



ING Funds Update

ING Prime Rate Trust Continues Partial ARPS Redemption

June 3, 2010

What is ING Prime Rate Trust?

ING Prime Rate Trust (NYSE: PPR) (the "Trust") is a diversified closed-end management investment company listed on the New York Stock Exchange. The Trust invests primarily in senior loans.

What are the ING Prime Rate Trust Auction Rate Preferred Shares?

The Trust currently has \$175 million in outstanding auction rate preferred shares ("ARPS"). The shares were issued in 5 series in November 2000, and are used to provide leverage in the Trust to support its investment strategy. Each series conducts a weekly auction known as a "Dutch Auction" (described on the next page). At each weekly auction, holders of that series of shares may elect to retain their shares for the following period or offer to sell their shares.

How has the market-wide lack of liquidity affected the Trust's ARPS?

Since February 2008, the Trust has not received hold orders and purchase requests (bids) for its ARPS during their weekly auctions that equaled the full amount of such shares available on each auction date.

It is important to understand that the lack of purchase requests is a market liquidity issue and not a credit issue. The preferred shares of the Trust have the highest rating issued by the rating agencies, and are secured by a pledge of the assets of the Trust. The auction failure is not a default, and the Trust is continuing to pay the dividends required under its preferred shares program.

What is the effect on ARPS shareholders?

When there are not enough bids to purchase all the ARPS offered for sale in an auction, the auction is said to have failed. In this situation, ARPS shareholders who wish to sell some or all of their shares will not be able to liquidate their positions. In a failed auction, the amount sold by each selling ARPS shareholder will be reduced pro rata, or to zero. The interest rate paid to ARPS shareholders will be increased to 150% of the base market rate for the next holding period, slightly increasing the borrowing costs for the Trust.

What action is the Trust taking?

On December 1, 2009, the Trust announced approval by its Board of Trustees of a partial redemption of up to \$100 million of its outstanding ARPS.

What is the expected partial redemption schedule?

The ARPS are to be redeemed through a series of four quarterly periodic redemptions of up to \$25 million each, the first of which occurred in late January 2010. The second periodic

redemption took place in mid-April 2010. The third periodic redemption is expected to take place in mid-late July and the Trust currently expects to redeem up to \$25 million of the \$175 million ARPS still outstanding, approximately 14.2% by series, subject to satisfying the notice and other requirements that apply to ARPS redemptions. Upon completion of such notice and other requirements, the Trust will issue a formal redemption notice to the paying agent and record holders. The amount and timing of subsequent redemptions of ARPS will be at the discretion of the Trust's Board of Trustees and management, subject to market conditions and investment considerations.

The Trust expects to issue a formal redemption notice for the July redemption around the second week of June and anticipates that the redemption of up to \$25 million of ARPS will be completed in mid-July 2010.

How does the partial redemption help the ARPS shareholders?

The redemption will provide liquidity at par for the holders of a portion of the Trust's ARPS.

What is the effect of a partial redemption on the ARPS shareholders?

In a partial redemption, redemptions are allocated among ARPS shareholders by the participating broker/dealers in amounts determined by those firms. As a result, individual ARPS shareholders may have some, all or none of their shares redeemed whether or not they wish to liquidate these positions. Once the partial redemption is concluded, if the auctions continue to fail, shareholders may be unable to liquidate some or all of their shares until there are sufficient bids for their shares or the Trust determines to do a further redemption.

How is the partial redemption being financed?

The repurchase of ARPS is expected to be paid for primarily by drawing on leverage available under the Trust's credit facilities.

What is the process for redeeming ARPS?

Once the Trust issues a formal redemption notice to the paying agent and record holders, the Depository Trust Company (DTC) will then determine how the partial redemptions of each series will be allocated among each participant broker-dealer account.

How will broker-dealers allocate to their customer accounts?

Each participant broker-dealer, as nominee for its customers that are beneficial owners (street name shareholders) of the ARPS will determine how redeemed shares are to be allocated among its customers. In many cases the allocation will be done by lottery among the firm's clients, but some firms may use a different process. Check with your broker-dealer.

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It is possible for the redemption percentages of holdings of beneficial owners to be different?

Yes. The precise percentage of an individual's holdings in any series that is redeemed will depend on the lottery process conducted at the DTC level and on the lottery or other procedures used subsequently by different broker-dealers to allocate redeemed shares among beneficial owners.

Is this consistent with industry practice?

Yes.

Why didn't the Board authorize a total redemption of the Trust's ARPS?

considered the interests of both ARPS shareholders and common shareholders and made the determination that a partial redemption was the best course of action at this time.

Are the Board of Trustees and ING Funds continuing to evaluate options?

We are very sensitive to the effects that auction failures are having on holders of the Trust's ARPS. We will continue to closely monitor the situation and evaluate potential options to restore liquidity to and/or provide additional refinancing options for this market in the context of regulatory guidelines, as well as the economic and tax implications for both common and preferred shareholders.

What is the outlook for redeeming the remaining ARPS?

The Trust will continue to pursue a resolution for its remaining ARPS. We will continue to communicate additional information as soon as it is available on our website at www.ingfunds.com.

How is the ARPS dividend being reset currently?

The dividend rate on ARPS is normally set by means of a Dutch Auction procedure. When an auction fails, the terms of the ARPS automatically reset the rate to the maximum rate permitted under the preferred shares program. That maximum rate is 150% of the applicable commercial paper base rate on the day of the auction.

What is the Dutch Auction procedure that is normally used?

In a Dutch Auction, potential sellers and buyers of the Trust's ARPS indicate the number of shares they wish to sell or purchase and certain information about desired dividend rates. The dividend rate for the next rate period will be the lowest rate submitted that, when taking into account that rate and all lower rates submitted in order from existing and potential shareholders, would result in existing and potential shareholders owning all of the ARPS available for purchase in the auction.

Does ING Funds Distributor, LLC offer any other closed end funds that have also issued ARPS and, if so, what is being done about those funds?

ING Prime Rate Trust is the only closed end fund distributed by ING Funds Distributor, LLC that has issued ARPS. ING Clarion, an affiliated company, has redeemed the ARPS issued by closed-end funds it distributes.

ING Prime Rate Trust was the first fund to invest in a portfolio of floating rate senior bank loans. The Trust seeks to provide as high a level of current income as is consistent with the preservation of capital. The Trust is managed by ING Investments, LLC and sub-advised by ING Investment Management Co., and its shares are distributed by ING Funds Distributor, LLC. The adviser, the sub-adviser and the distributor are indirect, wholly-owned subsidiaries of Amsterdam-based ING Groep N.V. (NYSE: ING), one of the world's leading financial services companies with operations in over 50 countries. The Trust's operations are based in Scottsdale, Arizona.

Principal Risk Factor(s): The Trust invests primarily in **below investment grade senior loans** that carry a higher than normal risk that borrowers may not make timely payments of principal and interest. Failure by borrowers to make timely payments of interest due may decrease the yield on the Trust's Common Shares. Failure by borrowers to make timely payments of principal due may cause the Trust's NAV to decrease. **Changes in short-term market interest rates** will directly affect the yield on the Trust's Common Shares. If such rates fall, the Trust's yield will also fall. If interest rate spreads on the Trust's loans decline, the Trust's yield may fall and the value of the Trust's assets may decrease, in which case the Trust's NAV will decrease. When short-term market interest rates rise, because of the lag between changes in such short-term rates and the resetting of the floating rates on assets in the Trust, the impact of rising rates will be delayed to the extent of such lag. The Trust's **use of leverage** through borrowings and the issuance of preferred shares can adversely affect the yield on the Trust's Common Shares. Because of the **limited secondary market** for loans, the Trust may be limited in its ability to sell loans in its portfolio in a timely fashion and/or at a favorable price. An **increase in demands for loans** may adversely affect the rate of interest payable on new loans acquired by the Trust. The Trust may invest up to 20% of its assets in loans to borrowers in countries outside of the U.S. and Canada; however, the Trust will **engage in currency exchange transactions** to seek to hedge, as closely as practicable, 100% of the economic impact to the Trust arising from foreign currency fluctuations. **Investment in foreign borrowers** involves special risks, including potentially less rigorous accounting requirements, differing legal systems and potential political, social and economic adversity. **These and other risks are described more fully in the Trust's prospectus.**

For more complete information, or to obtain a prospectus on any ING fund or trust, please call your Investment Professional or ING Funds Distributor, LLC at (800) 992-0180 or log on to www.ingfunds.com. The prospectus should be read carefully before investing. Consider the Trust's investment objectives, risks, and charges and expenses carefully before investing. The prospectus contains this information and other information about the Trust. Check with your Investment Professional to determine if the Trust is available for sale within their firm. The Trust is not available for sale at all firms.

7337 East Doubletree Ranch Road | Scottsdale, AZ 85258

WWW.INGFUNDS.COM | (800) 334-3444

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