

Oxford Lane Capital Corp.
Form 497
November 07, 2018

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PROSPECTUS SUPPLEMENT
(To Prospectus dated August 2, 2018 **November 7, 2018**
and Prospectus Supplement dated August 10, 2018)

Oxford Lane Capital Corp.

\$300,000,000

Common Stock

This prospectus supplement supplements the prospectus supplement dated August 10, 2018 (the “First Prospectus Supplement”) and the accompanying prospectus thereto, dated August 2, 2018 (the “Base Prospectus,” together with the First Prospectus Supplement and this prospectus supplement, the “Prospectus”), which relate to the sale of shares of common stock of Oxford Lane Capital Corp. in an “at-the-market” offering pursuant to an amended and restated equity distribution agreement, dated August 10, 2018, with Ladenburg Thalmann & Co. Inc.

You should carefully read the entire Prospectus before investing in our common stock. **You should also review the information set forth under the “Risk Factors” section beginning on page 19 of the Base Prospectus before investing.**

The terms “Oxford Lane,” the “Company,” “we,” “us” and “our” generally refer to Oxford Lane Capital Corp.

PRIOR SALES PURSUANT TO THE “AT THE MARKET” OFFERING

From March 7, 2016 to November 6, 2018, we sold a total of 18,273,688 shares of common stock pursuant to the “at-the-market” offering. Of the 18,273,688 shares of common stock sold, 13,813,244 shares were sold pursuant to our prior registration statement on Form N-2 (File No 333-205405) (the “Prior Registration Statement”). The total amount of capital raised as a result of these sales of common stock was approximately \$196.3 million (\$147.6 million pursuant to the Prior Registration Statement) and net proceeds were approximately \$192.1 million (\$144.5 million pursuant to the Prior Registration Statement) after deducting the sales agent’s commissions and offering expenses.

SECOND QUARTER 2018 FINANCIAL HIGHLIGHTS

Net asset value (“NAV”) per share as of September 30, 2018 stood at \$9.93, compared with a NAV per share on June 30, 2018 of \$9.98.

Net investment income (“NII”), calculated in accordance with generally accepted accounting principles (“GAAP”), was approximately \$11.7 million, or \$0.35 per share, for the quarter ended September 30, 2018.

Our core net investment income (“Core NII”) was approximately \$15.2 million, or \$0.46 per share, for the quarter ended September 30, 2018.

Core NII represents GAAP NII adjusted for additional cash distributions received, or entitled to be received (if any, in either case), on our collateralized loan obligation (“CLO”) equity investments while excluding any cash distributions believed to represent a return of capital. See additional information under “Supplemental Information Regarding Core Net Investment Income” below.

While, in our experience, cash flow distributions have historically represented useful indicators of our CLO equity investments’ annual taxable income during certain periods, we believe that current and future cash flow distributions may be less accurate indicators of taxable income with respect to our CLO equity investments than they have been in the past. Accordingly, our taxable income may materially differ from GAAP NII and/or Core NII.

Total investment income for the second fiscal quarter of 2018 amounted to approximately \$21.9 million, which represented an increase of \$0.6 million from the first fiscal quarter of 2018.

o For the quarter ended September 30, 2018 we recorded investment income from our portfolio as follows:

§ \$21.1 million from our CLO equity investments, and

§ \$0.8 million from our CLO debt investments and other income.

As of September 30, 2018 the following metrics applied (note that none of these values represented a total return to shareholders):

o The weighted average yield of our CLO debt investments at current cost was 11.0%, compared with 11.2% as of June 30, 2018.

o The weighted average GAAP effective yield of our CLO equity investments at current cost was 15.6%, compared with 16.7% as of June 30, 2018.

o The weighted average cash yield of our CLO equity investments at current cost was 20.7%, compared with 22.4% as of June 30, 2018.

For the quarter ended September 30, 2018 we recorded a net increase in net assets resulting from operations of approximately \$8.6 million, or \$0.26 per share. This included the following approximations:

o Net investment income of \$11.7 million;

- o Net realized gain of \$1.0 million; and

- o Net unrealized depreciation of \$4.1 million.

During the quarter ended September 30, 2018 we made additional CLO investments of approximately \$157.6 million, and received \$91.0 million from sales and repayments of our CLO investments.

During the second fiscal quarter of 2018, we issued a total of 4,925,093 shares of common stock pursuant to an “at-the-market” offering. After deducting the sales agent’s commissions and offering expenses, this resulted in net proceeds of approximately \$52.3 million.

On October 11, 2018, we entered into a Third Amended and Restated Repurchase Transaction Facility with Nomura Securities International, Inc. to extend the repurchase transaction by three months until July 2, 2019.

On October 30, 2018 our Board of Directors declared the following distributions on our common stock:

Month Ending	Record Date	Payment Date	Amount Per Share
January 31, 2019	January 24, 2019	January 31, 2019	\$ 0.135
February 28, 2019	February 21, 2019	February 28, 2019	\$0.135
March 31, 2019	March 22, 2019	March 29, 2019	\$0.135

Our Board of Directors also declared the required monthly dividends on our Series 2023 Term Preferred Shares and Series 2024 Term Preferred Shares (each, a “Share”) as follows:

Preferred Shares Type	Per Share Dividend Amount Declared	2018 Record Dates	2018 Payment Dates
Series 2023	\$0.156250	December 24, January 24, February 21	December 31, January 31, February 28
Series 2024	\$0.140625	December 24, January 24, February 21	December 31, January 31, February 28

In accordance with their terms, each of the Series 2023 Term Preferred Shares and Series 2024 Term Preferred Shares will pay a monthly dividend at a fixed rate of 7.50% and 6.75%, respectively, of the \$25.00 per share liquidation preference, or \$1.875 and \$1.6875 per share per year, respectively. This fixed annual dividend rate is subject to adjustment under certain circumstances, but will not, in any case, be lower than 7.50% and 6.75% per year, respectively, for each of the Series 2023 Term Preferred Shares and Series 2024 Term Preferred Shares.

Supplemental Information Regarding Core Net Investment Income

We provide information relating to Core NII (a non-GAAP measure) on a supplemental basis. This measure is not provided as a substitute for GAAP NII, but in addition to it. Our non-GAAP measures may differ from similar measures by other companies, even in the event of similar terms being utilized to identify such measures. Core NII represents GAAP NII adjusted for additional cash distributions received, or entitled to be received (if any, in either case), on our CLO equity investments.

Income from investments in the “equity” class securities of CLO vehicles, for GAAP purposes, is recorded using the effective interest method – this is based on an effective yield to the expected redemption utilizing estimated cash flows at current cost. The result is an effective yield for the investment in which the difference between the actual cash received, or distributions entitled to be received, and the effective yield calculation is adjusted from the cost. Accordingly, investment income recognized on CLO equity securities in the GAAP statement of operations differs

from the cash distributions actually received by the Company during the period (referred to below as “CLO equity adjustments”).

Furthermore, in order for the Company to continue qualifying as a regulated investment company (“RIC”) for tax purposes, we are required, among other things, to distribute at least 90% of our investment company taxable income annually. Therefore, Core NII may provide a better indication of our estimated taxable income for a reporting period than GAAP NII; we can offer no assurance that will be the case, however, as the ultimate tax character of our earnings cannot be determined until after tax returns are prepared at the close of a fiscal year. We note that these non-GAAP measures may not serve as useful indicators of taxable earnings, particularly during periods of market disruption and volatility, and, as such, our taxable income may differ materially from our Core NII.

The following table provides a reconciliation of GAAP NII to Core NII for the three months ended September 30, 2018:

	Three Months Ended September 30, 2018	
	Amount	Per Share
		Amount
GAAP net investment income	\$11,737,771	\$ 0.352
CLO equity adjustments	3,481,202	0.105
Core net investment income	\$15,218,973	\$ 0.457

SEMI-ANNUAL REPORT TO STOCKHOLDERS

On November 5, 2018, the Company filed its Semi-Annual Report to stockholders for the period from April 1, 2018 to September 30, 2018. The text of the Semi-Annual Report is attached hereto and is incorporated herein by reference.

Information contained on our website is not incorporated by reference into this prospectus supplement or the Prospectus, and you should not consider that information to be part of this prospectus supplement or the Prospectus.

Oxford Lane Capital Corp.

Semi-Annual Report

September 30, 2018

oxfordlanecapital.com

OXFORD LANE CAPITAL CORP.

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Oxford Lane Capital Corp.

November 5, 2018

To Our Stockholders:

We are pleased to submit to you the report of Oxford Lane Capital Corp. (“we”, “us”, “our”, the “Fund” or “Oxford Lane”) for the six months ended September 30, 2018. The net asset value of our shares at that date was \$9.93 per common share. The Fund’s common stock is traded on the NASDAQ Global Select Market and its share price can differ from its net asset value. The Fund’s closing price at September 30, 2018 was \$10.60, up from \$10.13 at March 31, 2018. The total return based on market value for Oxford Lane, for the six months ended September 30, 2018, as reflected in the Fund’s financial highlights, was 12.86%. This return reflects the change in market price for the six month period ended September 30, 2018, as well as the impact of \$0.81 per share in distributions declared and paid. The total return based on net asset value (“NAV”) for the six months ended September 30, 2018, as reflected in the Fund’s financial highlights, was 6.55%. Please refer to “Note 13. Financial Highlights” for further details. On November 2, 2018, the last reported sale price of the Fund’s common stock was \$10.50.

We note that there may be significant differences between Oxford Lane’s earnings prepared in accordance with generally accepted accounting principles (“GAAP”) in the United States of America and our taxable earnings, particularly related to collateralized loan obligation (“CLO”) equity investments where our taxable earnings are based upon the distributable share of earnings as determined under tax regulations for each CLO equity investment, while GAAP earnings are based upon an effective yield calculation. Additionally, as our taxable earnings are not generally known until after our distributions are made, those distributions may represent a return of capital on a tax basis. While reportable GAAP revenue from our CLO equity investments for the six months ended September 30, 2018 was approximately \$41.6 million, we received or were entitled to receive approximately \$68.9 million in distributions from our CLO equity investments.

Investment Review

The Fund’s investment objective is to maximize its portfolio’s risk-adjusted total return over its investment horizon. Our current focus is to seek that return by investing in equity and junior tranches of CLO vehicles(1), which are collateralized primarily by a diverse portfolio of senior loans, and which generally have little to no exposure to real estate loans, mortgage loans or pools of consumer-based debt, such as credit card receivables or auto loans. Our investment strategy also includes investing in warehouse facilities, which are financing structures intended to aggregate senior loans that may be used to form the basis of a CLO vehicle. As of September 30, 2018, we held debt investments in three different CLO structures, equity investments in approximately 100 different CLO structures and two investments in warehouse facilities.

Structurally, CLO vehicles are entities formed to purchase and manage a portfolio of loans. The loans within a CLO vehicle are limited to those which, on an aggregated basis, meet established credit criteria. They are subject to concentration limitations in order to limit a CLO vehicle’s exposure to a single credit.

Investment Outlook

We believe that the market for CLO-related assets continues to provide us with opportunities to generate attractive risk-adjusted returns over the long term. We believe that a number of factors support this conclusion, including:

— The long-term and relatively low-cost capital that many CLO vehicles have secured, compared with current asset spreads, have created opportunities to purchase certain CLO equity and junior debt instruments that may produce attractive risk-adjusted returns. Additionally, given that the CLO vehicles we invest in are cash flow-based vehicles, this term financing may be beneficial in periods of market volatility.

— The market to invest in warehouse facilities has created additional attractive risk-adjusted investment opportunities for us.

— Investing in CLO securities, and CLO equity instruments and warehouse facilities in particular, requires a high level of research and analysis best conducted by knowledgeable market participants.

1

— The U.S. CLO market is relatively large with total assets under management of approximately \$544 billion.⁽²⁾ We estimate that the notional amount outstanding of the junior-most debt tranches (specifically the tranches originally rated “BB” and “B”) is approximately \$26 billion and the notional amount outstanding of the equity tranches is approximately \$52 billion.⁽³⁾

An investment in our Fund carries with it a significant number of meaningful risks, certain of which are discussed in the notes to our financial statements. Investors should read “Note 14. Risks and Uncertainties” carefully.

We continue to review a large number of CLO investment opportunities in the current market environment, and we expect that our portfolio holdings, over the near to intermediate-term, will continue to be comprised of CLO debt and equity securities, with the more significant focus over the near-term likely to be on CLO equity securities and warehouse facilities.

Jonathan H. Cohen

Chief Executive Officer

1. A CLO vehicle is formed by issuing various classes or “tranches” of debt (with the most senior tranches being rated “AAA” to the most junior tranches typically being rated “BB” or “B”) and equity. The tranches of CLO vehicles rated “BB” or “B” may be referred to as “junk.” The equity of a CLO vehicle is generally structured to absorb the CLO’s losses before any of the CLO’s debt tranches, and it also has the lowest level of payment priority among the CLO’s tranches; therefore, the equity is typically the riskiest tranche of a CLO vehicle.

2. As of September 30, 2018 — Source: Wells Fargo Securities, The CLO Monthly Market Overview, dated October 2, 2018.

3. Oxford Lane has estimated this amount based in part on the Wells Fargo Securities report (noted in footnote 2 above).

OXFORD LANE CAPITAL CORP.

TOP TEN HOLDINGS
AS OF SEPTEMBER 30, 2018
(unaudited)

Investment	Maturity	Fair Value	% of Net Assets
Atrium XII CLO – CLO subordinated notes	April 22, 2027	\$ 30,938,625	8.57 %
Madison Park Funding XXX, Ltd. – CLO subordinated notes	April 15, 2029	\$ 21,471,630	5.95 %
MidOcean Credit CLO VI – CLO income notes	January 20, 2029	\$ 18,772,000	5.20 %
Madison Park Funding XXIX, Ltd. – CLO subordinated warehouse notes	March 10, 2020	\$ 18,000,000	4.99 %
Venture 33 CLO, Limited – CLO subordinated notes	July 15, 2031	\$ 17,053,125	4.73 %
OFSI Fund VII, Ltd. – CLO subordinated notes	October 18, 2026	\$ 15,862,000	4.39 %
Venture XXI CLO, Limited – CLO subordinated notes	July 15, 2027	\$ 15,503,000	4.30 %
Shackleton 2013-IV-R CLO, Ltd. – CLO subordinated notes	April 13, 2031	\$ 14,602,747	4.05 %
Madison Park Funding XXIX, Ltd. – CLO subordinated notes	October 18, 2030	\$ 14,413,960	3.99 %
THL Credit Wind River 2014-3 CLO Ltd. – CLO subordinated notes	October 22, 2031	\$ 13,747,300	3.81 %

Portfolio Investment Breakdown as of September 30, 2018
(Excludes cash and cash equivalents and other assets)

OXFORD LANE CAPITAL CORP.

STATEMENT OF ASSETS AND LIABILITIES

(unaudited)

	September 30, 2018
ASSETS	
Investments, at fair value (cost: \$583,320,655)	\$ 560,006,658
Cash and cash equivalents	7,957,188
Distributions receivable	8,981,923
Deferred offering costs on common stock	355,995
Interest receivable, including accrued interest purchased	198,743
Fee receivable	74,755
Prepaid expenses and other assets	32,501
Total assets	577,607,763
LIABILITIES	
Mandatorily redeemable preferred stock, net of discount and deferred issuance costs (10,000,000 shares authorized, 6,345,416 shares issued and outstanding)	152,307,833
Securities sold under agreement to repurchase	42,493,500
Securities purchased not settled	15,190,260
Incentive fees payable to affiliate	2,934,442
Investment advisory fee payable to affiliate	2,775,092
Interest payable	589,422
Accrued expenses	308,412
Directors' fees payable	66,250
Accrued offering costs	17,274
Administrator expense payable	11,767
Total liabilities	216,694,252
COMMITMENTS AND CONTINGENCIES (Note 11)	
NET ASSETS applicable to common stock, \$0.01 par value, 90,000,000 shares authorized, and 36,357,391 shares issued and outstanding	\$ 360,913,511
NET ASSETS consist of:	
Paid in capital	\$ 452,809,888
Accumulated net realized losses on investments	(56,531,199)
Accumulated realized gains on redemption of debt	574,950
Net unrealized depreciation on investments	(23,313,997)
Distribution in excess of net investment income	(12,626,131)
Total net assets	\$ 360,913,511
Net asset value per common share	\$ 9.93
Market price per share	\$ 10.60
Percentage of market price premium to net asset value per share	6.75 %
See Accompanying Notes.	

OXFORD LANE CAPITAL CORP.

SCHEDULE OF INVESTMENTS

SEPTEMBER 30, 2018

(unaudited)

COMPANY/INVESTMENT ⁽¹⁾⁽¹⁴⁾	PRINCIPAL AMOUNT	COST	FAIR VALUE ⁽²⁾	% of Net Assets
<u>Collateralized Loan Obligation – Debt Investments</u>				
Dryden 42 Senior Loan Fund				
CLO secured notes – Class FR ⁽⁴⁾⁽⁶⁾ , 9.54% (LIBOR + 7.20%, due July 15, 2030)	\$ 1,371,000	\$ 1,236,309	\$ 1,277,772	
Mountain Hawk II CLO, Ltd.				
CLO secured notes – Class E ⁽⁴⁾⁽⁶⁾ , 7.15% (LIBOR + 4.80%, due July 20, 2024)	8,000,000	6,915,655	7,424,000	
OZLM XXII, Ltd.				
CLO secured notes – Class E ⁽⁴⁾⁽⁶⁾ , 9.73% (LIBOR + 7.39%, due January 17, 2031)	2,670,000	2,580,933	2,500,722	
Total Structured Finance		\$ 10,732,897	\$ 11,202,494	3.10 %
Total Collateralized Loan Obligation – Debt Investments		\$ 10,732,897	\$ 11,202,494	3.10 %
<u>Collateralized Loan Obligation – Equity Investments</u>				
Structured Finance				
AMMC CLO XI, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 15.37%, maturity April 30, 2031)	\$ 2,100,000	\$ 1,211,162	\$ 1,197,000	
AMMC CLO XII, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 15.28%, maturity November 10, 2030)	11,428,571	5,662,161	5,028,571	
Anchorage Capital CLO 5-R, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 12.40%, maturity January 15, 2030)	4,000,000	4,088,584	3,669,236	
Apidos CLO XXI				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 16.96%, maturity July 18, 2027)	8,700,000	6,273,483	5,916,000	
Apex Credit CLO 2018 Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽⁹⁾ , (Estimated yield 19.90%, maturity April 25, 2031)	9,750,000	8,302,511	8,970,000	
Apex Credit CLO 2015-II, Ltd. (fka: JFIN CLO 2015-II Ltd.)				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 33.83%, maturity October 17, 2026)	5,750,000	4,926,709	4,881,406	
Ares XL CLO Ltd.				

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CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 10.66%, maturity October 15, 2027)	5,100,000	4,293,177	3,585,026
Atrium XII CLO			
CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽¹²⁾ , (Estimated yield 25.92%, maturity April 22, 2027)	34,762,500	24,456,220	30,938,625
Babson CLO Ltd. 2016-III			
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 15.22%, maturity January 15, 2028)	3,750,000	2,606,636	2,550,000
Battalion CLO VI Ltd.			
CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽¹¹⁾ , (Estimated yield -6.73%, maturity October 17, 2026)	5,000,000	1,439,894	1,000,000
(Continued on next page)			

See Accompanying Notes.

OXFORD LANE CAPITAL CORP.

SCHEDULE OF INVESTMENTS

SEPTEMBER 30, 2018

(unaudited)

COMPANY/INVESTMENT ⁽¹⁾⁽¹⁴⁾	PRINCIPAL AMOUNT	COST	FAIR VALUE ⁽²⁾	% of Net Assets
<u>Collateralized Loan Obligation – Equity Investments</u>				
(continued)				
Structured Finance (continued)				
Battalion CLO VII Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 8.80%, maturity July 17, 2028)	\$ 26,900,000	\$ 17,555,339	\$ 12,912,000	
Benefit Street Partners CLO V Ltd.				
CLO preference shares ⁽⁵⁾⁽⁷⁾⁽¹¹⁾ , (Estimated yield 0.00%, maturity October 20, 2026)	11,500,000	1,307,569	920,000	
Blue Hill CLO, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽¹¹⁾ , (Estimated yield 0.00%, maturity January 15, 2026)	15,125,000	783,578	—	
CLO subordinated fee notes ⁽⁸⁾ , (Maturity January 15, 2026)	96,635	17,931	—	
B&M CLO 2014-1 LTD				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield -5.79%, maturity April 16, 2026)	2,000,000	799,660	520,000	
Bristol Park CLO, Ltd.				
CLO income notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 11.95%, maturity April 15, 2029)	10,000,000	7,777,702	7,000,000	
Canyon Capital CLO 2015-1, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽⁹⁾ , (Estimated yield 23.66%, maturity April 15, 2029)	10,000,000	6,010,714	6,400,000	
Carlyle Global Market Strategies CLO 2013-2, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 18.98%, maturity April 18, 2025)	16,500,000	10,422,586	11,273,155	
Covenant Credit Partners CLO II, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 31.36%, maturity October 17, 2026)	8,650,000	2,652,361	2,595,000	
CLO subordinated fee notes ⁽⁸⁾ , (Maturity October 17, 2026)	850,000	57,120	53,244	
Cathedral Lake CLO 2013, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 20.18%, maturity October 15, 2029)	5,250,000	2,460,739	2,415,000	
Cathedral Lake II, Ltd.				

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CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 19.20%, maturity July 16, 2029)	2,875,000	1,993,284	1,955,000
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CIFC Funding 2013-II, Ltd.

CLO income notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 20.32%, maturity October 18, 2030)	10,532,500	4,790,688	4,844,950
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CIFC Funding 2014-III, Ltd.

CLO income notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 17.95%, maturity July 22, 2026)	11,000,000	6,859,509	5,940,000
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CIFC Funding 2014, Ltd.

CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 15.94%, maturity January 18, 2031)	8,500,000	4,986,412	4,420,000
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See Accompanying Notes.

OXFORD LANE CAPITAL CORP.

SCHEDULE OF INVESTMENTS

SEPTEMBER 30, 2018

(unaudited)

COMPANY/INVESTMENT ⁽¹⁾⁽¹⁴⁾	PRINCIPAL AMOUNT	COST	FAIR VALUE ⁽²⁾	% of Net Assets
<u>Collateralized Loan Obligation – Equity Investments</u>				
(continued)				
Structured Finance (continued)				
Dryden 42 Senior Loan Fund				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 21.67%, maturity July 15, 2030)	\$ 7,000,000	\$ 4,712,676	\$ 4,994,913	
Dryden 49 Senior Loan Fund				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 16.19%, maturity July 18, 2030)	6,425,000	5,302,337	4,947,250	
Dryden 54 Senior Loan Fund				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽⁹⁾ , (Estimated yield 17.73%, maturity October 19, 2029)	2,500,000	2,040,226	2,000,000	
Ellington CLO II, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽⁹⁾ , (Estimated yield 21.23%, maturity February 15, 2029)	4,000,000	3,675,777	3,560,000	
Figuroa CLO 2013-2, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 25.44%, maturity June 20, 2027)	8,500,000	4,287,663	4,675,000	
Golub Capital Partners CLO 35(B), Ltd.,				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 17.62%, maturity July 20, 2029)	14,200,000	10,256,939	9,940,000	
Halcyon Loan Advisors Funding 2015-1 Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 24.35%, maturity April 20, 2027)	7,000,000	3,699,175	3,500,000	
Halcyon Loan Advisors Funding 2015-2 Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽⁹⁾ , (Estimated yield 30.91%, maturity July 25, 2027)	6,000,000	3,380,528	3,300,000	
Halcyon Loan Advisors Funding 2018-1 Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽⁹⁾ , (Estimated yield 18.49%, maturity July 20, 2031)	11,250,000	10,513,848	10,350,000	
Hull Street CLO Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield -28.71%, maturity October 18, 2026)	15,000,000	5,988,797	3,000,000	

ICG US CLO 2016-1, Ltd.

CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 10.58%, maturity July 29, 2028)	4,750,000	4,744,998	4,080,773
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Ivy Hill Middle Market Credit VII, Ltd.

CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 15.74%, maturity October 20, 2029)	5,400,000	4,552,412	3,720,535
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Jamestown CLO III, Ltd.

CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽¹¹⁾ , (Estimated yield 3.07%, maturity January 15, 2026)	15,575,000	2,483,795	1,401,750
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Jamestown CLO IV, Ltd.

CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 14.51%, maturity July 15, 2026)	9,500,000	3,442,545	2,143,319
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See Accompanying Notes.

OXFORD LANE CAPITAL CORP.

SCHEDULE OF INVESTMENTS

SEPTEMBER 30, 2018

(unaudited)

COMPANY/INVESTMENT ⁽¹⁾⁽¹⁴⁾	PRINCIPAL AMOUNT	COST	FAIR VALUE ⁽²⁾	% of Net Assets
<u>Collateralized Loan Obligation – Equity Investments</u>				
(continued)				
Structured Finance (continued)				
Jamestown CLO V, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 11.41%, maturity January 17, 2027)	\$ 8,500,000	\$ 3,149,855	\$ 2,720,000	
Jamestown CLO VII, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 19.06%, maturity July 25, 2027)	7,000,000	4,840,840	4,620,000	
Longfellow Place CLO, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 18.67%, maturity April 15, 2029)	15,640,000	7,237,987	6,778,230	
Madison Park Funding X, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 8.54%, maturity January 20, 2025)	6,000,000	5,272,581	5,400,000	
Madison Park Funding XI, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 10.34%, maturity October 23, 2025)	1,236,843	868,283	816,316	
Madison Park Funding XXIV, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 10.53%, maturity January 20, 2028)	892,188	818,061	813,006	
Madison Park Funding XXV, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 14.05%, maturity April 25, 2029)	1,300,000	1,198,558	1,261,000	
Madison Park Funding XXVII, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 13.61%, maturity April 20, 2030)	1,837,500	1,792,568	1,984,500	
Madison Park Funding XXIX, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽⁹⁾ , (Estimated yield 15.67%, maturity October 18, 2030)	17,000,000	14,432,521	14,413,960	
Madison Park Funding XXIX, Ltd.				
CLO subordinated warehouse notes ⁽⁵⁾⁽⁷⁾⁽¹⁰⁾ , (Estimated yield 13.96%, maturity March 10, 2020)	18,000,000	18,000,000	18,000,000	

Madison Park Funding XXX, Ltd.

CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽¹²⁾ , (Estimated yield 15.07%, maturity April 15, 2029)	20,000,000	18,355,965	21,471,630
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Midocean Credit CLO VI

CLO income notes ⁽⁵⁾⁽⁷⁾⁽¹²⁾ , (Estimated yield 11.45%, maturity January 20, 2029)	24,700,000	20,858,693	18,772,000
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Mountain Hawk II CLO, Ltd.

CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield -17.33%, maturity July 20, 2024)	25,670,000	7,122,714	3,593,800
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Mountain View CLO 2014-1 Ltd.

CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 41.93%, maturity October 15, 2026)	15,000,000	4,029,441	3,859,182
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(Continued on next page)

See Accompanying Notes.

OXFORD LANE CAPITAL CORP.

SCHEDULE OF INVESTMENTS

SEPTEMBER 30, 2018

(unaudited)

COMPANY/INVESTMENT ⁽¹⁾⁽¹⁴⁾	PRINCIPAL AMOUNT	COST	FAIR VALUE ⁽²⁾	% of Net Assets
<u>Collateralized Loan Obligation – Equity Investments</u>				
(continued)				
Structured Finance (continued)				
Northwoods Capital XI-B, Limited				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽⁹⁾ , (Estimated yield 18.48%, maturity April 19, 2031)	\$5,000,000	\$4,906,952	\$4,900,000	
Octagon Investment Partners XXII, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 19.24%, maturity January 22, 2030)	3,168,750	2,047,933	2,028,000	
Octagon Investment Partners 27, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 30.90%, maturity July 15, 2030)	5,000,000	3,363,848	3,418,945	
Octagon Investment Partners 33, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 16.44%, maturity January 20, 2031)	10,000,000	9,123,403	9,200,000	
Octagon Investment Partners 38, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽⁹⁾ , (Estimated yield 17.95%, maturity July 20, 2030)	5,000,000	4,321,842	4,156,250	
Octagon Investment Partners 40, Ltd.				
CLO subordinated warehouse notes ⁽⁵⁾⁽⁷⁾⁽¹⁰⁾ , (Estimated yield 12.04%, maturity September 10, 2020)	6,250,000	6,250,000	6,250,000	
OFSI Fund VII, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 5.13%, maturity October 18, 2026)	28,840,000	20,174,765	15,862,000	
OFSI BSL IX, LTD.				
CLO preferred shares ⁽⁵⁾⁽⁷⁾⁽⁹⁾ , (Estimated yield 20.95%, maturity July 15, 2031)	11,480,000	10,089,828	10,676,400	
OZLM Funding III, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽⁹⁾ , (Estimated yield 13.89%, maturity January 22, 2029)	12,000,000	7,349,775	7,320,000	
OZLM XII, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 18.86%, maturity April 30, 2027)	6,750,000	4,337,628	4,185,000	

OZLM XIII, Ltd.

CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 14.42%, maturity July 30, 2027)	4,000,000	3,020,056	2,547,000
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OZLM XIV, Ltd.

CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽¹²⁾ , (Estimated yield 12.56%, maturity January 15, 2029)	10,000,000	8,249,149	7,217,965
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Regatta III Funding Ltd.

CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽¹¹⁾ , (Estimated yield 0.00%, maturity April 15, 2026)	3,750,000	161,958	75,701
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Shackleton 2013-IV-R CLO, Ltd.

CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 20.24%, maturity April 13, 2031)	16,750,000	13,949,262	14,602,747
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(Continued on next page)

See Accompanying Notes.

OXFORD LANE CAPITAL CORP.

SCHEDULE OF INVESTMENTS

SEPTEMBER 30, 2018

(unaudited)

COMPANY/INVESTMENT ⁽¹⁾⁽¹⁴⁾	PRINCIPAL AMOUNT	COST	FAIR VALUE ⁽²⁾	% of Net Assets
<u>Collateralized Loan Obligation – Equity Investments</u>				
(continued)				
Structured Finance (continued)				
Shackleton 2015-VII CLO, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 13.75%, maturity July 15, 2031)	\$ 10,500,000	\$ 8,706,176	\$ 7,350,000	
Shackleton 2017-X CLO, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 11.17%, maturity April 20, 2029)	10,000,000	9,075,874	7,700,000	
Sheridan Square CLO, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽¹¹⁾ , (Estimated yield 0.00%, maturity April 15, 2025)	3,300,000	167,753	49,500	
Sound Point CLO VI, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽¹¹⁾ , (Estimated yield 23.77%, maturity October 20, 2026)	8,093,378	4,613,840	4,046,689	
Sound Point CLO VIII, Ltd.				
CLO subordinated fee notes ⁽⁸⁾ , (Maturity April 15, 2027)	224,719	202,247	26,336	
Sound Point CLO XVIII, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽⁹⁾ , (Estimated yield 16.66%, maturity January 21, 2031)	3,500,000	3,658,000	3,640,000	
Steele Creek CLO 2016-1, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 19.84%, maturity June 15, 2031)	4,000,000	3,650,953	3,760,000	
Symphony CLO XVIII, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽⁹⁾ , (Estimated yield 19.21%, maturity January 23, 2028)	5,500,000	4,059,824	3,960,000	
Telos CLO 2013-3, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 10.14%, maturity July 17, 2026)	14,332,210	9,082,595	7,739,393	
Telos CLO 2013-4, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 19.95%, maturity January 17, 2030)	11,350,000	7,422,850	7,142,674	

Telos CLO 2014-6, Ltd.

CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 20.04%, maturity January 17, 2027)	6,250,000	4,027,940	3,519,523
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THL Credit Wind River 2014-3 CLO Ltd.

CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽¹²⁾ , (Estimated yield 20.06%, maturity October 22, 2031)	19,639,000	14,937,966	13,747,300
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THL Credit Wind River 2017-1 CLO Ltd.

CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽¹²⁾ , (Estimated yield 13.84%, maturity April 18, 2029)	12,000,000	10,288,221	8,880,000
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Tralee CLO II, Ltd.

CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 32.35%, maturity July 20, 2029)	6,300,000	2,420,380	2,646,000
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(Continued on next page)

See Accompanying Notes.

OXFORD LANE CAPITAL CORP.

SCHEDULE OF INVESTMENTS

SEPTEMBER 30, 2018

(unaudited)

COMPANY/INVESTMENT ⁽¹⁾⁽¹⁴⁾	PRINCIPAL AMOUNT	COST	FAIR VALUE ⁽²⁾	% of Net Assets
<u>Collateralized Loan Obligation – Equity Investments</u>				
(continued)				
Structured Finance (continued)				
Tralee CLO IV, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 18.86%, maturity January 20, 2030)	\$ 13,270,000	\$ 11,899,286	\$ 11,943,000	
Venture XIV CLO, Limited				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 18.73%, maturity August 28, 2029)	8,250,000	4,745,301	4,455,000	
Venture XV CLO, Limited				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 12.45%, maturity July 15, 2028)	6,500,000	4,522,028	4,095,000	
Venture XVII CLO, Limited				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 18.04%, maturity April 15, 2027)	17,000,000	11,703,352	11,203,294	
Venture XX CLO, Limited				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽⁹⁾ , (Estimated yield 12.02%, maturity April 15, 2027)	6,000,000	4,544,182	4,380,000	
Venture XXI CLO, Limited				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 18.58%, maturity July 15, 2027)	20,950,000	14,832,538	15,503,000	
Venture 33 CLO, Limited				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽⁹⁾ , (Estimated yield 19.19%, maturity July 15, 2031)	20,062,500	17,299,850	17,053,125	
Wellfleet 2016-2 CLO, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 15.30%, maturity October 15, 2028)	10,000,000	8,360,865	8,200,000	
Zais CLO 8, Limited				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 25.28%, maturity April 15, 2029)	3,000,000	2,471,778	3,060,000	
Zais CLO 9, Limited				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽⁹⁾ , (Estimated yield 18.81%, maturity July 20, 2031)	4,000,000	3,752,048	3,820,000	

Other CLO equity related investments

CLO other ⁽⁸⁾	—	3,342,945		
	\$ 572,587,758	\$ 548,804,164	152.06%	
Total Collateralized Loan Obligation - Equity Investments	\$ 572,587,758	\$ 548,804,164	152.06%	

Total Investments

\$ 583,320,655 \$ 560,006,658 155.16%

Cash and Cash Equivalents

First American Government Obligations Fund ⁽¹³⁾	\$ 7,957,188	\$ 7,957,188		
Total Cash and Cash Equivalents	\$ 7,957,188	\$ 7,957,188	2.20	%

Total Investments, Cash and Cash Equivalents

\$ 591,277,843 \$ 567,963,846 157.36%

(1) We do not “control” and are not an “affiliate” of any of our portfolio companies, each as defined in the Investment Company Act of 1940, as amended (the “1940 Act”). In general, under the 1940 Act, we would be presumed to “control” a portfolio company if we owned 25% or more of its voting securities and would be an “affiliate” of a portfolio company if we owned 5% or more of its voting securities.

OXFORD LANE CAPITAL CORP.

SCHEDULE OF INVESTMENTS

SEPTEMBER 30, 2018

(unaudited)

- (2) Fair value is determined in good faith by the Board of Directors of the Fund.
- (3) Notes bear interest at variable rates.
- (4) Cost value reflects accretion of original issue discount or market discount.
- (5) Cost value reflects accretion of effective yield less any cash distributions received or entitled to be received from CLO equity investments.
- (6) The CLO secured notes generally bear interest at a rate determined by reference to three-month LIBOR which resets quarterly. For each CLO debt investment, the rate provided is as of September 30, 2018.
- (7) The CLO subordinated notes and income notes are considered equity positions in the CLO funds. Equity investments are entitled to recurring distributions which are generally equal to the remaining cash flow of the payments made by the underlying fund's securities less contractual payments to debt holders and fund expenses. The estimated yield indicated is based upon a current projection of the amount and timing of these recurring distributions and the estimated amount of repayment of principal upon termination. Such projections are periodically reviewed and adjusted, and the estimated yield may not ultimately be realized.
- (8) Fair value represents discounted cash flows associated with fees earned from CLO equity investments.
- (9) Investment has not made inaugural distribution for relevant period end. See "Note 3. Summary of Significant Accounting Policies — Investment Income."
- (10) The subordinated shares represent an investment in a warehouse facility, which is a financing structure intended to aggregate loans that may be used to form the basis of a CLO vehicle.
- (11) The CLO equity investment was optionally redeemed. See "Note 3. Summary of Significant Accounting Policies — Securities Transactions."
- (12) Securities held as collateral pursuant to repurchase agreement with Nomura Securities International, Inc. See "Note 3. Summary of Significant Accounting Policies — Investment Valuation."
- (13) Represents cash equivalents held in a money market account as of September 30, 2018.
- (14) The fair value of the investment was determined using significant unobservable inputs. See "Note 4. Fair Value."

See Accompanying Notes.

OXFORD LANE CAPITAL CORP.

STATEMENT OF OPERATIONS

(unaudited)

	Six Months Ended September 30, 2018
INVESTMENT INCOME	
Income from securitization vehicles and investments	\$ 41,578,263
Interest income – debt investments	818,715
Other income	715,481
Total investment income	43,112,459
EXPENSES	
Interest expense	7,499,992
Investment advisory fees	5,373,326
Incentive fees	5,801,690
Professional fees	365,230
Administrator expense	334,457
Directors' fees	152,000
General and administrative	232,252
Insurance expense	82,989
Transfer agent and custodian fees	63,757
Total expenses	19,905,693
Net investment income	23,206,766
Net change in unrealized depreciation on investments	(8,208,832)
Net realized gain on investments	1,695,920
Net realized gain and net change in unrealized depreciation	(6,512,912)
Net increase in net assets resulting from operations	\$ 16,693,854

See Accompanying Notes.

OXFORD LANE CAPITAL CORP.

STATEMENT OF CHANGES IN NET ASSETS

	Six Months Ended September 30, 2018 (unaudited)	Year Ended March 31, 2018
Increase in net assets from operations:		
Net investment income	\$ 23,206,766	\$ 40,353,995
Net realized gains on investments	1,695,920	625,683
Net realized losses on the redemption of mandatorily redeemable preferred stock	—	(1,709,991)
Net change in unrealized depreciation on investments	(8,208,832)	(1,264,099)
Net increase in net assets resulting from operations	16,693,854	38,005,588
Distributions of net investment income	(23,960,604)	(35,198,279)
Distributions of return of capital	(1,709,638)	(6,318,441)
Total distributions to stockholders	(25,670,242)	(41,516,720)
Capital share transaction:		
Issuance of common stock (net of underwriting fees and offering costs \$1,813,352 and \$1,090,419, respectively)	78,726,139	61,392,800
Reinvestment of dividends	1,233,647	—
Net increase in net assets from capital share transactions	79,959,786	61,392,800
Total increase in net assets	70,983,398	57,881,668
Net assets at beginning of period	289,930,113	232,048,445
Net assets at end of period (including distributions in excess of net investment income of \$12,626,131 and \$10,162,655, respectively)	\$ 360,913,511	\$ 289,930,113
Capital share activity:		
Shares issued	7,467,718	6,017,467
Shares issued from reinvestment of dividends	120,774	—
Net increase in capital share activity	7,588,492	6,017,467

See Accompanying Notes.

OXFORD LANE CAPITAL CORP.

STATEMENT OF CASH FLOWS

(unaudited)

	Six Months Ended September 30, 2018
CASH FLOWS FROM OPERATING ACTIVITIES	
Net increase in net assets resulting from operations	\$ 16,693,854
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:	
Amortization/accretion of discounts and premiums	(114,251)
Amortization of deferred issuance costs on mandatorily redeemable preferred stock	342,496
Accretion of discount on mandatorily redeemable preferred stock	282,908
Amortization of deferred offering costs on common stock	201,515
Purchases of investments	(286,839,148)
Sales of investments	122,292,090
Repayments of principal and reductions to investment cost value	50,250,000
Net change in unrealized depreciation on investments	8,208,832
Net realized gain on investments	(1,695,920)
Net reductions to CLO equity cost value	27,285,448
Increase in distributions receivable	(3,923,068)
Decrease in fee receivable	6,402
Increase in interest receivable	(5,164)
Decrease in prepaid expenses and other assets	83,323
Increase in investment advisory fee payable	346,871
Increase in incentive fee payable	193,395
Increase in interest payable	59,464
Increase in directors' fees payable.	7,500
Decrease in administrator expense payable	(19,297)
Increase in accrued expenses	4,519
Net cash used in operating activities	(66,338,231)
CASH FLOWS FROM FINANCING ACTIVITIES	
Distributions paid (net of dividend reinvestment plan of \$1,233,647)	(24,436,595)
Proceeds from the issuance of common stock	80,539,491
Underwriting fees and offering costs for the issuance of common stock	(1,813,352)
Deferred offering costs	(328,347)
Net cash provided by financing activities	53,961,197
Net decrease in cash and cash equivalents	(12,377,034)
Cash and cash equivalents, beginning of period	20,334,222
Cash and cash equivalents, end of period	\$ 7,957,188
SUPPLEMENTAL DISCLOSURES	
Cash paid for interest.	\$ 6,757,175
NON-CASH ACTIVITIES	
Value of shares issued in connection with dividend reinvestment plan	\$ 1,233,647
Securities purchased not settled	\$ 15,190,260
Receipt of distribution in-kind	\$ 1,233,900

See Accompanying Notes.

OXFORD LANE CAPITAL CORP.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

(unaudited)

NOTE 1. UNAUDITED INTERIM FINANCIAL STATEMENTS

Interim financial statements of Oxford Lane Capital Corp. (“OXLC,” “we,” “us,” “our,” or the “Fund”) are prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) for interim financial information and pursuant to the requirements for reporting on Form N-CSR. Accordingly, certain disclosures accompanying annual financial statements prepared in accordance with GAAP are omitted. In the opinion of management, all adjustments, consisting of normal recurring accruals, necessary for the fair statement of financial results for the interim periods have been included. The current period’s results of operations are not necessarily indicative of results that may be achieved for the year. The interim financial statements and notes thereto should be read in conjunction with the financial statements and notes thereto included in the Fund’s Form N-CSR for the year ended March 31, 2018, as filed with the Securities and Exchange Commission (“SEC”).

NOTE 2. ORGANIZATION

OXLC was incorporated under the General Corporation Laws of the State of Maryland on June 9, 2010. The Fund is a non-diversified closed-end management investment company that has registered under the Investment Company Act of 1940, as amended (the “1940 Act”). In addition, the Fund has elected to be treated for tax purposes as a regulated investment company (“RIC”) under Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”). The Fund’s investment objective is to maximize its portfolio’s risk adjusted total return, and it currently seeks to achieve its investment objective by investing in structured finance investments, specifically collateralized loan obligation (“CLO”) vehicles, which primarily own senior corporate debt securities.

OXLC’s investment activities are managed by Oxford Lane Management, LLC (“OXLC Management”), a registered investment adviser under the Investment Advisers Act of 1940, as amended (the “Advisers Act.”) Oxford Funds, LLC (“Oxford Funds”), is the managing member of OXLC Management and serves as the administrator of OXLC. Under the investment advisory agreement with OXLC Management (the “Investment Advisory Agreement”), OXLC has agreed to pay OXLC Management an annual base management fee based on gross assets as well as an incentive fee based on its performance. For further detail please refer to “Note 5. Related Party Transactions.”

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying financial statements, which have been prepared in accordance with GAAP, include the accounts of the Fund. The Fund follows the accounting and reporting guidance in Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 946, Financial Services — Investment Companies. Certain prior period figures have been reclassified from those originally published on Form N-CSR to conform to the current period presentation for comparative purposes. The Fund maintains its accounting records in U.S. dollars.

USE OF ESTIMATES

The financial statements have been prepared in accordance with GAAP, which requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates and such differences could be material.

In the normal course of business, the Fund may enter into contracts that contain a variety of representations and provide indemnifications. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. However, based upon experience, the Fund expects the risk of loss to be remote.

OXFORD LANE CAPITAL CORP.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

(unaudited)

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of demand deposits and cash held in a money market fund which contain investments with original maturities of three months or less. The Fund places its cash and cash equivalents with financial institutions and, at times, cash held in bank accounts may exceed the Federal Deposit Insurance Corporation (“FDIC”) insured limit. Cash equivalents are carried at cost or amortized cost which approximates fair value.

INVESTMENT VALUATION

The Fund fair values its investment portfolio in accordance with the provisions of ASC 820, Fair Value Measurement and Disclosure. Estimates made in the preparation of OXLC’s financial statements include the valuation of investments and the related amounts of unrealized appreciation and depreciation of investments recorded. OXLC believes that there is no single definitive method for determining fair value in good faith. As a result, determining fair value requires that judgment be applied to the specific facts and circumstances of each portfolio investment while employing a consistently applied valuation process for the types of investments OXLC makes. OXLC is required to specifically fair value each individual investment on a quarterly basis.

ASC 820-10 clarifies the definition of fair value and requires companies to expand their disclosure about the use of fair value to measure assets and liabilities in interim and annual periods subsequent to initial recognition. ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820-10 also establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, which includes inputs such as quoted prices for similar securities in active markets and quoted prices for identical securities in markets that are not active; and Level 3, defined as unobservable inputs for which little or no market data exists, therefore requiring an entity to develop its own assumptions. OXLC considers the attributes of current market conditions on an on-going basis and has determined that due to the general illiquidity of the market for its investment portfolio, whereby little or no market data exists.

Collateralized Loan Obligations — Debt and Equity

OXLC has acquired debt and equity positions in Collateralized Loan Obligations (“CLO”) investment vehicles and has purchased CLO warehouse facilities. These investments are special purpose financing vehicles. In valuing such investments, OXLC considers the indicative prices provided by a recognized industry pricing service as a primary source, and the implied yield of such prices, supplemented by actual trades executed in the market at or around period-end, as well as the indicative prices provided by the broker who arranges transactions in such investment vehicles. OXLC also considers those instances in which the record date for an equity distribution payment falls on the last day of the period, and the likelihood that a prospective purchaser would require a downward adjustment to the indicative price representing substantially all of the pending distribution. Additional factors include any available information on other relevant transactions, including firm bids and offers in the market and information resulting from bids-wanted-in-competition. In addition, OXLC considers the operating metrics of the specific investment vehicle, including compliance with collateralization tests, defaulted and restructured securities, and payment defaults, if any. OXLC Management or the Fund’s board of directors (the “Board of Directors”) may elect to engage third-party valuation

firms to provide assistance to our Valuation Committee and Board of Directors in valuing certain of our investments, including, but not limited to, when requested by the Board of Directors or the Adviser. If a third-party valuation firm is engaged by the Company, it will provide the Board of Directors with a written report with respect to each investment it has reviewed. The Valuation Committee will evaluate the impact of such additional information, and factor it into its consideration of fair value.

Securities Sold Under Agreement to Repurchase

The Fund has entered into an agreement whereby it sold securities to be repurchased at an agreed-upon price and date. In such an agreement, the Fund accounts for this transaction as a collateralized financing transaction and is recorded at its

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OXFORD LANE CAPITAL CORP.

NOTES TO FINANCIAL STATEMENTS

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(unaudited)

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

contracted repurchase amount plus interest. The Fund's securities sold under the agreement to repurchase are carried at cost; which approximates fair value. Refer to "Note 9. Borrowings Related to Securities Sold Under Agreement to Repurchase" for further details.

SHARE REPURCHASES

From time to time, the Board of Directors may authorize a share repurchase program under which shares of the Fund's common stock are purchased in open market transactions. Since the Fund is incorporated in the State of Maryland, state law requires share repurchases to be accounted for as a share retirement. The cost of repurchased shares is charged against capital on the settlement date. There was no share repurchase program authorized for the six months ended September 30, 2018.

PREFERRED STOCK

The Fund carries its mandatorily redeemable preferred stock at accreted cost on the Statement of Assets and Liabilities, and not fair value. Refer to "Note 8. Mandatorily Redeemable Preferred Stock" for further details.

PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets consist primarily of insurance costs.

INVESTMENT INCOME

Income from securitization vehicles and investments

Income from investments in the equity class securities of CLO vehicles (typically income notes or subordinated notes) is recorded using the effective interest method in accordance with the provisions of ASC 325-40 Beneficial Interests in Securitized Financial Assets, based upon an effective yield to the expected redemption utilizing estimated cash flows, including those CLO equity investments that have not made their inaugural distribution for the relevant period end. The Fund monitors the expected residual payments, and effective yield is determined and updated periodically, as needed. Accordingly, investment income recognized on CLO equity securities in the GAAP statement of operations differs from both the tax-basis investment income and from the cash distributions actually received by the Fund during the period.

The Fund also records income on its investments in certain securitization vehicles (or "CLO warehouse facilities") based on a stated rate as per the underlying note purchase agreement or, if there is no stated rate, then an estimated rate is calculated using a base case model projecting the timing of the ramp-up of the CLO warehouse facility.

Interest Income — Debt Investments

Interest income is recorded on an accrual basis using the contractual rate applicable to each debt investment and includes the accretion of discounts and amortization of premiums. Discounts from and premiums to par value on securities purchased are accreted/amortized into interest income over the life of the respective security using the

effective interest method. The amortized cost of investments represents the original cost adjusted for the accretion of discounts and amortization of premiums, if any.

Generally, if the Fund does not expect the borrower to be able to service its debt and other obligations, the Fund will, on a discretionary basis, place the debt instrument on non-accrual status and will generally cease recognizing interest income on that loan for financial reporting purposes until all principal and interest have been brought current through payment or due to restructuring such that the interest income is deemed to be collectible. The Fund generally restores non-accrual loans to accrual status when past due principal and interest is paid and, in the Fund's judgment, the payments are likely to remain current. As of September 30, 2018, the Fund had no non-accrual investments in its portfolio.

OXFORD LANE CAPITAL CORP.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Other Income

Other income includes distributions from fee letters and success fees associated with portfolio investments. Distributions from fee letters are based upon a percentage of the collateral manager's fees, and are recorded as other income when earned. The Fund may also earn success fees associated with its investments in CLO warehouse facilities, which are contingent upon a repayment of the warehouse by a permanent CLO securitization structure; such fees are earned and recognized when the repayment is completed.

U.S. FEDERAL INCOME TAXES

The Fund intends to operate so as to continue to qualify to be taxed as a RIC under Subchapter M of the Code and, as such, to not be subject to U.S. federal income tax on the portion of its taxable income and gains distributed to stockholders. To qualify for RIC tax treatment, OXLC is required to distribute at least 90% of its investment company taxable income, as defined by the Code.

Because U.S. federal income tax regulations differ from GAAP, distributions in accordance with tax regulations may differ from net investment income and realized gains recognized for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Temporary differences arise when certain items of income, expense, gain or loss are recognized at some time in the future. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes.

The Fund recognizes the tax benefits of uncertain tax positions only when the position is more likely than not to be sustained, assuming examination by tax authorities. Management has analyzed the Fund's tax positions and concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions expected to be taken in the Fund's fiscal 2019 tax returns. The Fund identifies its major tax jurisdictions as U.S. Federal and Connecticut State. The Fund is not aware of any tax position for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next six months or year.

Distributions

Our distribution policy is based upon our estimate of our distributable net investment income, which includes actual distributions from our CLO equity class investments, with further consideration given to our realized gains or losses on a taxable basis. Distributions from net investment income and capital gain distributions are determined in accordance with U.S. federal income tax regulations, which differ from GAAP. Distributions from net investment income, if any, are expected to be declared quarterly and paid monthly. Net realized capital gains, unless offset by any available capital loss carry-forward, are typically distributed to stockholders annually. Distributions to stockholders are recorded on the ex-dividend date and are automatically reinvested in full and fractional shares of the Fund in accordance with the Fund's distribution reinvestment plan, unless the stockholder has elected to have them paid in cash.

Amounts required to be distributed reflect estimates made by the Fund. Distributions paid by the Fund in accordance with RIC requirements are subject to re-characterization for tax purposes.

SECURITIES TRANSACTIONS

Securities transactions are recorded on trade date. Realized gains and losses on investments sold are recorded on the basis of specific identification.

An optional redemption (“optionally redeemed”) feature of a CLO allows a majority of the holders of the equity securities issued by the CLO issuer, after the end of a specified non-call period, to cause the redemption of the secured notes issued by the CLO with proceeds paid either through the liquidation of the CLO’s assets or through a refinancing with new debt. The optional redemption is effectively a voluntary prepayment of the secured debt issued by the CLO prior to the stated maturity of such debt.

OXFORD LANE CAPITAL CORP.

NOTES TO FINANCIAL STATEMENTS

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NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Distributions received on CLO equity investments which were optionally redeemed for which the cost basis has been reduced to zero are recorded as realized gains.

DEFERRED OFFERING COSTS ON COMMON STOCK

Deferred offering costs on common stock consist of fees and expenses incurred in connection with the registration and public offer and sale of the Fund's common stock, including legal, accounting and printing fees. These costs are deferred at the time of incurrence and are subsequently charged as a reduction to capital when the offering takes place or as shares are issued. Deferred costs are periodically reviewed and expensed if the related registration statement is no longer active or if the offering is unsuccessful.

DEFERRED ISSUANCE COSTS ON MANDATORILY REDEEMABLE PREFERRED STOCK

Deferred issuance costs on mandatorily redeemable preferred stock consist of fees and expenses incurred in connection with the closing of preferred stock offerings, and are capitalized at the time of payment. These costs are amortized using the straight line method over the term of the respective preferred stock series. This amortization expense is included in interest expense in the Fund's financial statements. Upon early termination of preferred stock, the remaining balance of unamortized fees related to such debt is accelerated into realized loss on redemption of mandatorily redeemable preferred stock on the Fund's Statement of Operations. Deferred issuance costs are presented on the Statement of Assets and Liabilities as a direct deduction from the related debt liability.

NOTE 4. FAIR VALUE

The Fund's assets measured at fair value on a recurring basis subject to the disclosure requirements of ASC 820-10 at September 30, 2018, were as follows:

	Fair Value Measurements at Reporting Date Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets (\$ in millions)				
CLO debt	\$ —	\$ —	\$ 11.2	\$ 11.2
CLO equity	—	—	548.8	548.8
Total investments at fair value	—	—	560.0	560.0
Cash and cash equivalents	8.0	—	—	8.0
Total assets at fair value	\$ 8.0	\$ —	\$ 560.0	\$ 568.0
Financial Instruments Disclosed, But Not Carried, At Fair Value				

The following table presents the carrying value and fair value of the Fund's financial liabilities disclosed, but not carried at fair value as of September 30, 2018 and the level of each financial liability within the fair value hierarchy:

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(\$ in millions)	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Series 2023 Term Preferred Shares	\$ 86.0	\$ 91.5	\$ —	\$ 91.5	\$ —
New Series 2024 Term Preferred Shares	66.3	70.3	—	70.3	—
Total	\$ 152.3	\$ 161.8	\$ —	\$ 161.8	\$ —

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OXFORD LANE CAPITAL CORP.

NOTES TO FINANCIAL STATEMENTS
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NOTE 4. FAIR VALUE (cont.)

Significant Unobservable Inputs for Level 3 Investments

In accordance with ASC 820-10, the following table provides quantitative information about the Fund's Level 3 fair value measurements as of September 30, 2018. The Fund's valuation policy, as described above, establishes parameters for the sources and types of valuation analysis, as well as the methodologies and inputs that the Fund uses in determining fair value. If the Board of Directors or OXLC Management determines that additional techniques, sources or inputs are appropriate or necessary in a given situation, such additional work may be undertaken. The weighted average calculations in the table below are based on the fair value within each respective valuation technique and methodology and asset category.

Assets	Quantitative Information about Level 3 Fair Value Measurements				Impact to Valuation from an Increase in Input(4)
	Fair Value as of September 30, 2018 (\$ in millions)	Valuation Techniques / Methodologies	Unobservable Input	Range / Weighted Average(3)	
CLO debt	\$ 11.2	Market quotes	NBIP ⁽¹⁾	92.8%-93.7% / 93.0%	NA
CLO equity	498.0	Market quotes	NBIP ⁽¹⁾	1.5%-108.0% / 65.5%	NA
	25.8	Recent Transaction	Actual trade	48.0%-91.1% / 60.5%	NA
	21.6	Yield Analysis	NBIP ⁽¹⁾	14.0%-65.9% / 37.0%	NA
CLO equity - side letters	3.4	Discounted cash flow ⁽²⁾	Discount rate ⁽²⁾	10.5%-16.0% / 14.2%	Decrease
Total Fair Value for Level 3 Investments	\$ 560.0				

(1) The Fund generally uses non-binding indicative prices ("NBIP") provided by an independent pricing service or broker on or near the valuation date as the primary basis for the fair value determinations for CLO debt and equity investments, which may be adjusted for pending equity distributions as of the valuation date. These prices are non-binding, and may not be determinative of fair value. Each price is evaluated by the Board of Directors in conjunction with additional information compiled by OXLC Management, including performance and covenant compliance information as provided by the independent trustee.

(2) The Fund will calculate the fair value of certain CLO equity side letters based upon the net present value of expected contractual payment streams discounted using estimated market yields for the equity tranche of the respective CLO vehicle. OXLC will also consider those investments in which the record date for an equity distribution payment falls on the last day of the period, and the likelihood that a prospective purchaser would require an adjustment to the transaction price representing substantially all of the pending distribution.

(3) Weighted averages are calculated based on fair value of investments.

(4) The impact on fair value measurement of an increase in each unobservable input is in isolation. The discount rate is the rate used to discount future cash flows in a discounted cash flow calculation. An increase in discount rate, in isolation, would result in a decrease in a fair value measurement. Significant increases or decreases in any of the unobservable inputs in isolation may result in a significantly lower or higher fair value measurement.

OXFORD LANE CAPITAL CORP.

NOTES TO FINANCIAL STATEMENTS
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NOTE 4. FAIR VALUE (cont.)

A reconciliation of the fair value of investments for the six months ended September 30, 2018, utilizing significant unobservable inputs, is as follows:

(\$ in millions)	Collateralized Loan Obligation Debt Investments	Collateralized Loan Obligation Equity Investments	Total
Balance at March 31, 2018	\$ 12.7	\$ 469.9	\$ 482.6
Realized gains included in earnings	0.9	0.8	1.7
Unrealized depreciation included in earnings	0.5	(8.7)	(8.2)
Amortization of discounts and premiums	0.1	—	0.1
Purchases	32.5	245.5	278.0
Repayments and sales	(35.5)	(131.4)	(166.9)
Reductions to CLO equity cost value(1)	—	(27.3)	(27.3)
Transfers in and/or out of level 3	—	—	—
Balance at September 30, 2018	\$ 11.2	\$ 548.8	\$ 560.0
The amount of total gains for the period included in earnings attributable to the change in unrealized gains or losses related to our Level 3 assets still held at the reporting date and reported within the net change in unrealized gains or losses on investments in our Statement of Operations	\$ 0.7	\$ (9.9)	\$ (9.2)

(1) Reduction to cost value on OXLC's CLO equity investments represents the difference between distributions received, or entitled to be received, for the six months ended September 30, 2018, of approximately \$68.9 million and the effective yield interest income of approximately \$41.6 million. A reduction to cost value is not made for CLO warehouse investments.

The Fund's policy is to recognize transfers in and transfers out of valuation levels as of the beginning of the reporting period. There were no transfers among Level 1, Level 2 and Level 3 during the six months ended September 30, 2018.

NOTE 5. RELATED PARTY TRANSACTIONS

Effective September 9, 2010, the Fund entered into the Investment Advisory Agreement with OXLC Management, a registered investment adviser under the Advisers Act. Oxford Funds is the managing member of OXLC Management and serves as the administrator of OXLC.

Effective September 9, 2010, the Fund entered into an agreement (“Administration Agreement”) with Oxford Funds to serve as its administrator. Under the Administration Agreement, Oxford Funds performs, or oversees the performance of, the Fund’s required administrative services, which include, among other things, being responsible for the financial records which the Fund is required to maintain and for preparation of the reports to the Fund’s stockholders.

Pursuant to the Investment Advisory Agreement, the Fund has agreed to pay OXLC Management a fee for advisory and management services consisting of two components — a base management fee (the “Base Fee” or “Investment Advisory Fee”) and an incentive fee.

OXFORD LANE CAPITAL CORP.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

(unaudited)

NOTE 5. RELATED PARTY TRANSACTIONS (cont.)

The base management fee is calculated at an annual rate of 2.00% of the Fund's gross assets. For services rendered under the Investment Advisory Agreement, the base management fee is payable quarterly in arrears. The base management fee is calculated based on the average value of the Fund's gross assets, at the end of the two most recently completed calendar quarters, and appropriately adjusted for any share issuances or repurchases during the current calendar quarter. Base management fees for any partial month or quarter will be appropriately pro-rated.

The incentive fee is calculated and payable quarterly in arrears based on the pre-incentive fee net investment income for the immediately preceding calendar quarter. For this purpose, pre-incentive fee net investment income means income from securitization vehicles and investments, interest income from debt investments and any other income (including any other fees, such as commitment, origination, structuring, diligence and consulting fees or other fees that are received from an investment) accrued during the calendar quarter, minus the Fund's operating expenses for the quarter (including the base management fee, expenses payable under the Administration Agreement to Oxford Funds, and any interest expense and dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-incentive fee net investment income includes accrued income that OXLC has not yet received in cash, such as the amount of any market discount it may accrete on debt instruments purchased below par value. Pre-incentive fee net investment income does not include any realized or unrealized capital gains or losses, and the Fund could incur incentive fees in periods when there is a net decrease in net assets from operations. Pre-incentive fee net investment income, expressed as a rate of return on the value of our net assets at the end of the immediately preceding calendar quarter, is compared to a hurdle of 1.75% per quarter (7.00% annualized). For such purposes, the Fund's quarterly rate of return is determined by dividing its pre-incentive net investment income by its reported net assets as of the prior period end. OXLC's net investment income used to calculate the incentive fee is also included in the amount of its gross assets used to calculate the 2.00% base management fee. The Fund pays OXLC Management an incentive fee with respect to the Fund's pre-incentive fee net investment income in each calendar quarter as follows:

- No incentive fee in any calendar quarter in which the Fund's pre-incentive fee net investment income does not exceed the hurdle of 1.75%;
- 100% of pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle but is less than 2.1875% in any calendar quarter (8.75% annualized). The Fund refers to this portion of the pre-incentive fee net investment income (which exceeds the hurdle but is less than 2.1875%) as the "catch-up". The "catch-up" is meant to provide the investment adviser with 20% of the pre-incentive fee net investment income as if a hurdle did not apply if the net investment income exceeds 2.1875% in any calendar quarter; and
- 20% of the amount of pre-incentive fee net investment income, if any, that exceeds 2.1875% in any calendar quarter (8.75% annualized) is payable to OXLC Management (once the hurdle is reached and the "catch-up" is achieved, 20% of all pre-incentive fee net investment income thereafter is allocated to OXLC Management).

There is no offset in subsequent quarters for any quarter in which an incentive fee is not earned. For the six months ended September 30, 2018, the Fund recognized incentive fee expense of approximately \$5.8 million. At September 30, 2018, the Fund had an incentive fee payable of approximately \$2.9 million.

Oxford Funds assists the Fund in determining and publishing the Fund's net asset value, overseeing the preparation and filing of the Fund's tax returns and the printing and dissemination of reports to the Fund's stockholders, and generally overseeing the payment of the Fund's expenses and the performance of administrative and professional services rendered to the Fund by others. Payments under the Administration Agreement are equal to an amount based upon the Fund's allocable portion of Oxford Funds' overhead in performing its obligations under the Administration Agreement, including rent, and the Fund's allocable portion of the compensation of the Fund's chief financial officer and any administrative support staff, including accounting personnel. Other expenses that are paid by the Fund include legal, compliance, audit and tax services, market data services, excise taxes, if any, and miscellaneous office expenses. The Administration Agreement may be terminated by either party without penalty upon 60 days' written notice to the other party. The costs associated with the functions performed by OXLC's chief compliance officer are paid indirectly by the Fund pursuant to the terms of an agreement between the Fund and Alaric Compliance Services, LLC.

OXFORD LANE CAPITAL CORP.

NOTES TO FINANCIAL STATEMENTS

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NOTE 5. RELATED PARTY TRANSACTIONS (cont.)

Until July 31, 2018, independent directors received an annual fee of \$75,000, which was increased to \$90,000 effective August 1, 2018. In addition, the independent directors receive \$2,000 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each Board of Directors meeting, \$1,500 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each Valuation Committee meeting and \$1,000 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each Audit Committee meeting. The Chairman of the Audit Committee also receives an additional annual fee of \$10,000. No compensation is paid to directors who are interested persons of the Fund as defined in the 1940 Act.

Certain directors, officers and other related parties, including members of OXLC Management, owned, directly or indirectly, an aggregate 1.6% of the common stock of the Fund at September 30, 2018.

Co-Investment Exemptive Relief

On June 14, 2017, the SEC issued an order permitting OXLC and certain of its affiliates to complete negotiated co-investment transactions in portfolio companies, subject to certain conditions (the "Order"). Subject to satisfaction of certain conditions to the Order, OXLC and certain of its affiliates are now permitted, together with any future business development companies, registered closed-end funds and certain private funds, each of whose investment adviser is OXLC's investment adviser or an investment adviser controlling, controlled by, or under common control with OXLC's investment adviser, to co-invest in negotiated investment opportunities where doing so would otherwise be prohibited under the 1940 Act, providing OXLC's stockholders with access to a broader array of investment opportunities.

Pursuant to the Order, OXLC is permitted to co-invest in such investment opportunities with its affiliates if a "required majority" (as defined in Section 57(o) of the 1940 Act) of its independent directors make certain conclusions in connection with a co-investment transaction, including, but not limited to, that (1) the terms of the potential co-investment transaction, including the consideration to be paid, are reasonable and fair to OXLC and its stockholders and do not involve overreaching in respect of OXLC or its stockholders on the part of any person concerned, and (2) the potential co-investment transaction is consistent with the interests of OXLC's stockholders and is consistent with OXLC's then-current investment objective and strategies.

NOTE 6. CONCENTRATION OF CREDIT RISK

The Fund places its cash in an overnight money market account and, at times, cash and cash equivalents may exceed the Federal Deposit Insurance Corporation insured limit. In addition, the Fund's portfolio may be concentrated in a limited number of investments, which will subject the Fund to a risk of significant loss if any of these investments defaults on its obligations if those sectors experience a market downturn.

NOTE 7. DISTRIBUTIONS

For the six months ended September 30, 2018, the Fund declared and paid distributions on common stock of \$0.81 per share, or \$25,670,242. The Fund declared and paid distributions on common stock of \$1.605 per share, or \$41,516,720, for the year ended March 31, 2018. The tax character of distributions paid for the six months ended September 30, 2018 represented, on an estimated basis, \$23,960,604 from ordinary income and \$1,709,638 from tax return of capital. For the six months ended September 30, 2018, the amounts and sources of distributions reported are

only estimates (based on an average of our three most recent years' reported tax character) and are not being provided for U.S. tax reporting purposes. Because the Fund believes the historical tax characteristics of distributions is the most useful information which is readily available, the Fund has used the average of the three most recent years in providing the estimates herein. However, the timing and character of distributions for federal income tax purposes (which are determined in accordance with the U.S. federal tax rules which may differ from GAAP) may be materially different than the historical information the Fund used in providing the estimates herein. The tax character of distributions paid for the year ended March 31, 2018 represented, on an estimated basis, \$35,198,279 from ordinary income and \$6,318,441 from tax return of capital. The ultimate tax character of distributions is unknown until our tax return is filed.

OXFORD LANE CAPITAL CORP.

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NOTE 7. DISTRIBUTIONS (cont.)

For the six months ended September 30, 2018 and the year ended March 31, 2018 the Fund also declared and paid dividends on preferred stock of \$5,692,945 and \$11,626,167, respectively. The tax character of distributions paid on preferred stock represented ordinary income.

Pursuant to the Regulated Investment Company Modernization Act of 2010, the Fund is permitted to carry forward capital losses incurred in taxable years beginning after the date of enactment for an unlimited period. However, any losses incurred during those future taxable years will be required to be utilized prior to the losses incurred in pre-enactment taxable years, which carry an expiration date. As a result of this ordering rule, pre-enactment capital loss carryforwards may be more likely to expire unused. Additionally, post-enactment capital losses that are carried forward will retain their character as either short-term or long-term losses rather than being considered all short-term as under previous law.

For the fiscal year ended March 31, 2018, the Fund had available \$58,073,106 of long-term capital losses, which can be used to offset future capital gains. These losses represent post-RIC modernization losses not subject to expiration. Under the current law, capital losses related to securities realized after October 31 and prior to the Fund's fiscal year end may be deferred as occurring the first day of the following fiscal year. For the fiscal year ended March 31, 2018, the Fund had no losses to defer.

As of March 31, 2018, the estimated components of accumulated earnings on a tax basis were as follows:

Distributable ordinary income	\$ —
Distributable long-term capital gains (capital loss carry forward)	(58,073,106)
Unrealized depreciation on investments	(24,839,133)
Other timing differences	(7,750)

The tax basis components of accumulated earnings differ from the amounts reflected in the Statement of Assets and Liabilities due to temporary book/tax differences primarily arising from investments in CLO equity investments and permanent book/tax differences attributable to CLO equity investments. For the year ended March 31, 2018, the permanent differences between financial and tax reporting were due to basis adjustments on the sale of CLO equity investments, resulting in an increase of distributions in excess of investment income of \$10,927,988, and a decrease in accumulated net realized loss on investments of \$352,055. These amounts will be finalized before filing the federal tax return.

As of September 30, 2018, the aggregate gross unrealized appreciation for tax purposes was \$21,411,630, and aggregate gross unrealized depreciation was \$75,267,189. For tax purposes, the cost basis of the portfolio investments at September 30, 2018 was \$613,862,217.

NOTE 8. MANDATORILY REDEEMABLE PREFERRED STOCK

The Fund has authorized 10 million shares of mandatorily redeemable preferred stock, at a par value of \$0.01 per share, and had 6,345,416 shares issued and outstanding at September 30, 2018. Since 2012 and through June 2017, the Fund completed underwritten public offerings of its 7.50% Series 2023 Term Preferred Shares (the "Series 2023 Shares"); 8.125% Series 2024 Term Preferred Shares (the "Series 2024 Shares") and 6.75% Series 2024 Term Preferred Shares (the "New Series 2024 Shares"), collectively the "Term Preferred Shares" or "Term Shares". The Fund is required to

redeem all of the outstanding Term Preferred Shares on their respective redemption dates, at a redemption price equal to \$25 per share plus an amount equal to accumulated but unpaid dividends, if any, to the date of the redemption. OXLC cannot effect any amendment, alteration, or repeal of the Fund's obligation to redeem all of the Term Shares without the prior unanimous vote or consent of the holders of such Term Shares. At any time on or after the optional redemption date, at the Fund's sole option, the Fund may redeem the Term Shares at a redemption price per share equal to the sum of the \$25 liquidation preference per share plus an amount equal to accumulated but unpaid dividends, if any, on such Term Shares. The Fund, with the authorization by the Board of Directors, may repurchase any of the Term Preferred Shares from time to time in the open market and effectively extinguish the debt.

On March 21, 2016, the Fund announced a program for the purpose of repurchasing up to \$25 million worth of the outstanding shares of the Series 2023 Shares and up to \$25 million worth of the outstanding shares of the Series 2024 Shares.

OXFORD LANE CAPITAL CORP.

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NOTE 8. MANDATORILY REDEEMABLE PREFERRED STOCK (cont.)

Under this repurchase program, the Fund repurchased 609,537 shares of the Series 2023 Shares, at an average price of \$25.20 per share, and 2,712 shares of the Series 2024 Shares, at an average price of \$25.40 per share, for the year ended March 31, 2017. In connection with the repurchased Series 2023 Shares, the Fund realized a net redemption loss of approximately \$615,000, consisting of previously unamortized deferred issuance costs of approximately \$490,000, in addition to repurchases at a net premium to par of approximately \$125,000. In connection with the repurchased Series 2024 Shares, the Fund realized a net redemption loss of approximately \$3,000, consisting of previously unamortized deferred issuance costs of approximately \$2,000, in addition to repurchases at a net premium to par of approximately \$1,000.

On March 14, 2017, the Fund entered into an equity distribution agreement to sell, through an “at-the-market” offering, up to 600,000 shares of the Fund’s Series 2023 Shares and up to 600,000 shares of the Fund’s Series 2024 Shares. The Fund sold a total of 600,000 shares of its Series 2023 Shares and 1,300 shares of its Series 2024 Shares pursuant to the “at-the-market” offering during the year ended March 31, 2017. The total amount of net proceeds raised under this “at-the-market” offering was approximately \$15.0 million after deducting the sales agent’s commissions and offering expenses.

On June 14, 2017, the Fund completed an underwritten public offering of 2,729,415 shares of its newly designated New Series 2024 Shares at a public offering price of \$25 per share, raising \$68.2 million in gross proceeds. The New Series 2024 Shares are listed on the NASDAQ Global Select Market and trade under the symbol “OXLCM”.

On July 14, 2017 (the “Redemption Date”), the Fund redeemed all of the issued and outstanding shares (an aggregate of 2,020,179 shares) of the Series 2024 Shares for a redemption price of \$25 per share plus \$0.07336 in accrued but unpaid dividends per share to the Redemption Date, for an aggregate redemption price of \$25.07336 per share. In connection with the July 14, 2017 redemption of approximately \$50.5 million of the Series 2024 Shares, the Fund incurred redemption costs of approximately \$1.7 million, which consisted of accelerated deferred issuance costs.

The Fund’s Term Preferred Share activity for the six months ended September 30, 2018, was as follows:

	Series 2023 Term Preferred Shares	New Series 2024 Term Preferred Shares	Total
Shares outstanding at March 31, 2018	3,616,001	2,729,415	6,345,416
Shares issued	—	—	—
Shares redeemed	—	—	—
Shares outstanding at September 30, 2018	3,616,001	2,729,415	6,345,416

The Fund’s Term Preferred Share balances as of September 30, 2018, were as follows:

	Series 2023 Term Preferred Shares	New Series 2024 Term Preferred Shares	Total
Principal value	\$ 90,400,025	\$ 68,235,375	\$ 158,635,400
Deferred issuance cost	(1,660,383)	(1,919,437)	(3,579,820)

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Discount	(2,747,747)	—	(2,747,747)
Carrying value	\$ 85,991,895	\$ 66,315,938	\$ 152,307,833
Fair value(1)	\$ 91,557,145	\$ 70,282,436	\$ 161,839,581
Fair value price per share(1)	\$ 25.32	\$ 25.75	—

(1) Represents the-- September 30, 2018 closing market price per share of each respective series of Term Preferred Shares on the NASDAQ Global Select Market.

OXFORD LANE CAPITAL CORP.

NOTES TO FINANCIAL STATEMENTS

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NOTE 8. MANDATORILY REDEEMABLE PREFERRED STOCK (cont.)

The terms of the Fund's Term Preferred Share offerings are as set forth in the table below:

	Series 2023 Term Preferred Shares	New Series 2024 Term Preferred Shares
Offering price per share	\$25.00	\$ 25.00
Term redemption date	June 30, 2023	June 30, 2024
Term redemption price per share	\$25.00	\$ 25.00
Optional redemption date	June 30, 2016	June 30, 2020
Stated interest rate	7.50%	6.75%

The Fund's Term Preferred Shares had no accrued interest payable at September 30, 2018. Deferred issuance costs represent underwriting fees and other direct costs incurred that are related to the Fund's Term Preferred Shares. As of September 30, 2018, OXLC had a deferred debt issuance cost balance of approximately \$3.6 million related to the issuance of the Term Preferred Shares. Aggregate net discount on the Series 2023 Shares at the time of issuance totaled approximately \$5.3 million. As of September 30, 2018, OXLC had an unamortized discount balance of approximately \$2.7 million. These amounts are being amortized and are included in interest expense in the Statement of Operations over the term of the respective shares. The realized gain on redemption of debt incurred in prior periods was reclassified from Interest expense in the Statement of Operations to conform with the current period presentation.

The table below summarizes the components of interest expense, effective interest rates and cash paid on the Term Preferred Shares for the six months ended September 30, 2018:

	Series 2023 Term Preferred Shares	New Series 2024 Term Preferred Shares	Total
Stated interest expense(1)	\$ 3,390,001	\$ 2,302,944	\$ 5,692,945
Amortization of deferred issuance costs.	175,231	167,265	342,496
Discount expense	282,908	—	282,908
Total interest expense	\$ 3,848,140	\$ 2,470,209	\$ 6,318,349
Effective interest rate(2)	8.49 %	7.18 %	7.83 %
Cash paid for interest	\$ 3,390,001	\$ 2,302,944	\$ 5,692,945

(1) Stated interest is composed of distributions declared and paid of approximately \$5.7 million for the six months ended September 30, 2018.

(2) Represents the weighted average effective rate for each respective series of Term Preferred Shares.

NOTE 9. BORROWINGS RELATED TO SECURITIES SOLD UNDER AGREEMENT TO REPURCHASE

On January 2, 2018, the Fund entered into a Master Repurchase Agreement (“MRA”) with Nomura Securities International, Inc. (“Nomura”). Pursuant to the MRA and a transaction confirmation, Oxford Lane entered into a repurchase transaction (the “Repo”) with Nomura pursuant to which the Fund sold CLO securities to Nomura with a market value of approximately \$106.2 million, at January 2, 2018, for a purchase price of approximately \$42.5 million. At the end of the Repo term, the Fund is obligated to repurchase those securities from Nomura, and Nomura is obligated to sell the securities to the Fund, for the original purchase price of \$42.5 million plus accrued but unpaid funding costs. The Repo had a nine-month term, from trade date, that may be extended by mutual agreement. The Repo has a funding cost of 3-month LIBOR plus 3.15 percent per annum, which may be adjusted in the event of an extension of the Repo term. On July 23, 2018, OXLC entered into an amended and

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NOTE 9. BORROWINGS RELATED TO SECURITIES SOLD UNDER AGREEMENT TO REPURCHASE (cont.)

restated MRA with Nomura to extend the Repo term. Under this agreement, the term of the Repo was extended until April 2, 2019. The Fund treats the transaction as a secured financing for financial reporting purposes in accordance with GAAP.

As of September 30, 2018, and pursuant to the terms of the MRA with Nomura, the Fund had an interest payable of approximately \$0.6 million. In connection with the Repo funding costs, the Fund recognized interest expense of approximately \$1.2 million for the six months ended September 30, 2018.

The following table presents information about certain assets and liabilities representing financial instruments as of September 30, 2018:

	Gross and Net amounts presented in the Statement of Assets and Liabilities	Amounts not offset in the Statement of Assets and Liabilities		
		Financial instruments	Securities collateral	Net amount
Liabilities				
Securities sold under agreements to repurchase	\$ (42,493,500)	\$ —	\$ 42,493,500	\$ —
	\$ (42,493,500)	\$ —	\$ 42,493,500	\$ —

The following table summarizes the Fund's outstanding borrowings by remaining maturity as of September 30, 2018:

Remaining Maturity	Remaining Contractual Maturity of the Agreements				Total
	Overnight and Continuous	Up to 30 days	30 - 90 days	Greater Than 90 days	
Borrowings related to securities sold under agreement to repurchase CLO equity investments	\$ —	\$ —	\$ —	\$ 42,493,500	\$ 42,493,500
Total borrowings related to securities sold under agreement to repurchase	\$ —	\$ —	\$ —	\$ 42,493,500	\$ 42,493,500

The following table presents the principal value, carrying value and fair value of the Fund's securities sold under its outstanding borrowing agreement to repurchase as of September 30, 2018:

Cost	Fair Value
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	Principal Amount			% of Net Assets
Atrium XII CLO - CLO subordinated notes	\$ 34,762,500	\$ 24,456,220	\$ 30,938,625	8.57 %
Madison Park Funding XXX, Ltd. - CLO subordinated notes	17,550,000	16,107,359	18,841,355	5.22 %
Midocean Credit CLO VI - CLO income notes	24,700,000	20,858,693	18,772,000	5.20 %
OZLM XIV, Ltd. - CLO subordinated notes	10,000,000	8,249,149	7,217,965	2.00 %
THL Credit Wind River 2014-3 CLO Ltd. - CLO subordinated notes	18,530,000	14,094,430	12,971,000	3.59 %
THL Credit Wind River 2017-1 CLO Ltd. - CLO subordinated notes	12,000,000	10,288,221	8,880,000	2.46 %
	\$ 117,542,500	\$ 94,054,072	\$ 97,620,945	27.04 %

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OXFORD LANE CAPITAL CORP.

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NOTE 10. PURCHASES, SALES AND REPAYMENTS OF SECURITIES

Purchases of securities totaled approximately \$278.0 million, comprised of approximately \$262.8 million of purchases for the six months ended September 30, 2018 and approximately \$15.2 million of purchases unsettled as of September 30, 2018. The Fund's sales and repayments of securities totaled approximately \$166.9 million, comprised of approximately \$116.6 million of sales, and approximately \$50.3 million of repayments, excluding short-term investments, for the six months ended September 30, 2018.

NOTE 11. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Fund enters into a variety of undertakings containing a variety of warranties and indemnifications that may expose the Fund to some risk of loss. The risk of future loss arising from such undertakings, while not quantifiable, is expected to be remote.

As of September 30, 2018, the Fund had a commitment to fund an additional \$18.75 million of Octagon Investment Partners 40 Ltd. Preference Warehouse Shares.

The Fund is not currently subject to any material legal proceedings. From time to time, the Fund may be a party to certain legal proceedings in the ordinary course of business, including proceedings relating to the enforcement of the Fund's rights under contracts with its portfolio companies. While the outcome of these legal proceedings, if any, cannot be predicted with certainty, the Fund does not expect that these proceedings will have a material effect upon its financial condition or results of operations.

NOTE 12. INDEMNIFICATION

Under the Fund's organizational documents, its officers and directors are indemnified against certain liabilities arising out of the performance of their duties to the Fund. In addition, in the normal course of business the Fund enters into contracts that contain a variety of representations which provide general indemnifications. The Fund's maximum exposure under these agreements cannot be known, however, the Fund expects any risk of loss to be remote.

NOTE 13. FINANCIAL HIGHLIGHTS

Financial highlights for the six months ended September 30, 2018 and years ended March 31, 2018, 2017, 2016, 2015 are as follows:

	Six Months Ended September 30, 2018	Year Ended March 31, 2018	Year Ended March 31, 2017	Year Ended March 31, 2016	Year Ended March 31, 2015
Per Share Data					
Net asset value at beginning of period	\$ 10.08	\$ 10.20	\$ 7.04	\$ 14.08	\$ 16.26
Net investment income(1)	0.74	1.61	1.54	1.64	1.37
Net realized and unrealized (losses) gains(2)	(0.19)	(0.12)	3.87	(6.28)	(1.14)

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Total from investment operations	0.55	1.49	5.41	(4.64)	0.23
Distributions of net investment income(3)	(0.76)	(1.36)	(2.40)	(2.44)	(2.26)
Distributions from realized gain on investments(3)	—	—	—	—	(0.14)
Distributions of return of capital(3)	(0.05)	(0.25)	—	—	—
Distributions per share based on weighted average share impact(3)	(0.01)	(0.05)	(0.09)	(0.06)	(0.02)
Total distributions(3)	(0.82)	(1.66)	(2.49)	(2.50)	(2.42)
Effect of shares issued/repurchased, net of underwriting expense	0.13	0.06	0.25	0.11	0.02
Effect of offering costs	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Effect of shares issued/repurchased, net	0.12	0.05	0.24	0.10	0.01
Net asset value at end of period	\$ 9.93	\$ 10.08	\$ 10.20	\$ 7.04	\$ 14.08

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NOTE 13. FINANCIAL HIGHLIGHTS (cont.)

Six Months Ended September 30, 2018