

Oxford Lane Capital Corp.
Form N-CSRS
November 16, 2015

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

FORM N-CSR

**CERTIFIED SHAREHOLDER REPORT OF
REGISTERED MANAGEMENT
INVESTMENT COMPANIES**

Investment Company Act file number 811-22432

Oxford Lane Capital Corp.

(Exact name of registrant as specified in charter)

**8 Sound Shore Drive, Suite 255
Greenwich, CT 06830**

(Address of principal executive offices)

Jonathan H. Cohen
Chief Executive Officer
Oxford Lane Capital Corp.
8 Sound Shore Drive, Suite 255
Greenwich, CT 06830

(Name and address of agent for service)

Registrant's telephone number, including area code: (203) 983-5275

Date of fiscal year end: March 31

Date of reporting period: September 30, 2015

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Item 1. Reports to Shareholders.

The semi-annual report to shareholders for the six months ended September 30, 2015 is filed herewith pursuant to rule 30e-1 under the Investment Company Act of 1940.

Oxford Lane Capital Corp.

Semi-Annual Report

September 30, 2015

oxfordlanecapital.com

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OXFORD LANE CAPITAL CORP.

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Oxford Lane Capital Corp.

November 16, 2015

To Our Shareholders:

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, 2015. The net asset value of our shares at that date was \$11.33 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, 2015 was \$11.41, down from \$14.82 at March 31, 2015.

The total return for Oxford Lane, for the six months ended September 30, 2015, as reflected in the Fund's financial highlights, was (15.54%). This return reflects the change in market price for the period, as well as the positive impact of \$1.20 per share in distributions declared and paid of \$0.60 per share and \$0.60 distributions declared and unpaid.

On November 13, 2015, the last reported sale price of the Fund's common stock was \$11.18.

We draw your attention to our distribution policy, which has been discussed in earlier reports, as we believe that the Fund's position deserves close attention. Oxford Lane is subject to significant and variable differences between its accounting income and its taxable income particularly as it relates to our collateralized loan obligation (CLO) equity investments. We invest in CLO entities which generally constitute passive foreign investment companies and which are subject to complex tax rules; the calculation of taxable income attributed to a CLO equity investment can be dramatically different from the calculation of income for financial reporting purposes. Taxable income is based upon the distributable share of earnings as determined under tax regulations for each CLO equity investment, which may be consistent with the cash flows generated by those investments (although significant differences are possible), while accounting income is currently based upon an effective yield calculation. The Fund's final taxable earnings for the six months ending September 30, 2015 will not be known until our tax returns are filed but our experience has been that cash flows have historically represented a generally reasonable estimate of taxable earnings. While reportable GAAP earnings from our CLO equity investments for the six months ended September 30, 2015 were approximately \$28.6 million, we received or were entitled to receive approximately \$43.1 million in distributions. In general, we currently expect our annual taxable income to be higher than our GAAP earnings on the basis of the difference between cash distributions actually received (and record date distributions to be received) and the effective yield income. Our distribution policy is based upon our estimate of our taxable net investment income, with further consideration given to our realized gains or losses, if any, on a taxable basis.

Investment Review

The Fund's investment objective is to maximize its portfolio's risk adjusted total return over our investment horizon.

Our current focus is to seek that return by investing in structured finance investments, specifically CLO vehicles which primarily own senior secured corporate loans. Our investment strategy also includes investing in warehouse facilities, which are financing structures intended to aggregate senior secured corporate loans that may be used to form the basis of a CLO vehicle. As of September 30, 2015, we held debt investments in three different CLO structures, equity investments in 38 different CLO structures, and subordinated notes (i.e. equity) in two warehouse facilities. We may also invest, on an opportunistic basis, in corporate debt securities on a direct basis and a variety of other corporate credits.

The Fund has thus far implemented its investment objective by purchasing in both the primary and secondary markets the income notes and subordinated notes (sometimes referred to as equity) and junior debt tranches of various CLO

vehicles and the equity tranches of various warehouse facilities. Structurally, CLO vehicles are entities formed to purchase and manage portfolios of primarily senior secured corporate 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 individual credits and industries. The CLO vehicles which the Fund focuses on are collateralized primarily by senior secured corporate loans, and generally have minimal or no exposure to real estate loans, mortgage loans or to pools of consumer-based debt, such as credit card receivables or auto loans.

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Investment Outlook

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

We believe that the long-term and relatively low-cost capital that many CLO vehicles have secured, compared with current asset spreads and associated LIBOR floors have created opportunities to purchase certain CLO equity and junior debt instruments that may produce attractive risk-adjusted returns. Although the senior secured corporate loan market has been volatile recently due in part to the oil and gas and commodities related sectors, this volatility may be beneficial as it has allowed some collateral managers of CLO vehicles to invest in loans at greater discounts to par and at wider loan spreads. Additionally, given that the CLO vehicles we invest in are not mark-to-market vehicles, this term financing is extremely beneficial in periods of market volatility that we are currently experiencing. We believe that CLO equity and junior debt instruments continue to offer attractive risk-adjusted returns.

We believe that the market to invest in warehouse facilities, which are short and medium-term facilities that are generally expected to form the basis of CLO vehicles (which the Fund may participate in or be repaid by), has created additional attractive risk-adjusted investment opportunities for us.

We believe that investing in CLO securities, and CLO equity instruments and warehouse facilities in particular, requires a high level of research and analysis. We believe that transactions in this market can only be adequately conducted by knowledgeable market participants since this market and these structures tend to be highly specialized. We believe that the U.S. risk retention requirements imposed for CLO managers under Section 941 of the Dodd-Frank Act has created some uncertainty in the market in regards to future CLO issuances. Given that certain CLO managers may require capital provider partners to satisfy this requirement when it becomes effective on December 24, 2016, we believe that this may create additional opportunities (and additional risks) for us in the future.

We believe that the U.S. CLO market is relatively large with total assets under management of approximately \$426 billion.⁽¹⁾ We estimate that the amount outstanding of the junior-most debt tranches (specifically the tranches originally rated BB and B) and equity tranches together are approximately \$65 billion.

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 11. Risks and Uncertainties carefully.

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

Jonathan H. Cohen
Chief Executive Officer

1. As of October 13, 2015. Source: Wells Fargo Securities, LLC.
2. Oxford Lane has estimated this amount based on Guggenheim CLO new issue summary, dated October 20, 2015.

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OXFORD LANE CAPITAL CORP.

**TOP TEN HOLDINGS
AS OF SEPTEMBER 30, 2015
(unaudited)**

Investment	Maturity	Fair Value	% of Net Assets
Seneca Park CLO, Ltd. subordinated notes	July 17, 2026	\$ 24,029,601	11.89 %
Catamaran CLO 2015-1 Ltd subordinated notes	April 22, 2027	20,784,480	10.29 %
Atrium XII CLO subordinated notes	July 20, 2016	20,000,000	9.90 %
Wind River 2014-3 CLO Ltd. subordinated notes	January 22, 2027	18,802,600	9.31 %
Battalion CLO VII Ltd. subordinated notes	October 17, 2026	18,240,000	9.03 %
OFSI Fund VII, Ltd. subordinated notes	October 18, 2026	18,191,234	9.00 %
TICP CLO IV, Ltd. subordinated notes	July 20, 2027	16,195,000	8.01 %
Cedar Funding III CLO, Ltd. subordinated notes	May 20, 2026	16,000,000	7.92 %
AIMCO CLO, Series 2014-A subordinated notes	July 20, 2026	14,841,274	7.34 %
OZLM VII Ltd. subordinated notes	July 17, 2026	14,553,189	7.20 %

**Portfolio Investment Breakdown
(Excludes cash and other assets)**

FAIR VALUE BY INVESTMENT TYPE

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(unaudited)**

	September 30, 2015
ASSETS	
Investments, at fair value (cost: \$408,846,697)	\$360,761,943
Cash and cash equivalents	2,769,774
Distributions receivable	11,839,389
Deferred issuance costs on mandatorily redeemable preferred stock	6,345,289
Deferred offering costs on common stock	114,655
Interest receivable, including accrued interest purchased	163,093
Fee receivable	219,629
Prepaid expenses and other assets	17,631
Total assets	382,231,403
LIABILITIES	
Mandatorily redeemable preferred stock, net of discount (10,000,000 shares authorized, and 6,790,433 shares issued and outstanding)	165,339,093
Distribution payable	10,704,791
Investment advisory fees payable to affiliate	2,239,798
Incentive fees payable to affiliate	1,478,338
Administrator expense payable	29,055
Directors' fees payable	49,000
Accrued expenses	321,532
Total liabilities	180,161,607
COMMITMENTS AND CONTINGENCIES (See Note 8)	
NET ASSETS applicable to common stock, \$0.01 par value, 90,000,000 shares authorized, and 17,841,318 shares issued and outstanding	\$202,069,796
NET ASSETS consist of:	
Paid in capital	275,702,099
Accumulated net realized loss on investments	(8,217,505)
Net unrealized depreciation on investments	(48,084,754)
Distributions in excess of net investment income	(17,330,044)
Total net assets	\$202,069,796
Net asset value per common share	\$11.33
Market price per share	\$11.41
Market price premium to net asset value per share	0.71 %

See Accompanying Notes

TABLE OF CONTENTS**OXFORD LANE CAPITAL CORP.****SCHEDULE OF INVESTMENTS
SEPTEMBER 30, 2015
(unaudited)**

COMPANY ⁽¹⁾	INDUSTRY INVESTMENT	PRINCIPAL AMOUNT	COST	FAIR VALUE ⁽²⁾	% of Net Assets	
<u>Collateralized Loan Obligation</u>		<u>Debt Investments</u>				
Neuberger Berman CLO XIII, Ltd.	structured finance	CLO secured notes Class F ⁽³⁾⁽⁴⁾⁽⁵⁾ (LIBOR + 6.50%, due January 23, 2024)	\$4,500,000	\$3,941,891	\$3,826,800	
OFSI Fund VII, Ltd.	structured finance	CLO secured notes Class F ⁽³⁾⁽⁴⁾⁽⁵⁾ (LIBOR + 5.65%, due October 18, 2026)	5,564,000	4,664,211	4,074,517	
Telos CLO 2013-3, Ltd.	structured finance	CLO secured notes Class F ⁽³⁾⁽⁴⁾⁽⁵⁾ (LIBOR + 5.50%, due January 17, 2024)	3,000,000	2,733,138	2,300,700	
Total Collateralized Loan Obligation		Debt Investments		\$11,339,240	\$10,202,017	5.05 %
<u>Collateralized Loan Obligation</u>		<u>Equity Investments</u>				
AIMCO CLO, Series 2014-A	structured finance	CLO subordinated notes ⁽⁴⁾⁽⁶⁾ (Estimated yield 14.41%, maturity July 20, 2026)	\$26,000,000	\$19,053,776	\$14,841,274	
AMMC CLO XII, Ltd.	structured finance	CLO subordinated notes ⁽⁴⁾⁽⁶⁾	7,178,571	4,393,272	4,307,143	

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		(Estimated yield 15.35%, maturity May 10, 2025) CLO subordinated notes ⁽⁴⁾⁽⁶⁾			
Ares XXV CLO Ltd.	structured finance	(Estimated yield 9.52%, maturity January 17, 2024) CLO subordinated notes ⁽⁴⁾⁽⁶⁾	15,500,000	10,345,503	8,370,000
Ares XXVI CLO Ltd.	structured finance	(Estimated yield 16.10%, maturity April 15, 2025) CLO subordinated notes ⁽⁴⁾⁽⁶⁾	7,500,000	4,692,213	3,866,714
Ares XXIX CLO Ltd.	structured finance	(Estimated yield 12.27%, maturity April 17, 2026) CLO subordinated notes ⁽⁴⁾⁽⁶⁾	12,750,000	9,975,262	7,440,953
Atrium XII CLO	structured finance	(Estimated yield 14.00%, maturity July 20, 2016) CLO subordinated notes ⁽⁸⁾⁽⁹⁾	20,000,000	20,000,000	20,000,000
Battalion CLO VII Ltd.	structured finance	(Estimated yield 13.07%, maturity October 17, 2026) CLO preference shares ⁽⁴⁾⁽⁶⁾	24,000,000	20,422,309	18,240,000
Benefit Street Partners CLO IV Ltd.	structured finance	(Estimated yield 12.81%, maturity July 20, 2026) CLO preference shares ⁽⁴⁾⁽⁶⁾	10,000,000	8,994,139	7,600,000
Benefit Street Partners CLO V Ltd.	structured finance	CLO preference shares ⁽⁴⁾⁽⁶⁾ (Estimated yield 11.67%,	15,000,000	12,620,624	11,250,000

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B&M CLO 2014-1 LTD	structured finance	maturity October 20, 2026) CLO subordinated notes ⁽⁴⁾⁽⁶⁾ (Estimated yield 18.46%, maturity April 16, 2026)	2,000,000	1,303,373	1,140,000
Carlyle Global Market Strategies CLO 2013-2, Ltd.	structured finance	CLO subordinated notes ⁽⁴⁾⁽⁶⁾ (Estimated yield 22.19%, maturity April 18, 2025)	10,125,000	6,899,534	7,028,021
Carlyle Global Market Strategies CLO 2015-1, Ltd.	structured finance	CLO subordinated notes ⁽⁴⁾⁽⁶⁾⁽⁸⁾ (Estimated yield 14.79%, maturity April 20, 2027)	5,000,000	3,794,992	3,700,000
Cedar Funding III CLO, Ltd.	structured finance	CLO subordinated notes ⁽⁴⁾⁽⁶⁾ (Estimated yield 8.73%, maturity May 20, 2026)	25,000,000	19,288,442	16,000,000
Catamaran CLO 2015-1 Ltd	structured finance	CLO subordinated notes ⁽⁴⁾⁽⁶⁾⁽⁸⁾ (Estimated yield 14.70%, maturity April 22, 2027)	27,348,000	22,903,683	20,784,480
Hull Street CLO Ltd.	structured finance	CLO subordinated notes ⁽⁴⁾⁽⁶⁾⁽⁸⁾ (Estimated yield 13.87%, maturity October 18, 2026)	15,000,000	12,729,732	9,076,500

(Continued on next page)

See Accompanying Notes

TABLE OF CONTENTS**OXFORD LANE CAPITAL CORP.****SCHEDULE OF INVESTMENTS (continued)
SEPTEMBER 30, 2015
(unaudited)**

COMPANY ⁽¹⁾	INDUSTRY	INVESTMENT	PRINCIPAL AMOUNT	COST	FAIR VALUE ⁽²⁾	% of Net Assets
Ivy Hill Middle Market Credit VII, Ltd.	structured finance	CLO subordinated notes ⁽⁴⁾⁽⁶⁾ (Estimated yield 16.44%, maturity October 20, 2025)	\$7,000,000	\$5,943,620	\$5,891,867	
Longfellow Place CLO IX, Ltd.	structured finance	CLO subordinated notes ⁽⁴⁾⁽⁶⁾ (Estimated yield 27.59%, maturity January 15, 2024)	2,562,000	1,419,039	1,157,198	
Mountain Hawk II CLO, Ltd.	structured finance	CLO subordinated notes ⁽⁴⁾⁽⁶⁾ (Estimated yield 10.44%, maturity July 20, 2024)	10,000,000	9,147,001	5,043,000	
Mountain Hawk III CLO, Ltd.	structured finance	CLO income notes ⁽⁴⁾⁽⁶⁾ (Estimated yield 7.22%, maturity April 18, 2025)	15,000,000	12,022,182	6,403,308	
	structured finance	CLO M income notes ⁽⁷⁾ (Maturity April 18, 2025)	2,389,676		539,194	
Neuberger Berman CLO XIII, Ltd.	structured finance	CLO subordinated notes ⁽⁴⁾⁽⁶⁾ (Estimated yield 8.10%, maturity	6,255,000	3,118,987	2,314,350	

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		January 23, 2024)			
		CLO			
		subordinated			
		notes ⁽⁴⁾⁽⁶⁾			
OFSI Fund VII, Ltd.	structured finance	(Estimated yield 12.67%, maturity October 18, 2026)	28,840,000	22,372,224	18,191,234
		CLO			
		subordinated			
		notes ⁽⁸⁾⁽⁹⁾			
OXLM XIV, LTD	structured finance	(Estimated yield 14.00%, maturity December 19, 2016)	10,000,000	10,000,000	10,000,000
		CLO			
		subordinated			
		notes ⁽⁴⁾⁽⁶⁾			
OZLM VII Ltd.	structured finance	(Estimated yield 17.51%, maturity July 17, 2026)	20,000,000	15,762,441	14,553,189
		CLO			
		subordinated			
		notes ⁽⁴⁾⁽⁶⁾⁽⁸⁾			
Parallel 2015-1 Ltd.	structured finance	(Estimated yield 14.98%, maturity July 20, 2027)	7,750,000	6,430,906	6,045,000
		CLO			
		subordinated			
		notes ⁽⁴⁾⁽⁶⁾			
Seneca Park CLO, Ltd.	structured finance	(Estimated yield 14.78%, maturity July 17, 2026)	32,000,000	26,199,975	24,029,601
		CLO income			
		notes ⁽⁴⁾⁽⁶⁾			
Shackleton II CLO, Ltd.	structured finance	(Estimated yield 10.68%, maturity October 20, 2023)	10,000,000	8,118,110	6,600,000
		CLO			
		subordinated			
		notes ⁽⁴⁾⁽⁶⁾⁽⁸⁾			
Sound Point CLO VIII, Ltd.	structured finance	(Estimated yield 17.51%, maturity April 15, 2027)	5,000,000	3,769,779	3,708,763
			224,719	202,247	215,549

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	structured finance	CLO subordinated F notes ⁽⁷⁾ (Maturity April 15, 2027)				
Sound Point CLO IX, Ltd.	structured finance	CLO subordinated notes ⁽⁴⁾⁽⁶⁾⁽⁸⁾ (Estimated yield 15.30%, maturity July 20, 2027)	10,000,000	8,567,091	8,300,000	
Telos CLO 2013-3, Ltd.	structured finance	CLO subordinated notes ⁽⁴⁾⁽⁶⁾ (Estimated yield 15.82%, maturity January 17, 2024)	13,333,334	9,728,331	9,066,667	
Telos CLO 2013-4, Ltd.	structured finance	CLO subordinated notes ⁽⁴⁾⁽⁶⁾ (Estimated yield 22.07%, maturity July 17, 2024)	8,700,000	5,911,102	6,077,863	
TICP CLO IV, Ltd.	structured finance	CLO subordinated notes ⁽⁴⁾⁽⁶⁾⁽⁸⁾ (Estimated yield 14.83%, maturity July 20, 2027)	19,750,000	16,806,461	16,195,000	
Venture XIII, CLO Ltd.	structured finance	CLO subordinated notes ⁽⁴⁾⁽⁶⁾ (Estimated yield 15.70%, maturity June 10, 2025)	8,500,000	6,197,498	5,695,000	
Venture XVI CLO, Ltd.	structured finance	CLO subordinated notes ⁽⁴⁾⁽⁶⁾ (Estimated yield 17.34%, maturity April 15, 2026)	15,000,000	12,221,596	10,521,911	

(Continued on next page)

See Accompanying Notes

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SEPTEMBER 30, 2015
(unaudited)**

COMPANY ⁽¹⁾	INDUSTRY INVESTMENT	PRINCIPAL AMOUNT	COST	FAIR VALUE ⁽²⁾	% of Net Assets
Venture XVII CLO, Ltd.	structured finance	CLO subordinated notes ⁽⁴⁾⁽⁶⁾ (Estimated yield 16.50%, maturity July 15, 2026)	\$ 13,000,000	\$ 9,943,584	\$ 9,010,051
Venture XVIII CLO, Ltd.	structured finance	CLO subordinated notes ⁽⁴⁾⁽⁶⁾ (Estimated yield 14.84%, maturity October 15, 2026)	7,000,000	5,702,248	4,855,752
	structured finance	CLO subordinated F notes ⁽⁷⁾ (Maturity October 15, 2026)	357,055		312,108
Wind River 2014-3 CLO Ltd.	structured finance	CLO subordinated notes ⁽⁴⁾⁽⁶⁾⁽⁸⁾ (Estimated yield 14.51%, maturity January 22, 2027)	22,930,000	20,506,181	18,802,600
Other CLO equity related investments	structured finance	CLO other ⁽⁷⁾			3,385,636

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Total Collateralized Loan Obligation	Equity Investments	\$ 397,507,457	\$ 350,559,926	173.48 %
Total Investments		\$ 408,846,697	\$ 360,761,943	178.53 %

(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 (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.

(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, and amortization of premium.

(5) The CLO secured notes generally bear interest at a rate determined by reference to 90 day LIBOR which resets quarterly. For each CLO debt investment, the rate provided is as of September 30, 2015.

(6) The CLO subordinated notes, preference shares 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.

(7) Fair value represents discounted cash flows associated with fees earned from CLO equity investments.

(8) Investment has not made inaugural distribution for relevant period end. See Note 2. Summary of Significant Accounting Policies Investment Interest Income Equity Investments.

(9) The subordinated notes 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. Income on CLO warehouse facilities is based on a stated rate as per the underlying note purchase agreement or an estimated rate.

See Accompanying Notes

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OXFORD LANE CAPITAL CORP.

**STATEMENT OF OPERATIONS
(unaudited)**

	Six Months Ended September 30, 2015
INVESTMENT INCOME	
Interest income equity investments	\$ 28,597,574
Interest income debt investments	530,528
Other income	716,737
Total investment income	29,844,839
EXPENSES	
Interest expense on mandatorily redeemable preferred stock	7,491,825
Investment advisory fees	4,269,624
Incentive fees	3,299,527
Professional fees	419,276
Administrator expense	375,664
Directors' fees	103,500
General and administrative	622,479
Insurance expense	18,049
Transfer agent and custodian fees	46,785
Total expenses	16,646,729
Net investment income	13,198,110
Net change in unrealized depreciation on investments	(43,339,821)
Net realized gain on investments	685,266
Net realized gain and net change in unrealized depreciation on investments	(42,654,555)
Net decrease in net assets resulting from operations	\$ (29,456,445)

See Accompanying Notes

TABLE OF CONTENTS**OXFORD LANE CAPITAL CORP.****STATEMENTS OF CHANGES IN NET ASSETS
(unaudited)**

	Six Months Ended September 30, 2015	Year Ended March 31, 2015
(Decrease) increase in net assets from operations:		
Net investment income	\$ 13,198,110	\$ 21,274,028
Net realized gain on investments	685,266	9,154,457
Net change in unrealized depreciation on investments	(43,339,821)	(27,097,134)
Net (decrease) increase in net assets resulting from operations	(29,456,445)	3,331,351
Distributions from net investment income	(21,368,219)	(35,388,398)
Distributions from realized gain on investments		(2,159,379)
Total distributions to shareholders	(21,368,219)	(37,547,777)
Capital share transaction:		
Issuance of common stock (net of underwriting fees and offering costs \$1,164,674 and \$177,014, respectively)	27,005,326	7,374,103
Repurchase of common stock (including fees)	(430,278)	(1,048,584)
Reinvestment of distributions	1,386,580	4,994,538
Net increase in net assets from capital share transactions	27,961,628	11,320,057
Total decrease in net assets	(22,863,036)	(22,896,369)
Net assets at beginning of period	224,932,832	247,829,201
Net assets at end of period (including distributions in excess of net investment income of \$17,330,044 and \$9,159,935, respectively)	\$ 202,069,796	\$ 224,932,832
Capital share activity:		
Shares sold	1,800,000	462,727
Shares repurchased	(33,776)	(71,973)
Shares issued from reinvestment of distributions	102,713	340,898
Net increase in capital share activity	1,868,937	731,652

See Accompanying Notes

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OXFORD LANE CAPITAL CORP.

STATEMENT OF CASH FLOWS (unaudited)

	Six Months Ended September 30, 2015
CASH FLOWS FROM OPERATING ACTIVITIES	
Net decrease in net assets resulting from operations	\$(29,456,445)
Adjustments to reconcile net decrease in net assets resulting from operations to net cash used in operating activities:	
Amortization/accretion of discounts and premiums	(27,715,771)
Amortization of deferred issuance costs on mandatorily redeemable preferred stock	890,158
Accretion of discount on mandatorily redeemable preferred stock	255,052
Purchases of investments	(95,311,019)
Sales of investments	24,212,017
Repayments of principal and reductions to investment cost value	43,116,990
Net change in unrealized depreciation on investments	43,339,821
Decrease in deferred offering costs	246,296
Net realized gain on investments	(685,266)
Decrease in distribution receivable	1,459,266
Decrease in fee receivable	176,063
Decrease in interest receivable	161,885
Decrease in prepaid expenses and other assets	18,050
Increase in investment advisory fees payable	351,342
Decrease in incentive fees payable	(164,802)
Increase in directors' fees payable	21,500
Decrease in administrator expense payable	(75,276)
Decrease in accrued offering costs	(27,839)
Decrease in accrued expenses	(251,064)
Net cash used in operating activities	(39,439,042)
CASH FLOWS FROM FINANCING ACTIVITIES	
Distributions paid (net distribution reinvestment plan of \$1,386,580)	(9,276,842)
Proceeds from the issuance of common stock	28,170,000
Underwriting fees and offering costs for the issuance of common stock	(1,164,674)
Repurchase of common stock (including fees)	(430,278)
Extinguishment of mandatorily redeemable preferred stock	(15,811,250)
Proceeds from the issuance of mandatorily redeemable preferred stock (net discount of \$704,082)	34,499,993
Deferred issuance costs for the issuance of preferred stock	(1,509,880)
Net cash provided by financing activities	34,477,069

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Net decrease in cash and cash equivalents	(4,961,973)
Cash and cash equivalents, beginning of period	7,731,747
Cash and cash equivalents, end of period	\$2,769,774
SIGNIFICANT NON-CASH TRANSACTIONS	
Value of shares issued in connection with distribution reinvestment plan	\$1,386,580
SUPPLEMENTAL DISCLOSURES	
Cash paid for interest	\$6,317,916
Distribution payable	\$10,704,791

See Accompanying Notes

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OXFORD LANE CAPITAL CORP.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(unaudited)**

NOTE 1. ORGANIZATION

Oxford Lane Capital Corp. (OXLC, we or the Fund) 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 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. The Fund follows the accounting and reporting requirements of ASC 946, *Financial Services - Investment Companies* (ASC 946), for reporting on Form N-CSR and the Fund maintains its accounting records in U.S. dollars.

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. BDC Partners, LLC (BDC Partners) is the managing member of OXLC Management and serves as the administrator of OXLC.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), which require 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.

CASH AND CASH EQUIVALENTS

The Fund considers all highly liquid investments with an original maturity of three months or less at the time of purchase to be cash equivalents. At September 30, 2015, cash and cash equivalents consisted solely of demand deposits.

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.

ASC 820-10 clarified 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, all of OXLC's investments are based upon Level 3 inputs as of September 30, 2015.

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OXFORD LANE CAPITAL CORP.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(unaudited)**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

The Fund may also invest directly in senior secured loans (either in the primary or secondary markets). In valuing such investments, OXLC Management will prepare an analysis of each loan, including a financial summary, covenant compliance review, recent trading activity in the security, if known, and other business developments related to the portfolio company. Any available information, including non-binding indicative bids obtained from a recognized industry pricing service and agent banks which may not be considered reliable, will be presented to the OXLC Board of Directors to consider in its determination of fair value. In some instances, there may be limited trading activity in a security even though the market for the security is considered not active. In such cases the Board will consider the number of trades, the size and timing of each trade and other circumstances around such trades, to the extent such information is available, in its determination of fair value. At September 30, 2015, the Fund did not have any direct investments in senior secured loans.

Collateralized Loan Obligations Debt and Equity

OXLC has acquired debt and equity positions in CLO investment vehicles and has purchased CLO warehouse facilities. These investments are special purpose financing vehicles. In valuing such investments, OXLC considers the operating metrics of the specific investment vehicle, including compliance with collateralization tests, defaulted and restructured securities, and payment defaults, if any. In addition, 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. OXLC Management or the Board of Directors may request an additional analysis by a third-party firm to assist in the valuation process of CLO investment vehicles. All information is presented to the Board of Directors for its determination of fair value of these investments.

SHARE REPURCHASES

From time to time, the Fund's Board of Directors may authorize a share repurchase program under which shares 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. Refer to Note 14 for further details.

PREFERRED STOCK

The Fund carries its mandatorily redeemable preferred stock at accreted cost on the Statement of Assets and Liabilities, and not fair value. The Fund considers its preferred stock to be a Level 2 liability within the fair value hierarchy. See Note 6. Mandatorily Redeemable Preferred Stock.

PREPAID EXPENSES

Prepaid expenses consist primarily of insurance costs.

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OXFORD LANE CAPITAL CORP.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(unaudited)**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

INVESTMENT INCOME

Interest Income Equity Investments

Interest 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 estimation of an effective yield to maturity utilizing assumed 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 quarterly, 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 CLO warehouse facilities based on a stated rate as per the underlying note purchase agreement or an estimated rate.

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

Generally, when interest and/or principal payments on a loan become past due, or if the Fund otherwise does not expect the borrower to be able to service its debt and other obligations, the Fund will place the loan 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, 2015, the Fund had no non-accrual assets held in its portfolio.

Other Income

Other income includes distributions from fee letters and success fees associated with portfolio investments. Distributions from CLO equity fee letter investments are an enhancement to the return on a CLO equity investment and 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 take-out of the warehouse by a permanent CLO structure; such fees are earned and recognized when the take-out is completed.

U.S. FEDERAL INCOME TAXES

The Fund intends to operate so as to qualify to be taxed as a RIC under Subchapter M of the U.S. Tax 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 statement 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.

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OXFORD LANE CAPITAL CORP.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(unaudited)**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Differences between distributions and net investment income may also result from the treatment of short-term gains as ordinary income for tax purposes. 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.

As of September 30, 2015, the aggregate gross unrealized appreciation for tax purposes was \$4,843,990; and aggregate gross unrealized depreciation was \$88,289,481. For tax purposes, the cost basis of the portfolio investments at September 30, 2015 was \$444,207,434.

DISTRIBUTIONS

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 and paid quarterly. Net realized capital gains, unless offset by any available capital loss carry-forward, are typically distributed to shareholders annually. Distributions to shareholders 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 shareholder has elected to have them paid in cash.

Amounts required to be distributed reflect estimates made by the Fund. Distributions paid by the Fund 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.

DEFERRED OFFERING COSTS ON COMMON STOCK

Deferred offering costs consist principally of legal, accounting, filing and underwriting fees incurred in relation to an offering proposed by the Fund. The deferred offering costs will be charged to capital when the offering takes place or as shares are issued. Costs related to shelf offerings are charged to capital as securities registered 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 debt issuance costs consist of fees and expenses incurred in connection with the closing of preferred stock offerings, and are capitalized when incurred. These costs are amortized using the straight line method over the term of the respective preferred stock. This amortization expense is included in interest expense in the Fund's financial statements. Upon early termination of preferred stock, the remaining balance of unaccreted fees related to such debt is accelerated into interest expense.

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TABLE OF CONTENTS**OXFORD LANE CAPITAL CORP.****NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(unaudited)****NOTE 3. 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, 2015, were as follows:

Assets	Fair Value Measurements at Reporting Date Using Quoted Prices in Active Markets for Identical Assets (Level 1)			Total
	Significant Observable Inputs (Level 2)	Other Significant Unobservable Inputs (Level 3)	Significant Unobservable Inputs (Level 3)	
	(\$ in millions)	(\$ in millions)	(\$ in millions)	(\$ in millions)
CLO debt	\$	\$	\$ 10.2	\$ 10.2
CLO equity			350.6	350.6
Total	\$	\$	\$ 360.8	\$ 360.8

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, 2015 and the level of each financial liability within the fair value hierarchy:

(\$ in millions)	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Series 2023 Term Preferred Shares					