ING PRIME RATE TRUST
Form POS 8C
April 26, 2006

As filed with the Securities and Exchange Commission on April 26, 2006
Securities Act File No. 333-68239
Investment Company Act File No. 811-05410

==

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM N-2

(CHECK APPROPRIATE BOX OR BOXES)

Registration Statement Under The Securities Act Of 1933 /X/

Pre-Effective Amendment No. / /

Post-Effective Amendment No. 15 /X/

and/or

Registration Statement Under The Investment Company Act Of 1940 /X/

Amendment No. 64 /X/
(Check appropriate box or boxes)

ING PRIME RATE TRUST
(Exact Name of Registrant Specified in Charter)
7337 E. Doubletree Ranch Road
Scottsdale, AZ 85258
(Address of Principal Executive Offices)

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

Huey P. Falgout, Jr.
ING Investments, LLC
7337 East Doubletree Ranch Road
Scottsdale, AZ 85258
(Name and Address of Agent for Service)

With copies to:
Jeffrey S. Puretz, Esq.
Dechert LLP
1775 I Street, NW
Washington, DC 20006

APPROXIMATE DATE OF PROPOSED OFFERING:
As soon as practical after the effective date of this Registration Statement

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

It is proposed that this filing will become effective:

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

==

ING PRIME RATE TRUST (5 MILLION)

CONTENTS OF REGISTRATION STATEMENT

This Registration Statement consists of the following papers and documents:

* Cover Sheet
* Contents of Registration Statement
* Supplement dated July 1, 2006.
* ING Prime Rate Trust (5 Million Common Shares) Prospectus dated July 1, 2006.
* ING Prime Rate Trust Statement of Additional Information dated July 1, 2006.
* Part C
* Signature Page

ING PRIME RATE TRUST ("REGISTRANT")

Supplement dated July 1, 2006
to the current Prospectuses
Dated July 1, 2006

The Prospectuses for the Registrant are hereby supplemented with the following information relating to "Information Regarding Trading of ING's U.S. Mutual Funds:"

INFORMATION REGARDING TRADING OF ING'S U.S. MUTUAL FUNDS

As discussed in earlier supplements, ING Investments, LLC ("Investments"), the adviser to the ING Funds, has reported to the Boards of Directors/Trustees (the "Boards") of the ING Funds that, like many U.S. financial services companies, Investments and certain of its U.S. affiliates have received informal and formal requests for information since September 2003 from various governmental and self-regulatory agencies in connection with investigations related to mutual funds and variable insurance products. Investments has advised the Boards that it and its affiliates have cooperated fully with each request.

In addition to responding to regulatory and governmental requests, Investments reported that management of U.S. affiliates of ING Groep N.V., including Investments (collectively, "ING"), on their own initiative, have conducted, through independent special counsel and a national accounting firm, an extensive internal review of trading in ING insurance, retirement, and mutual fund products. The goal of this review was to identify any instances of inappropriate trading in those products by third parties or by ING investment professionals and other ING personnel. ING's internal review related to mutual fund trading is now substantially completed. ING has reported that, of the millions of customer relationships that ING maintains, the internal review identified several isolated arrangements allowing third parties to engage in frequent trading of mutual funds within ING's variable insurance and mutual fund products, and identified other circumstances where frequent trading occurred, despite measures taken by ING intended to combat market timing. ING further reported that each of

these arrangements has been terminated and fully disclosed to regulators. The results of the internal review were also reported to the independent members of the Boards.

Investments has advised the Boards that most of the identified arrangements were initiated prior to ING's acquisition of the businesses in question in the U.S. Investments further reported that the companies in question did not receive special benefits in return for any of these arrangements, which have all been terminated.

Based on the internal review, Investments has advised the Boards that the identified arrangements do not represent a systemic problem in any of the companies that were involved.

In September 2005, ING Funds Distributor, LLC ("IFD"), the distributor of certain ING Funds, settled an administrative proceeding with the NASD regarding three arrangements, dating from 1995, 1996 and 1998, under which the administrator to the

then-Pilgrim Funds, which subsequently became part of the ING Funds, entered into formal and informal arrangements that permitted frequent trading. Under the terms of the Letter of Acceptance, Waiver and Consent ("AWC") with the NASD, under which IFD neither admitted nor denied the allegations or findings, IFD consented to the following sanctions: (i) a censure; (ii) a fine of $1.5 million; (iii) restitution of approximately $1.44 million to certain ING Funds for losses attributable to excessive trading described in the AWC; and (iv) agreement to make certification to NASD regarding the review and establishment of certain procedures.

In addition to the arrangements discussed above, Investments reported to the Boards that, at this time, these instances include the following, in addition to the arrangements subject to the AWC discussed above:

- Aeltus Investment Management, Inc. (a predecessor entity to ING Investment Management Co.) identified two investment professionals who engaged in extensive frequent trading in certain ING Funds. One was subsequently terminated for cause and incurred substantial financial penalties in connection with this conduct and the second has been disciplined.
- ReliaStar Life Insurance Company ("ReliaStar") entered into agreements seven years ago permitting the owner of policies issued by the insurer to engage in frequent trading and to submit orders until 4pm Central Time. In 2001 ReliaStar also entered into a selling agreement with a broker-dealer that engaged in frequent trading. Employees of ING affiliates were terminated and/or disciplined in connection with these matters.
- In 1998, Golden American Life Insurance Company entered into arrangements permitting a broker-dealer to frequently trade up to certain specific limits in a fund available in an ING variable annuity product. No employee responsible for this arrangement remains at the company.

For additional information regarding these matters, you may consult the Form 8-K and Form 8-K/A for each of four life insurance companies, ING USA Annuity and Life Insurance Company, ING Life Insurance and Annuity Company, ING Insurance Company of America, and ReliaStar Life Insurance Company of New York, each filed with the Securities and Exchange Commission (the "SEC") on October 29, 2004 and September 8, 2004. These Forms 8-K and Forms 8-K/A can be accessed through the SEC's Web site at http://www.sec.gov. Despite the extensive internal review conducted through independent special counsel and a national accounting firm,

there can be no assurance that the instances of inappropriate trading reported to the Boards are the only instances of such trading respecting the ING Funds.

Investments reported to the Boards that ING is committed to conducting its business with the highest standards of ethical conduct with zero tolerance for noncompliance. Accordingly, Investments advised the Boards that ING management was disappointed that its voluntary internal review identified these situations. Viewed in the context of the breadth and magnitude of its U.S. business as a whole, ING management does not believe that ING's acquired companies had systemic ethical or compliance issues in these areas. Nonetheless, Investments reported that given ING's refusal to tolerate any lapses, it has

taken the steps noted below, and will continue to seek opportunities to further strengthen the internal controls of its affiliates.

- ING has agreed with the ING Funds to indemnify and hold harmless the ING Funds from all damages resulting from wrongful conduct by ING or its employees or from ING's internal investigation, any investigations conducted by any governmental or self-regulatory agencies, litigation or other formal proceedings, including any proceedings by the SEC. Investments reported to the Boards that ING management believes that the total amount of any indemnification obligations will not be material to ING or its U.S. business.
- ING updated its Code of Conduct for employees reinforcing its employees' obligation to conduct personal trading activity consistent with the law, disclosed limits, and other requirements.
- The ING Funds, upon a recommendation from ING, updated their respective Codes of Ethics applicable to investment professionals with ING entities and certain other fund personnel, requiring such personnel to pre-clear any purchases or sales of ING Funds that are not systematic in nature (i.e., dividend reinvestment), and imposing minimum holding periods for shares of ING Funds.
- ING instituted excessive trading policies for all customers in its variable insurance and retirement products and for shareholders of the ING Funds sold to the public through financial intermediaries. ING does not make exceptions to these policies.
- ING reorganized and expanded its U.S. Compliance Department, and created an Enterprise Compliance team to enhance controls and consistency in regulatory compliance.

REQUESTS FOR INFORMATION FROM NEW YORK ATTORNEY GENERAL

As has been widely reported in the media, the New York Attorney General's office ("NYAG") is conducting broad investigations regarding insurance quoting and brokerage practices. ING U.S. has been subpoenaed in this regard, and is cooperating fully with these NYAG requests for information.

ING U.S. believes that its practices are consistent with our business principles and our commitment to our customers.

At this time, in light of the current regulatory factors, ING U.S. is actively engaged in reviewing whether any modifications in our practices are appropriate for the future.

There can be no assurance that these matters, or the adverse publicity associated with them, will not result in increased fund redemptions, reduced sale of fund shares, or other adverse consequences to ING Funds.

PLEASE RETAIN THIS SUPPLEMENT FOR FUTURE REFERENCE

[GRAPHIC]

PROSPECTUS

PROSPECTUS

JULY 1, 2006

5,000,000 COMMON SHARES

ING PRIME RATE TRUST

THIS PROSPECTUS SETS FORTH CONCISELY THE INFORMATION ABOUT THE ING PRIME RATE TRUST ("TRUST") THAT A PROSPECTIVE INVESTOR OUGHT TO KNOW BEFORE INVESTING. YOU SHOULD READ IT CAREFULLY BEFORE YOU INVEST, AND KEEP IT FOR FUTURE REFERENCE.

THE TRUST HAS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ("SEC") A STATEMENT OF ADDITIONAL INFORMATION DATED JULY 1, 2006 ("SAI") CONTAINING ADDITIONAL INFORMATION ABOUT THE TRUST. THE SAI IS INCORPORATED BY REFERENCE IN ITS ENTIRETY INTO THIS PROSPECTUS. YOU MAY OBTAIN A FREE COPY OF THE SAI BY CONTACTING THE TRUST AT (800) 992-0180 OR BY WRITING TO THE TRUST AT 7337 EAST DOUBLETREE RANCH ROAD, SCOTTSDALE, ARIZONA 85258. THE TRUST'S SAI AND ANNUAL AND SEMI-ANNUAL SHAREHOLDER REPORTS ARE AVAILABLE, FREE OF CHARGE, ON THE TRUST'S WEBSITE AT www.ingfunds.com. THE PROSPECTUS, SAI AND OTHER INFORMATION ABOUT THE TRUST ARE ALSO AVAILABLE ON THE SEC'S WEBSITE (http://www.sec.gov). THE TABLE OF CONTENTS FOR THE SAI APPEARS ON PAGE 30 OF THIS PROSPECTUS.

COMMON SHARES OF THE TRUST TRADE ON THE NEW YORK STOCK EXCHANGE ("NYSE") UNDER THE SYMBOL PPR.

MARKET FLUCTUATIONS AND GENERAL ECONOMIC CONDITIONS CAN ADVERSELY AFFECT THE TRUST. THERE IS NO GUARANTEE THAT THE TRUST WILL ACHIEVE ITS INVESTMENT OBJECTIVE. INVESTMENT IN THE TRUST INVOLVES CERTAIN RISKS AND SPECIAL CONSIDERATIONS, INCLUDING RISKS ASSOCIATED WITH THE TRUST'S USE OF LEVERAGE. SEE "RISK FACTORS AND SPECIAL CONSIDERATIONS" ON PAGES 4 AND 15 FOR A DISCUSSION OF ANY FACTORS THAT MAKE INVESTMENT IN THE TRUST SPECULATIVE OR HIGH RISK.

NEITHER THE SEC NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THESE SECURITIES, OR DETERMINED THAT THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

[ING LOGO]

WHAT'S INSIDE

[GRAPHIC]
INVESTMENT OBJECTIVE

[GRAPHIC]
PRINCIPAL INVESTMENT STRATEGIES

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

[GRAPHIC]
RISKS

You'll also find:

[GRAPHIC]
WHAT YOU PAY TO INVEST

WHAT YOU PAY TO INVEST. A list of the fees and expenses you pay -- both directly and indirectly -- when you invest in the Trust.

Introduction to the Trust	1
Prospectus Synopsis	2
What You Pay To Invest -- Trust Expenses	6
Financial Highlights	8
Trading and NAV Information	10
Investment Objective and Policies	11
The Trust's Investments	13
Risk Factors and Special Considerations	15
Transaction Policies	20
Plan of Distribution	21
Use of Proceeds	22
Dividends and Distributions	22
Investment Management and Other Service Providers	23
Description of the Trust	25
Description of Capital Structure	27
Tax Matters	28
More Information	29
Statement of Additional Information Table of Contents	30

(THIS PAGE INTENTIONALLY LEFT BLANK)

THIS PROSPECTUS IS DESIGNED TO HELP YOU MAKE AN INFORMED DECISION ABOUT MAKING AN INVESTMENT IN ING PRIME RATE TRUST. PLEASE READ IT CAREFULLY AND RETAIN IT FOR FUTURE REFERENCE.

Who should invest in the Trust?

ING PRIME RATE TRUST MAY BE A SUITABLE INVESTMENT IF YOU:

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

DESCRIPTION OF THE TRUST

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

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

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

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

[SIDENOTE]

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

This Trust involves certain risks and special considerations, including risks associated with investing in below investment grade assets and risks associated with the Trust's use of borrowing and other leverage strategies. See "Risk Factors and Special Considerations" beginning on pages 4 and 15.

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

[GRAPHIC]

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

[GRAPHIC]

PROSPECTUS SYNOPSIS

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

DESCRIPTION OF THE TRUST

THE TRUST	The Trust is a diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended ("1940 Act"). It was organized as a Massachusetts business trust on December 2, 1987. As of June 15, 2006, the Trust's net asset value ("NAV") per Commo Share was $_____.
NYSE LISTED	As of June 15, 2006, the Trust had ___________ Common Shares outstanding which are traded on the NYSE under the symbol PPR. At that date, the las reported sales price of a Common Share of the Trust was $____.
INVESTMENT OBJECTIVE	To provide investors with as high a level of current income as is consistent with the preservation of capital. There is no assurance that Trust will achieve its investment objective.
ADVISER/SUB-ADVISER	The Trust's adviser is ING Investments, LLC ("ING Investments" or "Adviser"), an Arizona limited liability company. The Adviser had assets under management of over $_____ billion as of March 31, 2006. The Adviser is an indirect wholly-owned subsidiary of ING Groep N.V. (NY ING) ("ING Groep"). ING Groep is one of the largest financial services organizations in the world with approximately 113,000 employees. Based i Amsterdam, ING Groep offers an array of banking, insurance and asset management services to both individual and institutional investors. The Adviser receives an annual fee, payable monthly, in an amount equal 0.80% of the Trust's average daily gross asset value, minus the sum of t Trust's accrued and unpaid dividends on any outstanding preferred shares and accrued liabilities (other than liabilities for the principal amount any borrowings incurred, commercial paper or notes issued by the Trust a the liquidation preference of any outstanding preferred shares) ("Manage Assets"). This definition includes the assets acquired through the Trust use of leverage. ING Investment Management Co. ("ING IM" or "Sub-Adviser") serves as sub-adviser to the Trust. See "Investment Management and Other Service Providers -- Sub-Adviser" on page 23. ING IM is an affiliate of the Adviser.
DISTRIBUTIONS	Income dividends on Common Shares accrue and are declared and paid month Income dividends may be distributed in cash or reinvested in additional full and fractional shares of the Trust through the Trust's Shareholder Investment Program.
PRINCIPAL INVESTMENT STRATEGIES	The Trust seeks to achieve its investment objective by investing, under normal circumstances, at least 80% of its net assets, plus the amount of any borrowings for investment purposes, in U.S. dollar denominated float rate secured senior loans ("Senior Loans"). The Trust will provide shareholders with at least 60 days' prior notice of any change in this investment policy. Under normal circumstances, the Trust invests at leas 80% of its assets in Senior Loans made to corporations or other business entities organized under U.S. or Canadian law and that are domiciled in U.S., Canada or in U.S. territories or possessions. The Senior Loans in which the Trust invests either hold the most senior position in the capital structure of the borrower or hold an equal ranki with other senior debt or have characteristics that the Adviser or

Sub-Adviser believes justify treatment as senior debt. These Senior Loan
are typically below investment grade quality.

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

OTHER INVESTMENT STRATEGIES AND POLICIES

Assets not invested in Senior Loans may be invested in unsecured loans,
subordinated loans, short-term debt securities, and equities acquired in
connection with investments in loans. See "Investment Objective and
Policies" on page 11.

Loans in which the Trust invests typically have interest rates which res
at least quarterly and may reset as frequently as daily. The maximum
duration of an interest rate reset on any loan in which the Trust may
invest is one year. In order to achieve overall reset balance, the Trust
will ordinarily maintain a dollar-weighted average time until the next
interest rate adjustment on its loans of 90 days or less.

Normally at least 80% of the Trust's portfolio will be invested in Senio
Loans with maturities of one to ten years. The maximum maturity on any l
in which the Trust may invest is ten years.

To seek to increase the yield on the Common Shares, the Trust may engage
lending its portfolio securities. Such lending will be fully secured by
investment grade collateral held by an independent agent.

The Trust may hold a portion of its assets in short-term interest bearin
instruments. Moreover, in periods when, in the opinion of the Adviser or
Sub-Adviser, a temporary defensive position is appropriate, up to 100% o
the Trust's assets may be held in cash or short-term interest bearing
instruments. The Trust may not achieve its investment objective when
pursuing a temporary defensive position.

The Trust may invest up to 20% of its total assets in U.S. dollar
denominated loans, secured or unsecured, to borrowers that are organized
located in countries outside the United States and Canada or U.S.
territories and possessions and up to 15% of its total assets in
investments denominated in the Organization for Economic Co-operation an
Development ("OECD") currencies (including the Euro), other than the U.S
dollar.

The Trust may engage in executing repurchase and reverse repurchase

agreements.

LEVERAGE

To seek to increase the yield on the Common Shares, the Trust employs financial leverage by borrowing money and issuing preferred shares. The timing and terms of leverage will be determined by the Trust's Board of Trustees ("Board") in consultation with the Adviser or Sub-Adviser. See "Risk Factors and Special Considerations -- Leverage" on page 16.

BORROWINGS

Under the 1940 Act, the Trust may borrow up to an amount equal to 33 1/3 of its total assets (including the proceeds of the borrowings) less all liabilities other than borrowings. The Trust's obligations to holders of its debt are senior to its ability to pay dividends on, or repurchase, Common Shares and preferred shares, or to pay holders of Common Shares a preferred shares in the event of liquidation.

PREFERRED SHARES

Under the 1940 Act, the Trust may issue preferred shares so long as immediately after any issuance of preferred shares the value of the Trus total assets (less all Trust liabilities and indebtedness that is not senior indebtedness) is at least twice the amount of the Trust's senior indebtedness plus the involuntary liquidation preference of all outstand shares.

The Trust is authorized to issue an unlimited number of shares of a clas of preferred stock in one or more series. In November 2000, the Trust issued 3,600 shares each of Series M, T, W, Th and F Auction Rate Cumulative Preferred Shares, $0.01 par value, $25,000 liquidation preference per share, for a total issuance of $450 million ("Preferred Shares"). The Trust's obligations to holders of the Preferred Shares are senior to its ability to pay dividends on, or repurchase, Common Shares, to pay holders of Common Shares in the event of liquidation.

The 1940 Act also requires that the holders of the Preferred Shares, vot as a separate class, have the right to:

- elect at least two trustees at all times; and

- elect a majority of the trustees at any time when dividends on a series of Preferred Shares are unpaid for two full years.

In each case, the holders of Common Shares voting separately as a class will elect the remaining trustees.

[GRAPHIC]

If you have any questions, please call (800) 992-0180.

DIVERSIFICATION

The Trust maintains a diversified investment portfolio, an investment strategy which seeks to limit exposure to any one issuer or industry.

As a diversified investment company, the Trust may not make investments any one issuer (other than the U.S. government) if, immediately after su

purchase or acquisition, more than 5% of the value of the Trust's total assets would be invested in such issuer, or the Trust would own more tha 25% of any outstanding issue. The Trust will consider a borrower on a lo including a loan participation, to be the issuer of that loan. This investment strategy is a fundamental policy that may not be changed with shareholder approval. With respect to no more than 25% of its total asse the Trust may make investments that are not subject to the foregoing restrictions.

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

PLAN OF DISTRIBUTION

The Common Shares are offered by the Trust through the Trust's Sharehold Investment Program. The Shareholder Investment Program allows participat shareholders to reinvest all dividends in additional shares of the Trust and also allows participants to purchase additional Common Shares throug optional cash investments in amounts ranging from a minimum of $100 to a maximum of $100,000 per month. The Trust reserves the right to reject an purchase order. Please note that cash, travelers checks, third party checks, money orders and checks drawn on non-US banks (even if payment m be effected through a US bank) generally will not be accepted. Common Shares may be issued by the Trust under the Shareholder Investment Progr only if the Trust's Common Shares are trading at a premium to NAV. If th Trust's Common Shares are trading at a discount to NAV, Common Shares purchased under the Shareholder Investment Program will be purchased on open market. See "Plan of Distribution" on pages 21 and 22.

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

Common Shares also may be offered pursuant to privately negotiated transactions between the Trust or ING Funds Distributor, LLC and individ investors. Common Shares of the Trust issued in connection with privatel negotiated transactions will be issued at the greater of (i) NAV per Com Share of the Trust's Common Shares or (ii) at a discount ranging from 0% 5% of the average daily market price of the Trust's Common Shares at the close of business on the two business days preceding the date upon which Common Shares are sold pursuant to the privately negotiated transaction. See "Plan of Distribution" on pages 21 and 22.

ADMINISTRATOR

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

RISK FACTORS AND SPECIAL CONSIDERATIONS

CREDIT RISK ON SENIOR LOANS

The Trust invests a substantial portion of its assets in below investmen grade senior loans and other below investment grade assets. Below investment grade loans involve a greater risk that borrowers may not mak timely payment of the interest and principal due on their loans. They al involve a greater risk that the value of such loans could decline significantly. If borrowers do not make timely payments of the interest on their loans, the yield on the Trust's Common Shares will decrease. If borrowers do not make timely payment of the principal due on their loans

or if the value of such loans decreases, the Trust's NAV will decrease.

INTEREST RATE RISK	Changes in short-term market interest rates will directly affect the yie on the Trust's Common Shares. If short-term market interest rates fall, yield on the Trust's Common Shares will also fall. To the extent that th interest rate spreads on loans in the Trust's portfolio experience a general decline, the yield on the Trust's Common Shares will fall and th value of the Trust's assets may decrease. Conversely, when short-term market interest rates rise, because of the lag between changes in such short-term rates and the resetting of the floating rates on assets in th Trust's portfolio, the impact of rising rates will be delayed to the ext of such lag.
DISCOUNT FROM NAV	As with any security, the market value of the Common Shares may increase decrease from the amount that you paid for the Common Shares.
LEVERAGE	The Trust's Common Shares may trade at a discount to NAV. This is a risk separate and distinct from the risk that the Trust's NAV per Common Shar may decrease. The Trust's use of leverage through borrowings and the issuance of Preferred Shares can adversely affect the yield on the Trust's Common Shares. To the extent that the Trust is unable to invest the proceeds fr the use of leverage in assets which pay interest at a rate which exceeds the rate paid on the leverage, the yield on the Trust's Common Shares wi decrease. In addition, in the event of a general market decline in the value of assets such as those in which the Trust invests, the effect of that decline will be magnified in the Trust because of the additional assets purchased with the proceeds of the leverage. As of June 15, 2006, the Trust had $___ million of borrowings outstanding under two credit facilities totaling $___, and $___ million of Preferred Shares issued an outstanding.
LIMITED SECONDARY MARKET FOR LOANS	Because of the limited secondary market for loans, the Trust may be limi in its ability to sell loans in its portfolio in a timely fashion and/or a favorable price.
DEMAND FOR LOANS	An increase in demand for loans may adversely affect the rate of interes payable on new loans acquired by the Trust, and it may also increase the price of loans in the secondary market.
IMPACT OF SHAREHOLDER INVESTMENT PROGRAM AND PRIVATELY NEGOTIATED TRANSACTIONS	The issuance of Common Shares through the Shareholder Investment Program and/or through privately negotiated transactions may have an adverse eff on prices in the secondary market for the Trust's Common Shares by increasing the number of Common Shares available for sale. In addition, Common Shares may be issued at a discount to the market price for such Common Shares, which may put downward pressure on the market price for Common Shares of the Trust.

[GRAPHIC]

WHAT YOU PAY TO INVEST -- TRUST EXPENSES

The cost you pay to invest in the Trust includes the expenses incurred by the Trust. In accordance with SEC requirements, the table below shows the expenses of the Trust, including interest expense on borrowings, as a percentage of the average net assets of the Trust, and not as a percentage of gross assets or Managed Assets. By showing expenses as a percentage of net assets, expenses are not expressed as a percentage of all of the assets that are invested for the Trust. The Table below assumes that the Trust has issued $450 million of Preferred Shares and has borrowed an amount equal to 25% of its Managed Assets. For information about the Trust's expense ratios if the Trust had not borrowed or issued Preferred Shares, see "Risk Factors and Special Considerations -- Annual Expenses Without Borrowings or Preferred Shares."

SHAREHOLDER TRANSACTION EXPENSES	
Shareholder Investment Program Fees	NONE
Privately Negotiated Transactions	
Commission (as a percentage of offering price)	NONE
ANNUAL EXPENSES (AS A PERCENTAGE OF NET ASSETS ATTRIBUTABLE TO COMMON SHARES)	
Management and Administrative Fees(1)	%
Interest Expense on Borrowed Funds	%
Other Operating Expenses(2)	%
Total Annual Expenses(3)	%

(1) Pursuant to the Investment Management Agreement with the Trust, ING Investments is paid a fee of 0.80% of the Trust's Managed Assets. Pursuant to its Administration Agreement with the Trust, ING Funds Services, LLC, the Trust's Administrator, is paid a fee of 0.25% of the Trust's Managed Assets. See "Investment Management and Other Service Providers -- The Administrator."

(2) "Other Operating Expenses" are based on estimated amounts for the current fiscal year, which, in turn, are based on "other operating expenses" for the fiscal year ended [ ], and do not include the expenses of borrowing.

(3) If the Total Annual Expenses of the Trust were expressed as a percentage of Managed Assets (assuming the same 25% borrowing), the Total Annual Expense ratio would be ____%.

EXAMPLES

The following hypothetical Examples show the amount of the expenses that an investor in the Trust would bear on a $1,000 investment that is held for the different time periods in the table. The examples assume that all dividends and other distributions are reinvested at NAV and that the percentage amounts listed under Total Annual Expenses remain the same in the years shown. The tables and the assumption in the hypothetical examples of a 5% annual return are required by regulations of the SEC applicable to all investment companies. The assumed 5% annual return is not a prediction of, and does not represent, the projected or actual performance of the Trust's Common Shares. For more complete descriptions of certain of the Trust's costs and expenses, see "Investment Management and Other Service Providers."

The following Example applies to shares issued in connection with the Trust's Shareholder Investment Program. This example does not take into account whether such shares are purchased at a discount or a premium to the Trust's NAV.

	1 YEAR	3 YEARS	5 YEARS
You would pay the following expenses on a $1,000 investment, assuming a 5% annual return and where the Trust has borrowed in an amount equal to 25% of its Managed Assets	$	$	$
You would pay the following expenses on a $1,000 investment, assuming a 5% annual return and where the Trust has not borrowed	$	$	$

Example #2

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

	1 YEAR	3 YEARS	5 YEARS
You would pay the following expenses on a $1,000 investment, assuming a 5% annual return and where the Trust has borrowed in an amount equal to 25% of its Managed Assets	$	$	$
You would pay the following expenses on a $1,000 investment, assuming a 5% annual return and where the Trust has not borrowed	$	$	$

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

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

[GRAPHIC]

If you have any questions, please call (800) 992-0180.

FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS TABLE

The table below sets forth selected financial information which has been derived from the financial statements in the Trust's Annual Shareholder Report dated as of February 28, 2006. The information in the table below has been audited by KPMG LLP, an independent registered public accounting firm. A report of the Trust's independent registered public accounting firm along with the Trust's financial statements is included in the Trust's Annual Shareholder Report dated as of February 28, 2006. A free copy of the Annual Shareholder Report may be obtained by calling (800) 992-0180.

		YEARS ENDED F	
		2006	2005
PER SHARE OPERATING PERFORMANCE			
Net asset value, beginning of period	$		7.34
Income from investment operations:			
Net investment income	$		0.45
Net realized and unrealized gain (loss) on investments	$		0.16
Total from investment operations	$		0.61
Increase (decrease) in net asset value from investment operations	$		--
Distributions to Common Shareholders from net investment income	$		(0.43)
Distribution to Preferred Shareholders	$		(0.05)
Reduction in net asset value from Preferred Shares offerings			
Net asset value, end of year	$		7.47
Closing market price at end of period	$		7.56
Total Investment Return(1)			
TOTAL INVESTMENT RETURN AT CLOSING MARKET PRICE(2)	%		2.04
TOTAL INVESTMENT RETURN AT NET ASSET VALUE(3)	%		7.70
RATIOS/SUPPLEMENTAL DATA			
Net assets end of year (000's)	$		1,082,748
Preferred Shares-Aggregate amount outstanding (000's)	$		450,000
Liquidation and market value per share of Preferred Shares	$		25,000
Borrowings at end of year (000's)	$		496,000
Asset coverage per $1,000 of debt(4)	$		2,140
Average borrowings (000's)	$		414,889
RATIOS TO AVERAGE NET ASSETS INCLUDING PREFERRED SHARES(5)			
Expenses (before interest and other fees related to revolving credit facility)(6)	%		1.60
Expenses	%		--
Net expenses after expense reimbursement(6)	%		2.21
Gross expenses prior to expense reimbursement(6)	%		2.22
Net investment income(6)	%		4.21
RATIOS TO AVERAGE NET ASSETS PLUS BORROWINGS			

Expenses (before interest and other fees related to revolving credit facility)(6)	%	1.63
Expenses	%	--
Net expenses after expense reimbursement(6)	%	2.26
Gross expenses prior to expense reimbursement(6)	%	2.27
Net investment income(6)	%	4.32
RATIOS TO AVERAGE NET ASSETS		
Expenses (before interest and other fees related to revolving credit facility)(6)	%	2.29
Expenses	%	--
Net expenses after expense reimbursement(6)	%	3.17
Gross expenses prior to expense reimbursement(6)	%	3.18
Net investment income(6)	%	6.04
Portfolio turnover rate	%	93
Common shares outstanding at end of period (000's)		145,033

8 Financial Highlights

FINANCIAL HIGHLIGHTS

		YEARS ENDED F		
		2001	2000(7)	
PER SHARE OPERATING PERFORMANCE				
Net asset value, beginning of period	$	8.95	9.24	
Income from investment operations:				
Net investment income	$	0.88	0.79	
Net realized and unrealized gain (loss) on investments	$	(0.78)	(0.30)	
Total from investment operations	$	0.10	--	
Increase (decrease) in net asset value from investment operations	$	--	0.49	
Distributions to Common Shareholders from net investment income	$	(0.86)	(0.78)	
Distribution to Preferred Shareholders	$	(0.06)	--	
Reduction in net asset value from Preferred Shares offerings	$	(0.04)	--	
Net asset value, end of year	$	8.09	8.95	
Closing market price at end of period	$	8.12	8.25	
Total Investment Return(1)				
TOTAL INVESTMENT RETURN AT CLOSING MARKET PRICE(2)	%	9.10	(5.88)	
TOTAL INVESTMENT RETURN AT NET ASSET VALUE(3)	%	0.19	5.67	
RATIOS/SUPPLEMENTAL DATA				
Net assets end of year (000's)	$	1,107,432	1,217,339	1
Preferred Shares-Aggregate amount outstanding (000's)	$	450,000	--	
Liquidation and market value per share of Preferred Shares	$	25,000	--	
Borrowings at end of year (000's)	$	510,000	484,000	
Asset coverage per $1,000 of debt(4)	$	2,150	3,520	
Average borrowings (000's)	$	450,197	524,019	
RATIOS TO AVERAGE NET ASSETS INCLUDING PREFERRED SHARES(5)				
Expenses (before interest and other fees related to revolving credit facility)(6)	%	1.62	--	
Expenses	%	--	--	
Net expenses after expense reimbursement(6)	%	3.97	--	
Gross expenses prior to expense reimbursement(6)	%	3.97	--	
Net investment income(6)	%	9.28	--	
RATIOS TO AVERAGE NET ASSETS PLUS BORROWINGS				

Expenses (before interest and other fees related to revolving credit facility)(6)	%	1.31	1.00(8)
Expenses	%	--	2.79(8)
Net expenses after expense reimbursement(6)	%	3.21	--
Gross expenses prior to expense reimbursement(6)	%	3.21	--
Net investment income(6)	%	7.50	6.12
RATIOS TO AVERAGE NET ASSETS			
Expenses (before interest and other fees related to revolving credit facility)(6)	%	1.81	1.43(8)
Expenses	%	--	4.00(8)
Net expenses after expense reimbursement(6)	%	4.45	--
Gross expenses prior to expense reimbursement(6)	%	4.45	--
Net investment income(6)	%	10.39	8.77
Portfolio turnover rate	%	46	71
Common shares outstanding at end of period (000's)		136,847	136,036

(1) Total investment return calculations are attributable to common shares.
(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 Trust's 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 the Preferred Shares.
(6) Annualized for periods less than one year.

(7) The Adviser agreed to reduce its fee for a period of three years from the Expiration Date of the November 12, 1996 Rights Offering to 0.60% of the average daily net assets, plus the proceeds of any outstanding borrowings, over $1.15 billion.

(8) Calculated on total expenses before impact of earnings credits.

(9) Calculation of total return excludes the effects of the per share dilution resulting from the rights offering as the total account value of a fully subscribed shareholder was minimally impacted.

[GRAPHIC]

If you have any questions, please call (800) 992-0180.

TRADING AND NAV INFORMATION

The following table shows for the Trust's Common Shares for the periods

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

	PRICE		NAV		PREMIUM/(DISCOU TO NAV	
CALENDAR QUARTER ENDED	HIGH	LOW	HIGH	LOW	HIGH	LO
March 31, 2004	$ 8.170	$ 7.710	$ 7.36	$ 7.34	11.01%	5
June 30, 2004	8.340	7.670	7.41	7.33	13.47	4
September 30, 2004	8.150	7.560	7.42	7.35	10.48	2
December 31, 2004	7.950	7.240	7.42	7.35	8.16	(2
March 31, 2005	7.830	7.160	7.48	7.38	5.67	(3
June 30, 2005						
September 30, 2005						
December 31, 2005						
March 31, 2006						

On June 15, 2006, the last reported sale price of a Common Share of the Trust's Common Shares on the NYSE was $____. The Trust's NAV on June 15, 2006 was $____. See "Transaction Policies -- Net Asset Value." On June 15, 2006 the last reported sale price of a share of the Trust's Common Shares on the NYSE ($____) represented a _____% discount below NAV ($____) as of that date.

The Trust's Common Shares have traded in the market above, at, and below NAV since March 9, 1992, when the Trust's Common Shares were listed on the NYSE. The Trust cannot predict whether its Common Shares will trade in the future at a premium or discount to NAV, and if so, the level of such premium or discount. Shares of closed-end investment companies frequently trade at a discount from NAV.

INVESTMENT OBJECTIVE

The Trust's investment objective is to provide investors with as high a level of current income as is consistent with the preservation of capital. The Trust seeks to achieve this investment objective by investing in the types of assets described below:

1. SENIOR LOANS. Under normal circumstances, at least 80% of the Trust's net assets, plus the amount of any borrowings for investment purposes, will be invested in Senior Loans. This investment policy may be changed without shareholder approval so long as the Trust provides its shareholders with at

least 60 days' prior notice of any changes in this investment policy. Under normal circumstances, the Trust invests at least 80% of its assets in Senior Loans made to corporations or other business entities organized under U.S. or Canadian law and that are domiciled in the U.S., Canada or in U.S. territories or possessions.

The Senior Loans in which the Trust invests either hold the most senior position in the capital structure of the borrower or hold an equal ranking with other senior debt or have characteristics that the Adviser or Sub-Adviser believes justify treatment as senior debt. These Senior Loans are typically below investment grade credit quality. The Trust typically makes its investments in Senior Loans by purchasing a portion of the overall loan, I.E., the Trust becomes one of a number of lenders participating in the loan. The Trust may also make its investments in Senior Loans through the use of derivative instruments such as participations, credit-linked notes, credit default swaps and total return swaps as long as the reference obligation for any such instrument is a Senior Loan. Investments through the use of such derivative instruments involve counter-party risk, I.E., the risk that the party from which such instrument is purchased will not perform as agreed. The Trust seeks to minimize such counter-party risk by purchasing such investments only from large, well established and highly rated counter-parties.

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

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

3. CASH AND SHORT-TERM INSTRUMENTS. Under normal circumstances, the Trust may invest in cash and/or short-term instruments. During periods when, in the opinion of the Adviser or Sub-Adviser, a temporary defensive posture in the market is appropriate, the Trust may hold up to 100% of its assets in cash and/or short-term instruments.

4. OTHER INVESTMENT STRATEGIES. The Trust may lend its portfolio securities, on a short-term or long-term basis, in an amount equal to up to 33 1/3% of its total assets.

FUNDAMENTAL DIVERSIFICATION POLICIES

1. INDUSTRY DIVERSIFICATION. The Trust may invest in any industry. The Trust may not invest more than 25% of its total assets in any single industry.

2. BORROWER DIVERSIFICATION. As a diversified investment company, the Trust may not make investments in any one issuer (other than the U.S. government) if, immediately after such purchase or acquisition, more than 5% of the value of the Trust's total assets would be invested in such issuer, or the Trust would

own more than 25% of any outstanding issue. The Trust will consider the borrower on a loan, including a loan participation, to be the issuer of such loan. With respect to no more than 25% of its total assets, the Trust may make investments that are not subject to the foregoing restrictions.

These fundamental diversification policies may only be changed with approval by a majority of all shareholders, including the vote of a majority of the holders of Preferred Shares, and holders of any other preferred shares, voting separately as a class.

INVESTMENT POLICIES

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

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

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

3. INTEREST RATE RESETS. Under normal circumstances, at least 80% of the Trust's total assets will be invested in assets with rates of interest which reset either daily, monthly, or quarterly. The maximum duration of an interest rate reset on any loan investment in which the Trust may invest is one year. In addition, under normal circumstances, the Trust will maintain a dollar-weighted average time until the next interest rate adjustment on its loan investments of 90 days or less.

[GRAPHIC]

---

4. LIMITATIONS ON OTHER INVESTMENTS. The Trust may also invest up to 20% of its total assets, measured at the time of investment, in Other Investments. The following additional limitations apply to Other Investments:

   a. UNSECURED DEBT INSTRUMENTS. The Trust may not invest in unsecured loans, notes and other debt instruments, whether or not senior or subordinated, in an aggregate amount that exceeds 20% of the Trust's total assets, measured at the time of investment.

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

c. SUBORDINATED LOANS. The Trust may not invest in subordinated loans in an amount that exceeds 5% of its total assets, measured at the time of investment.

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

6. USE OF LEVERAGE. The Trust may borrow money and issue preferred shares to the fullest extent permitted by the 1940 Act. See "Policy on Borrowing" and "Policy on Issuance of Preferred Shares" below.

7. SHORT-TERM INSTRUMENTS. Short-term instruments in which the Trust invests may include (i) commercial paper rated A-1 by Standard and Poor's or P-1 by Moody's Investors Service, Inc., or of comparable quality as determined by the Adviser
(ii) certificates of deposit, banker's acceptances, and other bank deposits and obligations, and
(iii) securities issued or guaranteed by the U.S. Government, its agencies or instrumentalities.

POLICY ON BORROWING

Beginning in May of 1996, the Trust began a policy of borrowing for investment purposes. The Trust seeks to use proceeds from borrowing to acquire loans and other investments which pay interest at a rate higher than the rate the Trust pays on borrowings. Accordingly, borrowing has the potential to increase the Trust's total income available to holders of its Common Shares.

The Trust may issue notes, commercial paper, or other evidences of indebtedness and may be required to secure repayment by mortgaging, pledging, or otherwise granting a security interest in the Trust's assets. The terms of any such borrowings are subject to the provisions of the 1940 Act, and also subject to the more restrictive terms of the credit agreements relating to borrowings and additional guidelines imposed by rating agencies which are more restrictive than the provisions of the 1940 Act. The Trust is permitted to borrow an amount equal to up to 33 1/3%, or such other percentage permitted by law, of its total assets (including the amount borrowed) less all liabilities other than borrowings. See "Risk Factors and Special Considerations -- Leverage" and "Risk Factors and Special Considerations -- Restrictive Covenants and 1940 Act Restrictions."

POLICY ON ISSUANCE OF PREFERRED SHARES

The Trust has a policy of issuing preferred shares for investment purposes. The Trust seeks to use the proceeds from preferred shares to acquire loans and other

investments which pay interest at a rate higher than the dividends payable on preferred shares. The terms of the issuance of preferred shares are subject to the 1940 Act and to additional guidelines imposed by rating agencies, which are more restrictive than the provisions of the 1940 Act. Under the 1940 Act, the Trust may issue preferred shares so long as immediately after any issuance of preferred shares the value of the Trust's total assets (less all Trust liabilities and indebtedness that is not senior indebtedness) is at least twice the amount of the Trust's senior indebtedness plus the involuntary liquidation preference of all outstanding shares. In November 2000, the Trust issued 18,000 Preferred Shares for a total of $450 million. See "Risk Factors and Special Considerations -- Leverage."

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

SENIOR LOAN CHARACTERISTICS

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

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

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

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

Senior Loans typically pay interest at least quarterly at rates which equal a fixed percentage spread over a base rate such as LIBOR. For example, if LIBOR

were 2.00% and the borrower were paying a fixed spread of 3.00%, the total interest rate paid by the borrower would be 5.00%. Base rates and, therefore, the total rates paid on Senior Loans float, I.E., they change as market rates of interest change.

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

Senior Loans generally are arranged through private negotiations between a borrower and several financial institutions represented by an agent who is usually one of the originating lenders. In larger transactions, it is common to have several agents; however, generally only one such agent has primary responsibility for ongoing administration of a Senior Loan. Agents are typically paid fees by the borrower for their services. The agent is primarily responsible for negotiating the loan agreement which establishes the terms and conditions of the Senior Loan and the rights of the borrower and the lenders. The agent also is responsible for monitoring collateral and for exercising remedies available to the lenders such as foreclosure upon collateral.

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

The Trust acquires Senior Loans from lenders such as banks, insurance companies, finance companies, other investment companies and private investment funds. The Trust may also acquire Senior Loans from U.S. branches of foreign banks that are regulated by the Federal Reserve System or appropriate state regulatory authorities.

INVESTMENT BY THE TRUST

The Trust typically invests in Senior Loans primarily by purchasing an assignment of a portion of a Senior Loan from a third party, either in connection with the original loan transaction (I.E., in the primary market) or after the initial loan transaction (I.E., in the secondary market). When the Trust purchases a Senior Loan in the primary market, it may share in a fee paid to the original lender. When the Trust purchases a Senior Loan in the secondary market, it may pay a fee to, or

[GRAPHIC]

---

forego a portion of interest payments from, the lender making the assignment. The Trust may also make its investments in Senior Loans through the use of derivative instruments such as participations, credit-linked notes, credit default swaps and total return swaps as long as the reference obligation for any such instrument is a Senior Loan. Investments through the use of such derivative instruments involve counter party risk, I.E., the risk that the party from which such instrument is purchased will not perform as agreed. The Trust seeks to minimize such counter party risk by purchasing such investments only from large, well established and highly rated counter parties.

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

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

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

SENIOR LOAN MARKET

Total U.S. domestic Senior Loan volume has increased dramatically over the last 10 years. This increase has helped improve the liquidity of Senior Loans. However, this increase has also been accompanied by an increase in the number of participants in the Senior Loan market. Currently, the Senior Loan market is experiencing a narrowing of spreads over LIBOR and some relaxation in credit standards due to an insufficient number of loans to satisfy the requirements of all lenders. More loans may become available if the U.S. economy continues to show signs of improvement.

RISK IS INHERENT IN ALL INVESTING. THE FOLLOWING DISCUSSION SUMMARIZES SOME OF THE RISKS THAT YOU SHOULD CONSIDER BEFORE DECIDING WHETHER TO INVEST IN THE TRUST. FOR ADDITIONAL INFORMATION ABOUT THE RISKS ASSOCIATED WITH INVESTING IN THE TRUST, SEE "ADDITIONAL INFORMATION ABOUT INVESTMENTS AND INVESTMENT TECHNIQUES" IN THE SAI.

CREDIT RISK ON SENIOR LOANS

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

Credit risk is the risk of nonpayment of scheduled interest or principal payments. In the event a borrower fails to pay scheduled interest or principal payments on a Senior Loan held by the Trust, the Trust will experience a reduction in its income and a decline in the market value of the Senior Loan, which will likely reduce dividends and lead to a decline in the NAV of the Trust's Common Shares. See "The Trust's Investments -- Investment by the Trust."

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

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

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

PRE-PAYMENT RISK

If a Senior Loan in which the Trust invests is paid off sooner than scheduled, and interest rates are falling, the Trust will be forced to reinvest this money at lower yields.

INTEREST RATE RISK

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

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

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

[GRAPHIC]

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

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

CHANGES TO NAV

The NAV of the Trust is expected to change in response to a variety of factors, primarily in response to changes in the creditworthiness of the borrowers on the loans in which the Trust invests. See "Credit Risk on Senior Loans" above. Changes in market interest rates may also have a moderate impact on the Trust's NAV. See "Interest Rate Risk." Another factor which can affect the Trust's NAV is changes in the pricing obtained for the Trust's assets. See "Transaction Policies -- Valuation of the Trust's Assets."

DISCOUNT FROM NAV

The Trust's Common Shares have traded in the market above, at, and below NAV

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

LEVERAGE

The Trust may borrow an amount equal to up to 33 1/3% (or such other percentage permitted by law) of its total assets (including the amount borrowed) less all liabilities other than borrowings. Under the 1940 Act, the Trust may issue preferred shares so long as immediately after any issuance of preferred shares the value of the Trust's total assets (less all Trust liabilities and indebtedness that is not senior indebtedness) is at least twice the amount of the Trust's senior indebtedness plus the involuntary liquidation preference of all outstanding shares. In November 2000, the Trust issued 18,000 Preferred Shares for a total of $450 million. Borrowings and the issuance of preferred shares are referred to in this Prospectus collectively as "leverage." The Trust may use leverage for investment purposes, to finance the repurchase of its Common Shares, and to meet other cash requirements. The use of leverage for investment purposes increases both investment opportunity and investment risk.

Capital raised through leverage will be subject to interest and other costs, and these costs could exceed the income earned by the Trust on the proceeds of such leverage. There can be no assurance that the Trust's income from the proceeds of leverage will exceed these costs. However, the Adviser or Sub-Adviser seeks to use leverage for the purposes of making additional investments only if they believe, at the time of using leverage, that the total return on the assets purchased with such funds will exceed interest payments and other costs on the leverage. In addition, the Adviser or Sub-Adviser intends to reduce the risk that the costs of the use of leverage will exceed the total return on investments purchased with the proceeds of leveraging by utilizing leverage mechanisms whose interest rates float (or reset frequently). In the event of a default on one or more loans or other interest-bearing instruments held by the Trust, the use of leverage would increase the loss to the Trust and may increase the effect on the Trust's NAV. The Trust's lenders and Preferred shareholders have priority to the Trust's assets over the Trust's Common shareholders.

The Trust currently uses leverage by borrowing money on a floating rate basis and by the issuance of Preferred Shares. The current rate on the borrowings (as of June 15, 2006) is ____%. The current dividend rate on the Preferred Shares (as of June 15, 2006) is ____%. To cover the annual interest and dividends on the borrowings and the Preferred Shares for the current fiscal year (assuming that the current interest and dividend rates remain in effect for the entire fiscal year and assuming that the Trust borrows an amount equal to 25% of its Managed Assets and the current Preferred Shares remain outstanding), the Trust would need to earn ____% on its amount of Managed Assets as of June 15, 2006.

The Trust's leveraged capital structure creates special risks not associated with unleveraged funds having similar investment objectives and policies. The funds borrowed pursuant to the credit facilities or obtained through the issuance of Preferred Shares, or any other preferred shares, constitute a substantial lien and burden by reason of their prior claim against the income of the Trust and against the net assets of the Trust in liquidation.

RISK FACTORS AND SPECIAL CONSIDERATIONS

The Trust is not permitted to declare dividends or other distributions, including dividends and distributions with respect to Common Shares or Preferred Shares, or to purchase Common Shares or, Preferred Shares unless (i) at the time thereof the Trust meets certain asset coverage requirements and (ii) there is no event of default under any credit facility program that is continuing. See "Risk Factors and Special Considerations -- Restrictive Covenants and 1940 Act Restrictions" below. In the event of a default under a credit facility program, the lenders have the right to cause a liquidation of the collateral (I.E., sell Senior Loans and other assets of the Trust) and, if any such default is not cured, the lenders may be able to control the liquidation as well.

In addition, the Trust is not permitted to pay dividends on or redeem Common Shares unless all accrued dividends on the Preferred Shares and all accrued interest on borrowings have been paid or set aside for payment.

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

The Trust is subject to certain restrictions imposed by lenders to the Trust and by guidelines of one or more rating agencies which issue ratings for the Preferred Shares issued by the Trust. These restrictions impose asset coverage, fund composition requirements and limits on investment techniques, such as the use of financial derivative products, that are more stringent than those imposed on the Trust by the 1940 Act. These covenants or guidelines could impede the Adviser or SubAdviser from fully managing the Trust's portfolio in accordance with the Trust's investment objective and policies.

ANNUAL EXPENSES WITHOUT BORROWINGS OR PREFERRED SHARES

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

ANNUAL EXPENSES WITHOUT BORROWINGS OR PREFERRED SHARES
(AS A PERCENTAGE OF NET ASSETS ATTRIBUTABLE TO COMMON SHARES)

Management and Administrative Fees(1)	1.
Other Operating Expenses(2)	0.
Total Annual Expenses	1.

(1) Pursuant to the Investment Management Agreement with the Trust, ING Investments is paid a fee of 0.80% of the Trust's Managed Assets. Pursuant to its Administration Agreement with the Trust, ING Funds Services, LLC, the Trust's Administrator, is paid a fee of 0.25% of the Trust's Managed Assets. See "Investment Adviser and Other Service Providers -- The Administrator."

(2) "Other Operating Expenses" are based on estimated amounts for the current fiscal year, which, in turn, are based on "other operating expenses" for the fiscal year ended February 28, 2006, and does not include the expenses of borrowing.

EFFECT OF LEVERAGE

The following table is designed to illustrate the effect on return to a holder of the Trust's Common Shares of the leverage created by the Trust's use of borrowing, using an assumed initial interest rate of ____%, assuming the Trust has used leverage by borrowing an amount equal to 25% of the Trust's Managed Assets and assuming hypothetical annual returns on the Trust's portfolio of minus 10% to plus 10%. As can be seen, leverage generally increases the return to shareholders when portfolio return is positive and decreases return when the portfolio return is negative. Actual returns may be greater or less than those appearing in the table.

Assumed Portfolio Return, net of expenses(1)	%	%	%	%	%
Corresponding Return to Common Shareholders(2)	%	%	%	%	%

(1) The "Assumed Portfolio Return" is required by regulation of the SEC and is not a prediction of, and does not represent, the projected or actual performance of the Trust.

(2) In order to compute the "Corresponding Return to Common Shareholders," the "Assumed Portfolio Return" is multiplied by the total value of the Trust's assets at the beginning of the Trust's fiscal year to obtain an assumed return to the Trust. From this amount, all interest accrued during the year is subtracted to determine the return available to shareholders. The return available to shareholders is then divided by the total value of the Trust's net assets attributable to Common Shares as of the beginning of the fiscal year to determine the "Corresponding Return to Common Shareholders."

[GRAPHIC]

IMPACT OF SHAREHOLDER INVESTMENT PROGRAM AND PRIVATELY NEGOTIATED TRANSACTIONS

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

LIMITED SECONDARY MARKET FOR LOANS

Although the resale, or secondary, market for loans is growing, it is currently limited. There is no organized exchange or board of trade on which loans are traded. Instead, the secondary market for loans is an unregulated inter-dealer or inter-bank re-sale market.

Loans usually trade in large denominations (typically in $1 million or larger) and trades can be infrequent. The market has limited transparency so that information about actual trades may be difficult to obtain. Accordingly, some or many of the loans in which the Trust invests will be relatively illiquid.

In addition, loans in which the Trust invests may require the consent of the borrower and/or the agent prior to sale or assignment. These consent requirements can delay or impede the Trust's ability to sell loans and can adversely affect the price that can be obtained. The Trust may have difficulty disposing of loans if it needs cash to repay debt, to pay dividends, to pay expenses or to take advantage of new investment opportunities. Although the Trust has not conducted a tender offer since 1992, if it determines to again conduct a tender offer, limitations of a secondary market may result in difficulty raising cash to purchase tendered Common Shares.

These considerations may cause the Trust to sell securities at lower prices than it would otherwise consider to meet cash needs or cause the Trust to maintain a greater portion of its assets in cash equivalents than it would otherwise, which could negatively impact performance. The Trust seeks to avoid the necessity of selling assets to meet such needs by the use of borrowings.

The Trust values its assets daily. However, because the secondary market for loans is limited, it may be difficult to value loans. Reliable market value quotations may not be readily available for some loans and valuation of such loans may require more research than for liquid securities. In addition, elements of judgment may play a greater role in valuation of loans, than for securities with a more developed secondary market, because there is less reliable, objective market value data available. In addition, if the Trust purchases a relatively large portion of a loan to generate extra income sometimes paid to large lenders, the limitations of the secondary market may inhibit the Trust from selling a portion of the loan and reducing its exposure to a borrower when the Adviser or Sub-Adviser deems it advisable to do so.

LENDING PORTFOLIO SECURITIES

To generate additional income, the Trust may lend portfolio securities in an amount equal to up to 33 1/3% of total Trust assets to broker-dealers, major banks, or other recognized domestic institutional borrowers of securities. As with other extensions of credit, there are risks of delay in recovery or even loss of rights in the collateral should the borrower default or fail financially. The Trust intends to engage in lending portfolio securities only when such lending is fully secured by investment grade collateral held by an independent agent.

DEMAND FOR LOANS

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

UNSECURED LOANS AND SUBORDINATED LOANS

Subject to the 20% of the Trust's assets that may be invested in Other Investments, the Trust may invest up to 5% of its total assets, measured at the time of investment, in unsecured loans and in subordinated loans. Unsecured loans and subordinated loans share the same credit risks as those discussed above under "Credit Risk on Senior Loans" except that unsecured loans are not secured by any collateral of the borrower and subordinated loans are not the most senior debt in a borrower's capital structure. Unsecured loans do not enjoy the security associated with collateralization and may pose a greater risk of nonpayment of interest or loss of principal than do secured loans. The primary additional risk in a subordinated loan is the potential loss in the event of default by the issuer of the loan. Subordinated loans in an insolvency bear an increased share, relative to senior secured lenders, of the ultimate risk that the borrower's assets are insufficient to meet its obligations to its creditors.

SHORT-TERM DEBT SECURITIES

Subject to the 20% of the Trust's assets that may be invested in Other Investments, the Trust may invest in short-term debt securities. Short-term debt securities are subject to the risk of the issuer's inability to meet principal and interest payments on the obligation and also may be subject to price volatility due to such factors as interest rates, market perception of the creditworthiness of the issuer and general market liquidity.

Because short-term debt securities pay interest at a fixed-rate, when interest rates decline, the value of the Trust's short-term debt securities can be expected to rise, and when interest rates rise, the value of those securities can be expected to decline.

CALL RISK

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

INVESTMENT IN NON-U.S. AND NON-CANADIAN ISSUERS

Subject to the 15% limit on investments in securities denominated in non-U.S. currencies, the Trust may invest up to 20% of its total assets measured at the time of investment in loans and other debt instruments made to borrowers and issuers that are organized or located in countries other than the U.S., Canada or U.S. territories or possessions.

INVESTMENTS IN EQUITY SECURITIES INCIDENTAL TO INVESTMENT IN LOANS

Subject to the 20% of the Trust's assets that may be invested in Other Investments, the Trust may acquire equity securities as an incident to the purchase or ownership of a loan or in connection with a reorganization of a borrower or its debt. Investments in equity securities incidental to investment in loans entail certain risks in addition to those associated with investment in

loans. The value of these securities may be affected more rapidly, and to a greater extent, by company-specific developments and general market conditions. These risks may increase fluctuations in the Trust's NAV. The Trust may frequently possess material non-public information about a borrower as a result of its ownership of a loan of such borrower. Because of prohibitions on trading in securities of issuers while in possession of such information the Trust might be unable to enter into a transaction in a security of such a borrower when it would otherwise be advantageous to do so.

BORROWINGS UNDER THE CREDIT FACILITY PROGRAM

In May 1996, the Trust began a policy of borrowing to acquire income-producing investments which, by their terms, pay interest at a rate higher than the rate the Trust pays on borrowings. Accordingly, borrowing has the potential to increase the Trust's total income. The Trust currently is a party to two credit facilities with financial institutions that permit the Trust to borrow up to an aggregate of $625 million. Interest is payable on the credit facilities by the Trust at a variable rate that is tied to either LIBOR, the federal funds rate, or a commercial paper based rate and includes a facility fee on unused commitments. As of June 15, 2006, the Trust had outstanding borrowings under the credit facilities of approximately $___ million. Collectively, the lenders under the credit facilities have a security interest in all assets of the Trust. Under each of the credit facilities, the lenders have the right to liquidate Trust assets in the event of default by the Trust under such credit facility, and the Trust may be prohibited from paying dividends in the event of certain adverse events or conditions respecting the Trust or Adviser or Sub-Adviser until the credit facility is repaid in full or until the event or condition is cured.

RANKING OF SENIOR INDEBTEDNESS

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

RESTRICTIVE COVENANTS AND 1940 ACT RESTRICTIONS

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

Under the requirements of the 1940 Act, the Trust must have asset coverage of at least 300% immediately after any borrowing, including borrowing under the credit facility program. For this purpose, asset coverage means the ratio which the value of the total assets of the Trust, less liabilities and indebtedness not represented by senior securities, bears to the aggregate amount of borrowings represented by senior securities issued by the Trust. The Credit Agreements

limit the Trust's ability to pay dividends or make other distributions on the Trust's Common Shares, or purchase or redeem Common Shares, unless the Trust complies with the Credit Agreement Asset Coverage Test. In addition, the Credit Agreements do not permit the Trust to declare dividends or other distributions or purchase or redeem Common Shares or any preferred shares (i) at any time that an event of default under a Credit Agreement has occurred and is continuing; or (ii) if, after giving effect to such declaration, the Trust would not meet the Credit Agreement Asset Coverage Test set forth in the Credit Agreements.

[GRAPHIC]

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

TRANSACTION POLICIES

NET ASSET VALUE

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

VALUATION OF THE TRUST'S ASSETS

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

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

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

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

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

- the nature, adequacy and value of the collateral, including the Trust's rights, remedies and interests with respect to the collateral;

- the creditworthiness of the borrower and the cash flow coverage of outstanding principal and interest, based on an evaluation of its financial condition, financial statements and information about the borrower's business, cash flows, capital structure and future prospects;

- information relating to the market for the loan, including price quotations for, and trading in, the loan and interests in similar loans and the market environment and investor attitudes towards the loan and interests in similar loans;

- the reputation and financial condition of the agent of the loan and any intermediate participants in the loans;

- the borrower's management; and

- the general economic and market conditions affecting the fair value of the loan.

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

ACCOUNT ACCESS

Unless your Common Shares are held through a third-party fiduciary or in an omnibus registration at your bank or brokerage firm, you may be able to access your account information over the internet at www.ingfunds.com, or via a touch tone telephone by calling (800) 992-0180 and selecting Option 1. Should you wish

to speak with a Shareholder Services Representative, you may call the toll-free number listed above and select Option 2.

PRIVACY POLICY

The Trust has adopted a policy concerning investor privacy. To review the privacy policy, contact a Shareholder Services Representative at (800) 992-0180 and select Option 1, obtain a policy over the internet at www.ingfunds.com, or see the privacy promise that accompanies this Prospectus.

HOUSEHOLDING

To reduce expenses, we may mail only one copy of the Trust's prospectus and each annual and semi-annual shareholder report to those addresses shared by two or more accounts. If you wish to receive individual copies of these documents, please call us at (800) 992-0180 or speak to your investment professional. We will begin sending you individual copies 30 days after receiving your request.

PLAN OF DISTRIBUTION

SHAREHOLDER INVESTMENT PROGRAM

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

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

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

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

Shareholders may elect to participate in the Program by telephoning the Trust or submitting a completed Participation Form to DST, the Program administrator. DST will credit to each participant's account funds it receives from: (a) Dividends

paid on Trust shares registered in the participant's name, and (b) optional cash investments. DST will apply all Dividends and optional cash investments received to purchase Common Shares as soon as practicable beginning on the relevant investment date (as described below) and not later than six business days after the relevant investment date, except when necessary to comply with applicable provisions of the federal securities laws. For more information on the Trust's distribution policy, see "Dividends and Distributions."

In order for participants to purchase shares through the Program in any month, the Program administrator must receive from the participant any optional cash investment by the relevant investment date. The relevant investment date will be set in advance by the Trust, upon which optional cash investments are first applied by DST to the purchase of Common Shares. Participants may obtain a schedule of relevant dates, including investments dates, the dates by which optional cash investment payments must be received and the dates in which shares will be paid by calling ING's Shareholder Services Department at (800) 992-0180.

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

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

Currently, persons who are not shareholders of the Trust may not participate in the Program. The Board may elect to change this policy at a future date, and permit non-shareholders to participate in the Program. Shareholders may request to receive their Dividends in cash at any time by giving DST written notice or by contacting ING's Shareholder Services Department at (800) 992-0180, and selecting Option 2. Shareholders may elect to close their account at any time by giving DST written notice. When a participant closes their account, the participant upon request will receive a certificate for full Common Shares in the account. Fractional Common Shares will be held and aggregated with other fractional Common Shares being liquidated by DST as agent of the Program and paid for by check when actually sold.

The automatic reinvestment of Dividends does not affect the tax characterization of the Dividends (I.E., capital gains and income are realized even though cash is not received). If

[GRAPHIC]

If you have any questions, please call (800) 992-0180.

---

shares are issued pursuant to the Program's dividend reinvestment provisions or cash purchase provisions at a discount from market price, participants may have income equal to the discount.

Additional information about the Program may be obtained by contacting ING's Shareholder Services Department at (800) 992-0180, and selecting Option 2.

PRIVATELY NEGOTIATED TRANSACTIONS

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

Common Shares issued by the Trust in connection with privately negotiated transactions will be issued at the greater of (i) NAV per Common Share of the Trust's Common Shares or (ii) at a discount ranging from 0% to 5% of the average of the daily market price of the Trust's Common Shares at the close of business on the two business days preceding the date upon which Common Shares are sold pursuant to the privately negotiated transaction. The discount to apply to such privately negotiated transactions will be determined by the Trust with regard to each specific transaction.

USE OF PROCEEDS

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

As of June 15, 2006, the Trust's outstanding borrowings under its credit facilities was $___ million. By paying down the Trust's borrowings, the Trust can avoid adverse impacts on yields pending investment of such proceeds in Senior Loans. As investment opportunities are subsequently identified, it is expected that the Trust will reborrow amounts previously repaid and invest such amounts in additional Senior Loans.

DIVIDENDS AND DISTRIBUTIONS

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

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

DIVIDEND REINVESTMENT. Unless you instruct the Trust to pay you dividends in cash, dividends and distributions paid by the Trust will be reinvested in additional Common Shares of the Trust. You may request to receive dividends in

cash at any time by giving DST written notice or by contacting the ING's
Shareholder Services Department at (800) 992-0180, and selecting Option 2.

22 Plan of Distribution

INVESTMENT MANAGEMENT AND OTHER SERVICE PROVIDERS

---gin-bottom:0pt">

	Three Months Ended March 31,	
	2016	2015
Product warranty accrual, beginning of period	$ 17,964	$ 17,054
Provision for warranty claims	2,051	1,542
Warranty claims paid	(2,326)	(3,230)
Product warranty accrual, end of period	$ 17,689	$ 15,366

Commitments and Contingencies

The Company is either a plaintiff or a defendant in pending legal matters in the normal course of business, including various matters assumed as part of the BNS acquisition. Management believes none of these legal matters will have a material adverse effect on the Company s business or financial condition upon final disposition.

In addition, the Company is subject to various federal, state, local and foreign laws and regulations governing the use, discharge, disposal and remediation of hazardous materials. Compliance with current laws and regulations has not had, and is not expected to have, a materially adverse effect on the Company s financial condition or results of operations.

Asset Impairments

Goodwill is tested for impairment annually or at other times if events have occurred or circumstances exist that indicate the carrying value of a reporting unit with goodwill may not be recoverable. During the three months ended March 31, 2016, the Company assessed goodwill for impairment due to the change in reportable segments, which also resulted in changes to several reporting units. As a result, the Company performed impairment testing for goodwill under the reporting unit structure immediately before the change and determined that no impairment existed. The Company reallocated goodwill to the new reporting units under the new reporting structure and performed preliminary impairment testing for goodwill under the new segment reporting structure immediately after the change and determined that a $15.3 million goodwill impairment existed within one of the CCS reporting units at January 1, 2016. The impairment test was performed using a discounted cash flow (DCF) valuation model. Significant assumptions in the DCF model are the annual revenue growth rate, the annual operating income margin and the discount rate used to determine the present value of the cash flow projections. The discount rate was based on the estimated weighted average cost of capital as of the test date for market participants in our reporting units industries.

Property, plant and equipment and intangible assets with finite lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable, based on the undiscounted cash flows expected to be derived from the use and ultimate disposition of the assets. Assets identified as impaired are carried at estimated fair value. Other than the goodwill impairment described above, there were no asset impairments identified during the three months ended March 31, 2016 or 2015.

7

Table of Contents

CommScope Holding Company, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(In thousands, unless otherwise noted)

Income Taxes

The effective income tax rate of 40.2% for the three months ended March 31, 2016 was higher than the statutory rate of 35% primarily due to the impact of the goodwill impairment charge for which only partial tax benefits were recorded. In addition, the effective income tax rate was also affected by the provision for state income taxes as well as losses in certain jurisdictions where the Company did not recognize tax benefits due to the likelihood of them not being realizable. These increases to the effective income tax rate were partially offset by the impact of earnings in foreign jurisdictions, which are generally taxed at rates lower than the U.S. statutory rate.

The effective income tax rate of 34.7% for the three months ended March 31, 2015 was lower than the statutory rate of 35% primarily due to the impact of earnings in foreign jurisdictions. Such earnings are generally taxed at rates lower than the U.S. statutory rate. In addition, the effective income tax rate was also affected by the provision for state income taxes as well as losses in certain jurisdictions where the Company did not recognize tax benefits due to the likelihood of them not being realizable.

Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share is based on net income divided by the weighted average number of common shares outstanding plus the dilutive effect of potential common shares outstanding during the period using the treasury stock method. Dilutive potential common shares include outstanding equity-based awards (stock options, performance share units and restricted stock units). Certain outstanding equity-based awards were not included in the computation of diluted earnings per share because the effect was either antidilutive or the performance conditions were not met (2.2 million shares and 1.3 million shares for the three months ended March 31, 2016 and 2015, respectively).

The following table presents the basis for the earnings per share computations:

	Three Months Ended March 31,	
	2016	**2015**
Numerator:		
Net income for basic and diluted earnings per share	$ 12,580	$ 39,476
Denominator:		
Weighted average shares outstanding - basic	191,642	188,480
Dilutive effect of equity-based awards	3,814	4,657

Weighted average common shares outstanding - diluted	195,456	193,137
Earnings per share:		
Basic	$ 0.07	$ 0.21
Diluted	$ 0.06	$ 0.20

Recent Accounting Pronouncements

In March 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-09, *Improvements to Employee Share-Based Payment Accounting*, which simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. ASU No. 2016-09 is effective for the Company as of January 1, 2017 and early adoption is permitted. The Company is evaluating the impact of this new guidance on the Company s consolidated financial statements.

Table of Contents

CommScope Holding Company, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(In thousands, unless otherwise noted)

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which requires entities to recognize assets and liabilities for the rights and obligations created by leased assets. ASU No. 2016-02 is effective for the Company as of January 1, 2019 and early adoption is permitted. The Company is evaluating the impact of this new guidance on the Company s consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, which modifies how entities measure equity investments and present changes in the fair value of financial liabilities; simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment; changes presentation and disclosure requirements; and clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity s other deferred tax assets. The guidance is effective for the Company as of January 1, 2018 and with the exception of certain provisions, early adoption is not permitted. The Company is evaluating the impact of this new guidance on the Company s consolidated financial statements.

In July 2015, the FASB issued ASU No. 2015-11, *Simplifying the Measurement of Inventory*. The guidance requires that inventory be measured at the lower of cost and net realizable value, which is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. This guidance simplifies the prior guidance by eliminating the options of measuring inventory at replacement cost or net realizable value less an approximate normal profit margin. This guidance is effective for the Company as of January 1, 2017, with early application permitted. The adoption of the new guidance is not expected to have a material impact on the Company s consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The new accounting standard defines a single comprehensive model in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the ASU is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. The Company will be required to adopt the standard as of January 1, 2018 and early adoption is permitted as of January 1, 2017 using either: (i) retrospective application to each prior reporting period presented; or (ii) retrospective application with the cumulative effect of initially applying the standard recognized at the date of initial application and providing certain additional required disclosures. The Company is currently determining its implementation approach and assessing the impact on the consolidated financial statements.

2. ACQUISITIONS

Broadband Network Solutions

On August 28, 2015, the Company acquired TE Connectivity s BNS business in an all-cash transaction. The Company has made net payments of $3,005.8 million ($2,942.1 million net of cash acquired). As of March 31, 2016, the Company had a net liability of $11.6 million payable to TE Connectivity for remaining purchase price adjustments.

Net sales of $382.3 million related to the acquired business is reflected in the Condensed Consolidated Statements of Operations and Comprehensive Income for the three months ended March 31, 2016, and is primarily reported in the CCS segment.

Table of Contents

CommScope Holding Company, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(In thousands, unless otherwise noted)

The purchase price for BNS was assigned to assets acquired and liabilities assumed based on their estimated fair values as of the date of acquisition and any excess was allocated to goodwill. The following table summarizes the preliminary allocation of the purchase price at the date of acquisition and the subsequent measurement period adjustments (in millions):

	Amounts Recognized as of Acquisition Date	Measurement Period Adjustments	Amounts Recognized as of Acquisition Date (as adjusted)
Cash and cash equivalents	$ 63.7	$	$ 63.7
Accounts receivable	252.9	(1.7)	251.2
Inventories	266.4	(11.4)	255.0
Other current assets	40.0	(4.0)	36.0
Property, plant and equipment	247.6	1.8	249.4
Goodwill	1,242.8	84.2	1,327.0
Identifiable intangible assets	1,150.0	(51.3)	1,098.7
Other noncurrent assets	22.3	(0.2)	22.1
Current liabilities	(224.2)	(12.5)	(236.7)
Noncurrent pension liabilities	(30.5)	10.3	(20.2)
Other noncurrent liabilities	(27.1)	(1.7)	(28.8)
Net acquisition cost	$ 3,003.9	$ 13.5	$ 3,017.4

As a result of the measurement period adjustments recorded during the three months ended March 31, 2016, the Company recorded an additional $0.5 million of pretax expense, which would have been recorded during the year ended December 31, 2015 if the information relating to the valuation of certain assets and liabilities were applied at the original acquisition date.

The goodwill arising from the preliminary purchase price allocation of the BNS acquisition is believed to result from the Company s reputation in the marketplace and assembled workforce. A significant portion of the goodwill is expected to be deductible for income tax purposes.

Various valuation techniques were used to estimate the fair value of the assets acquired and the liabilities assumed which use significant unobservable inputs, or Level 3 inputs as defined by the fair value hierarchy. Using these valuation approaches requires the Company to make significant estimates and assumptions. The Company is finalizing its value of identifiable intangible assets; property, plant and equipment; pension liabilities; deferred taxes; and other assets and liabilities. As additional information is obtained, adjustments will be made to the purchase price allocation. The estimated fair values are expected to change as the Company completes its valuation analyses and purchase price allocation.

There were certain foreign assets acquired and liabilities assumed in the BNS acquisition for which title has not yet transferred although the consideration was paid as part of the overall purchase price discussed above. The Company expects these transfers to be fully completed during 2016 and does not anticipate any significant risks to executing such transfers. In the interim, TE Connectivity will continue to conduct the business operations, as directed by and for the sole benefit or detriment of CommScope. For the three months ended March 31, 2016, net sales related to the BNS operations that have not formally transferred were included in the Company s consolidated net sales and represented approximately 2% of the Company s net sales. As of March 31, 2016, the investment in these BNS operations was reported in other non-current assets on the Condensed Consolidated Balance Sheet. The total assets related to these operations represented less than 1% of the Company s total assets as of March 31, 2016.

The BNS amounts included in the following pro forma information are based on their historical results prepared on a carve-out basis of accounting and, therefore, may not be indicative of the actual results when operated as part of CommScope. The pro forma adjustments represent management s best estimates based on information available at the time the pro forma information was prepared and may differ from the adjustments that may actually have been required. Accordingly, the pro forma financial information should not be relied upon as being indicative of the results that would have been realized had the acquisition occurred as of the date indicated or that may be achieved in the future.

10

Table of Contents

CommScope Holding Company, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(In thousands, unless otherwise noted)

The following table presents unaudited pro forma condensed consolidated results of operations for CommScope for the three months ended March 31, 2015 as though the BNS acquisition had been completed as of January 1, 2014 (in millions, except per share amounts):

		Three months ended March 31, 2015
Revenue	$	1,250.3
Net income		35.0
Net income per diluted share		0.18

These pro forma results reflect adjustments for net interest expense for the debt related to the acquisition; depreciation expense for property, plant and equipment that has been adjusted to its estimated fair value; amortization for intangible assets with finite lives identified separate from goodwill; equity-based compensation for equity awards issued to BNS employees; and the related income tax impacts of these adjustments.

Airvana

On October 1, 2015, the Company acquired the assets and assumed certain liabilities of Airvana LP (Airvana), a provider of small cell solutions for wireless networks. The Company paid $44.1 million ($43.5 million net of cash acquired) and recorded a liability for $1.0 million for the remaining payment due. Airvana provides 4G LTE and 3G small cell solutions that enable communication and access to information and entertainment in challenging and high-value environments, such as office buildings, public venues and homes. Net sales of Airvana products reflected in the Condensed Consolidated Statements of Operations and Comprehensive Income were $2.7 million for the three months ended March 31, 2016 and are reported in the CMS segment.

The preliminary allocation of the purchase price, based on estimates of the fair values of assets acquired and liabilities assumed, is as follows (in millions):

		Estimated Fair Value
Cash and cash equivalents	$	0.6
Accounts receivable		4.2
Other assets		3.7
Property, plant and equipment		2.5
Goodwill		20.2
Identifiable intangible assets		19.1
Less: Liabilities assumed		(5.2)

Net acquisition cost	$	45.1

The goodwill arising from the purchase price allocation of the Airvana acquisition is believed to result from the company s reputation in the marketplace and assembled workforce and is expected to be deductible for income tax purposes.

As additional information is obtained, adjustments may be made to the preliminary purchase price allocation. The Company is still finalizing the estimated fair value of certain of the tangible and intangible assets acquired.

Table of Contents

CommScope Holding Company, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(In thousands, unless otherwise noted)

3. GOODWILL

As a result of the change in segments, goodwill was reallocated from the previous segments to the new segments. The following table presents goodwill after the reallocation to the new reportable segments (in millions):

	CCS	CMS	Total
Goodwill, gross, as of January 1, 2016	$ 1,986.6	$ 899.7	$ 2,886.3
Adjustments to preliminary purchase price	11.9	0.5	12.4
Foreign exchange	31.0	0.6	31.6
Goodwill, gross, as of March 31, 2016	2,029.5	900.8	2,930.3
Accumulated impairment charges as of January 1, 2016	(36.2)	(159.5)	(195.7)
Impairment charges	(15.3)		(15.3)
Accumulated impairment charges as of March 31, 2016	(51.5)	(159.5)	(211.0)
Goodwill, net, as of March 31, 2016	$ 1,978.0	$ 741.3	$ 2,719.3

4. SUPPLEMENTAL FINANCIAL STATEMENT INFORMATION

Inventories

	March 31, 2016	December 31, 2015
Raw materials	$ 127,240	$ 114,329
Work in process	125,776	131,030
Finished goods	211,446	196,456
	$ 464,462	$ 441,815

Investments

The Company owns shares of Hydrogenics Corporation (Hydrogenics), a publicly traded company that supplies hydrogen generators and hydrogen-based power modules and fuel cells for various uses. These shares are accounted for as available-for-sale securities and are carried at fair value with changes in fair value recorded, net of tax, in other comprehensive income (loss). Investments are recorded in other noncurrent assets on the Condensed Consolidated Balance Sheets.

The following table presents information related to the Company s investment in Hydrogenics:

	March 31, 2016	December 31, 2015
Shares owned	1,283	1,332
Cost basis	$ 961	$ 997
Fair value	$ 10,496	$ 11,683
Pretax unrealized gain in accumulated other comprehensive income (loss)	$ 9,535	$ 10,685

The following table provides information related to the sale of shares in Hydrogenics:

	Three Months Ended March 31,	
	2016	2015
Shares sold	49	172
Proceeds received	$ 400	$ 2,493
Pretax gain realized	$ 364	$ 2,363

Gains on the sale of Hydrogenics shares are recorded in other income, net on the Condensed Consolidated Statements of Operations and Comprehensive Income.

Table of Contents

CommScope Holding Company, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(In thousands, unless otherwise noted)

Other Accrued Liabilities

	March 31, 2016	December 31, 2015
Compensation and employee benefit liabilities	$ 97,594	$ 108,852
Deferred revenue	24,994	23,811
Product warranty accrual	17,689	17,964
Accrued interest	66,127	12,468
Restructuring reserve	20,850	24,480
Income taxes payable	42,264	38,417
Value-added taxes payable	14,140	24,880
Accrued professional fees	12,454	14,303
Other	101,545	106,568
	$ 397,657	$ 371,743

Accumulated Other Comprehensive Loss

The following table presents changes in accumulated other comprehensive income (AOCI), net of tax, and accumulated other comprehensive loss (AOCL), net of tax:

	Three Months Ended March 31,	
	2016	2015
Foreign currency translation		
Balance, beginning of period	$ (160,620)	$ (80,483)
Other comprehensive income (loss)	46,284	(29,366)
Amounts reclassified from AOCL		(122)
Balance, end of period	$ (114,336)	$ (109,971)
Pension and other postretirement benefit activity		
Balance, beginning of period	$ (17,567)	$ (14,957)
Amounts reclassified from AOCL	(731)	(1,587)
Balance, end of period	$ (18,298)	$ (16,544)

Available-for-sale securities		
Balance, beginning of period	$ 6,509	$ 11,892
Other comprehensive loss	(494)	(1,528)
Amounts reclassified from AOCI	(229)	(1,461)
Balance, end of period	$ 5,786	$ 8,903
Net AOCL, end of period	$ (126,848)	$ (117,612)

Amounts reclassified from net AOCL related to foreign currency translation and available-for-sale securities are recorded in other income, net in the Condensed Consolidated Statements of Operations and Comprehensive Income. Pension and other postretirement benefit plan amounts reclassified from net AOCL are included in the computation of net periodic benefit income and are primarily recorded in cost of sales and selling, general and administrative expenses in the Condensed Consolidated Statements of Operations and Comprehensive Income.

Table of Contents

CommScope Holding Company, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(In thousands, unless otherwise noted)

Cash Flow Information

	Three Months Ended March 31,	
	2016	2015
Cash paid during the period for:		
Income taxes, net of refunds	$ 15,087	$ 34,075
Interest	$ 16,057	$ 7,272

5. FINANCING

	March 31, 2016	December 31, 2015
6.00% senior notes due June 2025	$ 1,500,000	$ 1,500,000
5.50% senior notes due June 2024	650,000	650,000
5.00% senior notes due June 2021	650,000	650,000
Senior PIK toggle notes due June 2020	536,630	536,630
4.375% senior secured notes due June 2020	500,000	500,000
Senior secured term loan due December 2022	1,243,750	1,246,875
Senior secured term loan due January 2018	261,875	261,875
Senior secured revolving credit facility expires May 2020		
Other		19
Total face vaue of debt	$ 5,342,255	$ 5,345,399
Less: Original issue discount, net of amortization	(3,987)	(4,234)
Less: Debt issuance costs, net of amortization	(94,255)	(97,514)
Less: Current portion	(12,500)	(12,520)
Total long-term debt	$ 5,231,513	$ 5,231,131

See Note 6 in the Notes to Consolidated Financial Statements in the 2015 Annual Report for additional information on the terms and conditions of the 6.00% senior notes (the 2025 Notes), the 5.50% senior notes (the 2024 Notes), the 5.00% senior notes (the 2021 Notes), the 6.625%/7.375% senior payment-in-kind toggle notes (the senior PIK toggle

notes), the 4.375% senior secured notes (the 2020 Notes) and the senior secured term loans and credit facility.

Senior Secured Credit Facilities

During the three months ended March 31, 2016, the Company repaid $3.1 million of its senior secured term loans. No portion of the senior secured term loans was reflected as a current portion of long-term debt as of March 31, 2016 related to the potentially required excess cash flow payment because the amount that may be payable in 2017, if any, cannot currently be reliably estimated. There was no excess cash flow payment required in 2016 related to 2015.

During the three months ended March 31, 2016, the Company did not borrow under its revolving credit facility. As of March 31, 2016, the Company had availability of approximately $322.3 million under the asset-based revolving credit facility, after giving effect to borrowing base limitations and outstanding letters of credit.

Other Matters

The Company s non-guarantor subsidiaries held approximately $2,835 million, or 37%, of total assets and approximately $497 million, or 8%, of total liabilities as of March 31, 2016 and accounted for approximately $500 million, or 44%, of net sales for the three months ended March 31, 2016. As of December 31, 2015, the non-guarantor subsidiaries held approximately $2,848 million, or 38%, of total assets and approximately $468 million, or 8%, of total liabilities. For the three months ended March 31, 2015, the non-guarantor subsidiaries accounted for approximately $375 million, or 45%, of net sales. All amounts presented exclude intercompany balances.

CommScope, Inc., a direct wholly owned subsidiary of the Company, is a guarantor of the 2025 Notes and the issuer of each of the 2024 Notes, the 2021 Notes and the 2020 Notes. The balance sheet and income statement amounts for

Table of Contents

CommScope Holding Company, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(In thousands, unless otherwise noted)

CommScope, Inc. are substantially identical to those of the Company other than interest expense and total debt. Interest expense for CommScope, Inc. does not reflect the interest expense incurred in connection with the senior PIK toggle notes. For the three month periods ended March 31, 2016 and 2015, interest expense related to the senior PIK toggle notes was $9.3 million ($5.5 million net of tax) and $9.5 million ($6.1 million net of tax), respectively. Total debt for CommScope, Inc. and its subsidiaries as of March 31, 2016 was $4,713.9 million, which does not include the senior PIK toggle notes.

The weighted average effective interest rate on outstanding borrowings, including the amortization of debt issuance costs and original issue discount, was 5.50% at both March 31, 2016 and December 31, 2015.

6. DERIVATIVES AND HEDGING ACTIVITIES

The Company uses forward contracts to hedge a portion of its balance sheet re-measurement risk and to hedge certain planned foreign currency expenditures. As of March 31, 2016, the Company had outstanding foreign exchange contracts with maturities of up to seven months and aggregate notional values of $302 million (based on exchange rates as of March 31, 2016). Unrealized gains and losses resulting from these contracts are recognized in other income, net and partially offset corresponding foreign exchange gains and losses on the balances and expenditures being hedged. These instruments are not held for speculative or trading purposes and are not designated as hedges for hedge accounting and are marked to market each period through earnings.

The following table presents the balance sheet location and fair value of the Company s derivatives:

		Fair Value of Asset (Liability)	
	Balance Sheet Location	**March 31, 2016**	**December 31, 2015**
Foreign currency contracts	Prepaid expenses and other current assets	$ 3,044	$ 1,051
Foreign currency contracts	Other accrued liabilities	(1,815)	(5,945)
Total derivatives not designated as hedging instruments		$ 1,229	$ (4,894)

The pretax impact of these foreign currency forward contracts, both matured and outstanding, on the Condensed Consolidated Statements of Operations and Comprehensive Income is as follows:

Foreign Currency Forward Contracts	**Location of Gain (Loss)**	**Gain (Loss) Recognized**

Three Months Ended March 31, 2016	Other income, net	$	1,163
Three Months Ended March 31, 2015	Other income, net	$	(4,800)

7. FAIR VALUE MEASUREMENTS

The Company s financial instruments consist primarily of cash and cash equivalents, trade receivables, trade payables, available-for-sale securities, debt instruments and foreign currency contracts. For cash and cash equivalents, trade receivables and trade payables, the carrying amounts of these financial instruments as of March 31, 2016 and December 31, 2015 were considered representative of their fair values due to their short terms to maturity. The fair value of the Company s available-for-sale securities was based on quoted market prices. The fair values of the Company s debt instruments and foreign currency contracts were based on indicative quotes.

Fair value measurements using quoted prices in active markets for identical assets and liabilities fall within Level 1 of the fair value hierarchy, measurements using significant other observable inputs fall within Level 2, and measurements using significant unobservable inputs fall within Level 3.

Table of Contents

CommScope Holding Company, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(In thousands, unless otherwise noted)

The carrying amounts, estimated fair values and valuation input levels of the Company s available-for-sale securities, foreign currency contracts and debt instruments as of March 31, 2016 and December 31, 2015, are as follows:

	March 31, 2016		December 31, 2015		
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Valuation Inputs
Assets:					
Available-for-sale securities	$ 10,496	$ 10,496	$ 11,683	$ 11,683	Level 1
Foreign currency contracts	3,044	3,044	1,051	1,051	Level 2
Liabilities:					
6.00% senior notes due 2025	1,500,000	1,511,250	1,500,000	1,430,700	Level 2
5.50% senior notes due 2024	650,000	654,030	650,000	617,500	Level 2
5.00% senior notes due 2021	650,000	653,250	650,000	619,125	Level 2
Senior PIK toggle notes due 2020	536,630	550,690	536,630	544,679	Level 2
4.375% senior secured notes due 2020	500,000	510,000	500,000	500,000	Level 2
Senior secured term loan due 2022, at par	1,243,750	1,243,750	1,246,875	1,243,727	Level 2
Senior secured term loan due 2018, at par	261,875	261,377	261,875	260,068	Level 2
Foreign currency contracts	1,815	1,815	5,945	5,945	Level 2

Non-Recurring Fair Value Measurements

During the three months ended March 31, 2016, the Company recorded a pretax goodwill impairment charge of $15.3 million due to the change in reportable segments as described in Note 1. The valuation supporting the goodwill impairment charge is based on Level 3 valuation inputs.

These fair value estimates are based on pertinent information available to management as of the date made. Although management is not aware of any factors that would significantly affect these fair value estimates, such amounts have not been comprehensively revalued for purposes of these financial statements since those dates and current estimates of fair value may differ significantly from the amounts presented.

8. SEGMENTS AND GEOGRAPHIC INFORMATION

As of January 1, 2016, the Company reorganized its internal management and reporting structure as part of the integration of the BNS acquisition. The reorganization changed the information regularly reviewed by the Company s chief operating decision maker for purposes of allocating resources and assessing performance. As a result, the Company is reporting financial performance for the 2016 fiscal year based on two new operating segments: CommScope Connectivity Solutions and CommScope Mobility Solutions. Both CCS and CMS represent non-aggregated reportable operating segments. All prior period amounts below have been recast to reflect these operating segment changes.

The CCS segment provides connectivity and network intelligence for indoor and outdoor network applications. Indoor network solutions are found in commercial buildings and in the network core, which includes data centers, central offices and cable television headends. These solutions include optical fiber and twisted pair structured cabling applications, intelligent infrastructure software, network rack and cabinet enclosures, patch cords and panels, modular data centers, network design services, central office connectivity and equipment and headend solutions for the network core. Outdoor network solutions are found in access networks and include coaxial cabling and fiber-optic connectivity solutions, which include a robust portfolio of fiber optic connectors and fiber management systems.

The CMS segment provides merchant radio frequency (RF) wireless network connectivity solutions and DAS and small cell solutions to enable carriers 2G, 3G and 4G networks. These solutions, marketed primarily under the Andrew brand, enable wireless operators to deploy macro cell site, metro cell site, DAS and small cell solutions to meet coverage and capacity requirements. The CMS segment focuses on all aspects of the radio access network (RAN) from the macro through the metro, to the indoor layer. Macro cell site solutions can be found at wireless tower sites and on rooftops and

16

Table of Contents

CommScope Holding Company, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(In thousands, unless otherwise noted)

include base station antennas, microwave antennas, hybrid fiber-feeder and power cables, coaxial cables, connectors and filters. Metro cell solutions can be found outdoors on street poles and on other urban structures and include RF delivery and connectivity solutions, equipment housing and concealment. These fully integrated outdoor systems consist of specialized antennas, filters/combiners, backhaul solutions, intra-system cabling and power distribution, all minimized to fit an urban environment. The DAS and small cell solutions allow wireless operators to increase spectral efficiency and thereby extend and enhance cellular coverage and capacity in challenging network conditions such as commercial buildings, urban areas, stadiums and transportation systems.

The following table provides summary financial information by reportable segment (in millions):

	March 31, 2016	December 31, 2015
Identifiable segment-related assets:		
CCS	$ 4,695.7	$ 4,642.0
CMS	2,248.3	2,258.9
Total identifiable segment-related assets	6,944.0	6,900.9
Reconciliation to total assets:		
Cash and cash equivalents	688.4	562.9
Deferred income tax assets	40.5	38.8
Total assets	$ 7,672.9	$ 7,502.6

The following table provides net sales, operating income, depreciation and amortization by reportable segment (in millions):

	Three Months Ended March 31,	
	2016	2015
Net sales:		
CCS	$ 687.0	$ 329.1
CMS	457.0	496.3
Consolidated net sales	$ 1,144.0	$ 825.4
Operating income:		

CCS (1)	$	50.0	$	28.7
CMS (2)		40.7		64.4
Consolidated operating income	$	90.7	$	93.1
Depreciation:				
CCS	$	12.9	$	4.4
CMS		6.7		7.2
Consolidated depreciation	$	19.6	$	11.6
Amortization (3):				
CCS	$	48.2	$	21.7
CMS		25.4		23.1
Consolidated amortization	$	73.6	$	44.8

(1) Operating income for the three months ended March 31, 2016 includes a goodwill impairment charge of $15.3 million. Operating income for the three months ended March 31, 2016 and 2015 includes integration and transaction costs of $14.1 million and $5.4 million, respectively. Operating income for the three months ended March 31, 2016 and 2015 includes restructuring charges of $1.1 million and $0.1 million, respectively.

17

Table of Contents

CommScope Holding Company, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(In thousands, unless otherwise noted)

(2) Operating income for the three months ended March 31, 2016 and 2015 includes integration and transaction costs of $1.8 million and $6.0 million, respectively. Operating income for the three months ended March 31, 2016 and 2015 includes restructuring charges of $5.0 million and $1.8 million, respectively.

(3) Excludes amortization of debt issuance costs and original issue discount.

Sales to customers located outside of the United States comprised 48.5% and 53.6% of total net sales for the three months ended March 31, 2016 and 2015, respectively. Sales by geographic region, based on the destination of product shipments, were as follows (in millions):

	Three Months Ended March 31,	
	2016	2015
United States	$ 588.8	$ 383.1
Europe, Middle East and Africa	218.3	158.9
Asia Pacific	240.7	189.9
Central and Latin America	66.3	66.7
Canada	29.9	26.8
Consolidated net sales	$ 1,144.0	$ 825.4

9. RESTRUCTURING COSTS

Prior to the acquisition of the BNS business, the Company initiated restructuring actions to realign and lower its cost structure primarily through workforce reductions and other cost reduction initiatives, including the cessation of manufacturing operations at various facilities. Production capacity from these facilities has been shifted to other existing facilities or unaffiliated suppliers. These actions are referred to as cost alignment restructuring actions. Following the acquisition of BNS in 2015, the Company initiated a series of restructuring actions to integrate the BNS operations (BNS integration restructuring actions) to achieve cost and production synergies. All charges related to these restructuring actions are reported in restructuring costs, net.

The Company s net pretax restructuring charges, by segment, were as follows:

	Three Months Ended March 31,	
	2016	2015
CCS	$ 1,109	$ 110
CMS	4,963	1,761

Total	$ 6,072	$ 1,871

Employee-related costs include the expected severance costs and related benefits as well as one-time severance benefits that are accrued over the remaining period employees are required to work in order to receive such benefits.

Lease termination costs relate to the discounted cost of unused leased facilities, net of anticipated sub-rental income.

Fixed asset related costs include non-cash impairments or fixed asset disposals associated with restructuring actions in addition to the cash costs to uninstall, pack, ship and reinstall manufacturing equipment and the costs to prepare the receiving facility to accommodate relocated equipment. These costs are expensed as incurred.

Table of Contents

CommScope Holding Company, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(In thousands, unless otherwise noted)

The activity within the liability established for the cost alignment restructuring actions was as follows:

	Employee-Related Costs	Lease Termination Costs	Fixed Asset Related Costs	Total
Balance as of December 31, 2015	$ 1,005	$ 7,370	$	$ 8,375
Additional charge (credit) recorded	(4)	90	(203)	(117)
Cash paid	(364)	(524)		(888)
Consideration received			3,656	3,656
Foreign exchange and other non-cash items	22		(3,453)	(3,431)
Balance as of March 31, 2016	$ 659	$ 6,936	$	$ 7,595

The Company has recognized restructuring charges of $88.7 million since January 2011 for cost alignment restructuring actions. Additional pretax costs of $1.0 million to $2.0 million are expected to be incurred to complete these previously announced initiatives. Cash payments of $2.0 million to $3.0 million are expected during the remainder of 2016 with additional payments of $6.0 million to $7.0 million between 2017 and 2022.

The activity within the liability established for the BNS integration restructuring actions was as follows:

	Employee-Related Costs	Lease Termination Costs	Fixed Asset Related Costs	Total
Balance as of December 31, 2015	$ 28,714	$	$	$ 28,714
Additional charge recorded	3,836		2,353	6,189
Cash paid	(7,140)		(432)	(7,572)
Foreign exchange and other non-cash items	19		(1,921)	(1,902)
Balance as of March 31, 2016	$ 25,429	$	$	$ 25,429

The BNS integration actions include the planned closure of two facilities in the U.S. and one international facility. The Company has recognized restructuring charges of $30.0 million since the acquisition date for BNS integration actions. Additional pretax costs of $0.2 million to $0.3 million are expected to be incurred to complete the previously announced BNS integration initiatives. Cash payments of $17.0 million to $18.0 million are expected during the remainder of 2016 with additional payments of $7.0 million to $8.0 million between 2017 and 2018. Additional

restructuring charges related to the BNS restructuring actions are expected and the resulting amounts may be material.

Restructuring reserves related to all actions were included in the Company s Condensed Consolidated Balance Sheets as follows:

	March 31, 2016		December 31, 2015	
Other accrued liabilities	$	20,850	$	24,480
Other noncurrent liabilities		12,174		12,609
Total liability	$	33,024	$	37,089

As a result of restructuring and consolidation actions, the Company owns unutilized real estate at various facilities in the U.S. and internationally. The Company is attempting to sell or lease this unutilized space. Additional impairment charges may be incurred related to these or other excess assets.

Table of Contents

CommScope Holding Company, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(In thousands, unless otherwise noted)

10. EMPLOYEE BENEFIT PLANS

	Pension Benefits Three Months Ended March 31,			
	U.S. Plans		Non-U.S. Plans	
	2016	2015	2016	2015
Service cost	$	$	$ 1,596	$ 107
Interest cost	1,620	1,625	1,751	1,313
Recognized actuarial loss	236	169	28	1
Expected return on plan assets	(1,750)	(1,880)	(2,294)	(1,597)
Net periodic benefit cost (income)	$ 106	$ (86)	$ 1,081	$ (176)

	Other Postretirement Benefits Three Months Ended March 31, U.S. Plans	
	2016	2015
Service cost	$ 1	$ 7
Interest cost	135	161
Recognized actuarial gain	(346)	(283)
Amortization of prior service credits	(1,055)	(2,457)
Net periodic benefit income	$ (1,265)	$ (2,572)

The Company contributed $1.0 million to the defined benefit pension plans and postretirement benefit plans during the three months ended March 31, 2016. During the remainder of 2016, the Company anticipates making additional contributions of approximately $1.9 million to the U.S. plans and $8.2 million to the non-U.S. plans.

11. STOCKHOLDERS EQUITY

Equity-Based Compensation Plans

As of March 31, 2016, $81.9 million of unrecognized compensation costs related to unvested stock options, restricted stock unit awards (RSUs) and performance share units (PSUs) are expected to be recognized over a remaining weighted average period of 1.8 years. There were no significant capitalized equity-based compensation costs at March 31, 2016.

In March 2016, the Company modified certain equity-based compensation awards to extend the exercise period in the case of retirement, death or disability. This modification resulted in a change in the fair value of certain stock option awards. The incremental compensation cost that resulted from the modification was $1.6 million and it was recognized fully during the three months ended March 31, 2016.

The following table shows a summary of the equity-based compensation expense included in the Condensed Consolidated Statements of Operations and Comprehensive Income:

	Three Months Ended March 31,	
	2016	**2015**
Selling, general and administrative	$ 6,716	$ 4,010
Cost of sales	1,192	699
Research and development	927	544
Total equity-based compensation expense	$ 8,835	$ 5,253

20

Table of Contents

CommScope Holding Company, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(In thousands, unless otherwise noted)

Stock Options

Stock options are awards that allow the recipient to purchase shares of the Company s common stock at a fixed price. Stock options are granted at an exercise price equal to the Company s stock price at the date of grant. These awards generally vest over one to five years following the grant date and have a contractual term of ten years.

The following table summarizes the stock option activity (in thousands, except per share amounts):

	Shares	Weighted Average Option Exercise Price Per Share	Weighted Average Grant Date Fair Value Per Share	Aggregate Intrinsic Value
Outstanding as of December 31, 2015	7,458	$ 8.81		
Granted	374	$ 24.94	$ 12.03	
Exercised	(262)	$ 6.39		
Forfeited	(195)	$ 5.73	$ 3.87	
Outstanding as of March 31, 2016	7,375	$ 9.80		$ 135,004
Exercisable at March 31, 2016	6,476	$ 7.41	$ 4.53	$ 132,861
Expected to vest	894	$ 26.99		$ 2,133

The exercise prices of outstanding options at March 31, 2016 were in the following ranges:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Shares (in thousands)	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price Per Share	Shares (in thousands)	Weighted Average Exercise Price Per Share
$2.96 to $5.35	398	3.0	$ 2.96	398	$ 2.96
$5.36 to $5.67	591	5.9	$ 5.57	564	$ 5.57
$5.68 to $8.54	3,903	4.8	$ 5.74	3,903	$ 5.74
$8.55 to $8.90	1,101	4.4	$ 8.62	1,101	$ 8.62
$8.91 to $23.00	527	7.8	$ 22.54	490	$ 22.85
$23.01 to $33.12	855	9.2	$ 28.09	20	$ 28.65

$2.96 to $33.12	7,375	5.5	$	9.80	6,476	$	7.41

The Company uses the Black-Scholes model to estimate the fair value of stock option awards at the date of grant. Key inputs and assumptions used in the model include the grant date fair value of common stock, exercise price of the award, the expected option term, stock price volatility, the risk-free interest rate and the Company s projected dividend yield. The Company believes that the valuation technique and the approach utilized to develop the underlying assumptions are appropriate in estimating the fair values of its stock options. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by employees who receive equity awards. Subsequent events are not indicative of the reasonableness of the original estimates of fair value made by the Company.

Table of Contents

CommScope Holding Company, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(In thousands, unless otherwise noted)

The following table presents the weighted average assumptions used to estimate the fair value of stock option awards granted.

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Expected option term (in years)	6.0	6.0
Risk-free interest rate	1.4%	1.6%
Expected volatility	50.0%	43.0%
Expected dividend yield	%	%
Weighted average exercise price	$ 24.94	$ 30.76
Weighted average fair value at grant date	$ 12.03	$ 13.25

Performance Share Units

PSUs are stock awards in which the number of shares ultimately received by the employee depends on Company performance against specified targets. Such awards vest over three years and the number of shares issued can vary from 0% to 150% of the number of PSUs granted depending on performance. The fair value of each PSU is determined on the date of grant based on the Company s stock price. Over the performance period, the number of shares that are expected to be issued is adjusted upward or downward based upon the probable achievement of performance targets. The ultimate number of shares issued and the related compensation cost recognized will be based on the final performance metrics compared to the targets specified in the grants.

The following table summarizes the PSU activity (in thousands, except per share data):

	Performance Share Units	Weighted Average Grant Date Fair Value Per Share
Outstanding and unvested as of December 31, 2015	175	$ 30.76
Granted	268	$ 24.94
Outstanding and unvested as of March 31, 2016	443	$ 27.24

Restricted Stock Units

RSUs entitle the holder to shares of common stock after a vesting period that generally ranges from one to three years. The fair value of the awards is determined on the grant date based on the Company s stock price.

The following table summarizes the RSU activity (in thousands, except per share data):

	Restricted Stock Units		Weighted Average Grant Date Fair Value Per Share
Outstanding and unvested as of December 31, 2015	1,567	$	29.37
Granted	1,589	$	24.94
Vested and shares issued	(341)	$	30.87
Forfeited	(44)	$	28.22
Outstanding and unvested as of March 31, 2016	2,771	$	26.66

12. SUBSEQUENT EVENTS

On April 27, 2016, the Company s Board of Directors approved the issuance of a redemption notice for $300 million of the Company s senior PIK toggle notes. The redemption is expected to be completed in June 2016 pursuant to the terms of the related indenture and result in a cash charge related to the redemption premium of $9.9 million and a non-cash write-off of debt issuance costs of $3.5 million.

Table of Contents

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following narrative is an analysis of the three months ended March 31, 2016 compared to the three months ended March 31, 2015. The discussion is provided to increase the understanding of, and should be read in conjunction with, the unaudited condensed consolidated financial statements and accompanying notes included in this document as well as the audited consolidated financial statements, related notes thereto and management s discussion and analysis of financial condition and results of operations, including management s discussion and analysis regarding the application of critical accounting policies as well as the risk factors, included in our 2015 Annual Report on Form 10-K.

We discuss certain financial measures in Management s Discussion and Analysis of Financial Condition and Results of Operations, including Adjusted Operating Income and Adjusted EBITDA, that differ from measures calculated in accordance with generally accepted accounting principles in the United States (GAAP). See Reconciliation of Non-GAAP Measures included elsewhere in this quarterly report for more information about these non-GAAP financial measures, including our reasons for including the measures and material limitations with respect to the usefulness of the measures.

Overview

We are a global provider of essential infrastructure solutions for communication networks. Our solutions and services for wired and wireless networks enable high-bandwidth data, video and voice applications. Our global leadership position is built upon innovative technology, broad solution offerings, high-quality and cost-effective customer solutions and global manufacturing and distribution scale.

On August 28, 2015, we completed the acquisition of TE Connectivity s Broadband Network Solutions (BNS) business in an all-cash transaction valued at approximately $3.0 billion. The BNS business provides fiber optic and copper connectivity for wireline and wireless networks and also provides small-cell distributed antenna system (DAS) solutions for the wireless market. For the twelve month period from March 28, 2015 through March 25, 2016, the BNS business generated annual revenues of approximately $1.7 billion. Our consolidated results as of and for the three months ended March 31, 2016 include results of the BNS business for their fiscal quarter December 26, 2015 through March 25, 2016. During the three months ended March 31, 2016, we recognized $15.9 million of integration and transaction costs and $6.1 million of restructuring costs, primarily related to the BNS acquisition and integration activities. We will continue to incur integration, transaction and restructuring costs and such costs may be material.

As of January 1, 2016, we reorganized our internal management and reporting structure as part of the integration of the BNS acquisition. The reorganization changed the information regularly reviewed by our chief operating decision maker for purposes of allocating resources and assessing performance. As a result, we are reporting financial performance for the 2016 fiscal year based on two new operating segments: CommScope Connectivity Solutions (CCS) and CommScope Mobility Solutions (CMS). Prior to this change, we operated and reported based on four operating segments: Wireless, Enterprise, Broadband and BNS. All prior period amounts throughout our management s discussion and analysis of financial condition and results of operations have been recast to reflect these operating segment changes.

CRITICAL ACCOUNTING POLICIES

There have been no changes in our critical accounting policies or significant accounting estimates as disclosed in our 2015 Annual Report on Form 10-K, except as disclosed below.

Assets Impairment Reviews

2016 Interim Goodwill Analysis

We test goodwill for impairment annually or at other times if events have occurred or circumstances exist that indicate the carrying value of a reporting unit may no longer be recoverable. During the three months ended March 31, 2016, we reorganized our internal management and reporting structure and as a result realigned our goodwill reporting units. We tested goodwill for possible impairment prior to the realignment and no impairment was indicated. We then reallocated

Table of Contents

goodwill to the new reporting units based on relative fair value as required by GAAP. After the reallocation, a step one goodwill impairment test was performed for each of the new reporting units. One reporting unit in the CCS segment did not pass step one and a preliminary step two test was performed. Based on the results of the preliminary step two test, a $15.3 million goodwill impairment charge was recorded for the three months ended March 31, 2016. The impairment test was performed using a discounted cash flow (DCF) valuation model. Significant assumptions in the DCF model are the annual revenue growth rate, the annual operating income margin and the discount rate used to determine the present value of the cash flow projections. The discount rate was based on the estimated weighted average cost of capital as of the test date for market participants in our reporting units industries.

COMPARISON OF RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2016 WITH THE THREE MONTHS ENDED MARCH 31, 2015

	Three Months Ended March 31,					
	2016		2015			
	Amount	% of Net Sales	Amount	% of Net Sales	Dollar Change	% Change
	(dollars in millions, except per share amounts)					
Net sales	$ 1,144.0	100.0%	$ 825.4	100.0%	$ 318.6	38.6%
Gross profit	447.1	39.1	293.2	35.5	153.9	52.5
Operating income	90.7	7.9	93.1	11.3	(2.4)	(2.6)
Non-GAAP adjusted operating income (1)	211.4	18.5	156.5	19.0	54.9	35.1
Net income	$ 12.6	1.1%	$ 39.5	4.8%	$ (26.9)	(68.1)%
Diluted earnings per share	$ 0.06		$ 0.20			

(1) See Reconciliation of Non-GAAP Measures.

Net sales

	Three Months Ended March 31,		Change	
	2016	2015	$	%
	(dollars in millions)			
Net sales	$ 1,144.0	$ 825.4	$ 318.6	38.6%
Domestic net sales	588.8	383.1	205.7	53.7
International net sales	555.2	442.3	112.9	25.5

Net sales for the three months ended March 31, 2016 increased primarily as a result of $382.3 million in incremental net sales attributable to the BNS acquisition. Excluding these net sales, legacy CommScope net sales were up in the United States (U.S.) but decreased across all other geographic regions. Net sales to customers located outside of the U.S. comprised 48.5% and 53.6% of total net sales for the three months ended March 31, 2016 and 2015, respectively. Foreign exchange rate changes had a negative impact of approximately 1% on legacy CommScope net sales for the three months ended March 31, 2016 compared to the same 2015 period.

From a segment perspective, net sales from the CCS segment more than doubled year over year as a result of the BNS acquisition and net sales from the CMS segment decreased year over year primarily as a result of lower sales in all regions except the U.S. Excluding the incremental net sales related to the BNS acquisition, net sales from the CCS segment decreased slightly. For further details by segment, see the section titled Segment Results below.

Table of Contents

Gross profit, SG&A expense and R&D expense

	Three Months Ended March 31,		Change	
	2016	2015	$	%
	(dollars in millions)			
Gross profit	$ 447.1	$ 293.2	$ 153.9	52.5%
Gross margin	39.1%	35.5%		
SG&A expense	209.2	125.7	83.5	66.4
As a percent of sales	18.3%	15.2%		
R&D expense	52.2	27.7	24.5	88.4
As a percent of sales	4.6%	3.4%		

Gross profit (net sales less cost of sales)

Gross profit for the three months ended March 31, 2016 included $162.9 million of incremental gross profit related to the BNS acquisition. Excluding gross profit attributable to the BNS acquisition, gross profit decreased $9.0 million for the three months ended March 31, 2016 compared to the prior year period due to lower sales volumes. The increase in gross profit margin in part reflects the higher margin products related to the BNS acquisition. Excluding the BNS acquisition, gross profit margin increased by 1.8%, primarily due to favorable changes in geographic and product mix.

Selling, general and administrative expense

Selling, general and administrative (SG&A) expense for the three months ended March 31, 2016 was higher than the prior year period due to incremental SG&A costs from the acquired BNS business as well as an increase in integration and transaction costs. These higher costs were partially offset by the impact of cost reduction initiatives, lower selling expenses due to lower legacy CommScope net sales and a reduction in bad debt expense.

Research and development

Research and development (R&D) expense increased for the three months ended March 31, 2016 compared to the prior year period primarily as a result of the incremental R&D costs from the BNS and Airvana acquisitions, both of which were acquired in the second half of 2015 and have historically made significant investments in R&D expenditures. Excluding the impact of the BNS and Airvana acquisitions, R&D expense and R&D expense as a percentage of net sales were relatively unchanged in the current period compared to the prior year period. R&D activities generally relate to ensuring that our products are capable of meeting the evolving technological needs of our customers, bringing new products to market and modifying existing products to better serve our customers.

Amortization of purchased intangible assets and Restructuring costs

	Three Months Ended March 31,		Change	
	2016	2015	$	%
	(dollars in millions)			
Amortization of purchased intangible assets	$ 73.6	$ 44.8	$ 28.8	64.3%

Restructuring costs, net	6.1	1.9	4.2	221.1

Amortization of purchased intangible assets

The amortization of purchased intangible assets was higher in the three months ended March 31, 2016 compared to the prior year period primarily due to the additional amortization resulting from the BNS acquisition.

Restructuring costs

We recognized restructuring costs of $6.1 million during the three months ended March 31, 2016 compared with $1.9 million during the three months ended March 31, 2015. The current period restructuring costs were primarily related to the integration of the BNS acquisition while the prior period restructuring costs were related to our efforts to realign and lower our overall cost structure.

Table of Contents

We expect to incur additional pretax costs of $1.2 million to $2.3 million to complete actions announced to date. As a result of the continuing BNS integration, additional restructuring actions are expected to be identified and the resulting charges and cash requirements may be material.

Net interest expense, Other income, net and Income taxes

	Three Months Ended March 31,		Change	
	2016	2015	$	%
	(dollars in millions)			
Net interest expense	$ (70.0)	$ (35.3)	$ (34.7)	98.3%
Other income, net	0.3	2.6	(2.3)	(88.5)
Income tax expense	(8.5)	(21.0)	12.5	(59.5)

Net interest expense

The increase in net interest expense for the three months ended March 31, 2016 as compared to the prior year period was due to increases in and changes to the composition of our long-term debt. In June 2015, we issued $1.5 billion of 6.0% senior notes due 2025 (the 2025 Notes) and $500.0 million of 4.375% senior secured notes due 2020 (the 2020 Notes) and we entered into a $1.25 billion term loan due 2022 (the 2022 Term Loan). The proceeds from the 2025 Notes and the 2022 Term Loan were used to fund the BNS acquisition. We incurred $36.2 million of incremental interest expense for the three months ended March 31, 2016 as a result of this acquisition-related debt. The proceeds from the 2020 Notes were used to repay a portion of our existing term loans.

Our weighted average effective interest rate on outstanding borrowings, including the amortization of debt issuance costs and original issue discount, was 5.50% as of both March 31, 2016 and December 31, 2015 and 5.38% as of March 31, 2015.

Other income, net

Foreign exchange gains of $1.1 million were included in other income, net for the three months ended March 31, 2016 compared to gains of $0.2 million for the three months ended March 31, 2015.

During the three months ended March 31, 2016 and 2015, we sold a portion of our investment in Hydrogenics that resulted in pretax gains of $0.4 million and $2.4 million, respectively, which were recorded in other income, net.

Income taxes

Our effective income tax rate of 40.2% for the three months ended March 31, 2016 was higher than the statutory rate of 35% primarily due to the impact of the goodwill impairment charge for which only partial tax benefits were recorded. In addition, our effective income tax rate was also affected by the provision for state income taxes as well as losses in certain jurisdictions where we did not recognize tax benefits due to the likelihood of them not being realizable. These increases to the effective income tax rate were partially offset by the impact of earnings in foreign jurisdictions, which are generally taxed at rates lower than the U.S. statutory rate.

Our effective income tax rate of 34.7% for the three months ended March 31, 2015 was lower than the statutory rate of 35% primarily due to the impact of earnings in foreign jurisdictions that we do not plan to repatriate. Such earnings

are generally taxed at rates lower than the U.S. statutory rate. In addition, the effective income tax rate was also affected by the provision for state income taxes as well as losses in certain jurisdictions where we did not recognize tax benefits due to the likelihood of them not being realizable.

Table of Contents

Segment Results

	Three Months Ended March 31,					
	2016		2015			
	Amount	% of Net Sales	Amount	% of Net Sales	Dollar Change	% Change
	(dollars in millions)					
Net sales by segment:						
CCS	$ 687.0	60.1%	$ 329.1	39.9%	$ 357.9	108.8%
CMS	457.0	39.9	496.3	60.1	(39.3)	(7.9)
Consolidated net sales	$ 1,144.0	100.0%	$ 825.4	100.0%	$ 318.6	38.6%
Operating income by segment:						
CCS	$ 50.0	7.3%	$ 28.7	8.7%	$ 21.3	74.2%
CMS	40.7	8.9	64.4	13.0	(23.7)	(36.8)
Consolidated operating income	$ 90.7	7.9%	$ 93.1	11.3%	$ (2.4)	(2.6)%
Non-GAAP adjusted operating income by segment (1):						
CCS	$ 134.8	19.6%	$ 58.4	17.7%	$ 76.4	130.8%
CMS	76.6	16.8	98.1	19.8	(21.5)	(21.9)
Non-GAAP consolidated adjusted operating income	$ 211.4	18.5%	$ 156.5	19.0%	$ 54.9	35.1%

(1) See Reconciliation of Non-GAAP Measures. Components may not sum to total due to rounding.

CommScope Connectivity Solutions Segment

Our CCS segment provides connectivity and network intelligence for indoor and outdoor network applications. Indoor network solutions are found in commercial buildings and in the network core, which includes data centers, central offices and cable television headends. These solutions provide voice, video, data and other mission-critical, high-bandwidth applications including storage area networks, streaming media, data backhaul, cloud applications and grid computing. These comprehensive solutions, sold primarily under the SYSTIMAX, Uniprise and AMP NETCONNECT brands, include optical fiber and twisted pair structured cable solutions, intelligent infrastructure software, network rack and cabinet enclosures, patch cords and panels, modular data centers and network design services. Our outdoor network solutions are found in access networks and include coaxial cabling and fiber-optic connectivity solutions, which include a robust portfolio of fiber optic connectors and fiber management systems.

CCS segment net sales for the three months ended March 31, 2016 was higher than the prior year period in all major geographical regions primarily as a result of the BNS acquisition. Excluding incremental net sales of $369.2 million due to the BNS acquisition, legacy CommScope net sales in the CCS segment increased in the U.S. but decreased

across all other geographical regions except the Asia Pacific region which remained relatively stable. Foreign exchange rate changes had a negative impact on legacy CommScope CCS segment net sales of approximately 1% for the three months ended March 31, 2016 compared to the same period in 2015.

CCS segment operating income and non-GAAP adjusted operating income increased for the three months ended March 31, 2016 compared to the prior year period primarily due to net sales attributable to the BNS acquisition. For the three months ended March 31, 2016, CCS segment operating income included a goodwill impairment charge of $15.3 million related to the change in operating segments. The goodwill impairment charge was excluded from the calculation of non-GAAP adjusted operating income for the three months ended March 31, 2016.

We expect near-term and long-term demand for our indoor network CCS products to be driven by global information technology spending and spending in core networks as the ongoing need for bandwidth and intelligence in the network continues to create demand for high-performance connectivity solutions. We expect near-term and long-term demand for our outdoor network CCS products to be driven by global deployment of fiber-optic solutions for fiber-to-the-X applications, new services and competitors in the access market, ongoing maintenance requirements of cable networks

Table of Contents

and the residential construction market activity in North America. Uncertain global economic conditions, variability in the levels of commercial and residential construction activity, uncertain levels of information technology spending and reductions in the levels of distributor inventories may negatively affect demand for our products. The ongoing demand for fiber solutions is expected to be somewhat offset by decelerating demand for copper solutions in networks.

CommScope Mobility Solutions Segment

Our CMS segment provides merchant RF wireless network connectivity solutions as well as metro cell, DAS and small cell solutions. Our solutions, marketed primarily under the Andrew brand, enable wireless operators to deploy macro cell site, metro cell site, DAS and small cell solutions to meet 2G, 3G and 4G cellular coverage and capacity requirements. Our macro cell site solutions can be found at wireless tower sites and on rooftops and include base station antennas, microwave antennas, hybrid fiber-feeder and power cables, coaxial cables, connectors and filters. Our metro cell solutions can be found outdoors on street poles and on other urban structures and include RF delivery and connectivity solutions, equipment housing and concealment. These fully integrated outdoor systems consist of specialized antennas, filters/combiners, backhaul solutions, intra-system cabling and power distribution, all minimized to fit an urban environment. Our DAS and small cell solutions allow wireless operators to increase spectral efficiency and thereby extend and enhance cellular coverage and capacity in challenging network conditions such as commercial buildings, urban areas, stadiums and transportation systems.

The CMS segment experienced a decrease in net sales for the three months ended March 31, 2016 compared to the prior year period despite incremental sales of $13.1 million from the BNS acquisition. Legacy CommScope CMS segment net sales decreased across all geographical regions except the U.S. which benefited from an increase in spending by certain domestic operators. Foreign exchange rate changes had a negative impact of approximately 2% on legacy CommScope CMS segment net sales for the three months ended March 31, 2016 compared to the prior year period.

CMS segment operating income and non-GAAP adjusted operating income decreased for the three months ended March 31, 2016 compared to the prior year period primarily due to lower net sales, higher costs associated with the products acquired in the BNS acquisition and operating losses incurred by the Airvana business as we continue to invest in small cell technology.

Our sales to wireless operators can be volatile. We expect longer term demand for our CMS products to be positively affected by wireless coverage and capacity expansion in emerging markets and growth in mobile data services (including 4G deployments) in developed markets. Uncertainty in the global economy or a particular region or consolidation among wireless operators may slow the growth or cause a decline in capital spending by wireless operators and negatively impact our net sales.

LIQUIDITY AND CAPITAL RESOURCES

The following table summarizes certain key measures of our liquidity and capital resources.

	March 31, 2016	December 31, 2015	Dollar Change	% Change
		(dollars in millions)		
Cash and cash equivalents	$ 688.4	$ 562.9	$ 125.5	22.3%
	752.9	769.2	(16.3)	(2.1)

Working capital, [1] excluding cash and cash equivalents and current portion of long-term debt				
Availability under revolving credit facility	322.3	278.2	44.1	15.9
Long-term debt, including current portion	5,244.0	5,243.7	0.3	0.0
Total capitalization [2]	6,532.5	6,466.4	66.1	1.0
Long-term debt, including current portion, as a percentage of total capitalization	80.3%	81.1%		

(1) Working capital consisted of current assets of $2,227.0 million less current liabilities of $798.2 million as of March 31, 2016. Working capital consisted of current assets of $2,004.6 million less current liabilities of $685.1 million as of December 31, 2015.

(2) Total capitalization includes long-term debt, including the current portion, and stockholders equity.

Our principal sources of liquidity on a short-term basis are cash and cash equivalents, cash flows provided by operations and availability under credit facilities. On a long-term basis, our potential sources of liquidity also include raising capital through the issuance of debt and/or equity. The primary uses of liquidity include debt service requirements

28

Table of Contents

(including voluntary debt repayments or redemptions), funding working capital requirements, funding acquisitions, paying acquisition integration costs, capital expenditures, paying restructuring costs, income tax payments (including cost of repatriation) and funding pension and other postretirement obligations.

Cash and cash equivalents increased during the first three months of 2016 mainly due to strong operating performance, net cash received related to purchase price adjustments for the BNS acquisition and a reduction in working capital. These were offset partially by higher capital expenditures during the three months ended March 31, 2016. The net change in total capitalization during the three months ended March 31, 2016 primarily reflects current year earnings and favorable changes in other comprehensive loss due to foreign translation gains.

Cash Flow Overview

	Three Months Ended March 31,		Dollar
	2016	2015	Change
	(dollars in millions)		
Net cash generated by operating activities	$ 118.1	$ 1.2	$ 116.9
Net cash generated by (used in) investing activities	5.0	(5.5)	10.5
Net cash generated by (used in) financing activities	(3.0)	20.2	(23.2)

Operating Activities

During the three months ended March 31, 2016, we generated $118.1 million of cash through operating activities compared to cash generation of $1.2 million during the three months ended March 31, 2015. The improvement was primarily due to higher adjusted operating income in the current year period as a result of the BNS acquisition. In addition, our payments for cash incentive bonus plans were lower in the current year period than in the prior year period. Cash paid for taxes was $19.0 million lower for the three months ended March 31, 2016 compared to the prior year period. Cash paid for interest was $8.8 million higher in the three months ended March 31, 2016 than in the prior year period as a result of the change in composition of debt partially offset by a shift in the timing of interest payments.

Investing Activities

Investment in property, plant and equipment during the three months ended March 31, 2016 was $14.5 million, of which $0.6 million was related to capital spending to support the BNS integration. The investment in property, plant and equipment was primarily related to supporting improvements in manufacturing operations, including expanding production capacity, and investing in information technology (including software developed for internal use). During the three months ended March 31, 2016, we sold a facility that was no longer being utilized for $3.7 million.

During the three months ended March 31, 2016, we received $57.6 million in purchase price adjustments for net working capital adjustments related to the BNS acquisition. This was offset by our payment of $42.2 million for pension and other purchase price adjustments related to the BNS acquisition.

Financing Activities

During the three months ended March 31, 2016, we made a mandatory debt repayment of $3.1 million on the 2022 Term Loan. As of March 31, 2016, we had no outstanding borrowings under our revolving credit facility and the remaining availability was approximately $322.3 million, reflecting a borrowing base of $342.8 million reduced by $20.4 million of letters of credit issued under the revolving credit facility. We expect increased capacity as the additional collateral resulting from the BNS acquisition is added to the borrowing base.

During the first quarter of 2016, employees surrendered 107,809 shares of our common stock to satisfy their tax withholding requirements on vested restricted stock units, which reduced cash flows by $2.7 million. We also received proceeds of $1.5 million and recognized $1.4 million of excess tax benefits related to the exercise of stock options.

During the three months ended March 31, 2015, we repaid $2.2 million of our senior secured term loans. During the first quarter of 2015, we received proceeds of $12.0 million and recognized $10.4 million of excess tax benefits related to the exercise of stock options.

Future Cash Needs

We expect that our primary future cash needs will be debt service requirements (including voluntary debt repayments and redemptions), funding working capital requirements, funding acquisitions, paying acquisition integration costs, capital expenditures, paying restructuring costs, income tax payments (including the cost of repatriation) and funding pension and other postretirement obligations. During the three months ended March 31, 2016, we incurred $15.9 million of integration and transaction costs, most of which were related to the BNS acquisition. We expect to incur significant cash costs over the next two to three years to complete the integration of the BNS acquisition. We paid $8.5 million of restructuring costs during the three months ended March 31, 2016 and we expect to pay an additional $19 million to $21 million by the end of 2016. In addition, we expect to pay $13 million to $15 million between 2017 and 2022 related to restructuring actions that have been initiated. Any future restructuring actions would likely require additional cash expenditures and such requirements may be material. As of March 31, 2016, we have an unfunded obligation related to pension and other postretirement benefits of $30.9 million. We made contributions of $1.0 million to our pension and other postretirement benefit plans during the three months ended March 31, 2016 and we expect to make an additional $10 million during the remainder of the 2016. During the three months ended March 31, 2016, we received a net payment of $15.4 million from TE Connectivity as an adjustment to the purchase price for the BNS acquisition. We expect to make additional payments to TE Connectivity of $11.6 million during 2016 related to the BNS acquisition.

We expect to redeem $300 million of our senior PIK toggle notes in the second quarter of 2016, which we expect to require a premium payment of $9.9 million in addition to the principal and accrued interest. We may voluntarily repay debt or repurchase our senior notes or additional senior PIK toggle notes, if market conditions are favorable and the applicable indenture and the senior secured credit facilities permit such repayment or repurchase.

Although there are no financial maintenance covenants under the terms of our senior notes or senior PIK toggle notes, there is a limitation, among other limitations, on certain future borrowings based on an adjusted leverage ratio or a fixed charge coverage ratio. These ratios are based on financial measures similar to Adjusted EBITDA as presented in this Quarterly Report on Form 10-Q (see Reconciliation of Non-GAAP Measures), but also give pro forma effect to certain events, including acquisitions and savings from cost reduction initiatives such as facility closures and headcount reductions. For the twelve months ended March 31, 2016, our pro forma Adjusted EBITDA, as measured pursuant to indentures governing our notes, was $997.7 million, which included the impact of the BNS and Airvana acquisitions ($106.4 million) and savings from announced cost reduction initiatives ($38.0 million) so that the impact

of the acquisitions and cost reduction initiatives are fully reflected in the twelve-month period used in the calculation of the ratios. In addition to limitations under these indentures, our senior secured credit facilities contain customary negative covenants. We believe we are in compliance with the covenants under our indentures and senior secured credit facilities at March 31, 2016.

As of March 31, 2016, approximately 42% of our cash and cash equivalents was held outside the United States. Income taxes have been provided on foreign earnings such that there would be no significant tax cost to repatriate the portion of this cash not required to meet operational needs of our international subsidiaries. The cash tax requirements to repatriate existing funds may vary from year to year.

Table of Contents

We believe that our existing cash, cash equivalents and cash flows from operations, combined with availability under our revolving credit facility, will be sufficient to meet our presently anticipated future cash needs. We may, from time to time, borrow under our revolving credit facility or issue securities, if market conditions are favorable, to meet our future cash needs or to reduce our borrowing costs.

Off-Balance Sheet Arrangements

We are not party to any significant off-balance sheet arrangements except for operating leases. There have not been any material changes to our off-balance sheet arrangements during the three months ended March 31, 2016.

Reconciliation of Non-GAAP Measures

We believe that presenting certain non-GAAP financial measures enhances an investor s understanding of our financial performance. We further believe that these financial measures are useful in assessing our operating performance from period to period by excluding certain items that we believe are not representative of our core business. We also use certain of these financial measures for business planning purposes and in measuring our performance relative to that of our competitors. We believe these financial measures are commonly used by investors to evaluate our performance and that of our competitors. However, our use of the terms non-GAAP adjusted operating income and non-GAAP adjusted EBITDA may vary from that of others in our industry. These financial measures should not be considered as alternatives to operating income (loss), net income (loss) or any other performance measures derived in accordance with U.S. GAAP as measures of operating performance, operating cash flows or liquidity.

We also believe presenting these non-GAAP results for the twelve months ended March 31, 2016 provides an additional tool for assessing our recent performance. Such amounts are unaudited and are derived by subtracting the data for the three months ended March 31, 2015 from the data for the year ended December 31, 2015 and then adding the data for the three months ended March 31, 2016.

Consolidated

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015	Year Ended December 31, 2015	Twelve Months Ended March 31, 2016
	(dollars in millions)			
Operating income	$ 90.7	$ 93.1	$ 181.6	$ 179.2
Adjustments:				
Amortization of purchased intangible assets	73.6	44.8	220.6	249.4
Restructuring costs, net	6.1	1.9	29.5	33.7
Equity-based compensation	8.8	5.3	28.7	32.2
Asset impairments	15.3		90.8	106.1
Transaction and integration costs (a)	15.9	11.4	96.9	101.4
Purchase accounting adjustments (b)	1.0		81.7	82.7
Non-GAAP adjusted operating income	$ 211.4	$ 156.5	$ 729.8	$ 784.7
Depreciation	19.6	11.6	60.6	68.6

Non-GAAP adjusted EBITDA	$ 231.1	$ 168.1	$ 790.3	$ 853.3

(a) Reflects transaction costs related to potential and consummated acquisitions, costs related to secondary stock offerings and integration costs related to the acquisition of the BNS business.

(b) Reflects non-cash charges resulting from purchase accounting adjustments.

Table of Contents

CCS Segment

	Three Months Ended March 31,	
	2016	2015
	(dollars in millions)	
Operating income	$ 50.0	$ 28.7
Adjustments:		
Amortization of purchased intangible assets	48.2	21.7
Restructuring costs, net	1.1	0.1
Equity-based compensation	5.0	2.4
Asset impairments	15.3	
Transaction and integration costs	14.1	5.4
Purchase accounting adjustments	1.0	
Non-GAAP adjusted operating income	$ 134.8	$ 58.4

CMS Segment

	Three Months Ended March 31,	
	2016	2015
	(dollars in millions)	
Operating income	$ 40.7	$ 64.4
Adjustments:		
Amortization of purchased intangible assets	25.4	23.1
Restructuring costs, net	5.0	1.8
Equity-based compensation	3.8	2.9
Transaction and integration costs	1.8	6.0
Non-GAAP adjusted operating income	$ 76.6	$ 98.1

Note: Components may not sum to total due to rounding.

Table of Contents

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q or any other oral or written statements made by us or on our behalf may include forward-looking statements which reflect our current views with respect to future events and financial performance. These forward-looking statements are generally identified by their use of such terms and phrases as intend, goal, estimate, expect, project, projections, plans, anticipate, should, could, designed to, foreseeable futu scheduled, outlook, guidance and similar expressions although not all forward-looking statements contain such terms. This list of indicative terms and phrases is not intended to be all-inclusive.

These statements are subject to various risks and uncertainties, many of which are outside our control, including, without limitation, our ability to integrate the BNS business on a timely and cost effective manner; our reliance on TE Connectivity for transition services for the BNS business; our ability to realize expected growth opportunities and cost savings from the BNS business; our dependence on customers capital spending on communication systems; concentration of sales among a limited number of customers and channel partners; changes in technology; industry competition and the ability to retain customers through product innovation, introduction and marketing; risks associated with our sales through channel partners; product performance issues and associated warranty claims; our ability to maintain effective information management systems and to successfully implement major systems initiatives; cyber-security incidents, including data security breaches or computer viruses; the risk our global manufacturing operations suffer production or shipping delays causing difficulty in meeting customer demands; the risk that internal production capacity and that of contract manufacturers may be insufficient to meet customer demand or quality standards for our products; changes in cost and availability of key raw materials, components and commodities and the potential effect on customer pricing; risks associated with our dependence on a limited number of key suppliers; our ability to fully realize anticipated benefits from prior or future acquisitions or equity investments; potential difficulties in realigning global manufacturing capacity and capabilities among our global manufacturing facilities, including delays or challenges related to removing, transporting or reinstalling equipment, that may affect our ability to meet customer demands for products; possible future restructuring actions; substantial indebtedness and maintaining compliance with debt covenants; our ability to incur additional indebtedness; our ability to generate cash to service our indebtedness; possible future impairment charges for fixed or intangible assets, including goodwill; income tax rate variability and ability to recover amounts recorded as value-added tax receivables; our ability to attract and retain qualified key employees; labor unrest; increased obligations under employee benefit plans; significant international operations expose us to economic, political and other risks, including the impact of variability in foreign exchange rates; our ability to comply with governmental anti-corruption laws and regulations and export and import controls worldwide; our ability to compete in international markets due to export and import controls to which we may be subject; cost of protecting or defending intellectual property; costs and challenges of compliance with domestic and foreign environmental laws; and other factors beyond our control. These and other factors are discussed in greater detail in our 2015 Annual Report on Form 10-K. Although the information contained in this Quarterly Report on Form 10-Q represents our best judgment as of the date of this report based on information currently available and reasonable assumptions, we can give no assurance that the expectations will be attained or that any deviation will not be material. Given these uncertainties, we caution you not to place undue reliance on these forward-looking statements, which speak only as of the date made. We are not undertaking any duty or obligation to update this information to reflect developments or information obtained after the date of this report, except as otherwise may be required by law.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in the interest rate risk, commodity price risk or foreign currency exchange rate risk information previously reported under Item 7A of our 2015 Annual Report on Form 10-K, as filed with the SEC

on February 19, 2016.

Table of Contents

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective.

Changes in Internal Control over Financial Reporting

Except for the activities disclosed in the following paragraphs, there have been no changes in the Company s internal control over financial reporting during the quarter ended March 31, 2016 that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

In conjunction with the integration of BNS, the Company is making changes to processes, policies and other components of its internal control over financial reporting, including the consolidation of such operations into the Company s financial statements. During the integration period, the Company will be relying on TE Connectivity to provide various services under transition service agreements. During the quarter ended March 31, 2016, the Company completed the transition of certain BNS payroll and related human resource functions off of transition service agreements to internal processes. Management continues to make changes to the design of the control procedures relating to BNS and assess their effectiveness.

During the quarter ended March 31, 2016, the Company changed its operating segments, which gave rise to changes in the Company s internal control over financial reporting that included procedures to address the completeness, accuracy and consistency of the processes to derive the segment information disclosed in our financial statements. Management expects that further changes to internal control over financial reporting, including those related to significant system conversions, may take place during 2016 (see Risk Factors in our 2015 Annual Report on Form 10-K).

Table of Contents

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The material set forth under Commitments and Contingencies in Note 1 of Notes to the Condensed Consolidated Financial Statements in Part 1, Item 1 of this Quarterly Report on Form 10-Q is incorporated herein by reference.

ITEM 1A. RISK FACTORS

There have been no material changes from our risk factors as previously reported in Item 1A of our 2015 Annual Report on Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Recent Sales of Unregistered Securities:

None.

Issuer Purchases of Equity Securities:

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

10.1	CommScope Holding Company, Inc. Annual Incentive Plan, as amended February 17, 2016.
10.2	

	Form of Restricted Stock Unit Award Certificate under the CommScope Holding Company, Inc. 2013 Long-Term Incentive Plan (for grants in 2016 and later).
10.3	Form of Performance Stock Unit Award Certificate under the CommScope Holding Company, Inc. 2013 Long-Term Incentive Plan (for grants in 2016 and later).
10.4	Form of Non-Qualified Stock Option Certificate under the CommScope Holding Company, Inc. 2013 Long-Term Incentive Plan (for grants in 2016 and later).
10.5	CommScope Holding Company, Inc. Amendment to Outstanding Options, effective March 7, 2016.
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a).
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a).
32.1	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished pursuant to Item 601(b)(32)(ii) of Regulation S-K).
101.INS	XBRL Instance Document, furnished herewith.
101.SCH	XBRL Schema Document, furnished herewith.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.INS	XBRL Taxonomy Extension Label Linkbase Document.
101.INS	XBRL Taxonomy Extension Presentation Linkbase Document.
101.INS	XBRL Taxonomy Extension Definition Linkbase Document.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	COMMSCOPE HOLDING COMPANY, INC.
April 27, 2016	/s/ Mark A. Olson
Date	Mark A. Olson *Executive Vice President and Chief Financial Officer (Principal Financial Officer and duly authorized officer)*

36