Term Loan, maturing February 12, 2010<br>POLYPORE, INC.                     | Ba3 | BB- |    | 2,034,                    |
|                  | 5,403,750  | Term Loan, maturing December 31, 2007<br>SAFELITE GLASS CORPORATION         | Ba3 | BB- |    | 5,455,                    |
|                  | 6,729,690  | Term Loan, maturing September 30, 2007                                      | B3  | B+  |    | 6,662,                    |
|                  | 10,823,607 | Term Loan, maturing September 30, 2007<br>TENNECO AUTOMOTIVE, INC.          | B3  | B+  |    | 10,661,                   |
|                  | 930,000    | Term Loan, maturing December 12, 2010                                       | B1  | B   |    | 947,                      |
|                  | 2,070,000  | Term Loan, maturing December 12, 2010                                       |     |     |    | 2,107,                    |

See Accompanying Notes to Financial Statements

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| PRINCIPAL AMOUNT       | BORROWER/TRANCHE DESCRIPTION            | BANK LOAN RATINGS+ (UNAUDITED) |     | VALUE |
|------------------------|-----------------------------------------|--------------------------------|-----|-------|
|                        |                                         | MOODY'S                        | S&P |       |
| -----                  |                                         |                                |     |       |
| AUTOMOBILE (CONTINUED) | TRW AUTOMOTIVE ACQUISITIONS CORPORATION | Ba2                            | BB+ |       |

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|                                  |            |                                        |     |     |    |         |
|----------------------------------|------------|----------------------------------------|-----|-----|----|---------|
| \$                               | 1,600,000  | Term Loan, maturing February 28, 2009  |     |     | \$ | 1,616,  |
|                                  | 9,913,043  | Term Loan, maturing February 28, 2011  |     |     |    | 10,098, |
|                                  |            | UNITED COMPONENTS, INC.                | B1  | BB- |    |         |
|                                  | 3,465,000  | Term Loan, maturing June 30, 2010      |     |     |    | 3,512,  |
|                                  |            |                                        |     |     |    | -----   |
|                                  |            |                                        |     |     |    | 87,727, |
|                                  |            |                                        |     |     |    | -----   |
| BANKING: 0.1%                    |            |                                        |     |     |    |         |
|                                  |            | OUTSOURCING SOLUTIONS, INC.            | NR  | NR  |    |         |
|                                  | 15,342     | Revolver, maturing December 09, 2008   |     |     |    | 15,     |
|                                  | 1,426,801  | Term Loan, maturing December 09, 2008  |     |     |    | 1,426,  |
|                                  |            |                                        |     |     |    | -----   |
|                                  |            |                                        |     |     |    | 1,442,  |
|                                  |            |                                        |     |     |    | -----   |
| BEVERAGE, FOOD AND TOBACCO: 7.0% |            |                                        |     |     |    |         |
|                                  |            | B & G FOODS, INC.                      | B1  | B+  |    |         |
|                                  | 1,496,250  | Term Loan, maturing August 31, 2009    |     |     |    | 1,511,  |
|                                  |            | BIRDS EYE FOODS, INC.                  | Ba3 | B+  |    |         |
|                                  | 6,584,900  | Term Loan, maturing June 30, 2008      |     |     |    | 6,656,  |
|                                  |            | COMMONWEALTH BRANDS, INC.              | Ba3 | BB- |    |         |
|                                  | 6,366,048  | Term Loan, maturing August 28, 2007    |     |     |    | 6,437,  |
|                                  |            | CONSTELLATION BRANDS, INC.             | Ba1 | BB  |    |         |
|                                  | 3,750,000  | Term Loan, maturing November 30, 2008  |     |     |    | 3,803,  |
|                                  |            | CP KELCO APS                           | B3  | B   |    |         |
|                                  | 2,755,539  | Term Loan, maturing March 31, 2008     |     |     |    | 2,776,  |
|                                  | 902,835    | Term Loan, maturing September 30, 2008 |     |     |    | 909,    |
|                                  |            | DEAN FOODS COMPANY                     | Ba1 | BB+ |    |         |
|                                  | 4,625,000  | Term Loan, maturing July 15, 2007      |     |     |    | 4,658,  |
|                                  | 11,562,601 | Term Loan, maturing July 15, 2008      |     |     |    | 11,750, |
|                                  |            | DEL MONTE CORPORATION                  | Ba3 | BB- |    |         |
|                                  | 4,347,804  | Term Loan, maturing December 20, 2010  |     |     |    | 4,419,  |
|                                  |            | DR. PEPPER BOTTLING COMPANY OF TEXAS   | B1  | BB- |    |         |
|                                  | 3,945,205  | Term Loan, maturing December 19, 2010  |     |     |    | 4,006,  |
|                                  |            | DS WATERS ENTERPRISES, L.P.            | B1  | B+  |    |         |
|                                  | 3,500,000  | Term Loan, maturing November 07, 2009  |     |     |    | 3,555,  |
|                                  |            | (2) FLEMING COMPANIES, INC.            | B3  | D   |    |         |
|                                  | 614,171    | Revolver, maturing June 18, 2007       |     |     |    | 610,    |
|                                  | 1,397,393  | Term Loan, maturing June 18, 2008      |     |     |    | 1,392,  |
|                                  |            | INTERSTATE BRANDS CORPORATION          | Ba2 | B+  |    |         |
|                                  | 2,485,000  | Term Loan, maturing July 19, 2007      |     |     |    | 2,486,  |
|                                  | 936,470    | Term Loan, maturing July 19, 2007      |     |     |    | 940,    |
|                                  |            | MAFCO WORLDWIDE CORPORATION            | B1  | B   |    |         |
|                                  | 1,537,876  | Term Loan, maturing March 31, 2006     |     |     |    | 1,522,  |
|                                  |            | MICHAEL FOODS, INC.                    | B1  | B+  |    |         |
|                                  | 3,990,000  | Term Loan, maturing November 21, 2010  |     |     |    | 4,057,  |
|                                  |            | NATIONAL DAIRY HOLDINGS, L.P.          | B1  | BB+ |    |         |
|                                  | 2,456,250  | Term Loan, maturing April 30, 2009     |     |     |    | 2,462,  |

See Accompanying Notes to Financial Statements

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



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### BEVERAGE, FOOD AND TOBACCO (CONTINUED)

|    |           |                                          |     |     |         |
|----|-----------|------------------------------------------|-----|-----|---------|
|    |           | NUTRASWEET ACQUISITION CORPORATION       | Ba3 | NR  |         |
| \$ | 285,684   | Term Loan, maturing May 24, 2005         |     |     | \$ 272, |
|    | 207,979   | Term Loan, maturing June 30, 2006        |     |     | 208,    |
|    | 2,884,615 | Term Loan, maturing May 25, 2009         |     |     | 2,857,  |
|    |           | SOUTHERN WINE & SPIRITS OF AMERICA, INC. | Ba3 | BB+ |         |
|    | 2,967,563 | Term Loan, maturing July 02, 2008        |     |     | 3,002,  |
|    |           |                                          |     |     | 70,300, |

### BUILDINGS AND REAL ESTATE: 3.7%

|  |            |                                                             |     |      |         |
|--|------------|-------------------------------------------------------------|-----|------|---------|
|  |            | (2) AMERCO, INC.                                            | NR  | NR   |         |
|  | 2,220,000  | Debtor In Possession Term Loan,<br>maturing August 13, 2004 |     |      | 2,208,  |
|  |            | ASSOCIATED MATERIALS, INC.                                  | Ba3 | B+   |         |
|  | 1,473,684  | Term Loan, maturing August 02, 2010                         |     |      | 1,492,  |
|  |            | ATRIUM COMPANIES, INC.                                      | B1  | B+   |         |
|  | 3,000,000  | Term Loan, maturing December 10, 2008                       |     |      | 3,041,  |
|  |            | BUILDING MATERIALS HOLDING CORPORATION                      | Ba2 | BB-  |         |
|  | 1,990,000  | Term Loan, maturing August 21, 2010                         |     |      | 1,997,  |
|  |            | GENERAL GROWTH PROPERTIES                                   | Ba1 | BBB- |         |
|  | 6,000,000  | Term Loan, maturing April 16, 2006                          |     |      | 6,000,  |
|  | 14,000,000 | Term Loan, maturing April 16, 2006                          |     |      | 14,000, |
|  |            | MACERICH PARTNERSHIP, L.P.                                  | Ba2 | NR   |         |
|  | 4,723,200  | Term Loan, maturing July 26, 2005                           |     |      | 4,746,  |
|  |            | ST. MARYS CEMENT, INC.                                      | B1  | BB-  |         |
|  | 3,000,000  | Term Loan, maturing December 04, 2009                       |     |      | 3,033,  |
|  |            | WERNER HOLDINGS COMPANY, INC.                               | B1  | B    |         |
|  | 958,333    | Term Loan, maturing June 11, 2009                           |     |      | 926,    |
|  |            |                                                             |     |      | 37,446, |

### CABLE TELEVISION: 20.0%

|  |            |                                                           |      |      |         |
|--|------------|-----------------------------------------------------------|------|------|---------|
|  |            | (2) ADELPHIA COMMUNICATIONS CORPORATION                   | NR   | BBB  |         |
|  | 2,933,371  | Debtor In Possession Term Loan,<br>maturing June 25, 2004 |      |      | 2,960,  |
|  |            | BRESNAN COMMUNICATIONS, LLC                               | B1   | BB-  |         |
|  | 5,000,000  | Term Loan, maturing December 31, 2007                     |      |      | 5,049,  |
|  |            | CC VI OPERATING COMPANY, LLC                              | B2   | CCC+ |         |
|  | 9,574,441  | Term Loan, maturing November 12, 2008                     |      |      | 9,300,  |
|  |            | CC VIII OPERATING, LLC                                    | B2   | B-   |         |
|  | 4,410,000  | Term Loan, maturing February 02, 2008                     |      |      | 4,349,  |
|  |            | CEBRIDGE CONNECTIONS, INC.                                | NR   | NR   |         |
|  | 4,500,000  | Term Loan, maturing February 04, 2009                     |      |      | 4,500,  |
|  | 1,500,000  | Term Loan, maturing February 23, 2009                     |      |      | 1,500,  |
|  |            | (2) CENTURY CABLE HOLDINGS, LLC                           | Caa1 | NR   |         |
|  | 1,230,000  | Revolver, maturing March 31, 2009                         |      |      | 1,146,  |
|  | 16,500,000 | Term Loan, maturing June 30, 2009                         |      |      | 15,822, |
|  | 5,000,000  | Term Loan, maturing December 31, 2009                     |      |      | 4,748,  |

See Accompanying Notes to Financial Statements

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

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CABLE TELEVISION (CONTINUED)

|    |            |                                             |      |     |    |          |
|----|------------|---------------------------------------------|------|-----|----|----------|
| \$ | 4,000,000  | CHARTER COMMUNICATIONS OPERATING, LLC       | B2   | B   | \$ | 3,874,   |
|    | 49,928,474 | Term Loan, maturing September 18, 2007      |      |     |    | 48,687,  |
|    | 16,231,098 | Term Loan, maturing March 18, 2008          |      |     |    | 15,809,  |
|    |            | Term Loan, maturing September 18, 2008      |      |     |    |          |
|    | 2,256,127  | FALCON CABLE COMMUNICATIONS, LLC            | B2   | BB  |    | 2,191,   |
|    | 1,277,415  | Term Loan, maturing June 29, 2007           |      |     |    | 1,244,   |
|    | 2,411,488  | Term Loan, maturing December 31, 2007       |      |     |    | 2,342,   |
|    |            | Term Loan, maturing November 01, 2008       |      |     |    |          |
|    | 2,593,939  | (2) FRONTIERVISION OPERATING PARTNERS, L.P. | B2   | NR  |    | 2,590,   |
|    | 2,000,000  | Revolver, maturing October 31, 2005         |      |     |    | 1,989,   |
|    | 2,400,000  | Term Loan, maturing September 30, 2005      |      |     |    | 2,386,   |
|    |            | Term Loan, maturing March 31, 2006          |      |     |    |          |
|    | 7,000,000  | (2) HILTON HEAD COMMUNICATIONS, L.P.        | Caa1 | NR  |    | 6,728,   |
|    | 6,500,000  | Revolver, maturing September 30, 2007       |      |     |    | 6,272,   |
|    |            | Term Loan, maturing March 31, 2008          |      |     |    |          |
|    | 1,000,000  | INSIGHT MIDWEST HOLDINGS, LLC               | Ba3  | BB+ |    | 995,     |
|    | 14,500,000 | Term Loan, maturing June 30, 2009           |      |     |    | 14,598,  |
|    | 2,000,000  | Term Loan, maturing December 31, 2009       |      |     |    | 2,013,   |
|    |            | MCC IOWA MEDIACOM BROADBAND, LLC            | Ba3  | BB+ |    | 3,978,   |
|    | 4,000,000  | Term Loan, maturing March 31, 2010          |      |     |    | 16,643,  |
|    | 16,500,000 | Term Loan, maturing September 30, 2010      |      |     |    |          |
|    |            | (2) OLYMPUS CABLE HOLDINGS, LLC             | B2   | NR  |    | 1,893,   |
|    | 2,000,000  | Term Loan, maturing June 30, 2010           |      |     |    | 18,341,  |
|    | 19,250,000 | Term Loan, maturing September 30, 2010      |      |     |    |          |
|    |            |                                             |      |     |    | 201,960, |

CELLULAR COMMUNICATIONS: 15.2%

|  |            |                                          |      |      |  |         |
|--|------------|------------------------------------------|------|------|--|---------|
|  | 868,303    | AIRGATE PCS, INC.                        | B3   | CC   |  | 864,    |
|  | 12,016,375 | Term Loan, maturing June 06, 2007        |      |      |  | 11,966, |
|  |            | Term Loan, maturing September 30, 2008   |      |      |  |         |
|  | 7,000,000  | CENTENNIAL CELLULAR OPERATING COMPANY    | B2   | B-   |  | 7,038,  |
|  |            | Term Loan, maturing February 09, 2011    |      |      |  |         |
|  | 6,982,500  | DOBSON CELLULAR SYSTEMS, INC.            | Ba3  | B-   |  | 7,049,  |
|  |            | Term Loan, maturing March 31, 2010       |      |      |  |         |
|  | 7,623,870  | HORIZON PERSONAL COMMUNICATIONS, INC.    | NR   | D    |  | 7,198,  |
|  | 5,943,511  | Term Loan, maturing September 26, 2008   |      |      |  | 5,596,  |
|  |            | Term Loan, maturing March 31, 2009       |      |      |  |         |
|  | 10,000,000 | (3) INDEPENDENT WIRELESS ONE CORPORATION | Caa1 | NR   |  | 8,300,  |
|  |            | Term Loan, maturing June 20, 2008        |      |      |  |         |
|  | 8,340,151  | MICROCELL TELECOMMUNICATIONS, INC.       | NR   | CCC+ |  | 8,314,  |
|  |            | Term Loan, maturing December 31, 2008    |      |      |  |         |
|  | 777,734    | NEXTEL FINANCE COMPANY                   | Ba2  | BB   |  | 772,    |
|  | 35,595,437 | Revolver, maturing December 31, 2007     |      |      |  | 35,391, |
|  | 27,000,000 | Term Loan, maturing December 31, 2007    |      |      |  | 27,275, |
|  |            | Term Loan, maturing December 15, 2010    |      |      |  |         |

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| PRINCIPAL AMOUNT                      | BORROWER/TRANCHE DESCRIPTION           | (UNAUDITED) |      | VALUE     |
|---------------------------------------|----------------------------------------|-------------|------|-----------|
|                                       |                                        | MOODY'S     | S&P  |           |
| CELLULAR COMMUNICATIONS (CONTINUED)   |                                        |             |      |           |
|                                       | RURAL CELLULAR CORPORATION             | B2          | B-   |           |
| \$ 8,745,974                          | Term Loan, maturing April 03, 2008     |             |      | \$ 8,735, |
| 3,459,377                             | Term Loan, maturing October 03, 2008   |             |      | 3,485,    |
| 3,459,377                             | Term Loan, maturing April 03, 2009     |             |      | 3,485,    |
|                                       | US UNWIRED, INC.                       | B2          | CCC- |           |
| 3,203,566                             | Term Loan, maturing September 30, 2007 |             |      | 3,099,    |
| 3,254,637                             | Term Loan, maturing March 31, 2008     |             |      | 3,148,    |
|                                       | WESTERN WIRELESS CORPORATION           | B2          | B-   |           |
| 500,000                               | Revolver, maturing March 31, 2008      |             |      | 486,      |
| 4,825,000                             | Term Loan, maturing March 31, 2008     |             |      | 4,816,    |
| 2,291,667                             | Term Loan, maturing March 31, 2008     |             |      | 2,282,    |
| 4,135,439                             | Term Loan, maturing September 30, 2008 |             |      | 4,158,    |
|                                       |                                        |             |      | -----     |
|                                       |                                        |             |      | 153,466,  |
|                                       |                                        |             |      | -----     |
| CHEMICALS, PLASTICS AND RUBBER: 7.5%  |                                        |             |      |           |
|                                       | ACADIA ELASTOMERS CORPORATION          | NR          | NR   |           |
| 8,430,657                             | Term Loan, maturing March 31, 2004     |             |      | 8,009,    |
|                                       | FMC CORPORATION                        | Ba1         | BBB- |           |
| 3,960,000                             | Term Loan, maturing October 21, 2007   |             |      | 4,010,    |
|                                       | GEO SPECIALTY CHEMICALS, INC.          | Caa1        | CC   |           |
| 1,740,101                             | Term Loan, maturing December 31, 2007  |             |      | 1,548,    |
|                                       | HERCULES, INC.                         | Ba1         | BB   |           |
| 4,950,000                             | Term Loan, maturing May 15, 2007       |             |      | 4,990,    |
|                                       | HUNTSMAN INTERNATIONAL, LLC            | B1          | B    |           |
| 5,624,593                             | Term Loan, maturing June 30, 2007      |             |      | 5,679,    |
| 5,624,593                             | Term Loan, maturing June 30, 2008      |             |      | 5,684,    |
|                                       | HUNTSMAN, LLC                          | B2          | B    |           |
| 7,372,482                             | Term Loan, maturing March 31, 2007     |             |      | 7,183,    |
| 5,565,110                             | Term Loan, maturing March 31, 2007     |             |      | 5,417,    |
|                                       | JOHNSON DIVERSEY, INC.                 | Ba3         | BB-  |           |
| 3,230,300                             | Term Loan, maturing November 03, 2009  |             |      | 3,269,    |
|                                       | KRATON POLYMERS                        | B1          | BB-  |           |
| 3,000,000                             | Term Loan, maturing December 23, 2010  |             |      | 3,053,    |
|                                       | NALCO COMPANY                          | B1          | BB-  |           |
| 15,000,000                            | Term Loan, maturing November 04, 2010  |             |      | 15,168,   |
|                                       | NOVEON, INC.                           | B1          | BB-  |           |
| 7,901,655                             | Term Loan, maturing December 31, 2009  |             |      | 7,990,    |
|                                       | ROCKWOOD SPECIALTIES GROUP, INC.       | B1          | B+   |           |
| 3,980,000                             | Term Loan, maturing July 23, 2010      |             |      | 4,012,    |
|                                       |                                        |             |      | -----     |
|                                       |                                        |             |      | 76,018,   |
|                                       |                                        |             |      | -----     |
| CONTAINERS, PACKAGING AND GLASS: 6.7% |                                        |             |      |           |
|                                       | BERRY PLASTICS CORPORATION             | B1          | B+   |           |
| 1,000,000                             | Term Loan, maturing July 22, 2010      |             |      | 1,002,    |
| 2,957,588                             | Term Loan, maturing August 31, 2010    |             |      | 2,988,    |
|                                       | CONSTAR INTERNATIONAL, INC.            | B2          | BB-  |           |
| 2,463,763                             | Term Loan, maturing November 20, 2009  |             |      | 2,491,    |

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| PRINCIPAL AMOUNT                             | BORROWER/TRANCHE DESCRIPTION                                                  | BANK LOAN RATINGS+ (UNAUDITED) |     | VALUE     |
|----------------------------------------------|-------------------------------------------------------------------------------|--------------------------------|-----|-----------|
|                                              |                                                                               | MOODY'S                        | S&P |           |
| CONTAINERS, PACKAGING AND GLASS (CONTINUED)  |                                                                               |                                |     |           |
| \$ 3,325,000                                 | CROWN CORK & SEAL COMPANY, INC.<br>Term Loan, maturing September 15, 2008     | Ba3                            | BB- | \$ 3,377, |
| 14,925,000                                   | GRAPHIC PACKAGING INTERNATIONAL, INC.<br>Term Loan, maturing August 09, 2010  | B1                             | B+  | 15,164,   |
| 2,255,000                                    | GREIF BROS. CORPORATION<br>Term Loan, maturing August 23, 2009                | Ba3                            | BB  | 2,272,    |
| 3,947,883                                    | IMPAXX, INC.<br>Term Loan, maturing April 30, 2005                            | NR                             | NR  | 3,513,    |
| 1,647,273                                    | JEFFERSON SMURFIT CORPORATION<br>Term Loan, maturing March 31, 2007           | Ba3                            | B+  | 1,662,    |
| 2,449,128                                    | KERR GROUP, INC.<br>Term Loan, maturing August 13, 2010                       | B1                             | BB- | 2,469,    |
| 61,520                                       | (2) LINCOLN PULP & EASTERN FINE<br>(3) Term Loan, maturing December 31, 2001  | NR                             | NR  | 12,       |
| 13,849,995                                   | (3) Term Loan, maturing August 31, 2004<br>OWENS-ILLINOIS GROUP, INC.         | B1                             | BB- | 2,908,    |
| 12,000,000                                   | Term Loan, maturing April 01, 2008<br>SILGAN HOLDINGS, INC.                   | Ba3                            | BB  | 12,103,   |
| 5,929,950                                    | Term Loan, maturing November 30, 2008<br>SMURFIT-STONE CONTAINER CANADA, INC. | Ba3                            | B+  | 6,029,    |
| 1,574,111                                    | Term Loan, maturing June 30, 2009<br>STONE CONTAINER CORPORATION              | Ba3                            | B+  | 1,588,    |
| 9,290,454                                    | Term Loan, maturing June 30, 2009<br>TEKNI-PLEX, INC.                         | Ba3                            | B+  | 9,414,    |
| 254,372                                      | Term Loan, maturing June 21, 2008                                             | B1                             | B+  | 255,      |
|                                              |                                                                               |                                |     | 67,254,   |
| DATA AND INTERNET SERVICES: 0.1%             |                                                                               |                                |     |           |
| 1,322,765                                    | MCLEODUSA, INC.<br>Term Loan, maturing May 30, 2008                           | Caa2                           | NR  | 1,080,    |
|                                              |                                                                               |                                |     | 1,080,    |
| DIVERSIFIED/CONGLOMERATE MANUFACTURING: 4.6% |                                                                               |                                |     |           |
| 4,813,875                                    | (3) BARJAN PRODUCTS, LLC<br>Term Loan, maturing May 31, 2006                  | NR                             | NR  | 1,684,    |
| 1,000,000                                    | BRAND SERVICES, INC.<br>Term Loan, maturing October 16, 2008                  | B1                             | B+  | 1,008,    |
| 3,806,541                                    | Term Loan, maturing October 16, 2009<br>DRESSER, INC.                         | Ba3                            | BB- | 3,830,    |
| 5,021,747                                    | Term Loan, maturing April 10, 2009<br>FLOWSERVE CORPORATION                   | Ba3                            | BB- | 5,079,    |
| 1,252,498                                    | Term Loan, maturing June 30, 2006                                             |                                |     | 1,257,    |
| 3,840,150                                    | Term Loan, maturing June 30, 2009<br>MUELLER GROUP, INC.                      | B1                             | B+  | 3,881,    |
| 5,910,000                                    | Term Loan, maturing May 31, 2008<br>NORCROSS SAFETY PRODUCTS, LLC             | B1                             | B+  | 5,952,    |
| 952,163                                      | Term Loan, maturing March 20, 2009                                            |                                |     | 961,      |

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| PRINCIPAL AMOUNT                                        | BORROWER/TRANCHE DESCRIPTION           | BANK LOAN RATINGS+ (UNAUDITED) |      | VALUE     |
|---------------------------------------------------------|----------------------------------------|--------------------------------|------|-----------|
|                                                         |                                        | MOODY'S                        | S&P  |           |
| DIVERSIFIED/CONGLOMERATE MANUFACTURING (CONTINUED)      |                                        |                                |      |           |
|                                                         | ROPER INDUSTRIES, INC.                 | Ba2                            | BB+  |           |
| \$ 3,350,000                                            | Term Loan, maturing December 29, 2008  |                                |      | \$ 3,393, |
|                                                         | SENSUS METERING SYSTEMS, INC.          | B2                             | B+   |           |
| 260,870                                                 | Term Loan, maturing December 17, 2010  |                                |      | 263,      |
| 1,739,130                                               | Term Loan, maturing December 17, 2010  |                                |      | 1,754,    |
|                                                         | SPX CORPORATION                        | Ba2                            | BBB- |           |
| 11,502,237                                              | Term Loan, maturing September 30, 2009 |                                |      | 11,593,   |
|                                                         | UNITED PET GROUP                       | NR                             | NR   |           |
| 5,704,187                                               | Term Loan, maturing March 31, 2006     |                                |      | 5,718,    |
|                                                         |                                        |                                |      | -----     |
|                                                         |                                        |                                |      | 46,379,   |
|                                                         |                                        |                                |      | -----     |
| DIVERSIFIED/CONGLOMERATE SERVICE: 0.6%                  |                                        |                                |      |           |
|                                                         | IRON MOUNTAIN, INC.                    | B1                             | BB   |           |
| 1,600,000                                               | Term Loan, maturing February 15, 2008  |                                |      | 1,616,    |
|                                                         | US INVESTIGATIONS SERVICES, LLC        | B1                             | BB-  |           |
| 4,364,155                                               | Term Loan, maturing December 31, 2008  |                                |      | 4,361,    |
|                                                         |                                        |                                |      | -----     |
|                                                         |                                        |                                |      | 5,977,    |
|                                                         |                                        |                                |      | -----     |
| DIVERSIFIED/NATURAL RESOURCES, METALS AND MINERAL: 0.4% |                                        |                                |      |           |
|                                                         | GEORGIA-PACIFIC CORPORATION            | Ba2                            | BB+  |           |
| 2,533,333                                               | Revolver, maturing November 03, 2005   |                                |      | 2,519,    |
| 1,250,000                                               | Term Loan, maturing November 03, 2005  |                                |      | 1,252,    |
|                                                         |                                        |                                |      | -----     |
|                                                         |                                        |                                |      | 3,772,    |
|                                                         |                                        |                                |      | -----     |
| ECOLOGICAL: 1.2%                                        |                                        |                                |      |           |
|                                                         | ALLIED WASTE NORTH AMERICA, INC.       | Ba3                            | BB   |           |
| 3,597,321                                               | Term Loan, maturing January 15, 2010   |                                |      | 3,658,    |
| 2,000,000                                               | Term Loan, maturing January 15, 2010   |                                |      | 2,035,    |
|                                                         | GREAT LAKES DREDGE & DOCK CORPORATION  | B1                             | B+   |           |
| 2,000,000                                               | Term Loan, maturing December 22, 2010  |                                |      | 2,020,    |
|                                                         | IESI CORPORATION                       | B1                             | B+   |           |
| 256,875                                                 | Revolver, maturing September 30, 2008  |                                |      | 253,      |
| 997,500                                                 | Term Loan, maturing September 30, 2010 |                                |      | 1,011,    |
|                                                         | WASTE CONNECTIONS, INC.                | Ba2                            | BB+  |           |
| 3,000,000                                               | Term Loan, maturing October 22, 2010   |                                |      | 3,015,    |
|                                                         |                                        |                                |      | -----     |
|                                                         |                                        |                                |      | 11,995,   |
|                                                         |                                        |                                |      | -----     |
| ELECTRONICS: 1.7%                                       |                                        |                                |      |           |
|                                                         | ACTERNA, LLC                           | NR                             | NR   |           |
| 667,575                                                 | Term Loan, maturing October 14, 2008   |                                |      | 667,      |
|                                                         | ANTEON CORPORATION                     | Ba3                            | BB   |           |
| 1,000,000                                               | Term Loan, maturing December 31, 2010  |                                |      | 1,011,    |
|                                                         | DECISION ONE CORPORATION               | B3                             | CCC  |           |
| 1,755,295                                               | Term Loan, maturing April 18, 2005     |                                |      | 1,281,    |
| 8,851,846                                               | Term Loan, maturing April 18, 2005     |                                |      | 6,461,    |
|                                                         | KNOWLES ELECTRONICS, INC.              | B3                             | CCC+ |           |
| 2,121,197                                               | Term Loan, maturing June 29, 2007      |                                |      | 2,124,    |

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|         |                                                   |    |    |      |
|---------|---------------------------------------------------|----|----|------|
| 978,578 | SARCOM, INC.<br>Term Loan, maturing June 30, 2007 | NR | NR | 479, |
|---------|---------------------------------------------------|----|----|------|

See Accompanying Notes to Financial Statements

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| PRINCIPAL AMOUNT              | BORROWER/TRANCHE DESCRIPTION                                             | MOODY'S | BANK LOAN RATINGS+ (UNAUDITED) S&P | VALUE     |
|-------------------------------|--------------------------------------------------------------------------|---------|------------------------------------|-----------|
| ELECTRONICS (CONTINUED)       |                                                                          |         |                                    |           |
| \$ 5,366,172                  | TRANSACTION NETWORK SERVICES, INC.<br>Term Loan, maturing April 03, 2007 | Ba3     | BB-                                | \$ 5,366, |
|                               |                                                                          |         |                                    | 17,392,   |
| FARMING AND AGRICULTURE: 0.8% |                                                                          |         |                                    |           |
| 5,000,000                     | AGCO CORPORATION<br>Term Loan, maturing March 31, 2006                   | Ba1     | BB+                                | 5,062,    |
| 3,000,000                     | SCOTT'S COMPANY<br>Term Loan, maturing September 30, 2010                | Ba1     | BB                                 | 3,042,    |
|                               |                                                                          |         |                                    | 8,105,    |
| FINANCE: 0.5%                 |                                                                          |         |                                    |           |
| 4,975,000                     | RENT-A-CENTER, INC.<br>Term Loan, maturing May 28, 2009                  | Ba2     | BB                                 | 5,039,    |
|                               |                                                                          |         |                                    | 5,039,    |
| GAMING: 4.1%                  |                                                                          |         |                                    |           |
| 3,869,336                     | (2) ALADDIN GAMING, LLC<br>(3) Term Loan, maturing August 26, 2006       | Caa1    | NR                                 | 3,501,    |
| 10,377,506                    | (3) Term Loan, maturing February 26, 2008                                |         |                                    | 9,391,    |
| 8,000,000                     | ALLIANCE GAMING CORPORATION<br>Term Loan, maturing September 04, 2009    | B1      | BB-                                | 8,092,    |
| 2,899,327                     | AMERISTAR CASINOS, INC.<br>Term Loan, maturing December 20, 2006         | Ba3     | BB-                                | 2,916,    |
| 4,387,500                     | ARGOSY GAMING COMPANY<br>Term Loan, maturing July 31, 2008               | Ba2     | BB                                 | 4,420,    |
| 985,000                       | BOYD GAMING CORPORATION<br>Term Loan, maturing June 24, 2008             | Ba1     | BB+                                | 990,      |
| 2,000,000                     | GREEN VALLEY RANCH GAMING, LLC<br>Term Loan, maturing December 22, 2010  | B1      | B+                                 | 2,030,    |
| 2,563,281                     | ISLE OF CAPRI CASINOS, INC.<br>Term Loan, maturing April 26, 2008        | Ba2     | BB-                                | 2,593,    |
| 2,334,574                     | PENN NATIONAL GAMING<br>Term Loan, maturing September 01, 2007           | B1      | BB-                                | 2,359,    |
| 2,286,667                     | PINNACLE ENTERTAINMENT<br>Term Loan, maturing December 17, 2009          | B1      | B+                                 | 2,314,    |
| 3,181,467                     | UNITED AUBURN INDIAN COMMUNITY<br>Term Loan, maturing January 24, 2009   | Ba3     | BB+                                | 3,197,    |
|                               |                                                                          |         |                                    | 41,809,   |

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GROCERY: 0.3%

|           |                                     |     |     |        |
|-----------|-------------------------------------|-----|-----|--------|
|           | GIANT EAGLE, INC.                   | Ba2 | BB+ |        |
| 1,914,667 | Term Loan, maturing August 02, 2009 |     |     | 1,934, |
| 1,044,572 | Term Loan, maturing August 06, 2009 |     |     | 1,054, |
|           |                                     |     |     | 2,988, |

HEALTHCARE, EDUCATION AND CHILDCARE: 11.0%

|           |                                   |     |    |        |
|-----------|-----------------------------------|-----|----|--------|
|           | ALARIS MEDICAL SYSTEMS, INC.      | Ba3 | BB |        |
| 2,127,857 | Term Loan, maturing June 30, 2009 |     |    | 2,153, |

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| PRINCIPAL AMOUNT                                | BORROWER/TRANCHE DESCRIPTION          | MOODY'S | BANK LOAN<br>RATINGS+<br>(UNAUDITED)<br>S&P | VALUE   |
|-------------------------------------------------|---------------------------------------|---------|---------------------------------------------|---------|
| HEALTHCARE, EDUCATION AND CHILDCARE (CONTINUED) |                                       |         |                                             |         |
|                                                 | ALLIANCE IMAGING, INC.                | B1      | B+                                          |         |
| \$ 780,534                                      | Term Loan, maturing November 02, 2006 |         |                                             | \$ 767, |
| 2,612,436                                       | Term Loan, maturing June 10, 2008     |         |                                             | 2,600,  |
|                                                 | APRIA HEALTHCARE GROUP, INC.          | Ba1     | BBB-                                        |         |
| 3,000,000                                       | Term Loan, maturing July 20, 2006     |         |                                             | 3,006,  |
| 4,887,500                                       | Term Loan, maturing July 20, 2008     |         |                                             | 4,927,  |
|                                                 | CAREMARK RX, INC.                     | Baa3    | BBB-                                        |         |
| 2,451,325                                       | Term Loan, maturing March 31, 2006    |         |                                             | 2,467,  |
|                                                 | COMMUNITY HEALTH SYSTEMS, INC.        | Ba3     | BB-                                         |         |
| 14,822,425                                      | Term Loan, maturing July 16, 2010     |         |                                             | 15,089, |
| 1,995,000                                       | Term Loan, maturing January 16, 2011  |         |                                             | 2,015,  |
|                                                 | DAVITA, INC.                          | Ba3     | BB                                          |         |
| 4,375,000                                       | Term Loan, maturing March 31, 2007    |         |                                             | 4,432,  |
| 8,951,515                                       | Term Loan, maturing March 31, 2009    |         |                                             | 9,069,  |
|                                                 | DJ ORTHOPEDICS, LLC                   | B1      | B+                                          |         |
| 1,000,000                                       | Term Loan, maturing May 15, 2009      |         |                                             | 1,011,  |
|                                                 | EMPI CORPORATION                      | B1      | B+                                          |         |
| 1,500,000                                       | Term Loan, maturing November 24, 2009 |         |                                             | 1,518,  |
|                                                 | EXPRESS SCRIPTS, INC.                 | Ba1     | BBB                                         |         |
| 3,000,000                                       | Term Loan, maturing February 13, 2010 |         |                                             | 3,022,  |
|                                                 | FISHER SCIENTIFIC INTERNATIONAL, INC. | Ba3     | BB+                                         |         |
| 6,320,911                                       | Term Loan, maturing March 31, 2010    |         |                                             | 6,364,  |
|                                                 | FRESENIUS MEDICAL CARE HOLDINGS, INC. | Ba1     | BB+                                         |         |
| 4,975,000                                       | Term Loan, maturing February 21, 2010 |         |                                             | 5,041,  |
|                                                 | HCA, INC.                             | Ba1     | BBB-                                        |         |
| 7,714,286                                       | Term Loan, maturing April 30, 2006    |         |                                             | 7,715,  |
|                                                 | IASIS HEALTHCARE CORPORATION          | B1      | B+                                          |         |
| 1,840,000                                       | Term Loan, maturing February 09, 2009 |         |                                             | 1,859,  |
|                                                 | INSIGHT HEALTH SERVICES CORPORATION   | B1      | B+                                          |         |
| 50,000                                          | Term Loan, maturing October 07, 2008  |         |                                             | 50,     |
| 866,667                                         | Term Loan, maturing October 07, 2008  |         |                                             | 867,    |
| 5,302,827                                       | Term Loan, maturing October 17, 2008  |         |                                             | 5,335,  |
|                                                 | KINETIC CONCEPTS, INC.                | B1      | BB-                                         |         |
| 4,975,000                                       | Term Loan, maturing August 11, 2010   |         |                                             | 5,049,  |
|                                                 | MAGELLAN HEALTH SERVICES, INC.        | B1      | B+                                          |         |
| 1,666,667                                       | Term Loan, maturing August 15, 2008   |         |                                             | 1,697,  |

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|           |                                                                       |     |     |        |
|-----------|-----------------------------------------------------------------------|-----|-----|--------|
| 1,333,333 | Term Loan, maturing August 15, 2008<br>MEDCO HEALTH                   | Ba1 | BBB | 1,358, |
| 2,992,500 | Term Loan, maturing June 30, 2010<br>OXFORD HEALTH PLANS, INC.        | Ba2 | BB+ | 2,998, |
| 3,473,750 | Term Loan, maturing April 25, 2009<br>PACIFICARE HEALTH SYSTEMS, INC. | Ba3 | BB+ | 3,494, |
| 995,000   | Term Loan, maturing June 03, 2008<br>SOLA INTERNATIONAL, INC.         | Ba3 | BB- | 1,006, |
| 2,000,000 | Term Loan, maturing December 11, 2009                                 |     |     | 2,030, |

See Accompanying Notes to Financial Statements

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| PRINCIPAL AMOUNT                                | BORROWER/TRANCHE DESCRIPTION                                          | BANK LOAN RATINGS+ (UNAUDITED) |     | VALUE                               |
|-------------------------------------------------|-----------------------------------------------------------------------|--------------------------------|-----|-------------------------------------|
|                                                 |                                                                       | MOODY'S                        | S&P |                                     |
| HEALTHCARE, EDUCATION AND CHILDCARE (CONTINUED) |                                                                       |                                |     |                                     |
| \$ 730,158                                      | SYBRON DENTAL MANAGEMENT, INC.<br>Term Loan, maturing June 06, 2009   | Ba3                            | BB- | \$ 735,                             |
| 1,496,414                                       | TRIAD HOSPITALS, INC.<br>Term Loan, maturing September 30, 2008       | Ba3                            | BB  | 1,518,                              |
| 5,445,000                                       | VANGUARD HEALTH SYSTEMS, INC.<br>Term Loan, maturing January 03, 2010 | Ba3                            | B+  | 5,499,                              |
| 5,926,760                                       | VICAR OPERATING, INC.<br>Term Loan, maturing June 30, 2009            | B1                             | B+  | 6,004,                              |
|                                                 |                                                                       |                                |     | -----<br>110,710,<br>-----          |
| HOME AND OFFICE FURNISHING, HOUSEWARES: 1.9%    |                                                                       |                                |     |                                     |
| 1,492,500                                       | GLOBAL IMAGING SYSTEMS, INC.<br>Term Loan, maturing June 25, 2009     | Ba3                            | BB- | 1,514,                              |
| 1,308,703                                       | HOLMES PRODUCTS CORPORATION<br>Term Loan, maturing February 05, 2007  | B2                             | B   | 1,311,                              |
| 4,525,000                                       | IDENTITY GROUP, INC.<br>Term Loan, maturing May 11, 2007              | NR                             | NR  | 2,850,                              |
| 1,136,956                                       | SEALY MATTRESS COMPANY<br>Term Loan, maturing December 15, 2004       | B1                             | B+  | 1,142,                              |
| 1,521,057                                       | Term Loan, maturing December 15, 2005                                 |                                |     | 1,528,                              |
| 1,944,748                                       | Term Loan, maturing December 15, 2006<br>SIMMONS COMPANY              | B2                             | B+  | 1,953,                              |
| 8,500,000                                       | Term Loan, maturing December 19, 2011                                 |                                |     | 8,610,<br>-----<br>18,911,<br>----- |
| INSURANCE: 2.5%                                 |                                                                       |                                |     |                                     |
| 3,846,154                                       | CONSECO, INC.<br>Term Loan, maturing September 10, 2009               | Caa1                           | B-  | 3,870,                              |
| 15,384,615                                      | Term Loan, maturing September 10, 2009                                |                                |     | 15,480,                             |
| 4,615,385                                       | Term Loan, maturing September 10, 2010                                |                                |     | 4,644,                              |
| 1,153,846                                       | Term Loan, maturing September 10, 2010                                |                                |     | 1,161,<br>-----<br>25,156,<br>----- |
| LEISURE, AMUSEMENT AND ENTERTAINMENT: 5.7%      |                                                                       |                                |     |                                     |



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|           |                                                                                   |     |     |        |
|-----------|-----------------------------------------------------------------------------------|-----|-----|--------|
| 4,000,000 | FITNESS HOLDINGS WORLDWIDE, INC.<br>Term Loan, maturing July 01, 2009             | B1  | B   | 4,052, |
| 4,931,994 | LODGENET ENTERTAINMENT CORPORATION<br>Term Loan, maturing June 30, 2006           | B1  | B+  | 4,971, |
| 6,400,898 | LOEWS CINEPLEX ENTERTAINMENT CORPORATION<br>Term Loan, maturing February 29, 2008 | NR  | NR  | 6,420, |
| 9,000,000 | NEW JERSEY BASKETBALL, LLC<br>Term Loan, maturing July 16, 2004                   | NR  | NR  | 9,033, |
| 2,925,000 | PURE FISHING<br>Term Loan, maturing December 31, 2009                             | NR  | NR  | 2,937, |
| 4,883,145 | REGAL CINEMAS, INC.<br>Term Loan, maturing June 30, 2009                          | Ba2 | BB- | 4,950, |
| 900,000   | SIX FLAGS THEME PARKS, INC.<br>Revolver, maturing June 30, 2008                   | Ba2 | B+  | 873,   |

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| PRINCIPAL AMOUNT                                 | BORROWER/TRANCHE DESCRIPTION           | BANK LOAN RATINGS+ (UNAUDITED) |     | VALUE      |
|--------------------------------------------------|----------------------------------------|--------------------------------|-----|------------|
|                                                  |                                        | MOODY'S                        | S&P |            |
| LEISURE, AMUSEMENT AND ENTERTAINMENT (CONTINUED) |                                        |                                |     |            |
| \$ 11,000,000                                    | Term Loan, maturing June 30, 2009      |                                |     | \$ 11,144, |
|                                                  | VIVENDI UNIVERSAL ENTERTAINMENT, LLP   | Ba2                            | BB+ |            |
| 7,000,000                                        | Term Loan, maturing June 30, 2008      |                                |     | 7,055,     |
|                                                  | XANTERRA PARKS & RESORTS, LLC          | NR                             | NR  |            |
| 3,252,713                                        | Term Loan, maturing September 30, 2004 |                                |     | 3,248,     |
| 3,252,713                                        | Term Loan, maturing September 30, 2005 |                                |     | 3,248,     |
|                                                  |                                        |                                |     | 57,937,    |
| -----                                            |                                        |                                |     |            |
| LODGING: 2.6%                                    |                                        |                                |     |            |
|                                                  | EXTENDED STAY AMERICA, INC.            | Ba3                            | BB- |            |
| 5,114,441                                        | Term Loan, maturing January 15, 2008   |                                |     | 5,184,     |
|                                                  | WYNDHAM INTERNATIONAL, INC.            | NR                             | NR  |            |
| 5,571,490                                        | Term Loan, maturing April 01, 2006     |                                |     | 5,493,     |
| 15,825,527                                       | Term Loan, maturing June 30, 2006      |                                |     | 15,446,    |
|                                                  |                                        |                                |     | 26,124,    |
| -----                                            |                                        |                                |     |            |
| MACHINERY: 3.3%                                  |                                        |                                |     |            |
|                                                  | ALLIANCE LAUNDRY HOLDINGS, LLC         | B1                             | B   |            |
| 3,312,484                                        | Term Loan, maturing August 02, 2007    |                                |     | 3,327,     |
|                                                  | ANTHONY CRANE RENTAL, L.P.             | Caa2                           | CC  |            |
| 13,794,927                                       | Term Loan, maturing July 20, 2006      |                                |     | 9,794,     |
|                                                  | MORRIS MATERIAL HANDLING, INC.         | NR                             | NR  |            |
| 249,574                                          | Term Loan, maturing September 28, 2004 |                                |     | 237,       |
|                                                  | NATIONAL WATERWORKS, INC.              | B1                             | BB- |            |
| 2,938,776                                        | Term Loan, maturing November 22, 2009  |                                |     | 2,977,     |
|                                                  | REXNORD CORPORATION                    | B1                             | B+  |            |
| 6,436,111                                        | Term Loan, maturing November 25, 2009  |                                |     | 6,486,     |
|                                                  | UNITED RENTALS (NORTH AMERICA), INC.   | Ba3                            | BB  |            |
| 6,111,111                                        | Term Loan, maturing February 17, 2011  |                                |     | 6,111,     |
| 1,666,667                                        | Term Loan, maturing August 31, 2011    |                                |     | 1,666,     |

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|                                                   |                                       |     |      |         |
|---------------------------------------------------|---------------------------------------|-----|------|---------|
|                                                   | VUTEK, INC.                           | B1  | NR   |         |
| 550,493                                           | Term Loan, maturing July 31, 2005     |     |      | 533,    |
| 1,655,241                                         | Term Loan, maturing July 31, 2007     |     |      | 1,605,  |
| 664,499                                           | Term Loan, maturing December 30, 2007 |     |      | 655,    |
|                                                   |                                       |     |      | -----   |
|                                                   |                                       |     |      | 33,396, |
|                                                   |                                       |     |      | -----   |
| MINING, STEEL, IRON AND NON-PRECIOUS METALS: 0.9% |                                       |     |      |         |
|                                                   | PEABODY ENERGY CORPORATION            | Ba1 | BB+  |         |
| 8,932,500                                         | Term Loan, maturing March 21, 2010    |     |      | 9,020,  |
|                                                   |                                       |     |      | -----   |
|                                                   |                                       |     |      | 9,020,  |
|                                                   |                                       |     |      | -----   |
| OIL AND GAS: 1.6%                                 |                                       |     |      |         |
|                                                   | CITGO PETROLEUM CORPORATION           | Ba2 | BB+  |         |
| 2,500,000                                         | Term Loan, maturing February 27, 2006 |     |      | 2,600,  |
|                                                   | PACIFIC ENERGY GROUP, LLC             | Ba2 | BBB- |         |
| 4,000,000                                         | Term Loan, maturing July 26, 2009     |     |      | 4,026,  |
|                                                   | W-H ENERGY SERVICES, INC.             | B2  | B+   |         |
| 3,482,500                                         | Term Loan, maturing April 16, 2007    |     |      | 3,517,  |
| 3,403,812                                         | Term Loan, maturing April 16, 2007    |     |      | 3,437,  |

See Accompanying Notes to Financial Statements

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| PRINCIPAL AMOUNT                           | BORROWER/TRANCHE DESCRIPTION                    | BANK LOAN RATINGS+ (UNAUDITED) |      | VALUE     |
|--------------------------------------------|-------------------------------------------------|--------------------------------|------|-----------|
|                                            |                                                 | MOODY'S                        | S&P  |           |
| OIL AND GAS (CONTINUED)                    |                                                 |                                |      |           |
|                                            | WILLIAMS PRODUCTION RMT COMPANY                 | B2                             | BB   |           |
| \$ 2,487,500                               | Term Loan, maturing May 30, 2007                |                                |      | \$ 2,509, |
|                                            |                                                 |                                |      | -----     |
|                                            |                                                 |                                |      | 16,090,   |
|                                            |                                                 |                                |      | -----     |
| OTHER BROADCASTING AND ENTERTAINMENT: 3.5% |                                                 |                                |      |           |
|                                            | DIRECTV HOLDINGS, LLC                           | Ba2                            | BB   |           |
| 8,500,000                                  | Term Loan, maturing March 06, 2010              |                                |      | 8,599,    |
|                                            | LIBERTY MEDIA CORPORATION                       | Baa3                           | BBB- |           |
| 15,000,000                                 | Floating Rate Note, maturing September 17, 2006 |                                |      | 15,197,   |
|                                            | PEGASUS MEDIA & COMMUNICATIONS, INC.            |                                |      |           |
| 1,651,507                                  | Term Loan, maturing April 30, 2005              | NR                             | NR   | 1,623,    |
| 1,982,500                                  | Term Loan, maturing July 31, 2006               | B3                             | B-   | 2,033,    |
|                                            | RAINBOW MEDIA GROUP                             | Ba2                            | BB+  |           |
| 7,979,986                                  | Term Loan, maturing March 31, 2009              |                                |      | 8,081,    |
|                                            |                                                 |                                |      | -----     |
|                                            |                                                 |                                |      | 35,536,   |
|                                            |                                                 |                                |      | -----     |
| OTHER TELECOMMUNICATIONS: 4.1%             |                                                 |                                |      |           |
|                                            | CINCINNATI BELL, INC.                           | B1                             | B+   |           |
| 134,765                                    | Revolver, maturing November 09, 2004            |                                |      | 133,      |
| 17,955,000                                 | Term Loan, maturing June 30, 2008               |                                |      | 18,210,   |
|                                            | GCI HOLDINGS, INC.                              | Ba3                            | BB+  |           |
| 2,087,144                                  | Term Loan, maturing October 31, 2007            |                                |      | 2,110,    |

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|                                                  |                                                |     |      |         |
|--------------------------------------------------|------------------------------------------------|-----|------|---------|
|                                                  | INTERA GROUP, INC.                             | NR  | NR   |         |
| 2,662,827                                        | (3) Term Loan, maturing December 31, 2005      |     |      | 1,224,  |
| 909,384                                          | (3) Term Loan, maturing December 31, 2005      |     |      |         |
| 1,741,297                                        | (3) Term Loan, maturing December 31, 2005      |     |      |         |
|                                                  | QWEST COMMUNICATIONS INTERNATIONAL, INC.       | B3  | CCC+ |         |
| 15,000,000                                       | Floating Rate Note, maturing February 15, 2009 |     |      | 14,175, |
|                                                  | TIME WARNER TELECOM HOLDINGS                   | B1  | B    |         |
| 6,000,000                                        | Floating Rate Note, maturing February 15, 2011 |     |      | 5,955,  |
|                                                  |                                                |     |      | -----   |
|                                                  |                                                |     |      | 41,810, |
|                                                  |                                                |     |      | -----   |
| PERSONAL AND NON DURABLE CONSUMER PRODUCTS: 3.1% |                                                |     |      |         |
|                                                  | ARMKEL, LLC                                    | Ba3 | BB-  |         |
| 1,432,212                                        | Term Loan, maturing March 28, 2009             |     |      | 1,448,  |
|                                                  | BUHRMANN U.S., INC.                            | Ba3 | BB-  |         |
| 3,000,000                                        | Term Loan, maturing December 31, 2010          |     |      | 3,043,  |
|                                                  | CHURCH & DWIGHT COMPANY, INC.                  | Ba2 | BB   |         |
| 1,376,550                                        | Term Loan, maturing September 30, 2007         |     |      | 1,394,  |
|                                                  | JARDEN CORPORATION                             | Ba3 | B+   |         |
| 1,995,000                                        | Term Loan, maturing April 24, 2008             |     |      | 2,014,  |
|                                                  | JOSTENS, INC.                                  | Ba3 | B+   |         |
| 4,264,991                                        | Term Loan, maturing July 29, 2010              |     |      | 4,311,  |
|                                                  | NORWOOD PROMOTIONAL PRODUCTS, INC.             | NR  | NR   |         |
| 12,207,514                                       | Term Loan, maturing February 01, 2005          |     |      | 12,207, |
| 8,358,425                                        | (3) Term Loan, maturing February 01, 2005      |     |      | 3,719,  |

See Accompanying Notes to Financial Statements

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| PRINCIPAL AMOUNT                                       | BORROWER/TRANCHE DESCRIPTION              | BANK LOAN RATINGS+ (UNAUDITED) |     | VALUE   |
|--------------------------------------------------------|-------------------------------------------|--------------------------------|-----|---------|
|                                                        |                                           | MOODY'S                        | S&P |         |
| PERSONAL AND NON DURABLE CONSUMER PRODUCTS (CONTINUED) |                                           |                                |     |         |
| \$ 1,998,167                                           | (3) Term Loan, maturing February 01, 2005 |                                |     | \$      |
|                                                        | RAYOVAC CORPORATION                       | B1                             | B+  |         |
| 3,607,729                                              | Term Loan, maturing September 30, 2009    |                                |     | 3,635,  |
|                                                        |                                           |                                |     | -----   |
|                                                        |                                           |                                |     | 31,775, |
|                                                        |                                           |                                |     | -----   |
| PERSONAL, FOOD AND MISCELLANEOUS SERVICES: 2.8%        |                                           |                                |     |         |
|                                                        | AFC ENTERPRISES, INC.                     | B1                             | B   |         |
| 1,531,938                                              | Term Loan, maturing May 23, 2009          |                                |     | 1,536,  |
|                                                        | ALDERWOODS GROUP, INC.                    | B1                             | BB- |         |
| 2,203,741                                              | Term Loan, maturing September 29, 2008    |                                |     | 2,236,  |
|                                                        | COINMACH CORPORATION                      | B1                             | BB- |         |
| 4,900,000                                              | Term Loan, maturing July 25, 2009         |                                |     | 4,953,  |
|                                                        | DOMINO'S, INC.                            | B1                             | B+  |         |
| 6,093,590                                              | Term Loan, maturing June 25, 2010         |                                |     | 6,191,  |
|                                                        | GATE GOURMET, LLC                         | B1                             | BB  |         |
| 990,000                                                | Term Loan, maturing December 31, 2008     |                                |     | 977,    |
| 1,034,811                                              | Term Loan, maturing December 31, 2009     |                                |     | 1,029,  |
|                                                        | JACK IN THE BOX, INC.                     | Ba2                            | BB  |         |

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|                                |                                                                              |           |         |                           |
|--------------------------------|------------------------------------------------------------------------------|-----------|---------|---------------------------|
| 4,000,000                      | Term Loan, maturing January 09, 2010<br>OTIS SPUNKMEYER, INC.                | B1        | B+      | 4,062,                    |
| 6,596,622                      | Term Loan, maturing February 20, 2009<br>WEIGHT WATCHERS INTERNATIONAL, INC. | Ba1       | BB      | 6,646,                    |
| 902,162                        | Term Loan, maturing March 31, 2010                                           |           |         | 910,                      |
|                                |                                                                              |           |         | -----<br>28,543,<br>----- |
| PRINTING AND PUBLISHING: 10.7% |                                                                              |           |         |                           |
|                                | ADAMS OUTDOOR ADVERTISING, L.P.                                              | B1        | B+      |                           |
| 1,760,500                      | Term Loan, maturing February 08, 2008<br>AMERICAN MEDIA OPERATIONS, INC.     | Ba3       | B+      | 1,771,                    |
| 3,959,288                      | Term Loan, maturing April 01, 2007<br>AMERICAN REPROGRAPHICS COMPANY         |           |         | 4,005,                    |
| 2,500,000                      | Term Loan, maturing June 18, 2009                                            | B1        | BB      | 2,537,                    |
| 1,000,000                      | Term Loan, maturing December 18, 2009<br>CANWEST MEDIA, INC.                 | B3<br>Ba3 | B<br>B+ | 1,015,                    |
| 9,948,718                      | Term Loan, maturing May 15, 2009<br>DEX MEDIA EAST, LLC                      | B1        | BB-     | 10,056,                   |
| 4,518,407                      | Term Loan, maturing November 08, 2008                                        |           |         | 4,570,                    |
| 4,364,120                      | Term Loan, maturing May 08, 2009<br>DEX MEDIA WEST, LLC                      | B1        | BB-     | 4,419,                    |
| 1,887,037                      | Term Loan, maturing September 09, 2009                                       |           |         | 1,910,                    |
| 26,418,519                     | Term Loan, maturing March 09, 2010<br>LAMAR MEDIA CORPORATION                | Ba2       | BB-     | 26,817,                   |
| 2,000,000                      | Term Loan, maturing June 30, 2009                                            |           |         | 2,001,                    |
| 12,370,370                     | Term Loan, maturing June 30, 2010<br>MEDIANEWS GROUP, INC.                   | Ba3       | BB      | 12,532,                   |
| 2,500,000                      | Term Loan, maturing December 30, 2010                                        |           |         | 2,531,                    |

See Accompanying Notes to Financial Statements

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| PRINCIPAL AMOUNT                    | BORROWER/TRANCHE DESCRIPTION                                            | BANK LOAN RATINGS+ (UNAUDITED) |     | VALUE                      |
|-------------------------------------|-------------------------------------------------------------------------|--------------------------------|-----|----------------------------|
|                                     |                                                                         | MOODY'S                        | S&P |                            |
| PRINTING AND PUBLISHING (CONTINUED) |                                                                         |                                |     |                            |
| \$ 456,763                          | PRIMEDIA, INC.<br>Revolver, maturing June 30, 2008                      | B3                             | B   | \$ 436,                    |
| 8,494,401                           | Term Loan, maturing June 30, 2009<br>R.H. DONNELLEY, INC.               | Ba3                            | BB  | 8,410,                     |
| 7,920,691                           | Term Loan, maturing June 30, 2010<br>READER'S DIGEST ASSOCIATIONS, INC. | Ba1                            | BB  | 8,035,                     |
| 1,727,882                           | Term Loan, maturing May 21, 2007                                        |                                |     | 1,735,                     |
| 7,816,950                           | Term Loan, maturing May 20, 2008<br>TRANSWESTERN PUBLISHING COMPANY     | B2                             | B   | 7,879,                     |
| 4,000,000                           | Term Loan, maturing February 25, 2012<br>ZIFF DAVIS MEDIA, INC.         | B3                             | CCC | 4,000,                     |
| 3,597,607                           | Term Loan, maturing March 31, 2007                                      |                                |     | 3,560,                     |
|                                     |                                                                         |                                |     | -----<br>108,227,<br>----- |
| RADIO AND TV BROADCASTING: 6.0%     |                                                                         |                                |     |                            |
|                                     | BLOCK COMMUNICATIONS, INC.                                              | Ba2                            | BB- |                            |

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|              |                                                                                    |     |     |                           |
|--------------|------------------------------------------------------------------------------------|-----|-----|---------------------------|
| 2,812,216    | Term Loan, maturing November 15, 2009<br>CUMULUS MEDIA, INC.                       | Ba3 | B+  | 2,838,                    |
| 2,977,500    | Term Loan, maturing March 28, 2010<br>EMMIS OPERATING COMPANY                      | Ba2 | B+  | 3,022,                    |
| 10,955,447   | Term Loan, maturing August 31, 2009<br>FISHER BROADCASTING, INC.                   | Ba3 | B+  | 11,103,                   |
| 1,305,690    | Term Loan, maturing February 28, 2010<br>GRAY TELEVISION, INC.                     | Ba2 | B+  | 1,308,                    |
| 4,000,000    | Term Loan, maturing December 31, 2010<br>LIN TELEVISION CORPORATION                | Ba2 | BB  | 4,045,                    |
| 2,062,857    | Term Loan, maturing December 31, 2007<br>MISSION BROADCASTING, INC.                | Ba3 | B+  | 2,085,                    |
| 2,333,333    | Term Loan, maturing December 31, 2010<br>NEXSTAR BROADCASTING                      | Ba3 | B+  | 2,356,                    |
| 916,667      | Term Loan, maturing December 31, 2010<br>PAXSON COMMUNICATIONS CORPORATION         | B1  | B+  | 925,                      |
| 19,000,000   | Floating Rate Note, maturing<br>January 15, 2010<br>SINCLAIR BROADCAST GROUP, INC. | Ba2 | BB  | 18,905,                   |
| 2,765,400    | Term Loan, maturing December 31, 2009                                              |     |     | 2,797,                    |
| 4,609,000    | Term Loan, maturing December 31, 2009<br>SPANISH BROADCASTING SYSTEMS              | B1  | B+  | 4,663,                    |
| 2,000,000    | Term Loan, maturing October 30, 2009<br>SUSQUEHANNA MEDIA COMPANY                  | Ba1 | BB- | 2,026,                    |
| 2,456,250    | Term Loan, maturing June 30, 2008<br>TELEVICENTRO OF PUERTO RICO, LLC              | Ba2 | BB  | 2,480,                    |
| 1,857,143    | Term Loan, maturing December 31, 2007                                              |     |     | 1,877,                    |
|              |                                                                                    |     |     | -----<br>60,437,<br>----- |
| RETAIL: 3.4% |                                                                                    |     |     |                           |
|              | ADVANCE STORES COMPANY, INC.                                                       | Ba3 | BB  |                           |
| 6,696,465    | Term Loan, maturing November 30, 2007                                              |     |     | 6,778,                    |

See Accompanying Notes to Financial Statements

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| PRINCIPAL AMOUNT   | BORROWER/TRANCHE DESCRIPTION                                                                 | BANK LOAN RATINGS+ |     | VALUE       |
|--------------------|----------------------------------------------------------------------------------------------|--------------------|-----|-------------|
|                    |                                                                                              | MOODY'S            | S&P |             |
|                    |                                                                                              |                    |     | (UNAUDITED) |
|                    |                                                                                              |                    |     | -----       |
| RETAIL (CONTINUED) |                                                                                              |                    |     |             |
| \$ 2,000,000       | ALIMENTATION COUCHE-TARD, INC.<br>Term Loan, maturing December 17, 2010<br>CH OPERATING, LLC | Ba2                | BB  | \$ 2,016,   |
| 1,663,339          | Term Loan, maturing June 21, 2007<br>CSK AUTO, INC.                                          | B2                 | B+  | 1,663,      |
| 1,500,000          | Term Loan, maturing June 19, 2009<br>ORIENTAL TRADING COMPANY, INC.                          | Ba3                | B+  | 1,508,      |
| 2,974,684          | Term Loan, maturing August 06, 2010                                                          | B1                 | B+  | 2,993,2     |
| 1,000,000          | Term Loan, maturing January 08, 2011<br>THE PANTRY, INC.                                     | B2                 | B-  | 1,024,5     |
| 4,216,760          | Term Loan, maturing March 31, 2007                                                           | B1                 | B+  | 4,269,      |
| 860,527            | Term Loan, maturing March 31, 2007<br>PETCO ANIMAL SUPPLIES, INC.                            | Ba3                | BB- | 871,        |

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|                                    |                                                                               |     |      |                           |
|------------------------------------|-------------------------------------------------------------------------------|-----|------|---------------------------|
| 2,546,589                          | Term Loan, maturing October 26, 2008<br>RITE AID CORPORATION                  | Ba3 | BB   | 2,578,                    |
| 8,000,000                          | Term Loan, maturing April 30, 2008<br>TRAVELCENTERS OF AMERICA, INC.          | Ba3 | BB   | 8,175,                    |
| 2,364,420                          | Term Loan, maturing November 14, 2008                                         |     |      | 2,392,                    |
|                                    |                                                                               |     |      | -----<br>34,271,<br>----- |
| SATELLITE: 1.3%                    |                                                                               |     |      |                           |
| 12,000,000                         | ECHOSTAR DBS CORPORATION<br>Floating Rate Note, maturing<br>October 01, 2008  | Ba3 | BB-  | 12,480,                   |
| 538,462                            | PANAMSAT CORPORATION<br>Term Loan, maturing September 30, 2010                | Ba2 | BB   | 547,                      |
|                                    |                                                                               |     |      | -----<br>13,027,<br>----- |
| TELECOMMUNICATIONS EQUIPMENT: 5.1% |                                                                               |     |      |                           |
| 9,344,641                          | AMERICAN TOWER, L.P.<br>Term Loan, maturing June 30, 2007                     | B1  | B    | 9,399,                    |
| 1,068,870                          | Term Loan, maturing December 31, 2007<br>CROWN CASTLE OPERATING COMPANY       | B1  | B-   | 1,082,                    |
| 4,066,258                          | Term Loan, maturing September 15, 2007                                        |     |      | 4,098,                    |
| 17,391,412                         | Term Loan, maturing September 30, 2010<br>SBA SENIOR FINANCE, INC.            | B2  | CCC+ | 17,734,                   |
| 3,384,615                          | Term Loan, maturing October 31, 2008<br>SPECTRASITE COMMUNICATIONS, INC.      | B1  | B+   | 3,417,                    |
| 10,272,606                         | Term Loan, maturing December 31, 2007                                         |     |      | 10,405,                   |
| 4,900,948                          | Term Loan, maturing December 31, 2007<br>TRIPOINT GLOBAL COMMUNICATIONS, INC. | NR  | NR   | 4,931,                    |
| 1,727,709                          | Term Loan, maturing May 31, 2006                                              |     |      | 1,667,                    |
|                                    |                                                                               |     |      | -----<br>52,735,<br>----- |

See Accompanying Notes to Financial Statements

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| PRINCIPAL AMOUNT           | BORROWER/TRANCHE DESCRIPTION                                        | BANK LOAN RATINGS+ (UNAUDITED) |     | VALUE     |
|----------------------------|---------------------------------------------------------------------|--------------------------------|-----|-----------|
|                            |                                                                     | MOODY'S                        | S&P |           |
| TEXTILES AND LEATHER: 1.8% |                                                                     |                                |     |           |
|                            | (2) GALEY & LORD, INC.                                              | Caa2                           | NR  |           |
| \$ 3,569,551               | Term Loan, maturing April 02, 2005                                  |                                |     | \$ 1,534, |
| 2,550,007                  | Term Loan, maturing April 01, 2006<br>MALDEN MILLS INDUSTRIES, INC. | NR                             | NR  | 1,096,    |
| 2,573,615                  | Term Loan, maturing October 01, 2008                                |                                |     | 2,573,    |
| 735,319                    | (3) Term Loan, maturing October 01, 2008<br>(2) POLYMER GROUP, INC. | NR                             | NR  | 121,      |
| 4,822,495                  | Term Loan, maturing December 31, 2006<br>TARGUS GROUP, INC.         | NR                             | NR  | 4,868,    |
| 6,029,193                  | Term Loan, maturing August 31, 2006<br>WILLIAM CARTER COMPANY       | Ba3                            | BB  | 5,968,    |
| 1,641,036                  | Term Loan, maturing September 08, 2008                              |                                |     | 1,658,    |

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|                      |                                                           |      |     |  | -----<br>17,821,<br>----- |
|----------------------|-----------------------------------------------------------|------|-----|--|---------------------------|
| TRANSPORTATION: 2.5% |                                                           |      |     |  |                           |
|                      | (2) AMERICAN COMMERCIAL LINES, LLC                        |      |     |  |                           |
| 1,760,000            | Debtor In Possession Term Loan,<br>maturing July 31, 2004 | Ba3  | NR  |  | 1,755,                    |
| 1,258,356            | Term Loan, maturing June 30, 2006                         | Caa1 | D   |  | 1,126,                    |
| 1,804,934            | Term Loan, maturing June 30, 2007                         | Caa1 | D   |  | 1,615,                    |
|                      | BAKER TANKS, INC.                                         | B1   | B+  |  |                           |
| 1,000,000            | Term Loan, maturing January 30, 2011                      |      |     |  | 1,007,                    |
|                      | CSX/HORIZON LINES, LLC                                    | Ba3  | BB- |  |                           |
| 1,569,048            | Term Loan, maturing February 27, 2009                     |      |     |  | 1,584,                    |
|                      | GEMINI LEASING, INC.                                      | NR   | NR  |  |                           |
| 2,001,852            | Term Loan, maturing December 31, 2011                     |      |     |  | 1,601,                    |
|                      | NEOPLAN USA CORPORATION                                   | NR   | NR  |  |                           |
| 1,935,000            | Revolver, maturing June 30, 2006                          |      |     |  | 1,935,                    |
| 5,414,900            | Term Loan, maturing June 30, 2006                         |      |     |  | 5,414,                    |
|                      | PACER INTERNATIONAL, INC.                                 | B1   | BB- |  |                           |
| 2,482,353            | Term Loan, maturing June 10, 2010                         |      |     |  | 2,509,                    |
|                      | TEREX CORPORATION                                         | B1   | BB- |  |                           |
| 1,411,524            | Term Loan, maturing July 03, 2009                         |      |     |  | 1,414,                    |
| 1,960,075            | Term Loan, maturing December 31, 2009                     |      |     |  | 1,963,                    |
|                      | YELLOW ROADWAY CORPORATION                                | Baa3 | BBB |  |                           |
| 1,363,636            | Term Loan, maturing June 11, 2008                         |      |     |  | 1,374,                    |
| 1,636,364            | Term Loan, maturing June 11, 2008                         |      |     |  | 1,649,                    |
|                      |                                                           |      |     |  | -----<br>24,952,<br>----- |
| UTILITIES: 2.3%      |                                                           |      |     |  |                           |
|                      | CALPINE CONSTRUCTION FINANCE COMPANY, L.P.                | NR   | B+  |  |                           |
| 1,990,000            | Term Loan, maturing February 26, 2009                     |      |     |  | 2,133,                    |
|                      | CALPINE CORPORATION                                       | B2   | B   |  |                           |
| 4,970,013            | Term Loan, maturing July 16, 2007                         |      |     |  | 4,743,                    |
| 9,452,500            | Term Loan, maturing July 16, 2007                         |      |     |  | 9,594,                    |

See Accompanying Notes to Financial Statements

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| PRINCIPAL AMOUNT          | BORROWER/TRANCHE DESCRIPTION         | BANK LOAN RATINGS+ (UNAUDITED) |      | VALUE     |
|---------------------------|--------------------------------------|--------------------------------|------|-----------|
|                           |                                      | MOODY'S                        | S&P  |           |
| UTILITIES (CONTINUED)     |                                      |                                |      |           |
|                           | CENTERPOINT ENERGY, INC.             | Ba1                            | BBB- |           |
| \$ 3,490,541              | Term Loan, maturing October 07, 2006 |                                |      | \$ 3,579, |
|                           | NRG ENERGY, INC.                     | B1                             | BB-  |           |
| 930,208                   | Term Loan, maturing June 23, 2010    |                                |      | 958,      |
| 520,833                   | Term Loan, maturing June 23, 2010    |                                |      | 536,      |
|                           | PIKE ELECTRIC, INC.                  | Ba3                            | BB-  |           |
| 1,611,765                 | Term Loan, maturing April 18, 2010   |                                |      | 1,626,    |
| -----<br>23,171,<br>----- |                                      |                                |      |           |
| TOTAL SENIOR LOANS        |                                      |                                |      |           |

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(COST \$1,639,838,989)

\$ 1,632,623,  
-----

OTHER CORPORATE DEBT: 1.3%

| PRINCIPAL AMOUNT                                 | BORROWER / TRANCHE DESCRIPTION                            |    |    | VALUE           |
|--------------------------------------------------|-----------------------------------------------------------|----|----|-----------------|
| -----                                            |                                                           |    |    |                 |
| DATA AND INTERNET SERVICES: 0.1%                 |                                                           |    |    |                 |
|                                                  | ARCH WIRELESS HOLDINGS, INC.                              | Ca | NR |                 |
| 573,999                                          | Subordinated Note, maturing May 15, 2009                  |    |    | 573,            |
|                                                  |                                                           |    |    | -----<br>573,   |
| FINANCE: 0.7%                                    |                                                           |    |    |                 |
|                                                  | VALUE ASSET MANAGEMENT, INC.                              | B3 | B  |                 |
| 7,794,118                                        | Senior Subordinated Bridge Note, maturing August 31, 2005 |    |    | 7,599,          |
|                                                  |                                                           |    |    | -----<br>7,599, |
| HEALTHCARE, EDUCATION AND CHILDCARE: 0.0%        |                                                           |    |    |                 |
|                                                  | BLOCK VISION HOLDINGS CORPORATION                         | NR | NR |                 |
| 13,365                                           | Junior Term Loan, maturing July 30, 2007                  |    |    |                 |
| -----                                            |                                                           |    |    |                 |
| HOME AND OFFICE FURNISHING, HOUSEWARES: 0.0%     |                                                           |    |    |                 |
|                                                  | MP HOLDINGS, INC.                                         | NR | NR |                 |
| 45,229                                           | Subordinated Note, maturing March 14, 2007                |    |    | 42,             |
|                                                  |                                                           |    |    | -----<br>42,    |
| PERSONAL AND NON DURABLE CONSUMER PRODUCTS: 0.4% |                                                           |    |    |                 |
|                                                  | PAINT SUNDRY BRANDS CORPORATION                           | B1 | B  |                 |
| 4,000,000                                        | Term Loan, maturing July 28, 2010                         |    |    | 4,050,          |
|                                                  |                                                           |    |    | -----<br>4,050, |
| TEXTILES AND LEATHER: 0.1%                       |                                                           |    |    |                 |
|                                                  | TARTAN TEXTILE SERVICES, INC.                             | NR | NR |                 |
| 1,332,583                                        | Subordinated Note, maturing April 01, 2011                |    |    | 1,332,          |
|                                                  |                                                           |    |    | -----<br>1,332, |
|                                                  | TOTAL OTHER CORPORATE DEBT                                |    |    |                 |
|                                                  | (COST \$13,118,751)                                       |    |    | 13,598,         |
|                                                  |                                                           |    |    | -----           |

See Accompanying Notes to Financial Statements

| SECURITY DESCRIPTION | VALUE |
|----------------------|-------|
| -----                |       |



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### EQUITIES AND OTHER ASSETS: 3.6%

|      |          |                                                                                         |    |        |
|------|----------|-----------------------------------------------------------------------------------------|----|--------|
|      | (0), (R) | Acterna, LLC (85,722 Common Shares)                                                     | \$ | 1,090, |
|      |          | Acterna, Inc. (Contingent Right)                                                        |    |        |
| (1), | (0), (R) | Allied Digital Technologies Corporation<br>(Residual Interest in Bankruptcy Estate)     |    | 186,   |
|      | (0), (R) | AM Cosmetics Corporation (Liquidation Interest)                                         |    |        |
|      | (0), (R) | Block Vision Holdings Corporation (571 Common Shares)                                   |    |        |
| (2), | (0), (R) | Boston Chicken, Inc. (Residual Interest in Boston<br>Chicken Plan Trust)                |    | 6,728, |
|      | (0), (R) | Cedar Chemical (Liquidation Interest)                                                   |    |        |
|      | (0), (R) | Covenant Care, Inc. (Warrants for 19,000 Common Shares,<br>Expires January 13, 2005)    |    |        |
|      | (0), (R) | Covenant Care, Inc. (Warrants for 26,901 Common Shares,<br>Expires March 31, 2013)      |    |        |
|      | (0), (R) | Decision One Corporation (350,059 Common Shares)                                        |    |        |
| (2), | (0), (R) | Electro Mechanical Solutions (Residual Interest in<br>Bankruptcy Estate)                |    | 2,     |
|      | (0), (R) | Enginen Realty (857 Common Shares)                                                      |    |        |
|      | (0), (R) | Enterprise Profit Solutions (Liquidation Interest)                                      |    |        |
| (4), | (0), (R) | Euro United Corporation (Residual Interest in Bankruptcy Estate)                        |    | 2,539, |
| (2), | (0), (R) | Exide Technologies (Warrants for 16,501 Common Shares,<br>Expires March 16, 2006)       |    |        |
|      | (0)      | Gate Gourmet (Warrants for 1,083 Common Shares, Expires<br>December 19, 2012)           |    |        |
|      | (0)      | Gemini Leasing (143,079 Common Shares)                                                  |    |        |
|      | (0)      | Genesis Healthcare Corporation (20,303 Common Shares)                                   |    | 553,   |
| (2), | (0), (R) | Grand Union Company (Residual Interest in Bankruptcy Estate)                            |    | 76,    |
|      | (0)      | Hayes Lemmerz (73,835 Common Shares)                                                    |    | 1,166, |
|      | (0)      | Hayes Lemmerz (246 Preferred Shares)                                                    |    | 3,     |
| (0), | (R)      | Holmes Products Corporation (Warrants for 13,849 Common<br>Shares, Expires May 7, 2006) |    |        |
|      | (0)      | HQ Global (1,523 Common Shares)                                                         |    |        |
|      | (0)      | HQ Global (2,462 Preferred Shares)                                                      |    | 2,009, |
| (2), | (0), (R) | Humphreys, Inc. (Residual Interest in Bankruptcy Estate)                                |    |        |
|      | (0), (R) | IHDG Realty (300,141 Common Shares)                                                     |    |        |
|      | (0), (R) | Imperial Home Decor Group, Inc. (300,141 Common Shares)                                 |    |        |
|      | (0), (R) | Imperial Home Decor Group, Inc. (Liquidation Interest)                                  |    |        |
| (2), | (0), (R) | Insilco Technologies (Residual Interest in Bankruptcy Estate)                           |    | 43,    |
|      | (0), (R) | Intera Group, Inc. (864 Common Shares)                                                  |    |        |
| (2), | (0), (R) | IT Group, Inc. (Residual Interest in Bankruptcy Estate)                                 |    | 366,   |
| (2), | (0), (R) | Kevco, Inc. (Residual Interest in Bankruptcy Estate)                                    |    | 147,   |
|      |          | Malden Mills Industries, Inc. (436,865 Common Shares)                                   |    |        |
|      |          | Malden Mills Industries, Inc. (1,427,661 Preferred Shares)                              |    |        |
|      | (0), (R) | Morris Material Handling, Inc. (481,373 Common Shares)                                  |    | 1,184, |
|      | (0), (R) | MP Holdings, Inc. (590 Common Shares)                                                   |    |        |
|      | (0), (R) | Murray's Discount Auto Stores, Inc. (Escrow)                                            |    | 510,   |

See Accompanying Notes to Financial Statements

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|  |          | SECURITY DESCRIPTION                                      |    | VALUE  |
|--|----------|-----------------------------------------------------------|----|--------|
|  | (0)      | NeighborCare (60,473 Common Shares)                       | \$ | 1,569, |
|  | (0), (R) | Neoplan USA Corporation (17,348 Common Shares)            |    |        |
|  | (0), (R) | Neoplan USA Corporation (1,814 Series B Preferred Shares) |    |        |
|  | (0), (R) | Neoplan USA Corporation (1,084 Series C Preferred Shares) |    | 428,   |

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|                                               |      |                                                                                               |                                        |
|-----------------------------------------------|------|-----------------------------------------------------------------------------------------------|----------------------------------------|
| (0),                                          | (R)  | Neoplan USA Corporation (3,524 Series D Preferred Shares)                                     | 3,524,                                 |
| (0),                                          | (R)  | New Piper Aircraft (Residual Interest in Litigation Proceeds)                                 |                                        |
| (0),                                          | (R)  | New World Restaurant Group, Inc. (Warrants for 4,489<br>Common Shares, Expires June 15, 2006) | 61,                                    |
|                                               | (0)  | Outsourcing Solutions (31,049 Common Shares)                                                  | 816,                                   |
| (0),                                          | (R)  | Safelite Glass Corporation (660,808 Common Shares)                                            | 8,306,                                 |
| (0),                                          | (R)  | Safelite Realty (44,605 Common Shares)                                                        | 245,                                   |
| (0),                                          | (R)  | Sarcom, Inc. (462,984 Common Shares)                                                          |                                        |
| (0),                                          | (R)  | Sarcom, Inc. (4,015 Preferred Shares)                                                         |                                        |
| (0),                                          | (R)  | Scientific Games Corporation (48,930 Non-Voting<br>Common Shares)                             | 827,                                   |
| (0),                                          | (R)  | Soho Publishing (17,582 Common Shares)                                                        |                                        |
| (0),                                          | (R)  | Stelllex Aerostructures, Inc. (11,130 Common Shares)                                          |                                        |
| (0),                                          | (R)  | Targus Group, Inc. (Warrants for 66,824<br>Common Shares, Expires December 6, 2012)           |                                        |
| (0),                                          | (R)  | Tartan Textile Services, Inc. (23,449 Shares of Series D<br>Preferred Stock)                  | 2,344,                                 |
| (0),                                          | (R)  | Tartan Textile Services, Inc. (36,775 Shares of Series E<br>Preferred Stock)                  |                                        |
| (0),                                          | (R)  | Teligent, Inc. (50 Common Shares)                                                             |                                        |
| (0),                                          | (R)  | Tembec, Inc. (167,239 Common Shares)                                                          | 1,215,                                 |
| (1),                                          | (0), | (R) Transtar Metals (Residual Interest in Bankruptcy Estate)                                  |                                        |
| (1),                                          | (0), | (R) TSR Wireless, LLC (Residual Interest in Bankruptcy Estate)                                |                                        |
| (2),                                          | (0), | (R) U.S. Aggregates (Residual Interest in Bankruptcy Estate)                                  |                                        |
| (2),                                          | (0), | (R) U.S. Office Products Company (Residual Interest in<br>Bankruptcy Estate)                  |                                        |
| TOTAL FOR EQUITY AND OTHER ASSETS             |      |                                                                                               | -----                                  |
| (COST \$34,385,172 )                          |      |                                                                                               | 35,950,                                |
| TOTAL INVESTMENTS                             |      |                                                                                               | -----                                  |
| (COST \$1,687,342,912)                        |      |                                                                                               | 166.5% 1,682,172,                      |
| PREFERRED SHARES AND LIABILITIES IN EXCESS OF |      |                                                                                               |                                        |
| CASH AND OTHER ASSETS, NET                    |      |                                                                                               | (66.5) (671,846,                       |
| NET ASSETS                                    |      |                                                                                               | -----<br>100.0% \$ 1,010,325,<br>===== |

See Accompanying Notes to Financial Statements

-----  
(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

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Insolvency Act.

- (5) For federal income tax purposes, the cost of investment is \$1,688,828,013 and net unrealized depreciation consists of the following:

|                               |    |              |
|-------------------------------|----|--------------|
| Gross Unrealized Appreciation | \$ | 25,888,723   |
| Gross Unrealized Depreciation |    | (32,544,388) |
|                               |    | -----        |
| Net Unrealized Depreciation   | \$ | (6,655,665)  |
|                               |    | =====        |

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### ING Prime Rate Trust

#### SHAREHOLDER MEETING INFORMATION (Unaudited)

A special meeting of shareholders of the ING Prime Rate Trust was 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:

#### MATTERS:

##### 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.

##### 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.

#### RESULTS:

| PROPOSAL | SHARES VOTED FOR | SHARES VOTED AGAINST OR WITHHELD | SHARES ABSTAINED | BRO NON- |
|----------|------------------|----------------------------------|------------------|----------|
|----------|------------------|----------------------------------|------------------|----------|

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|                        |                       |             |           |           |
|------------------------|-----------------------|-------------|-----------|-----------|
| Common Shares          | Paul S. Doherty       | 114,685,160 | 2,423,071 | --        |
|                        | J. Michael Earley     | 114,782,052 | 2,326,179 | --        |
| Trustees               | 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)

#### 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 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.

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### KEY FINANCIAL DATES -- CALENDAR 2004 DIVIDENDS:

| DECLARATION DATE<br>----- | EX-DIVIDEND DATE<br>----- | PAYABLE DATE<br>----- |
|---------------------------|---------------------------|-----------------------|
| January 30                | February 6                | February 24           |
| February 27               | March 8                   | March 22              |
| March 31                  | April 7                   | April 22              |
| April 30                  | May 6                     | May 24                |
| May 28                    | June 8                    | June 22               |
| June 30                   | July 8                    | July 22               |
| July 30                   | August 6                  | August 23             |
| August 31                 | September 8               | September 22          |
| September 30              | October 7                 | October 22            |
| October 29                | November 8                | November 22           |
| November 30               | December 8                | December 22           |
| December 20               | December 29               | January 12            |

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"

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feature in Barron's, The New York Times, The Wall Street Journal and many other regional and national publications.

### 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.

### NUMBER OF SHAREHOLDERS

The approximate number of record holders of Common Stock as of February 29, 2004 was 7,586 which does not include approximately 50,100 beneficial owners of shares held in the name of brokers of other nominees.

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### TAX INFORMATION (Unaudited)

The Trust is required by Subchapter M of the Internal Revenue Code of 1986, as amended, to advise within 60 days of the Trust's fiscal year end (February 29, 2004) as to the federal tax status of distributions received by the Trust's shareholders. Accordingly, the Trust is hereby advising you that the following dividends were paid to Common Shareholders during the fiscal year ended February 29, 2004:

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| TYPE OF DIVIDEND | PER SHARE AMOUNT | EX-DIVIDEND DATE | PAYABLE DATE |
|------------------|------------------|------------------|--------------|
| ORDINARY INCOME  | \$ 0.0330        | 03/06/03         | 03/24/03     |
|                  | \$ 0.0355        | 04/08/03         | 04/23/03     |
|                  | \$ 0.0345        | 05/08/03         | 05/22/03     |
|                  | \$ 0.0355        | 06/06/03         | 06/23/03     |
|                  | \$ 0.0345        | 07/08/03         | 07/22/03     |
|                  | \$ 0.0360        | 08/07/03         | 08/22/03     |
|                  | \$ 0.0350        | 09/08/03         | 09/22/03     |
|                  | \$ 0.0340        | 10/08/03         | 10/22/03     |
|                  | \$ 0.0350        | 11/06/03         | 11/24/03     |
|                  | \$ 0.0350        | 12/08/03         | 12/22/03     |
|                  | \$ 0.0360        | 12/29/03         | 01/13/04     |
|                  | \$ 0.0360        | 02/06/04         | 02/24/04     |
|                  | TOTAL            | \$ 0.4200        |              |

The Trust is hereby advising you that the following dividends were paid to Preferred Shareholders during the fiscal year ended February 29, 2004:

| PREFERRED SHARES | TYPE OF DIVIDEND | TOTAL PER SHARE AMOUNT | AUCTION DATES     | RECORD DATES      |     |
|------------------|------------------|------------------------|-------------------|-------------------|-----|
| Series M         | Ordinary Income  | \$ 285.34              | 3/5/03 to 2/25/04 | 3/12/03 to 3/3/04 | 3/1 |
| Series T         | Ordinary Income  | \$ 286.39              | 3/6/03 to 2/26/04 | 3/13/03 to 3/4/04 | 3/1 |
| Series W         | Ordinary Income  | \$ 288.95              | 3/3/03 to 2/23/04 | 3/10/03 to 3/1/04 | 3/1 |
| Series Th        | Ordinary Income  | \$ 288.22              | 3/4/03 to 2/24/04 | 3/11/03 to 3/2/04 | 3/1 |
| Series F         | Ordinary Income  | \$ 285.10              | 3/7/03 to 2/27/04 | 3/14/03 to 3/5/04 | 3/1 |

Of the ordinary distributions made during the fiscal year ended February 29, 2004, 0.35% qualifies for the dividends received deduction to corporate shareholders.

For the fiscal year ended February 29, 2004, 0.35% of ordinary dividends paid by the Trust are designated as qualifying dividend income subject to reduced income tax rates for individuals.

The above figures may differ from those cited elsewhere in this report due to differences in the calculation of income and gains under accounting principles generally accepted in the United States of America (book) and Internal Revenue Service (tax) purposes.

Shareholders are strongly advised to consult their own tax advisers with respect to the tax consequences of their investments in the Trust. In January 2004, shareholders, excluding corporate shareholders, received an IRS 1099-DIV regarding the federal tax status of the dividends and distributions received by them in calendar year 2003.

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## ING Prime Rate Trust

### 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 ("Non-Interested Trustee"). The Trustees of the Trust are listed below. The Trust's statement of Additional Information includes additional information about the 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                                 | President and Partner, Doherty, Wallace, Pillsbury and Murphy, P.C., Attorneys (1996 - Present); 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).                                                                                                                                                      |
| 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                         | Trustee                                                | August<br>1995 - present                                   | Private Investor (June 1997 - Present). Formerly                                                                                                                                                        |

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Born: 1945

Director and Chief Executive Officer, Rainbow Multimedia Group, Inc. (January 1999 - December 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>-----                                                                                                                                                                                                                                                                                              |
|-------------------------------------------------------------------------------------------------|--------------------------------------------------------|------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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 Corp.; Anchor Investment Trust; Bow Ridge Mining Company and each of the F.L. Putnam funds managed by Northstar Investment Foundation Management Corporation (1994 - 1999). |
| 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).                                                                                                                                                               |



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|                                                                                                         |         |                            |                                                                                                                                                                                                                                                                                                          |
|---------------------------------------------------------------------------------------------------------|---------|----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Roger B. Vincent<br>7337 E. Doubletree Ranch Rd.<br>Scottsdale, Arizona 85258<br>Born: 1945             | Trustee | February<br>2002 - present | President,<br>Springwell<br>Corporation (1989 -<br>present). Formerly,<br>Director, Tatham<br>Offshore, Inc. (1996<br>- 2000).                                                                                                                                                                           |
| Richard A. Wedemeyer (2) (3)<br>7337 E. Doubletree Ranch Rd.<br>Scottsdale, Arizona 85258<br>Born: 1936 | Trustee | February<br>2001 - present | Retired. Formerly<br>Vice President -<br>Finance and<br>Administration,<br>Channel Corporation<br>(June 1996 - April<br>2002). Formerly,<br>Trustee, First<br>Choice Funds (1997 -<br>2001); and Trustee<br>of each of the funds<br>managed by ING<br>Investment<br>Management Co. LLC<br>(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>-----                                                                                                                                                                                                                                                                                                                                                                                                                        |
|----------------------------------------------------------------------------------------------------|--------------------------------------------------------|-------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>INTERESTED TRUSTEES:</b>                                                                        |                                                        |                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Thomas J. McInerney (4)<br>7337 E. Doubletree Ranch Rd.<br>Scottsdale, Arizona 85258<br>Born: 1956 | Trustee                                                | February<br>2001 - present                                  | Chief Executive<br>Officer, ING U.S.<br>Financial Services<br>(September 2001 to<br>present); General<br>Manager and Chief<br>Executive Officer,<br>ING U.S. Worksite<br>Financial Services<br>(December 2000 to<br>present); Member,<br>ING Americas<br>Executive Committee<br>(2001 to present);<br>President, Chief<br>Executive Officer<br>and Director of<br>Northern Life<br>Insurance Company<br>(2001 to present),<br>ING Aeltus Holding<br>Company, Inc. (2000<br>to present), ING |

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Retail Holding Company (1998 to 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

September  
2000 - 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 and Proxy Voting Committee (formerly the Valuation Committee) member.
- (3) Audit Committee member.
- (4) Mr. McInerney is an "interested person," as defined by the 1940 Act, because of an affiliation with ING Groep N.V., the parent corporation of the Investment Manager, ING Investments, LLC and the Distributor, ING Funds Distributor, LLC.
- (5) Mr. Turner is an "interested person," as defined by the 1940 Act, because of his affiliation with ING Groep N.V., the parent corporation of the Investment Manager, ING Investments, LLC and Distributor, ING Funds Distributor, 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>----- | P<br>OCC<br>D<br>PAS<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<br><br>Chief Operating Officer            | February 2001 - Present<br><br>July 2000 - Present         | President and<br>ING Investment<br>its affiliates<br>Present). Form<br>Vice President<br>Officer, ING I<br>certain of its<br>December 2000)<br>President, ING<br>certain of its<br>- June 2000);<br>President, ING<br>certain of its<br>- April 1998). |
| Michael J. Roland<br>7337 E. Doubletree Ranch Rd.<br>Scottsdale, Arizona 85258<br>Born: 1958 | Executive Vice President<br>and Assistant Secretary<br><br>Chief Financial Officer | February 2002 - Present<br><br>August 1998 - Present       | Executive Vice<br>Financial Offi<br>Investments, L<br>affiliates (De<br>Formerly, Seni<br>Investments, L<br>affiliates (Ju<br>2001).                                                                                                                   |
| Stanley D. Vyner<br>7337 E. Doubletree Ranch Rd.<br>Scottsdale, Arizona 85258<br>Born: 1950  | Executive Vice President                                                           | August 2003 - Present                                      | Executive Vice<br>Investments, L<br>affiliates (Ju<br>Chief Investme<br>International<br>Investments, L<br>Present). Form<br>Chief Executiv<br>Investments, L<br>August 2000).                                                                         |
| Robert S. Naka<br>7337 E. Doubletree Ranch Rd.<br>Scottsdale, Arizona 85258<br>Born: 1963    | Senior Vice President<br><br>Assistant Secretary                                   | November 1999 - Present<br><br>July 1996 - Present         | Senior Vice Pr<br>Secretary, ING<br>certain of its<br>- Present). Fo<br>and Assistant<br>Services, LLC(<br>August 1999).                                                                                                                               |
| Daniel A. Norman<br>7337 E. Doubletree Ranch Rd.<br>Scottsdale, Arizona 85258<br>Born: 1957  | Senior Vice President<br><br>Treasurer                                             | April 1995 - Present<br><br>June 1997 - Present            | Senior Vice Pr<br>Portfolio Mana<br>LLC(2) and cer<br>(November 1999<br>Senior Vice Pr<br>Manager, ING I<br>certain of its<br>- November 199                                                                                                           |

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|                                                                                                  |                                                   |                         |                                                                                                                                              |
|--------------------------------------------------------------------------------------------------|---------------------------------------------------|-------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|
| Jeffrey A. Bakalar<br>7337 E. Doubletree Ranch Rd.<br>Scottsdale, Arizona 85258<br>Born: 1959    | Senior Vice President                             | November 1999 - Present | Senior Vice Pr<br>Portfolio Mana<br>LLC(2) (Novemb<br>Formerly, Vice<br>Manager, ING I<br>(February 1998)                                    |
| Elliot Rosen<br>7337 E. Doubletree Ranch Rd.<br>Scottsdale, Arizona 85258<br>Born: 1953          | Senior Vice President                             | May 2002 - Present      | Senior Vice Pr<br>Investments, L<br>Present).                                                                                                |
| William H. Rivoir III<br>7337 E. Doubletree Ranch Rd.<br>Scottsdale, Arizona 85258<br>Born: 1951 | Senior Vice President<br>and Assistant Secretary  | February 2001 - Present | Vice President<br>Management Co.<br>Present). Form<br>Law Department<br>December 2003)<br>President, ING<br>certain of its<br>December 2002) |
| Curtis F. Lee<br>7337 E. Doubletree Ranch Rd.<br>Scottsdale, Arizona 85258<br>Born: 1955         | Senior Vice President<br>and Chief Credit Officer | February 2001 - Present | Senior Vice Pr<br>Officer of Sen<br>Investments, L<br>Present).                                                                              |

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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>----- | OC<br>PAS<br>----                                                                                                                                                                                                                                      |
|-------------------------------------------------------------------------------------------------|---------------------------------------------|------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Kimberly A. Anderson<br>7337 E. Doubletree Ranch Rd.<br>Scottsdale, Arizona 85258<br>Born: 1964 | Senior Vice President                       | November 2003 - Present                                    | Senior Vice Pr<br>Investments, L<br>affiliates (Oc<br>Formerly, Vice<br>Investments, L<br>affiliates (Oc<br>2003); Secreta<br>LLC(2) and cer<br>(October 2001<br>Vice President<br>LLC(3) (Novemb<br>and has held v<br>with ING Funds<br>than the last |
| Robyn L. Ichilov<br>7337 E. Doubletree Ranch Rd.<br>Scottsdale, Arizona 85258<br>Born: 1967     | Vice President                              | November 1997 - Present                                    | Vice President<br>LLC(3) (Octobe<br>ING Investment<br>Present).                                                                                                                                                                                        |
| J. David Greenwald<br>7337 E. Doubletree Ranch Rd.<br>Scottsdale, Arizona 85258<br>Born: 1957   | Vice President                              | August 2003 - Present                                      | Vice President<br>Compliance, IN<br>(May 2003 - Pr<br>Assistant Trea                                                                                                                                                                                   |

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|                                                                                                          |                                                             |                                |                                                                                                                                                                                                                |
|----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|--------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Lauren D. Bensinger<br/>7337 E. Doubletree Ranch Rd.<br/>Scottsdale, Arizona 85258<br/>Born: 1954</p> | <p>Vice President</p>                                       | <p>August 2003 - Present</p>   | <p>Mutual Fund Co<br/>American Skand<br/>Company (Octob<br/><br/>Vice President<br/>Officer, ING F<br/>(July 1995 - P<br/>(February 1996<br/>Compliance Off<br/>Present), ING</p>                              |
| <p>Huey P. Falgout<br/>7337 E. Doubletree Ranch Rd.<br/>Scottsdale, Arizona 85258<br/>Born: 1963</p>     | <p>Secretary</p>                                            | <p>August 2003 - Present</p>   | <p>Chief Counsel,<br/>Services (Nove<br/>Formerly, Coun<br/>Services (Nove<br/>2003); Associa<br/>American Gener<br/>November 2002)</p>                                                                        |
| <p>Todd Modic<br/>7337 E. Doubletree Ranch Rd.<br/>Scottsdale, Arizona 85258<br/>Born: 1967</p>          | <p>Vice President</p>                                       | <p>August 2003 - Present</p>   | <p>Vice President<br/>Fund Accountin<br/>LLC(3) (Septem<br/>Formerly, Dire<br/>Reporting, ING<br/>(March 2001 -<br/>of Financial R<br/>Communications<br/>2001); and Dir<br/>Rural/Metro Co<br/>May 2000).</p> |
| <p>Theresa Kelety<br/>7337 E. Doubletree Ranch Rd.<br/>Scottsdale, Arizona 85258<br/>Born: 1963</p>      | <p>Assistant Secretary</p>                                  | <p>August 2003 - Present</p>   | <p>Counsel, ING U<br/>(April 2003 -<br/>Associate with<br/>(February 2000<br/>Associate with<br/>Brennan (1996</p>                                                                                             |
| <p>Susan P. Kinens<br/>7337 E. Doubletree Ranch Rd.<br/>Scottsdale, Arizona 85258<br/>Born: 1976</p>     | <p>Assistant Vice President<br/>and Assistant Secretary</p> | <p>February 2003 - Present</p> | <p>Assistant Vice<br/>Secretary, ING<br/>(December 2002<br/>held various o<br/>Funds Services<br/>five years.</p>                                                                                              |

| <p>NAME, ADDRESS<br/>AND AGE<br/>-----</p>                                                             | <p>POSITION(S) HELD<br/>WITH THE TRUST<br/>-----</p> | <p>TERM OF OFFICE<br/>AND LENGTH OF<br/>TIME SERVED(1)<br/>-----</p> | <p>OO<br/><br/>PAS<br/>----</p>                                                                   |
|--------------------------------------------------------------------------------------------------------|------------------------------------------------------|----------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|
| <p>Maria M. Anderson<br/>7337 E. Doubletree Ranch Rd.<br/>Scottsdale, Arizona 85258<br/>Born: 1958</p> | <p>Assistant Vice President</p>                      | <p>August 2001 - Present</p>                                         | <p>Assistant Vice<br/>Services, LLC(<br/>Present). Form<br/>Accounting and<br/>ING Investment</p> |

- 
- (1) The officers hold office until the next annual meeting of the Trustees and until their successors have been elected and qualified.
  - (2) ING Investments, LLC was previously named ING Pilgrim Investments, LLC. ING Pilgrim Investments, LLC is the successor in interest to ING Pilgrim Investments, Inc., which was previously known as Pilgrim Investments, Inc. and before that was known as Pilgrim America Investments, Inc.
  - (3) ING Funds Services, LLC was previously named ING Pilgrim Group, LLC. ING Pilgrim Group, LLC is the successor in interest to ING Pilgrim Group, Inc., which was previously known as Pilgrim Group, Inc. and before that was known as Pilgrim America Group, Inc.
  - (4) ING Funds Distributor, LLC is the successor in interest to ING Funds Distributor, Inc., which was previously known as ING Pilgrim Securities, Inc., and before that was known as Pilgrim Securities, Inc., and before that was known as Pilgrim America Securities, Inc.

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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

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801 Pennsylvania Avenue  
Kansas City, Missouri 64105

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

INDEPENDENT AUDITORS  
KPMG LLP  
355 S. Grand Avenue, Suite 2000  
Los Angeles, CA 90071-1568

### 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 Customer Service Desk at 1-800-992-0180. Please read the prospectus carefully before you invest or send money. The Trust's proxy voting record will be available without charge on or about August 31, 2004 on the Trust's website at [www.ingfunds.com](http://www.ingfunds.com) and on the SEC's website at [www.sec.gov](http://www.sec.gov).

[ING FUNDS LOGO]

PRAR-PRT (0204-042904)

### ITEM 2. CODE OF ETHICS.

As of the end of the period covered by this report, Registrant had adopted a code of ethics, as defined in Item 2 of Form N-CSR, that applies to the Registrant's principal executive officer and principal financial officer. There were no amendments to the Code during the period covered by the report. The Registrant did not grant any waivers, including implicit waivers, from any provisions of the Code during the period covered by this report. The code of ethics is filed herewith pursuant to Item 10(a)(1), Exhibit 99.CODE ETH.

### ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

The Board of Trustees has determined that David Putnam is an audit committee financial expert, as defined in Item 3 of Form N-CSR. Mr. Putnam is "independent" for purposes of Item 3 of Form N-CSR.

### ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

- (a) **AUDIT FEES:** The aggregate fees billed for each of the last two fiscal years for professional services rendered by KPMG LLP ("KPMG"), the principal accountant for the audit of the registrant's annual financial statements, for services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years were \$72,207 for year ended February 29, 2004 and \$108,100 for year ended February 28, 2003.
- (b) **AUDIT-RELATED FEES:** The aggregate fees billed in each of the last two

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fiscal years for assurance and related services by KPMG that are reasonably related to the performance of the audit of the registrant's financial statements and are not reported under paragraph (a) of this Item were \$28,100 for year ended February 29, 2004 and \$33,500 for year ended February 28, 2003.

- (c) TAX FEES: The aggregate fees billed in each of the last two fiscal years for professional services rendered by KPMG for tax compliance, tax advice, and tax planning were \$4,000 in the year ended February 29, 2004 and \$12,898 in the year ended February 28, 2003. Such services included review of excise distribution calculations (if applicable), preparation of the Funds' federal, state and excise tax returns, tax services related to mergers and routine consulting.
- (d) ALL OTHER FEES: The aggregate fees billed in each of the last two fiscal years for products and services provided by KPMG, other than the services reported in paragraphs (a) through (c) of this Item were \$2,500 in the year ended February 29, 2004 and \$5,000 in the year ended February 28, 2003.
- (e) (1) AUDIT COMMITTEE PRE-APPROVAL POLICIES AND PROCEDURES

### MODEL AUDIT AND NON-AUDIT SERVICES PRE-APPROVAL POLICY

#### I. STATEMENT OF PRINCIPLES

Under the Sarbanes-Oxley Act of 2002 (the "Act"), the Audit Committee of the Board of Directors or Trustees (the "Committee") of the ING Funds (each a "Fund," collectively, the "Funds") set out under Paragraph I on EXHIBIT A

to this Audit and Non-Audit Services Pre-Approval Policy ("Policy") is responsible for the oversight of the work of the Funds' independent auditors. As part of its responsibilities, the Committee must pre-approve the audit and non-audit services performed by the auditors in order to assure that the provision of these services does not impair the auditors' independence from the Funds. The Committee has adopted, and the Board has ratified, this Policy, which sets out the procedures and conditions under which the services of the independent auditors may be pre-approved.

Under Securities and Exchange Commission ("SEC") rules promulgated in accordance with the Act, the Funds' may establish two different approaches to pre-approving audit and non-audit services. The Committee may approve services without consideration of specific case-by-case services ("general pre-approval") or it may pre-approve specific services ("specific pre-approval"). The Committee believes that the combination of these approaches contemplated in this Policy results in an effective and efficient method for pre-approving audit and non-audit services to be performed by the Funds' independent auditors. Under this Policy, services that are not of a type that may receive general pre-approval require specific pre-approval by the Committee. Any proposed services that exceed pre-approved cost levels or budgeted amounts will also require the Committee's specific pre-approval.

For both types of approval, the Committee considers whether the subject services are consistent with the SEC's rules on auditor independence and that such services are compatible with maintaining the auditors independence. The Committee also considers whether a particular audit firm is in the best position to provide effective and efficient services to the Funds. Reasons that the auditors are in the best position include the



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auditors' familiarity with the Funds' business, personnel, culture, accounting systems, risk profile, and other factors, and whether the services will enhance the Funds' ability to manage and control risk or improve audit quality. Such factors will be considered as a whole, with no one factor being determinative.

The appendices attached to this Policy describe the audit, audit-related, tax-related, and other services that have the Committee's general pre-approval. For any service that has been approved through general pre-approval, the general pre-approval will remain in place for a period 12 months from the date of pre-approval, unless the Committee determines that a different period is appropriate. The Committee will annually review and pre-approve the services that may be provided by the independent auditors without specific pre-approval. The Committee will revise the list of services subject to general pre-approval as appropriate. This Policy does not serve as a delegation to Fund management of the Committee's duty to pre-approve services performed by the Funds' independent auditors.

### II. AUDIT SERVICES

The annual audit services engagement terms and fees are subject to the Committee's specific pre-approval. Audit services are those services that are normally provided by auditors in connection with statutory and regulatory filings or engagements or those that generally only independent auditors can reasonably provide. They include the Funds' annual financial statement audit and procedures that the independent auditors must perform in order to form an opinion on the Funds' financial statements (E.G., information systems and procedural reviews and testing). The Committee will monitor the audit services engagement and approve any changes in terms, conditions or fees deemed by the Committee to be necessary or appropriate.

The Committee may grant general pre-approval to other audit services, such as statutory audits and services associated with SEC registration statements, periodic reports and other documents filed with the SEC or issued in connection with securities offerings.

The Committee has pre-approved the audit services listed on Appendix A. The Committee must specifically approve all audit services not listed on Appendix A.

### III. AUDIT-RELATED SERVICES

Audit-related services are assurance and related services that are reasonably related to the performance of the audit or the review of the Funds' financial statements or are traditionally performed by the independent auditors. The Committee believes that the provision of audit-related services will not impair the independent auditors' independence, and therefore may grant pre-approval to audit-related services. Audit-related services include accounting consultations related to accounting, financial reporting or disclosure matters not classified as "audit services;" assistance with

understanding and implementing new accounting and financial reporting guidance from rulemaking authorities; agreed-upon or expanded audit procedures relating to accounting and/or billing records required to respond to or comply with financial, accounting or regulatory reporting matters; and assistance with internal control reporting requirements under Form N-SAR or Form N-CSR.

The Committee has pre-approved the audit-related services listed on

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Appendix B. The Committee must specifically approve all audit-related services not listed on Appendix B.

### IV. TAX SERVICES

The Committee believes the independent auditors can provide tax services to the Funds, including tax compliance, tax planning, and tax advice, without compromising the auditors' independence. Therefore, the Committee may grant general pre-approval with respect to tax services historically provided by the Funds' independent auditors that do not, in the Committee's view, impair auditor independence and that are consistent with the SEC's rules on auditor independence.

The Committee will not grant pre-approval if the independent auditors initially recommends a transaction the sole business purpose of which is tax avoidance and the tax treatment of which may not be supported in the Internal Revenue Code and related regulations. The Committee may consult outside counsel to determine that tax planning and reporting positions are consistent with this Policy.

The Committee has pre-approved the tax-related services listed on Appendix C. The Committee must specifically approve all tax-related services not listed on Appendix C.

### V. OTHER SERVICES

The Committee believes it may grant approval of non-audit services that are permissible services for independent auditors to a Fund. The Committee has determined to grant general pre-approval to other services that it believes are routine and recurring, do not impair auditor independence, and are consistent with SEC rules on auditor independence.

The Committee has pre-approved the non-audit services listed on Appendix D. The Committee must specifically approve all non-audit services not listed on Appendix D.

A list of the SEC's prohibited non-audit services is attached to this Policy as Appendix E. The SEC's rules and relevant guidance should be consulted to determine the precise definitions of these impermissible services and the applicability of exceptions to certain of the SEC's prohibitions.

### VI. PRE-APPROVAL OF FEE LEVELS AND BUDGETED AMOUNTS

The Committee will annually establish pre-approval fee levels or budgeted amounts for audit, audit-related, tax and non-audit services to be provided to the Funds by the independent auditors. Any proposed services exceeding these levels or amounts require the Committee's specific pre-approval. The Committee considers fees for audit and non-audit services when deciding whether to pre-approve services. The Committee may determine, for a pre-approval period of 12 months, the appropriate ratio between the total amount of fees for the Fund's audit, audit-related, and tax services (including fees for services provided to Fund affiliates that are subject to pre-approval), and the total amount of fees for certain permissible non-audit services for the Fund classified as other services (including any such services provided to Fund affiliates that are subject to pre-approval).

### VII. PROCEDURES

Requests or applications for services to be provided by the independent auditors will be submitted to management. If management determines that the

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services do not fall within those services generally pre-approved by the Committee and set out in the appendices to these procedures, management will submit the services to the Committee or its delagee.

Any such submission will include a detailed description of the services to be rendered. Notwithstanding this paragraph, the Committee will, on an annual basis, receive from the independent auditors a list of services provided by the auditors during the prior 12-month period.

### VIII. DELEGATION

The Committee may delegate pre-approval authority to one or more of the Committee's members. Any member or members to whom such pre-approval authority is delegated must report any pre-approval decisions, including any pre-approved services, to the Committee at its next scheduled meeting. The Committee will identify any member to whom pre-approval authority is delegated in writing. The member will retain such authority for a period of 12 months from the date of pre-approval unless the Committee determines that a different period is appropriate. The period of delegated authority may be terminated by the Committee or at the option of the member.

### IX. ADDITIONAL REQUIREMENTS

The Committee will take any measures the Committee deems necessary or appropriate to oversee the work of the independent auditors and to assure the auditors' independence from the Funds. This may include reviewing a formal written statement from the independent auditors delineating all relationships between the auditors and the Funds, consistent with Independence Standards Board No. 1, and discussing with the auditors their methods and procedures for ensuring independence.

#### Appendix A

Pre-Approved Audit Services for the Pre-Approval Period June 1, 2003 through May 31, 2004

Service

|                                                                                                                                                                                                                                                                                                                | THE FUND(S) | FEE RA                                          |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------------------------------------------|
| Statutory audits or financial audits (including tax services associated with non-audit services)                                                                                                                                                                                                               | /X/         | As presen<br>Audit Com                          |
| Services associated with SEC registration statements, periodic reports and other documents filed with the SEC or other documents issued in connection with securities offerings (E.G., consents), and assistance in responding to SEC comment letters.                                                         | /X/         | Not to ex<br>\$8,500 per                        |
| Consultations by Fund management with respect to accounting or disclosure treatment of transactions or events and/or the actual or potential effect of final or proposed rules, standards or interpretations by the SEC, Financial Accounting Standards Board, or other regulatory or standard setting bodies. | /X/         | Not to ex<br>\$8,000 du<br>the Pre-App<br>Perio |

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Appendix B

Pre-Approved Audit-Related Services for the Pre-Approval Period June 1, 2003 through May 31, 2004

Service

|                                                                                                                                                                                                                                                                                                                                                                                                                               | THE FUND(S) | FUND AFFILIATES | FEE RANG                                                         |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-----------------|------------------------------------------------------------------|
| Services related to Fund mergers                                                                                                                                                                                                                                                                                                                                                                                              | /X/         | /X/             | Not to ex<br>\$10,000 per                                        |
| Consultations by Fund management with respect to accounting or disclosure treatment of transactions or events and/or the actual or potential effect of final or proposed rules, standards or interpretations by the SEC, Financial Accounting Standards Board, or other regulatory or standard setting bodies. [NOTE: Under SEC rules some consultations may be "audit" services and others may be "audit-related" services.] | /X/         |                 | Not to ex<br>\$5,000 pe<br>occurrence d<br>the Pre-App<br>Period |
| Review of the Funds' semi-annual financial statements                                                                                                                                                                                                                                                                                                                                                                         | /X/         |                 | Not to ex<br>\$5,000 for ea<br>of financ<br>statemen             |
| Reports to regulatory or government agencies related to the annual engagement                                                                                                                                                                                                                                                                                                                                                 | /X/         |                 | Up to \$5,0<br>occurrence d<br>the Pre-App<br>Period             |
| Regulatory compliance assistance                                                                                                                                                                                                                                                                                                                                                                                              | /X/         | /X/             | Not to ex<br>\$5,000 per q                                       |
| Training courses                                                                                                                                                                                                                                                                                                                                                                                                              | /X/         |                 | Not to ex<br>\$2,000 per c                                       |
| For Prime Rate Trust, agreed upon procedures for quarterly reports to rating agencies                                                                                                                                                                                                                                                                                                                                         | /X/         |                 | Not to ex<br>\$9,000 per q                                       |

Appendix C

Pre-Approved Tax Services for the Pre-Approval Period June 1, 2003 through May 31, 2004

Service

|  | THE FUND(S) | FUND AFFILIATES | FEE RANG |
|--|-------------|-----------------|----------|
|--|-------------|-----------------|----------|

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|                                                                                                                                                                 |     |     |                                                                                                 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|-----|-------------------------------------------------------------------------------------------------|
| Preparation of federal and state income tax returns and federal excise tax returns for the Funds including assistance and review with excise tax distributions. | /X/ |     | Not to exceed \$6,000 per Fund during the Pre-Approval Period                                   |
| Review of IRC Sections 851(b) and 817(h) diversification testing on a real-time basis                                                                           | /X/ |     | Not to exceed \$2,000 per Fund during the Pre-Approval Period                                   |
| Review of year-end reporting for 1099's                                                                                                                         | /X/ |     | Not to exceed \$800 per Fund during the Pre-Approval Period                                     |
| Tax assistance and advice regarding statutory, regulatory or administrative developments                                                                        | /X/ | /X/ | Not to exceed \$5,000 for Funds or for Funds' investment adviser during the Pre-Approval Period |
| International tax services (e.g., Taiwan and India)                                                                                                             | /X/ |     | Not to exceed \$5,000 per Fund during the Pre-Approval Period                                   |
| Tax training courses                                                                                                                                            | /X/ |     | Not to exceed \$2,000 per Fund during the Pre-Approval Period                                   |

Service

|                                                                                                                                                         | THE FUND(S) | FUND AFFILIATES | FEE RANGE                                                      |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-----------------|----------------------------------------------------------------|
| Tax services associated with Fund mergers                                                                                                               | /X/         |                 | Not to exceed \$8,000 per Fund during the Pre-Approval Period  |
| Tax services related to the preparation of annual PFIC statements and annual Form 5471 (Controlled Foreign Corporation) for structured finance vehicles | /X/         |                 | Not to exceed \$18,000 per Fund during the Pre-Approval Period |
| Tax services related to CLOs and CBOs                                                                                                                   | /X/         |                 | Not to exceed \$15,000 per Fund during the Pre-Approval Period |

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quarter

Appendix D

Pre-Approved Other Services for the Pre-Approval Period June 1, 2003 through May 31, 2004

Service

|                                                                                                                                             | THE FUND(S) | FUND AFFILIATES | FEE RANG                                                     |
|---------------------------------------------------------------------------------------------------------------------------------------------|-------------|-----------------|--------------------------------------------------------------|
| Agreed-upon procedures for Class B share 12b-1 programs                                                                                     |             | /X/             | Not to ex<br>\$25,000 du<br>the<br>Pre-Approv<br>Period      |
| AIMR assistance, and/or verification of composites                                                                                          |             | /X/             | Not to ex<br>\$25,000 du<br>the<br>Pre-Approv<br>Period      |
| Security counts performed pursuant to Rule 17f-2 of the 1940 Act (I.E., counts for Funds holding securities with affiliated sub-custodians) | /X/         |                 | Not to ex<br>\$5,000 per<br>during t<br>Pre-Approv<br>Period |

Appendix E

Prohibited Non-Audit Services

Dated: 200X

- Bookkeeping or other services related to the accounting records or financial statements of the Funds
- Financial information systems design and implementation
- Appraisal or valuation services, fairness opinions, or contribution-in-kind reports
- Actuarial services
- Internal audit outsourcing services
- Management functions
- Human resources
- Broker-dealer, investment adviser, or investment banking services
- Legal services

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- Expert services unrelated to the audit
  - Any other service that the Public Company Accounting Oversight Board determines, by regulation, is impermissible
- (e) (2) PERCENTAGE OF SERVICES REFERRED TO IN 4(b) - (4)(d) THAT WERE APPROVED BY THE AUDIT COMMITTEE
- 100% of the services were approved by the audit committee.
- (f) PERCENTAGE OF HOURS EXPENDED ATTRIBUTABLE TO WORK PERFORMED BY OTHER THAN FULL TIME EMPLOYEES OF KPMG IF GREATER THAN 50%.
- Not applicable.
- (g) NON-AUDIT FEES: The non-audit fees billed by the registrant's accountant for services rendered to the registrant, and rendered to the registrant's investment adviser, and any entity controlling, controlled by, or under common control with the adviser that provides ongoing services to the registrant for each of the last two fiscal years of the registrant were \$340,873 for year ended February 29, 2004 and \$370,768 for fiscal year ended February 28, 2003.
- (h) PRINCIPAL ACCOUNTANTS INDEPENDENCE: The Registrant's Audit committee has considered whether the provision of non-audit services that were rendered to the registrant's

investment adviser and any entity controlling, controlled by, or under common control with the investment adviser that provides ongoing services to the registrant that were not pre-approved pursuant to Rule 2-01(c)(7)(ii) of Regulation S-X is compatible with maintaining KPMG's independence.

### ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

- a. The registrant has a separately-designated standing audit committee. The members are J. Michael Earley, David W.C. Putnam, Blaine E. Rieke, Roger B. Vincent, Richard A. Wedemeyer.
- b. Not applicable.

### ITEM 6. SCHEDULE OF INVESTMENTS.

Included in Item 1.

### ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

#### ING FUNDS

##### PROXY VOTING PROCEDURES AND GUIDELINES

Effective as of July 10, 2003

As amended August 21, 2003 and November 11, 2003

#### I. INTRODUCTION

The following are the Proxy Voting Procedures and Guidelines (the "Procedures and Guidelines") of the ING Funds set forth on Exhibit 1 attached hereto and each portfolio or series thereof (each a "Fund" and collectively, the "Funds"). The purpose of these Procedures and Guidelines is to set forth the process by

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which each Fund will vote proxies related to the assets in its investment portfolio (the "portfolio securities"). The Procedures and Guidelines have been approved by each of the Funds' Board of Trustees/Directors(1) (each a "Board" and collectively, the "Boards"), including a majority of the independent Trustees/Directors(2) of the Board. These Procedures and Guidelines may be amended only by the Board. The Board shall review these Procedures and Guidelines at its discretion, and make any revisions thereto as deemed appropriate by the Board.

### II. VALUATION AND PROXY VOTING COMMITTEE

The Boards hereby delegate to the Valuation and Proxy Voting Committee of each Board (each a "Committee" and collectively, the "Committees") the authority and responsibility to oversee the implementation of these Procedures and Guidelines, and where applicable, to make determinations

-----

(1) Reference in these Procedures to one or more Funds shall, as applicable, mean those Funds that are under the jurisdiction of the particular Board or Valuation and Proxy Voting Committee at issue. No provision in these Procedures is intended to impose any duty upon the particular Board or Valuation and Proxy Voting Committee with respect to any other Fund.

(2) The independent Trustees/Directors are those Board members who are not "interested persons" within the meaning of Section 2(a)(19) the Investment Company Act of 1940.

on behalf of the Board with respect to the voting of proxies on behalf of each Fund. Furthermore, the Boards hereby delegate to each Committee the authority to review and approve material changes to proxy voting procedures of any Fund's investment adviser (the "Adviser"). The Proxy Voting Procedures of the Adviser are attached hereto as Exhibit 2. Any determination regarding the voting of proxies of each Fund that is made by a Committee, or any member thereof, as permitted herein, shall be deemed to be a good faith determination regarding the voting of proxies by the full Board. Each Committee may rely on the Adviser through the Agent, Proxy Coordinator and/or Proxy Group (as such terms are defined below and in the Adviser's proxy voting procedures) to deal in the first instance with the application of these Procedures and Guidelines. Each Committee shall conduct itself in accordance with its charter.

### III. DELEGATION OF VOTING RESPONSIBILITY

The Board hereby delegates to the Adviser to each Fund the authority and responsibility to vote all proxies with respect to all portfolio securities of each Fund in accordance with then current proxy voting procedures and guidelines that have been approved by the Board. The Board may revoke such delegation with respect to any proxy or proposal, and assume the responsibility of voting any Fund proxy or proxies as it deems appropriate. Non-material amendments to the Procedures and Guidelines may be approved for immediate implementation by the President or Chief Financial Officer of a Fund, subject to ratification at the next regularly scheduled meeting of the Valuation and Proxy Voting Committee.

When a Fund participates in the lending of its securities and the securities are on loan at record date, proxies related to such securities will not be forwarded to the Adviser by the Fund's custodian and therefore will not be voted.

When a Fund is a feeder in a master/feeder structure, proxies for the portfolio securities of the master fund will be voted pursuant to the master fund's proxy voting policies and procedures.



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### IV. APPROVAL AND REVIEW OF PROCEDURES

Each Fund's Adviser has adopted proxy voting procedures in connection with the voting of portfolio securities for the Funds as attached hereto in Exhibit 2. The Board hereby approves such procedures. All material changes to such procedures must be approved by the Board or the Valuation and Proxy Voting Committee prior to implementation; however, the President or Chief Financial Officer of a Fund may make such non-material changes as they deem appropriate, subject to ratification by the Board or the Valuation and Proxy Voting Committee at its next regularly scheduled meeting.

### V. VOTING PROCEDURES AND GUIDELINES

The Guidelines which are set forth in Exhibit 3 hereto specify the manner in which the Funds generally will vote with respect to the proposals discussed therein.

#### ROUTINE MATTERS

The Agent shall be instructed to submit a vote in accordance with the Guidelines where such Guidelines provide a clear "For", "Against" or "Abstain" on a proposal. However, the Agent shall be directed to refer proxy proposals to the Proxy Coordinator for instructions as

if it were a matter requiring case-by-case consideration under circumstances where the application of the Guidelines is unclear, they appear to involve unusual or controversial issues, or an Investment Professional recommends a vote contrary to the Guidelines.

#### B. Matters Requiring Case-by-Case Consideration

The Agent shall be directed to refer proxy proposals accompanied by its written analysis and voting recommendation to the Proxy Coordinator where the Guidelines have noted a "case-by-case" consideration.

Upon receipt of a referral from the Agent, the Proxy Coordinator may solicit additional research from the Agent, Investment Professional(s), as well as from any other source or service.

The Proxy Coordinator will forward the Agent's analysis and recommendation and/or any research obtained from the Investment Professional(s), the Agent or any other source to the Proxy Group. The Proxy Group may consult with the Agent and/or Investment Professional(s), as it deems necessary.

#### 1. Votes in Accordance with Agent Recommendation

In the event the Proxy Group recommends a vote in accordance with the Agent's recommendation, the Proxy Group will instruct the Agent, through the Proxy Coordinator, to vote in accordance with the Agent's recommendation.

#### 2. Non-Votes

The Proxy Group may recommend that a Fund refrain from voting under the following circumstances: (1) if the economic effect on shareholders' interests or the value of the portfolio holding is indeterminable or insignificant or (2) if the cost of voting a proxy outweighs the benefits, E.G., certain international

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proxies. In such instances, the Proxy Group may instruct the Agent, through the Proxy Coordinator, not to vote such proxy.

3. Votes Contrary to Procedures and Guidelines, or Agent Recommendation, where applicable, or Where No Recommendation is Provided by Agent.

If the Proxy Group recommends that a Fund vote contrary to the Procedures and Guidelines, or the recommendation of the Agent, where applicable, or if the Agent has made no recommendation and the Procedures and Guidelines are silent, the Proxy Coordinator will then request that each member of the Proxy Group and each Investment Professional participating in the voting process provide a Conflicts Report (as such term is defined for purposes of the Adviser's proxy voting procedures).

If Counsel determines that a conflict of interest appears to exist with respect to any member of the Proxy Group or the relevant Investment Professional(s), the Proxy Coordinator will then call a meeting of the Valuation and Proxy Voting Committee and forward to such committee all information relevant to their review, including the

following materials or a summary thereof: the applicable Procedures and Guidelines, the recommendation of the Agent where applicable, the recommendation of the Investment Professional(s), where applicable, any resources used by the Proxy Group in arriving at its recommendation, the Conflicts Report and any other written materials establishing whether a conflict of interest exists, and findings of Counsel (as such term is defined for purposes of the Adviser's proxy voting procedures).

If Counsel determines that there does not appear to be a conflict of interest with respect to any member of the Proxy Group or the relevant Investment Professional(s), the Proxy Coordinator will instruct the Agent to vote the proxy as recommended by the Proxy Group.

4. Referrals to a Fund's Valuation and Proxy Voting Committee

A Fund's Valuation and Proxy Voting Committee may consider all recommendations, analysis, research and Conflicts Reports provided to it by the Agent, Proxy Group and/or Investment Professional(s), and any other written materials used to establish whether a conflict of interest exists, in determining how to vote the proxies referred to the Committee. The Committee will instruct the Agent through the Proxy Coordinator how to vote such referred proposals.

The Proxy Coordinator will maintain a record of all proxy questions that have been referred to a Fund's Valuation and Proxy Voting Committee, all applicable recommendations, analysis, research and Conflicts Reports.

## VI. CONFLICTS OF INTEREST

In all cases in which a vote has not been clearly determined in advance by the Procedures and Guidelines or for which the Proxy Group recommends a vote contrary to the Procedures and Guidelines, or contrary to the recommendation of the Agent, or where the Procedures and Guidelines are silent and the Agent has

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made no recommendation, and Counsel has determined that a conflict of interest appears to exist with respect to any member of the Proxy Group or any Investment Professional participating in the voting process, the proposal shall be referred to the Fund's Valuation and Proxy Voting Committee for determination so that the Adviser shall have no opportunity to vote a Fund's proxy in a situation in which it may be deemed to have a conflict of interest.

### VII. REPORTING AND RECORD RETENTION

Beginning in August 2004, on an annual basis, each Fund will post its proxy voting record or a link thereto for the prior one-year period ending on June 30th on the ING Funds website. The proxy voting record posted for any Fund that is a feeder in a master/feeder structure will be that of the master fund. The proxy voting record for each Fund will also be available in the EDGAR database on the SEC's website.

#### EXHIBIT 1 TO THE ING FUNDS PROXY VOTING PROCEDURES

ING EQUITY TRUST  
ING FUNDS TRUST  
ING INVESTMENT FUNDS, INC.  
ING INVESTORS TRUST  
ING MAYFLOWER TRUST  
ING MUTUAL FUNDS  
ING PRIME RATE TRUST  
ING SENIOR INCOME FUND  
ING VARIABLE INSURANCE TRUST  
ING VARIABLE PRODUCTS TRUST  
ING VP EMERGING MARKETS FUND, INC.  
ING VP NATURAL RESOURCES TRUST  
USLICO SERIES FUND

Effective as of July 10, 2003

#### EXHIBIT 2 TO THE ING FUNDS PROXY VOTING PROCEDURES

ING INVESTMENTS, LLC,  
DIRECTED SERVICES, INC.  
AND  
ING LIFE INSURANCE AND ANNUITY COMPANY

PROXY VOTING PROCEDURES  
Effective as of July 10, 2003, as amended

### I. INTRODUCTION

ING Investments, LLC, Directed Services, Inc. and ING Life Insurance and Annuity Company (each an "Adviser" and collectively, the "Advisers") are the investment advisers for the registered investment companies and each series or portfolio thereof (each a "Fund" and collectively, the "Funds") comprising the ING family of funds. As such, the Advisers

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have been delegated the authority to vote proxies with respect to securities for the Funds over which they have day-to-day portfolio management responsibility.

The Advisers will abide by the proxy voting guidelines adopted by a Fund's respective Board of Directors or Trustees (each a "Board" and collectively, the "Boards") with regard to the voting of proxies unless otherwise provided in the proxy voting procedures adopted by a Fund's Board.

In voting proxies, the Advisers are guided by general fiduciary principles. Each must act prudently, solely in the interest of the beneficial owners of the Funds it manages. The Advisers will not subordinate the interest of beneficial owners to unrelated objectives. Each Adviser will vote proxies in the manner that it believes will do the most to maximize shareholder value.

The following are the Proxy Voting Procedures of ING Investments, LLC, Directed Services, Inc. and ING Life Insurance and Annuity Company with respect to the voting of proxies on behalf of their client Funds as approved by the respective Board of each Fund.

Unless otherwise noted, proxies will be voted in all instances.

### II. ROLES AND RESPONSIBILITIES

#### A. Proxy Coordinator

The Proxy Coordinator identified in Appendix 1 will assist in the coordination of the voting of each Fund's proxies in accordance with the ING Funds Proxy Voting Procedures and Guidelines ("Procedures and Guidelines"). The Proxy Coordinator is authorized to direct

the Agent to vote a Fund's proxy in accordance with the Procedures and Guidelines unless the Proxy Coordinator receives a recommendation from an Investment Professional (as described below) to vote contrary to the Procedures and Guidelines. In such event, the Proxy Coordinator will call a meeting of the Proxy Group.

#### B. Agent

An independent proxy voting service (the "Agent"), as approved by the Board of each Fund, shall be engaged to assist in the voting of Fund proxies through the provision of vote analysis, implementation, recordkeeping and disclosure services. The Agent is responsible for coordinating with the Funds' custodians to ensure that all proxy materials received by the custodians relating to the portfolio securities are processed in a timely fashion. To the extent applicable, the Agent is required to vote and/or refer all proxies in accordance with these Procedures. The Agent will retain a record of all proxy votes handled by the Agent. Such record must reflect all the information required to be disclosed in a Fund's Form N-PX pursuant to Rule 30b1-4 under the Investment Company Act. In addition, the Agent is responsible for maintaining copies of all proxy statements received by issuers and to promptly provide such materials to the Adviser upon request.

The Agent shall be instructed to vote all proxies in accordance with the ING Funds' Guidelines, except as otherwise instructed through the Proxy Coordinator by the Adviser's Proxy Group, or a Fund's Valuation and Proxy Voting Committee.

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The Agent shall be instructed to obtain all proxies from the Funds' custodians and to review each proxy proposal against the Guidelines. The Agent also shall be requested to call the Proxy Coordinator's attention to specific proxy proposals that although governed by the Guidelines appear to involve unusual or controversial issues.

### C. Proxy Group

The Adviser shall establish a Proxy Group (the "Proxy Group") which shall assist in the review of the Agent's recommendations when a proxy voting issue is referred to the Group through the Proxy Coordinator. The members of the Proxy Group, which may include employees of the Advisers' affiliates, are identified in Appendix 1, as may be amended from time at the Advisers' discretion.

A minimum of four (4) members of the Proxy Group (or three (3) if one member of the quorum is either the Fund's Chief Investment Risk Officer or Chief Financial Officer) shall constitute a quorum for purposes of taking action at any meeting of the Group. The vote of a simple majority of the members present and voting shall determine any matter submitted to a vote. The Proxy Group may meet in person or by telephone. The Proxy Group also may take action via electronic mail in lieu of a meeting, provided that each Group member has received a copy of any relevant electronic mail transmissions circulated by each other participating Group member prior to voting and provided that the Proxy Coordinator follows the directions of a majority of a quorum (as defined above) responding via electronic mail. For all votes taken in person or by telephone or teleconference, the vote shall be taken outside the presence of any person other than the members of the Proxy Group.

A meeting of the Proxy Group will be held whenever the Proxy Coordinator receives a recommendation from an Investment Professional to vote a Fund's proxy contrary to the Procedures and Guidelines, or the recommendation of the Agent, where applicable, or if the Agent has made no recommendation with respect to a vote on a proposal.

For each proposal referred to the Proxy Group, it will review (1) the Procedures and Guidelines, (2) the recommendation of the Agent, if any, (3) the recommendation of the Investment Professional(s) and (4) any other resources that the Proxy Group deems appropriate to aid in a determination of a recommendation.

If the Proxy Group recommends that a Fund vote in accordance with the Procedures and Guidelines, or the recommendation of the Agent, where applicable, it shall instruct the Proxy Coordinator to so advise the Agent.

If the Proxy Group recommends that a Fund vote contrary to the Procedures and Guidelines, or the recommendation of the Agent, where applicable, it shall follow the procedures for such voting as established by a Fund's Board.

### D. Investment Professionals

The Funds' Advisers, sub-advisers and/or portfolio managers (referred to herein as "Investment Professionals") may be asked to submit a recommendation to the Proxy Group regarding the voting of proxies related to the portfolio securities over which they have day-to-day

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portfolio management responsibility. The Investment Professionals may accompany their recommendation with any other research materials that they deem appropriate.

### III. VOTING PROCEDURES

- A. In all cases, the Adviser shall follow the voting procedures as set forth in the Procedures and Guidelines of the Fund on whose behalf the Adviser is exercising delegated authority to vote.

#### ROUTINE MATTERS

The Agent shall be instructed to submit a vote in accordance with the Guidelines where such Guidelines provide a clear "For", "Against" or "Abstain" on a proposal. However, the Agent shall be directed to refer proxy proposals to the Proxy Coordinator for instructions as if it were a matter requiring case-by-case consideration under circumstances where the application of the Guidelines is unclear.

- C. Matters Requiring Case-by-Case Consideration

The Agent shall be directed to refer proxy proposals accompanied by its written analysis and voting recommendation to the Proxy Coordinator where the Guidelines have noted a "case-by-case" consideration.

Upon receipt of a referral from the Agent, the Proxy Coordinator may solicit additional research from the Agent, Investment Professional(s), as well as from any other source or service.

The Proxy Coordinator will forward the Agent's analysis and recommendation and/or any research obtained from the Investment Professional(s), the Agent or any other source to the Proxy Group. The Proxy Group may consult with the Agent and/or Investment Professional(s), as it deems necessary.

#### 1. Votes in Accordance with Agent Recommendation

In the event the Proxy Group recommends a vote in accordance with the Agent's recommendation, the Proxy Group will instruct the Agent, through the Proxy Coordinator, to vote in accordance with the Agent's recommendation.

#### 2. Non-Votes

The Proxy Group may recommend that a Fund refrain from voting under the following circumstances: (1) if the economic effect on shareholders' interests or the value of the portfolio holding is indeterminable or insignificant or (2) if the cost of voting a proxy outweighs the benefits, E.G., certain international proxies. In such instances, the Proxy Group may instruct the Agent, through the Proxy Coordinator, not to vote such proxy.

3. Votes Contrary to Procedures and Guidelines, or Agent Recommendation, where applicable, or Where No Recommendation is Provided by Agent.

If the Proxy Group recommends that a Fund vote contrary to the Procedures and Guidelines, or the recommendation of the Agent, where applicable, or if the Agent has made no recommendation and

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the Procedures and Guidelines are silent, the Proxy Coordinator will then implement the procedures for handling such votes as adopted by the Fund's Board.

4. The Proxy Coordinator will maintain a record of all proxy questions that have been referred to a Fund's Valuation and Proxy Voting Committee, all applicable recommendations, analysis, research and Conflicts Reports.

### IV. CONFLICTS OF INTEREST

In connection with their participation in the voting process for portfolio securities, each member of the Proxy Group and each Investment Professional participating in the voting process must act solely in the best interests of the beneficial owners of the applicable Fund. The members of the Proxy Group may not subordinate the interests of the Fund's beneficial owners to unrelated objectives.

For all matters for which the Proxy Group recommends a vote contrary to Procedures and Guidelines, or the recommendation of the Agent, where applicable, or where the Agent has made no recommendation and the Procedures and Guidelines are silent, the Proxy Coordinator will implement the procedures for handling such votes as adopted by the Fund's Board, including completion of such Conflicts Reports as may be required under the Fund's procedures. Completed Conflicts Reports shall be provided to the Proxy Coordinator within two (2) business days. Such Conflicts Report should describe any known conflicts of either a business or personal nature, and

set forth any contacts with respect to the referral item with non-investment personnel in its organization or with outside parties (except for routine communications from proxy solicitors). The Conflicts Report should also include written confirmation that any recommendation from an Investment Professional provided under circumstances where a conflict of interest exists was made solely on the investment merits and without regard to any other consideration.

The Proxy Coordinator shall forward all Conflicts Reports to a member of the mutual funds practice group of ING US Legal Services ("Counsel") for review. Counsel shall review each report and provide the Proxy Coordinator with a brief statement regarding whether or not a material conflict of interest is present. Matters as to which a conflict of interest is deemed to be present shall be handled as provided in the Fund's Procedures and Guidelines.

### V. REPORTING AND RECORD RETENTION

The Adviser shall maintain the records required by Rule 204-2(c)(2), as may be amended from time to time, including the following: (1) A copy of each proxy statement received regarding a Fund's portfolio securities. Such proxy statements received from issuers are available either in the SEC's EDGAR database or are kept by the Agent and are available upon request. (2) A record of each vote cast on behalf of a Fund. (3) A copy of any document created by the Adviser that was material to making a decision how to vote a proxy, or that memorializes the basis for that decision. (4) A copy of written requests for Fund proxy voting information and any written response thereto or to any oral request for information on how the Adviser voted proxies on behalf of a Fund. All proxy voting materials and supporting documentation will be retained for a minimum of six (6) years.

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## TO THE ADVISERS' PROXY VOTING PROCEDURES

PROXY GROUP FOR REGISTERED INVESTMENT COMPANY CLIENTS OF ING INVESTMENTS, LLC,  
DIRECTED SERVICES, INC. AND ING LIFE INSURANCE AND ANNUITY COMPANY:

| NAME                    | TITLE OR AFFILIATION                                                                  |
|-------------------------|---------------------------------------------------------------------------------------|
| Stanley D. Vyner        | Chief Investment Risk Officer and Executive Vice<br>President of ING Investments, LLC |
| Karla J. Bos            | Acting Proxy Coordinator                                                              |
| Maria Anderson          | Assistant Vice President - Manager Fund Compliance<br>of ING Funds Services, LLC      |
| Michael J. Roland       | Executive Vice President and Chief Financial Officer<br>of ING Investments, LLC       |
| Todd Modic              | Vice President of Financial Reporting - Fund<br>Accounting of ING Funds Services, LLC |
| Theresa K. Kelety, Esq. | Counsel, ING Americas US Legal Services                                               |

Effective as of April 21, 2004

## EXHIBIT 3 TO THE ING FUNDS PROXY VOTING PROCEDURES

PROXY VOTING GUIDELINES OF THE ING FUNDS  
Effective as of July 10, 2003  
As amended August 21, 2003 and November 11, 2003

### I. INTRODUCTION

The following is a statement of the proxy voting Guidelines that have been adopted by the respective Boards of Directors or Trustees of each Fund.

Proxies must be voted in the best interest of the Fund. The Guidelines summarize the Funds' positions on various issues of concern to investors, and give a general indication of how Fund portfolio securities will be voted on proposals dealing with particular issues. The Guidelines are not exhaustive and do not include all potential voting issues.

The Advisers, in exercising their delegated authority, will abide by the Guidelines as outlined below with regard to the voting of proxies except as otherwise provided in the Procedures. In voting proxies, the Advisers are guided by general fiduciary principles. Each must act prudently, solely in the interest of the beneficial owners of the Funds it manages. The Advisers will not subordinate the interest of beneficial owners to unrelated objectives. Each Adviser will vote proxies in the manner that it believes will do the most to maximize shareholder value.

### II. GUIDELINES



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The following Guidelines are grouped according to the types of proposals generally presented to shareholders of U.S. issuers: Board of Directors, Proxy Contests, Auditors, Proxy Contest Defenses, Tender Offer Defenses, Miscellaneous Governance Provisions, Capital Structure, Executive and Director Compensation, State of Incorporation, Mergers and Corporate Restructurings, Mutual Fund Proxies and Social and Environmental Issues. An additional section addresses proposals most frequently found in Global Proxies.

In all cases where "case-by-case" consideration is noted, it shall be the policy of the Funds to vote in accordance with the recommendation provided by the Funds' Agent, Institutional Shareholder Services, Inc. Such policy may be overridden in any case pursuant to the procedures outlined herein.

### 1. THE BOARD OF DIRECTORS

#### VOTING ON DIRECTOR NOMINEES IN UNCONTESTED ELECTIONS

Votes on director nominees should be made on a CASE-BY-CASE basis.

#### SEPARATING CHAIRMAN AND CEO

Vote on a CASE-BY-CASE basis shareholder proposals requiring that the positions of chairman and CEO be held separately.

#### PROPOSALS SEEKING A MAJORITY OF INDEPENDENT DIRECTORS

Evaluate on a CASE-BY-CASE basis shareholder proposals asking that a majority of directors be independent. Vote FOR shareholder proposals asking that board audit, compensation, and/or nominating committees be composed exclusively of independent directors.

#### STOCK OWNERSHIP REQUIREMENTS

Generally, vote AGAINST shareholder proposals requiring directors to own a minimum amount of company stock in order to qualify as a director or to remain on the board.

#### TERM OF OFFICE

Generally, vote AGAINST shareholder proposals to limit the tenure of outside directors.

#### AGE LIMITS

Generally, vote AGAINST shareholder proposals to impose a mandatory retirement age for outside directors.

#### DIRECTOR AND OFFICER INDEMNIFICATION AND LIABILITY PROTECTION

Proposals on director and officer indemnification and liability protection should be evaluated on a CASE-BY-CASE basis, using Delaware law as the standard. Vote AGAINST proposals to limit or eliminate entirely directors' and officers' liability for monetary damages for violating the duty of care. Vote AGAINST indemnification proposals that would expand coverage beyond just legal expenses to acts, such as negligence, that are more serious violations of fiduciary obligation than mere carelessness. Vote FOR only those proposals providing such expanded coverage in cases when a director's or officer's legal defense was unsuccessful if:

- (1) The director was found to have acted in good faith and in a manner that he reasonably believed was in the best interests of the company, and
- (2) Only if the director's legal expenses would be covered.

### 2. PROXY CONTESTS

#### VOTING FOR DIRECTOR NOMINEES IN CONTESTED ELECTIONS

Votes in a contested election of directors must be evaluated on a CASE-BY-CASE

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basis.

### REIMBURSE PROXY SOLICITATION EXPENSES

Voting to reimburse proxy solicitation expenses should be analyzed on a CASE-BY-CASE basis.

### 3. AUDITORS

#### RATIFYING AUDITORS

Generally, vote FOR proposals to ratify auditors.

#### NON-AUDIT SERVICES

Consider on a CASE-BY-CASE basis proposals to approve auditors when total non-audit fees exceed the total of audit fees, audit-related fees and permissible tax fees.

### AUDITOR INDEPENDENCE

Generally, vote AGAINST shareholder proposals asking companies to prohibit their auditors from engaging in non-audit services (or capping the level of non-audit services).

### AUDIT FIRM ROTATION (SHAREHOLDER PROPOSALS):

Generally, vote AGAINST shareholder proposals asking for mandatory audit firm rotation.

### 4. PROXY CONTEST DEFENSES

#### BOARD STRUCTURE: STAGGERED VS. ANNUAL ELECTIONS

Generally, vote AGAINST proposals to classify the board.

Generally, vote FOR proposals to repeal classified boards and to elect all directors annually.

#### SHAREHOLDER ABILITY TO REMOVE DIRECTORS

Generally, vote AGAINST proposals that provide that directors may be removed only for cause.

Generally, vote FOR proposals to restore shareholder ability to remove directors with or without cause.

Generally, vote AGAINST proposals that provide that only continuing directors may elect replacements to fill board vacancies.

Generally, vote FOR proposals that permit shareholders to elect directors to fill board vacancies.

#### CUMULATIVE VOTING

Generally, vote AGAINST proposals to eliminate cumulative voting.

Vote proposals to restore or permit cumulative voting on a CASE-BY-CASE basis relative to the company's other governance provisions.

#### SHAREHOLDER ABILITY TO CALL SPECIAL MEETINGS

Generally, vote AGAINST proposals to restrict or prohibit shareholder ability to call special meetings.

Generally, vote FOR proposals that remove restrictions on the right of shareholders to act independently of management.

#### SHAREHOLDER ABILITY TO ACT BY WRITTEN CONSENT

Generally, vote AGAINST proposals to restrict or prohibit shareholder ability to take action by written consent.

Generally, vote FOR proposals to allow or make easier shareholder action by written consent.

#### SHAREHOLDER ABILITY TO ALTER THE SIZE OF THE BOARD

Review on a CASE-BY-CASE basis proposals that seek to fix the size of the board.

Review on a CASE-BY-CASE basis proposals that give management the ability to

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alter the size of the board without shareholder approval.

### 5. TENDER OFFER DEFENSES

#### POISON PILLS

Generally, vote FOR shareholder proposals that ask a company to submit its poison pill for shareholder ratification.

Review on a CASE-BY-CASE basis shareholder proposals to redeem a company's poison pill.

Review on a CASE-BY-CASE basis management proposals to ratify a poison pill.

#### FAIR PRICE PROVISIONS

Vote proposals to adopt fair price provisions on a CASE-BY-CASE basis.

Generally, vote AGAINST fair price provisions with shareholder vote requirements greater than a majority of disinterested shares.

#### GREENMAIL

Generally, vote FOR proposals to adopt antigreenmail charter or bylaw amendments or otherwise restrict a company's ability to make greenmail payments.

Review on a CASE-BY-CASE basis antigreenmail proposals when they are bundled with other charter or bylaw amendments.

#### PALE GREENMAIL

Review on a CASE-BY-CASE basis restructuring plans that involve the payment of pale greenmail.

#### UNEQUAL VOTING RIGHTS

Generally, vote AGAINST dual-class exchange offers.

Generally, vote AGAINST dual-class recapitalizations.

#### SUPERMAJORITY SHAREHOLDER VOTE REQUIREMENT TO AMEND THE CHARTER OR BYLAWS

Generally, vote AGAINST management proposals to require a supermajority shareholder vote to approve charter and bylaw amendments. Generally, vote FOR shareholder proposals to lower supermajority shareholder vote requirements for charter and bylaw amendments.

#### SUPERMAJORITY SHAREHOLDER VOTE REQUIREMENT TO APPROVE MERGERS

Generally, vote AGAINST management proposals to require a supermajority shareholder vote to approve mergers and other significant business combinations. Generally, vote FOR shareholder proposals to lower supermajority shareholder vote requirements for mergers and other significant business combinations.

#### WHITE SQUIRE PLACEMENTS

Generally, vote FOR shareholder proposals to require approval of blank check preferred stock issues for other than general corporate purposes.

### 6. MISCELLANEOUS GOVERNANCE PROVISIONS

#### CONFIDENTIAL VOTING

Generally, vote FOR shareholder proposals that request companies to adopt confidential voting, use independent tabulators, and use independent inspectors of election as long as the proposals include clauses for proxy contests as follows:

- In the case of a contested election, management should be permitted to request that the dissident group honor its confidential voting policy.
- If the dissidents agree, the policy remains in place.
- If the dissidents do not agree, the confidential voting policy is waived.

Generally, vote FOR management proposals to adopt confidential voting.

#### EQUAL ACCESS

Generally, vote FOR shareholder proposals that would allow significant company

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shareholders (defined as those holding more than \$5 million in securities of the company in question) equal access to management's proxy material in order to evaluate and propose voting recommendations

on proxy proposals and director nominees, and in order to nominate their own candidates to the board.

### BUNDLED PROPOSALS

Review on a CASE-BY-CASE basis bundled or "conditioned" proxy proposals.

### SHAREHOLDER ADVISORY COMMITTEES

Review on a CASE-BY-CASE basis proposals to establish a shareholder advisory committee.

## 7. CAPITAL STRUCTURE

### COMMON STOCK AUTHORIZATION

Review proposals to increase the number of shares of common stock authorized for issue on a CASE-BY-CASE basis.

Generally, vote AGAINST proposals to increase the number of authorized shares of the class of stock that has superior voting rights in companies that have dual-class capitalization structures.

### STOCK DISTRIBUTIONS: SPLITS AND DIVIDENDS

Generally, vote FOR management proposals to increase common share authorization for a stock split, provided that the increase in authorized shares would not result in an excessive number of shares available for issuance given a company's industry and performance in terms of shareholder returns.

### REVERSE STOCK SPLITS

Consider on a CASE-BY-CASE basis management proposals to implement a reverse stock split.

### PREFERRED STOCK

Generally, vote AGAINST proposals authorizing the creation of new classes of preferred stock with unspecified voting, conversion, dividend distribution, and other rights ("blank check" preferred stock).

Generally, vote FOR proposals to create blank check preferred stock in cases when the company expressly states that the stock will not be used as a takeover defense.

Generally, vote FOR proposals to authorize preferred stock in cases where the company specifies the voting, dividend, conversion, and other rights of such stock and the terms of the preferred stock appear reasonable.

Vote CASE-BY-CASE on proposals to increase the number of blank check preferred shares after analyzing the number of preferred shares available for issue given a company's industry and performance in terms of shareholder returns.

### SHAREHOLDER PROPOSALS REGARDING BLANK CHECK PREFERRED STOCK

Generally, vote FOR shareholder proposals to have blank check preferred stock placements, other than those shares issued for the purpose of raising capital or making acquisitions in the normal course of business, submitted for shareholder ratification.

### ADJUSTMENTS TO PAR VALUE OF COMMON STOCK

Generally, vote FOR management proposals to reduce the par value of common stock.

### PREEMPTIVE RIGHTS

Review on a CASE-BY-CASE basis shareholder proposals that seek preemptive rights. In evaluating proposals on preemptive rights, consider the size of a company and the characteristics of its shareholder base.

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### DEBT RESTRUCTURINGS

Review on a CASE-BY-CASE basis proposals to increase common and/or preferred shares and to issue shares as part of a debt restructuring plan.

### SHARE REPURCHASE PROGRAMS

Generally, vote FOR management proposals to institute open-market share repurchase plans in which all shareholders may participate on equal terms.

### TRACKING STOCK

Votes on the creation of tracking stock are determined on a CASE-BY-CASE basis.

### 8. EXECUTIVE AND DIRECTOR COMPENSATION

Votes with respect to compensation plans should be determined on a CASE-BY-CASE basis.

### MANAGEMENT PROPOSALS SEEKING APPROVAL TO REPRICE OPTIONS

Generally, vote AGAINST management proposals seeking approval to reprice options.

### DIRECTOR COMPENSATION

Votes on stock-based plans for directors are made on a CASE-BY-CASE basis.

### EMPLOYEE STOCK PURCHASE PLANS

Votes on employee stock purchase plans should be made on a CASE-BY-CASE basis.

### OBRA-RELATED COMPENSATION PROPOSALS:

**AMENDMENTS THAT PLACE A CAP ON ANNUAL GRANTS OR AMEND ADMINISTRATIVE FEATURES** Generally, vote FOR plans that simply amend shareholder-approved plans to include administrative features or place a cap on the annual grants any one participant may receive to comply with the provisions of Section 162(m) of OBRA.

**AMENDMENTS TO ADD PERFORMANCE-BASED GOALS** Generally, vote FOR amendments to add performance goals to existing compensation plans to comply with the provisions of Section 162(m) of OBRA.

**AMENDMENTS TO INCREASE SHARES AND RETAIN TAX DEDUCTIONS UNDER OBRA** Votes on amendments to existing plans to increase shares reserved and to qualify the plan for favorable tax treatment under the provisions of Section 162(m) should be evaluated on a CASE-BY-CASE basis.

### APPROVAL OF CASH OR CASH-AND-STOCK BONUS PLANS

Generally, vote FOR cash or cash-and-stock bonus plans to exempt the compensation from taxes under the provisions of Section 162(m) of OBRA.

### SHAREHOLDER PROPOSALS TO LIMIT EXECUTIVE AND DIRECTOR PAY

Generally, vote FOR shareholder proposals that seek additional disclosure of executive and director pay information.

Review on a CASE-BY-CASE basis all other shareholder proposals that seek to limit executive and director pay.

### GOLDEN AND TIN PARACHUTES

Generally, vote FOR shareholder proposals to have golden and tin parachutes submitted for shareholder ratification.

Review on a CASE-BY-CASE basis all proposals to ratify or cancel golden or tin parachutes.

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### EMPLOYEE STOCK OWNERSHIP PLANS (ESOPs)

Generally, vote FOR proposals that request shareholder approval in order to implement an ESOP or to increase authorized shares for existing ESOPs, except in cases when the number of shares allocated to the ESOP is "excessive" (i.e., generally greater than five percent of outstanding shares).

### 401(k) EMPLOYEE BENEFIT PLANS

Generally, vote FOR proposals to implement a 401(k) savings plan for employees.

### EXPENSING OF STOCK OPTIONS

Consider shareholder proposals to expense stock options on a CASE-BY-CASE basis.

### 9. STATE OF INCORPORATION

#### VOTING ON STATE TAKEOVER STATUTES

Review on a CASE-BY-CASE basis proposals to opt in or out of state takeover statutes (including control share acquisition statutes, control share cash-out statutes, freezeout provisions, fair price provisions, stakeholder laws, poison pill endorsements, severance pay and labor contract provisions, antigreenmail provisions, and disgorgement provisions).

#### VOTING ON REINCORPORATION PROPOSALS

Proposals to change a company's state of incorporation should be examined on a CASE-BY-CASE basis.

### 10. MERGERS AND CORPORATE RESTRUCTURINGS

#### MERGERS AND ACQUISITIONS

Votes on mergers and acquisitions should be considered on a CASE-BY-CASE basis.

#### CORPORATE RESTRUCTURING

Votes on corporate restructuring proposals, including minority squeezeouts, leveraged buyouts, spinoffs, liquidations, and asset sales should be considered on a CASE-BY-CASE basis.

#### SPINOFFS

Votes on spinoffs should be considered on a CASE-BY-CASE basis.

#### ASSET SALES

Votes on asset sales should be made on a CASE-BY-CASE basis.

#### LIQUIDATIONS

Votes on liquidations should be made on a CASE-BY-CASE basis.

#### ADJOURNMENT

Generally, vote FOR proposals to adjourn a meeting to provide additional time for vote solicitation when the primary proposal is also voted FOR.

#### APPRAISAL RIGHTS

Generally, vote FOR proposals to restore, or provide shareholders with, rights of appraisal.

#### CHANGING CORPORATE NAME

Generally, vote FOR changing the corporate name.

### 11. MUTUAL FUND PROXIES

#### ELECTION OF DIRECTORS

Vote the election of directors on a CASE-BY-CASE basis.

#### CONVERTING CLOSED-END FUND TO OPEN-END FUND

Vote conversion proposals on a CASE-BY-CASE basis.

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### PROXY CONTESTS

Vote proxy contests on a CASE-BY-CASE basis.

### INVESTMENT ADVISORY AGREEMENTS

Vote the investment advisory agreements on a CASE-BY-CASE basis.

### APPROVING NEW CLASSES OR SERIES OF SHARES

Generally, vote FOR the establishment of new classes or series of shares.

### PREFERRED STOCK PROPOSALS

Vote the authorization for or increase in preferred shares on a CASE-BY-CASE basis.

### 1940 ACT POLICIES

Vote these proposals on a CASE-BY-CASE basis.

### CHANGING A FUNDAMENTAL RESTRICTION TO A NONFUNDAMENTAL RESTRICTION

Vote these proposals on a CASE-BY-CASE basis.

### CHANGE FUNDAMENTAL INVESTMENT OBJECTIVE TO NONFUNDAMENTAL

Generally, vote AGAINST proposals to change a fund's fundamental investment objective to nonfundamental.

### NAME RULE PROPOSALS

Vote these proposals on a CASE-BY-CASE basis.

### DISPOSITION OF ASSETS/TERMINATION/LIQUIDATION

Vote these proposals on a CASE-BY-CASE basis.

### CHANGES TO THE CHARTER DOCUMENT

Vote changes to the charter document on a CASE-BY-CASE basis.

### CHANGING THE DOMICILE OF A FUND

Vote reincorporations on a CASE-BY-CASE basis.

### CHANGE IN FUND'S SUBCLASSIFICATION

Vote these proposals on a CASE-BY-CASE basis.

### AUTHORIZING THE BOARD TO HIRE AND TERMINATE SUBADVISORS WITHOUT SHAREHOLDER APPROVAL

Generally, vote FOR these proposals.

### DISTRIBUTION AGREEMENTS

Vote these proposals on a CASE-BY-CASE basis.

### MASTER-FEEDER STRUCTURE

Generally, vote FOR the establishment of a master-feeder structure.

### CHANGES TO THE CHARTER DOCUMENT

Vote changes to the charter document on a CASE-BY-CASE basis.

### MERGERS

Vote merger proposals on a CASE-BY-CASE basis.

### ESTABLISH DIRECTOR OWNERSHIP REQUIREMENT

Generally, vote AGAINST shareholder proposals for the establishment of a director ownership requirement.

### REIMBURSE SHAREHOLDER FOR EXPENSES INCURRED

Voting to reimburse proxy solicitation expenses should be analyzed on a

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CASE-BY-CASE basis.

### TERMINATE THE INVESTMENT ADVISOR

Vote to terminate the investment advisor on a CASE-BY-CASE basis.

### 12. SOCIAL AND ENVIRONMENTAL ISSUES

These issues cover a wide range of topics, including consumer and public safety, environment and energy, general corporate issues, labor standards and human rights, military business, and workplace diversity.

In general, vote CASE-BY-CASE. While a wide variety of factors goes into each analysis, the overall principal guiding all vote recommendations focuses on how the proposal will enhance the economic value of the company.

### 13. GLOBAL PROXIES

While a number of the foregoing Guidelines may be applied to both U.S. and global proxies, the following provide for the differing regulatory and legal requirements, market practices and political and economic systems existing in various global markets.

### ROUTINE MANAGEMENT PROPOSALS

Generally, vote FOR the following and other similar routine management proposals:

- the opening of the shareholder meeting
- that the meeting has been convened under local regulatory requirements
- the presence of quorum
- the agenda for the shareholder meeting
  
- the election of the chair of the meeting
- the appointment of shareholders to co-sign the minutes of the meeting
- regulatory filings (E.G., to effect approved share issuances)
- the designation of inspector or shareholder representative(s) of minutes of meeting
- the designation of two shareholders to approve and sign minutes of meeting
- the allowance of questions
- the publication of minutes
- the closing of the shareholder meeting

### DISCHARGE OF MANAGEMENT/SUPERVISORY BOARD MEMBERS

Generally, vote FOR management proposals seeking the discharge of management and supervisory board members, unless there is concern about the past actions of the company's auditors or directors or legal action is being taken against the board by other shareholders.

### DIRECTOR REMUNERATION

CONSIDER DIRECTOR COMPENSATION PLANS ON A CASE-BY-CASE BASIS. GENERALLY, VOTE FOR PROPOSALS TO APPROVE THE REMUNERATION OF DIRECTORS AS LONG AS THE AMOUNT IS NOT EXCESSIVE AND THERE IS NO EVIDENCE OF ABUSE.

### APPROVAL OF FINANCIAL STATEMENTS AND DIRECTOR AND AUDITOR REPORTS

Generally, vote FOR management proposals seeking approval of financial accounts and reports, unless there is concern about the company's financial accounts and reporting.

### REMUNERATION OF AUDITORS

Generally, vote FOR proposals to authorize the board to determine the remuneration of auditors, unless there is evidence of excessive compensation relative to the size and nature of the company.



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### INDEMNIFICATION OF AUDITORS

Generally, vote AGAINST proposals to indemnify auditors.

### ALLOCATION OF INCOME AND DIVIDENDS

Generally, vote FOR management proposals concerning allocation of income and the distribution of dividends, unless the amount of the distribution is consistently and unusually small or large.

### STOCK (SCRIP) DIVIDEND ALTERNATIVES

Generally, vote FOR most stock (scrip) dividend proposals, but vote AGAINST proposals that do not allow for a cash option unless management demonstrates that the cash option is harmful to shareholder value.

### DEBT ISSUANCE REQUESTS

When evaluating a debt issuance request, the issuing company's present financial situation is examined. The main factor for analysis is the company's current debt-to-equity ratio, or gearing level. A high gearing level may incline markets and financial analysts to downgrade the company's bond rating, increasing its investment risk factor in the process. A gearing level up to 100 percent is considered acceptable.

Generally, vote FOR debt issuances for companies when the gearing level is between zero and 100 percent. Review on a CASE-BY-CASE basis proposals where the issuance of debt will result in the gearing level being greater than 100 percent, comparing any such proposed debt issuance to industry and market standards.

### FINANCING PLANS

Generally, vote FOR the adoption of financing plans if they are in the best economic interests of shareholders.

### RELATED PARTY TRANSACTIONS

Consider related party transactions on a CASE-BY-CASE basis. Generally, vote FOR approval of such transactions unless the agreement requests a strategic move outside the company's charter or contains unfavorable terms.

### CAPITALIZATION OF RESERVES

Generally, vote FOR proposals to capitalize the company's reserves for bonus issues of shares or to increase the par value of shares.

### ARTICLE AMENDMENTS

Review on a CASE-BY-CASE basis all proposals seeking amendments to the articles of association.

Generally, vote FOR an article amendment if:

- it is editorial in nature;
- shareholder rights are protected;
- there is negligible or positive impact on shareholder value;
- management provides adequate reasons for the amendments; and
- the company is required to do so by law (if applicable).

ITEM 8. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.

None

ITEM 9. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not applicable

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### ITEM 10. 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 11. EXHIBITS.

- (a) (1) Code of Ethics pursuant to Item 2 of Form N-CSR is filed and attached hereto as EX-99.CODE ETH.
- (a) (2) 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.
- (b) 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 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

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James M. Hennessy  
President and Chief Executive Officer

Date May 5, 2004

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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

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James M. Hennessy  
President and Chief Executive Officer

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Date May 5, 2004  
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By /s/ Michael J. Roland  
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Michael J. Roland  
Executive Vice President and Chief Financial Officer

Date May 5, 2004  
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