Oxford Lane Capital Corp.
Form 497
November 25, 2014

Filed pursuant to Rule 497
File No. 333-195652

PROSPECTUS SUPPLEMENT
(To Prospectus dated June 23, 2014) November 25, 2014

Oxford Lane Capital Corp.
$45,000,000
Common Stock

This prospectus supplement supplements the prospectus supplement dated August 15, 2014 and the accompanying prospectus thereto, dated June 23, 2014 (collectively 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 equity distribution agreement, dated August 15, 2014, with Ladenburg Thalmann & Co. Inc.

You should carefully read this prospectus supplement together with the Prospectus before investing in our common stock. **You should also review the information set forth under the Risk Factors section beginning on page 17 of the Prospectus before investing.**

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

Recent Developments

Prior Sales Pursuant to the Prospectus

From August 15, 2014 to September 30, 2014, we sold a total of 327,886 shares of common stock pursuant to the Prospectus. The total amount of capital raised under as a result of these issuances was approximately $5.5 million and net proceeds were approximately $5.2 million after deducting the sales agent s commissions and offering expenses.

Distributions

On November 5, 2014, our Board of Directors declared a distribution of $0.60 per share of common stock for the third fiscal quarter of 2015, payable on December 31, 2014 to shareholders of record as of December 17, 2014.

On November 5, 2014, our Board of Directors declared dividends on the Series 2017, Series 2023 and Series 2024 Term Preferred Shares for the months of December 2014, January 2015 and February 2015.

Preferred Stock Offering

On November 25, 2014, we closed an underwritten public offering of 1,000,000 shares of our 8.125% Series 2024 Term Preferred Stock (the Preferred Stock) at a public offering price of $25.00 per share, raising $25 million in gross proceeds, before deducting underwriting discounts and commissions of $1,000,000 and estimated offering expenses of $185,000. The Company has also granted the underwriters for this offering a 30-day option to purchase up to 150,000 additional shares of Preferred Stock on the same terms and conditions to cover over-allotments, if any.

Semi-Annual Report to Stockholders

On November 19, 2014, the Company filed its Semi-Annual Report to stockholders for the period from April 1, 2014 to September 30, 2014. 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.

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Oxford Lane Capital Corp.

Semi-Annual Report

September 30, 2014

oxfordlanecapital.com

OXFORD LANE CAPITAL CORP.

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Oxford Lane Capital Corp.

November 18, 2014

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 the six months ended September 30, 2014. The net asset value of our shares at that date was $15.54 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, 2014 was $15.33, down from $16.70 at March 31, 2014. The total return for Oxford Lane, for the six months ended September 30, 2014, as reflected in the Fund s financial highlights, was (1.23%). This return reflects the change in market price for the period, as well as the positive impact of $1.20 per share in dividends declared and paid. On November 17, 2014, the last reported sale price of the Fund s common stock was $16.41.

We draw your attention to our dividend 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, while accounting income is currently based upon an effective yield calculation. The Fund s final taxable earnings for the fiscal year ending March 31, 2015 will not be known until our tax returns are filed but our experience has been that cash flows have historically represented a reasonable estimate of taxable earnings. In general, we currently expect our annual taxable income to be higher than our reportable accounting income on the basis of actual cash received, and our dividend policy will be based upon our expectations for that taxable income (as is required for a regulated investment company). While reportable accounting income from our CLO equity class investments for the six months ended September 30, 2014 was approximately $20.1 million, we received or were entitled to receive approximately $22.4 million in distributions. Our dividend policy is based upon our estimate of our taxable 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.

Investment Review

The Fund s investment objective is to maximize its portfolio s risk adjusted total return. Our current focus is to seek that return by investing in structured finance investments, specifically CLO vehicles which primarily own senior corporate debt securities. We may also seek to make direct investment in corporate debt securities. As of September 30, 2014, we held debt investments in 5 different CLO structures, and equity investments in 32 different CLO structures. Our investment strategy also includes warehouse facilities, which are financing structures intended to aggregate loans that may be used to form the basis of a CLO vehicle. We may also invest, on an opportunistic basis, in other corporate credits of a variety of types.

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 loans. The loans within a CLO vehicle are limited to loans 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. The CLO vehicles which the Fund focuses on are collateralized primarily by senior loans, and generally have minimal or no exposure to real estate, mortgage loans or to pools of consumer-based debt, such as credit card receivables or auto loans. The Fund may increase its exposure to warehouse facilities over the coming year.

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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. 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 yields on senior loans have generally decreased since mid-2010, we believe that CLO equity and junior debt instruments continue to offer attractive risk-adjusted returns.

We believe that the recently developed market to invest in warehouse financings, which are short-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 financings in particular, requires a high level of research and analysis. We believe that typically this analysis can only be adequately conducted by knowledgeable market participants since that analysis tends to be highly specialized.

We believe that a stronger credit market for senior loans has reduced the risk of collateral coverage test violations across many CLO structures, thereby reducing the risk that current cash distributions otherwise payable to junior debt tranches and/or equity will be diverted under the priority of payments to pay down the more senior obligations in various CLO structures.

We believe that the US CLO market is relatively large with total assets under management of approximately $328 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 $58 billion.

An investment in our Fund carries with it a number of risks, certain of which are discussed in the footnotes to the financial statements. Investors should read the risk disclosures footnote 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 July 25, 2014. Source: RBS Securities Inc., Intex Solutions, Inc.

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OXFORD LANE CAPITAL CORP.

TOP TEN HOLDINGS
AS OF SEPTEMBER 30, 2014
(Unaudited)

Investment	Maturity	Fair Value	% of Net Assets
Seneca Park CLO, Ltd. Subordinated Notes	July 17, 2026	$30,400,000	12.46 %
Battalion CLO VII Ltd. Preference Shares	January 1, 2015	28,000,000	11.48 %
OFSI Fund VII, Ltd. Income Notes	October 18, 2026	23,158,713	9.49 %
AIMCO CLO, Series 2014-A Subordinated Notes	July 20, 2026	22,880,000	9.38 %
OZLM VII Ltd. Subordinated Notes	July 17, 2026	19,980,500	8.19 %
Cedar Funding III CLO, Ltd. Subordinated Notes	May 20, 2026	19,750,000	8.10 %
Venture XVI CLO, Ltd. Subordinated Notes	April 15, 2026	16,200,000	6.64 %
Benefit Street Partners CLO IV Ltd. Preference Shares	July 20, 2026	15,810,000	6.48 %
Mountain Hawk III CLO, Ltd. Income Notes	April 18, 2025	13,650,000	5.60 %
Ares XXIX CLO Ltd. Subordinated Notes	April 17, 2026	12,240,000	5.02 %

Portfolio Investment Breakdown

(Excludes cash and other assets)

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OXFORD LANE CAPITAL CORP.

STATEMENT OF ASSETS AND LIABILITIES (Unaudited)

	September 30, 2014
ASSETS	
Investments, at fair value (identified cost: $334,511,735)	$346,290,230
Cash and cash equivalents	5,154,688
Dividend receivable	7,596,982
Deferred issuance costs on mandatorily redeemable preferred stock	4,745,170
Deferred offering costs on common stock	324,580
Interest receivable, including accrued interest purchased	178,857
Prepaid expenses and other assets	15,452
Total assets	364,305,959
LIABILITIES	
Mandatorily redeemable preferred stock, net of discount (5,000,000 shares authorized and 4,864,720 shares issued and outstanding)	117,416,295
Investment advisory fee payable to affiliate	1,828,407
Incentive fees payable to affiliate	473,275
Directors fees payable	27,500
Administrator expense payable	27,044
Accrued offering costs	204,234
Accrued expenses	378,745
Total liabilities	120,355,500
COMMITMENTS AND CONTINGENCIES (NOTE 9)	
NET ASSETS applicable to common stock, $0.01 par value, 95,000,000 shares authorized, and 15,703,275 shares issued and outstanding	$243,950,459
NET ASSETS consist of:	
Paid in capital	$244,023,003
Accumulated net realized gain on investments	9,571,390
Net unrealized appreciation on investments	11,778,495
Distribution in excess of net investment income	(21,422,429)
Total net assets	$243,950,459
Net asset value per common share	$15.54
Market price per share	$15.33
Market price discount to net asset value per share	(1.35)%

See Accompanying Notes

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OXFORD LANE CAPITAL CORP.

SCHEDULE OF INVESTMENTS SEPTEMBER 30, 2014 (Unaudited)

COMPANY[1]	INDUSTRY	INVESTMENT	PRINCIPAL AMOUNT	COST	FAIR VALUE[2]	% of Net Assets
Collateralized Loan Obligation — Debt Investments						
AMMC CLO XII, Ltd.	structured finance	CLO secured notes Class F[3][4][5] (5.28%, due May 10, 2025)	$2,500,000	$2,181,610	$2,076,500	
Carlyle Global Market Strategies CLO 2013-2, Ltd.	structured finance	CLO secured notes Class F[3][4][5] (5.63%, due April 18, 2025)	4,500,000	3,872,878	3,926,250	
Neuberger Berman CLO XIII, Ltd.	structured finance	CLO secured notes Class F[3][4][5] (6.73%, due January 23, 2024)	4,500,000	3,897,433	4,180,950	
OFSI Fund VII, Ltd.	structured finance	CLO secured notes Class F[3][4][5] (6.03%, due October 18, 2026)	5,564,000	4,619,760	4,618,120	
Telos CLO 2013-3, Ltd.	structured finance	CLO secured notes Class F[3][4][5] (5.73%, due January 17, 2024)	3,000,000	2,709,378	2,512,800	
Total Collateralized Loan Obligation — Debt Investments				17,281,059	17,314,620	7.10%
Collateralized Loan Obligation — Equity Investments						
ACA CLO 2007-1, Ltd.	structured finance	CLO subordinated notes[4][6]	12,212,500	5,425,135	5,373,500	

		(Estimated yield 25.63%, maturity June 15, 2022)			
AIMCO CLO, Series 2014-A	structured finance	CLO subordinated notes(4)(6)(9) (Estimated yield 10.14%, maturity July 20, 2026)	26,000,000	22,884,131	22,880,000
AMMC CLO XII, Ltd.	structured finance	CLO subordinated notes(4)(6) (Estimated yield 12.98%, maturity May 10, 2025)	7,178,571	5,053,285	5,455,714
Apidos CLO XIV	structured finance	CLO subordinated notes(4)(6) (Estimated yield 16.64%, maturity April 15, 2025)	2,272,500	1,866,565	2,227,050
Ares XXV CLO Ltd.	structured finance	CLO subordinated notes(4)(6) (Estimated yield 10.63%, maturity January 17, 2024)	15,500,000	11,437,825	11,625,000
Ares XXVI CLO Ltd.	structured finance	CLO subordinated notes(4)(6) (Estimated yield 14.89%, maturity April 15, 2025)	7,500,000	5,325,060	5,732,813
Ares XXIX CLO Ltd.	structured finance	CLO subordinated notes(4)(6) (Estimated yield 12.76%, maturity April 17, 2026)	12,750,000	10,912,763	12,240,000
Battalion CLO VII Ltd.	structured finance	CLO preference shares(4)(6)(8) (Estimated yield 14.00%, maturity January	28,000,000	28,000,000	28,000,000

		01, 2015)			
Benefit Street Partners CLO IV Ltd.	structured finance	CLO preference shares(4)(6)(9) (Estimated yield 9.85%, maturity July 20, 2026)	17,000,000	16,119,577	15,810,000
Carlyle Global Market Strategies CLO 2013-2, Ltd.	structured finance	CLO subordinated notes(4)(6) (Estimated yield 22.01%, maturity April 18, 2025)	9,250,000	7,048,706	9,435,000
Cedar Funding III CLO, Ltd.	structured finance	CLO subordinated notes(4)(6)(9) (Estimated yield 7.51%, maturity May 20, 2026)	25,000,000	22,129,862	19,750,000
Emerson Park CLO, Ltd.	structured finance	CLO subordinated notes(4)(6) (Estimated yield 12.39%, maturity July 15, 2025)	12,250,000	8,893,581	9,922,500
Harbourview CLO 2006-1	structured finance	CLO subordinated notes(4)(6) (Estimated yield 50.59%, maturity December 27, 2019)	4,380,000	1,707,309	2,715,600

(Continued on next page)

See Accompanying Notes

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OXFORD LANE CAPITAL CORP.

SCHEDULE OF INVESTMENTS (continued) SEPTEMBER 30, 2014 (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 13.07%, maturity October 20, 2025)	$7,000,000	$6,357,143	$6,440,000	
Mountain Hawk II CLO, Ltd.	structured finance	CLO subordinated notes[4][6] (Estimated yield 11.87%, maturity July 20, 2024)	10,000,000	10,569,599	10,940,000	
Mountain Hawk III CLO, Ltd.	structured finance	CLO income notes[4][6] (Estimated yield 8.75%, maturity April 18, 2025)	15,000,000	13,467,958	13,650,000	
		CLO M notes[7] (Maturity April 18, 2025)	2,389,676		679,156	
Neuberger Berman CLO XIII, Ltd.	structured finance	CLO subordinated notes[4][6] (Estimated yield 10.94%,	6,255,000	3,684,856	3,878,100	

		maturity January 23, 2024)			
OFSI Fund VII, Ltd.	structured finance	CLO income notes(4)(6)(9) (Estimated yield 9.09%, maturity October 18, 2026)	28,840,000	25,557,693	23,158,713
OZLM VII Ltd.	structured finance	CLO subordinated notes(4)(6)(9) (Estimated yield 8.09%, maturity July 17, 2026)	22,450,000	21,446,176	19,980,500
Seneca Park CLO, Ltd.	structured finance	CLO subordinated notes(4)(6)(9) (Estimated yield 9.50%, maturity July 17, 2026)	32,000,000	31,134,433	30,400,000
Shackleton II CLO, Ltd.	structured finance	CLO income notes(4)(6) (Estimated yield 9.13%, maturity October 20, 2023)	10,000,000	8,785,829	8,300,000
Telos CLO 2013-3, Ltd.	structured finance	CLO subordinated notes(4)(6) (Estimated yield 12.91%, maturity January 17, 2024)	6,333,334	5,327,737	5,636,667
Telos CLO 2013-4, Ltd.	structured finance	CLO subordinated notes(4)(6) (Estimated yield 16.95%, maturity July 17, 2024)	8,700,000	6,419,701	7,743,000
Venture XIII CLO, Ltd.	structured finance	CLO subordinated notes(4)(6)	9,500,000	7,184,326	8,550,000

		(Estimated yield 15.83%, maturity June 10, 2025)				
Venture XVI CLO, Ltd.	structured finance	CLO subordinated notes(4)(6) (Estimated yield 11.70%, maturity April 15, 2026)	15,000,000	13,682,886	16,200,000	
Venture XVII CLO, Ltd.	structured finance	CLO subordinated notes(4)(6) (Estimated yield 10.49%, maturity July 15, 2026)	9,000,000	8,048,431	9,000,000	
Venture XVIII CLO, Ltd.	structured finance	CLO subordinated notes(4)(6)(9) (Estimated yield 8.81%, maturity October 15, 2026)	9,700,000	8,760,109	8,225,066	
		CLO subordinated F notes(7) (Maturity October 15, 2026)	357,055		407,934	
Other CLO equity related investments	structured finance	CLO other(7)			4,619,297	
Total Collateralized Loan Obligation Equity Investments				317,230,676	328,975,610	134.85 %
Total Investments				**$334,511,735**	**$346,290,230**	**141.95%**

(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 Company.
(3) Notes bear interest at variable rates.

See Accompanying Notes

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OXFORD LANE CAPITAL CORP.

SCHEDULE OF INVESTMENTS (continued) SEPTEMBER 30, 2014 (Unaudited)

(4) Cost value reflects accretion of original issue discount or market discount, and amortization of premium.

(5) The CLO secured notes 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, 2014.

(6) 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.

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

(8) The preference 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.

(9) Investment has not made inaugural distribution for relevant period end. See Note 2. Summary of Significant Accounting Policies Investment Income Recognition.

See Accompanying Notes

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OXFORD LANE CAPITAL CORP.

STATEMENT OF OPERATIONS
(Unaudited)

	Six Months Ended September 30, 2014
INVESTMENT INCOME	
Interest income.	$ 21,472,747
EXPENSES	
Investment advisory fees	3,615,501
Incentive fees	1,925,028
Professional fees.	255,918
Administrator expense	512,915
Directors fees	82,000
General and administrative	358,294
Interest expense on mandatorily redeemable preferred stock	4,540,578
Insurance expense.	18,300
Transfer agent and custodian fees	48,642
Total expenses	11,357,176
Net investment income	10,115,571
Net change in unrealized depreciation on investments	(10,573,706)
Net realized gain on investments	7,799,862
Net realized and unrealized loss on investments	(2,773,844)
Net increase in net assets resulting from operations.	$ 7,341,727

See Accompanying Notes

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OXFORD LANE CAPITAL CORP.

STATEMENT OF CHANGES IN NET ASSETS (Unaudited)

	Six Months Ended September 30, 2014	Year Ended March 31, 2014
Increase in net assets from operations:		
Net investment income	$10,115,571	$10,087,821
Net realized gain on investments.	7,799,862	7,981,427
Net change in unrealized depreciation on investments	(10,573,706)	4,592,120
Net increase in net assets resulting from operations	7,341,727	22,661,368
Distributions from net investment income	(18,532,867)	(20,202,469)
Distributions from realized gain on investments		(3,018,700)
Distributions to shareholders	(18,532,867)	(23,221,169)
Capital share transaction:		
Issuance of common stock (net of underwriting fees and offering costs)	5,232,274	122,242,178
Reinvestment of dividends	2,080,124	3,007,101
Net increase in net assets from capital share transactions	7,312,398	125,249,279
Total (decrease) increase in net assets	(3,878,742)	124,689,478
Net assets at beginning of period	247,829,201	123,139,723
Net assets at end of period (including distributions in excess of net investment income of $21,422,429 and $13,005,133)	$243,950,459	$247,829,201
Capital share activity:		
Shares sold	327,886	7,446,373
Shares issued from reinvestment of dividends	134,660	191,638
Increase in capital share activity	462,546	7,638,011

See Accompanying Notes

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OXFORD LANE CAPITAL CORP.

STATEMENT OF CASH FLOWS (Unaudited)

	Six Months Ended September 30, 2014
CASH FLOWS FROM OPERATING ACTIVITIES	
Net increase in net assets resulting from operations	$ 7,341,727
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:	
Amortization of discounts and premiums	(20,262,120)
Amortization of deferred issuance costs on preferred stock	294,862
Accretion of discount on mandatorily redeemable preferred stock	221,105
Purchases of investments	(307,351,855)
Sales of investments	146,982,183
Repayments of principal and reductions to investment cost value	47,955,154
Net change in unrealized appreciation on investments	10,573,706
Increase in deferred offering costs	(324,580)
Net realized gain on investments	(7,799,862)
Increase in dividend receivable	(3,377,244)
Decrease in interest receivable	110,777
Decrease in prepaid expenses and other assets	18,300
Increase in investment advisory fee payable	632,938
Decrease in incentive fee payable	(231,400)
Increase in administrator expense payable	15,244
Increase in accrued offering costs	4,234
Decrease in accrued expenses	(90,402)
Net cash used in operating activities	(125,287,233)
CASH FLOWS FROM FINANCING ACTIVITIES	
Distributions paid (net of stock issued under dividend reinvestment plan of $2,080,124)	(16,452,743)
Proceeds from the issuance of common stock	5,389,980
Underwriting fees and offering costs for the issuance of common stock	(157,706)
Proceeds from the issuance of mandatorily redeemable preferred stock, net of discount	39,900,000
Deferred issuance costs for the issuance of preferred stock	(1,550,128)
Net cash provided by financing activities	27,129,403
Net decrease in cash and cash equivalents	(98,157,830)
Cash and cash equivalents, beginning of period	103,312,518
Cash and cash equivalents, end of period	$ 5,154,688

SIGNIFICANT NON-CASH TRANSACTIONS	
Value of shares issued in connection with dividend reinvestment plan	$ 2,080,124
SUPPLEMENTAL DISCLOSURES	
Cash paid for interest	$ 4,024,611

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OXFORD LANE CAPITAL CORP.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2014

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 as a non-diversified closed-end management investment company that has registered as an investment company 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, or RIC, under Subchapter M of the Internal Revenue Code of 1986, as amended (the Code). The Fund follows the accounting and reporting requirements of ASC 946, *Financial Services Investment Companies* (ASC 946), for reporting on Form N-CSR. 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.

OXLC s investment activities are managed by Oxford Lane Management LLC (OXLC Management), a registered investment adviser under the Investment Advisors 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, 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.

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.

CASH AND CASH EQUIVALENTS

The Fund considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents. At September 30, 2014, cash and cash equivalents consisted solely of demand deposits maintained at well-capitalized financial institutions. The Fund maintains its accounting records in U.S. dollars.

INVESTMENT VALUATION

The most significant estimates made in the preparation of the Fund s financial statements are the valuation of investments and the effective yield calculations, as well as 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 that OXLC makes. The Fund is required to specifically fair value each individual investment on a quarterly basis.

The Fund complies with ASC 820-10, *Fair Value Measurements and Disclosure*, which establishes a three-level valuation hierarchy for disclosure of fair value measurements. 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

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OXFORD LANE CAPITAL CORP.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. The Fund has determined that due to the general illiquidity of the market for the Fund s investment portfolio, whereby little or no market data exists, all of the Fund s investments are valued based upon Level 3 inputs as of September 30, 2014. The Fund s Board of Directors determines the value of OXLC s investment portfolio each quarter. The prices used by the Fund to value securities may differ from the value that would be realized if the securities were sold, and these differences could be material to the Fund s financial statements.

OXLC has acquired a number of debt and equity positions in CLO investment vehicles, which are special purpose financing vehicles. In valuing such investments, OXLC considers indicative prices provided by a recognized industry pricing service as well as the indicative prices provided by the broker who arranges transactions in such investment vehicles, to the extent available, as well as any available information on other relevant transactions including trades, if any, and firm bids and offers in the market. In addition, OXLC considers the range of yields for such investments across the market, the operating metrics of the specific investment vehicle, including, but not limited to, net asset value, projected cash flows, compliance with collateralization tests, and defaulted and CCC-rated securities, if any. Using the pricing service s indicative price as a starting point, if the implied yield is outside the market range, the valuation may be adjusted to a point within the market range. However, the impact of other market information, such as broker prices, actual trades and firm bids and offers as well as operating metrics of such investment, may also affect the valuation. On occasion, an indicative price that results in an implied yield that is within the market range may also be adjusted, depending upon the reliability and volume of other market information. OXLC Management or the OXLC Valuation Committee (the Valuation Committee) may request an additional analysis by a third-party firm to assist in the valuation process of CLO investment vehicles. This information is presented to the Board for its determination of fair value of these investments.

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 Valuation Committee of the Board 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, 2014, the Fund did not have any direct investments in senior secured loans.

ASC 820-10, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* (ASC 820), provides guidance on factors that should be considered in determining when a previously active market becomes inactive and whether a transaction is orderly. In accordance with ASC 820-10, the Fund s valuation procedures specifically provide for the review of indicative quotes supplied by the brokers or agent banks that make a market for each security.

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OXFORD LANE CAPITAL CORP.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund s assets measured at fair value on a recurring basis subject to the disclosure requirements of ASC 820-10 at September 30, 2014, were as follows:

	Fair Value Measurements at Reporting Date Using			
Assets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	($ in millions)	($ in millions)	($ in millions)	($ in millions)
CLO debt	$	$	$ 17.3	$ 17.3
CLO equity			329.0	329.0
Total	$	$	$ 346.3	$ 346.3

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, 2014. 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 Valuation Committee 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 table, therefore, is not all-inclusive, but provides information on the significant Level 3 inputs that are pertinent to the Fund s fair value measurements. The weighted average calculations in the table below are based on principal balances for all CLO debt and equity investments.

	Quantitative Information about Level 3 Fair Value Measurements			
Assets	Fair	Valuation	Unobservable	Range/Weighted

	Value as of September 30, 2014 ($ in millions)	Techniques/ Methodologies	Input		Average	
CLO debt	$8.8	Market quotes	NBIB	(1)	83.1%	92.9%/87.7%
	8.5	Recent transactions	Actual trade(2)		83.0%	87.3%/84.9%
CLO equity	295.3	Market quotes	NBIB	(1)	44.0%	109.4%/86.6%
	28.0	Recent transactions	Actual trade	(2)	N/A	(3)
	5.7	Discounted cash flow	Discount rate		9.5%	11.8%/10.5%
Total Fair Value for Level 3 Investments	$346.3					

(1) The Fund generally uses prices provided by an independent pricing service or broker or agent bank non-binding indicative bid prices (NBIB) on or near the valuation date as the primary basis for the fair value determinations for CLO debt and equity investments.

(2) Prices provided by independent pricing service are evaluated in conjunction with actual trades, and in certain cases, the value represented by actual trades may be more representative of fair value as determined by the Valuation Committee.

(3) Represents a single investment fair value position, at par, and therefore the range / weighted average is not applicable.

Significant increases or decreases in any of the unobservable inputs in isolation may result in a significantly lower or higher fair value measurement.

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OXFORD LANE CAPITAL CORP.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A rollforward of the fair value of investments for the six months ended September 30, 2014, utilizing significant unobservable inputs, is as follows:

($ in millions)	Collateralized Loan Obligation Debt Investments	Collateralized Loan Obligation Equity Investments	Total
Balance at March 31, 2014	$ 22.5	$ 214.2	$ 236.7
Realized gains included in earnings	1.2	6.6	7.8
Unrealized depreciation included in earnings	(1.9)	(8.7)	(10.6)
Amortization of discounts and premiums	0.1	20.2	20.3
Purchases	4.6	278.1	282.7
Repayments, sales of principal and reductions to investment cost value	(9.2)	(181.4)	(190.6)
Transfers in and/or out of level 3			
Balance at September 30, 2014	$ 17.3	$ 329.0	$ 346.3
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)	$ (1.7)	$ (2.4)

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 between Level 1, Level 2 and Level 3 during the six months ended September 30, 2014.

PREFERRED STOCK

The Fund carries its mandatorily redeemable preferred stock at accreted cost on the statement of assets and liabilities, and not fair value. For disclosure purposes, the fair value of the 8.50% Series 2017 Term Preferred Shares (the Series 2017 Shares), 7.50% Series 2023 Term Preferred Shares (the Series 2023 Shares) and 8.125% Series 2024 Term

Preferred Shares (the Series 2024 Shares) are approximately $16.3 million, $72.1 million and $32.3 million, respectively, at September 30, 2014. The fair value of the Series 2017 Shares, Series 2023 Shares and Series 2024 Shares is based upon a closing price per share of $25.75, $24.40 and $25.30, respectively, at September 30, 2014. The Fund considers its preferred stock to be a Level 2 liability within the fair value hierarchy.

PREPAID EXPENSES

Prepaid expenses consist primarily of insurance costs.

INVESTMENT INCOME RECOGNITION

Interest income from debt positions in CLO investment vehicles is recorded on the accrual basis to the extent that such amounts are expected to be collected. Amortization of premium or accretion of discount is recognized on the effective yield method.

Interest income from investments in the equity class securities of CLO investment vehicles (typically income notes or subordinated notes) is recorded 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 relevant period end. The Fund monitors the expected cash flows from its CLO equity investments, including the expected residual payments, and effective yield is determined and updated periodically, as needed.

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OXFORD LANE CAPITAL CORP.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FEDERAL INCOME TAXES

The Fund intends to operate so as to qualify to be taxed as a RIC under Subchapter M of the Internal Revenue Code and, as such, to not be subject to 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 federal income tax regulations differ from accounting principles generally accepted in the United States, 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. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes. Our dividend policy is based upon our estimate of our taxable 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.

The tax basis components of distributable earnings differ from the amounts reflected in the Statement of Assets and Liabilities due to temporary book/tax differences primarily arising from investments in equity CLOs and permanent book/tax differences attributable to non-deductible excise taxes. These amounts will be finalized before filing the federal tax return.

Aggregate gross unrealized appreciation for tax purposes is $18,629,334; and aggregate gross unrealized depreciation of $15,472,293. For tax purposes, the cost basis of the portfolio investments at September 30, 2014 was $343,133,189.

DIVIDENDS AND DISTRIBUTIONS

Dividends from net investment income and capital gain distributions are determined in accordance with U.S. federal income tax regulations, which differ from GAAP. Dividends 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. Dividends and 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 dividend reinvestment plan unless the shareholder has elected to have them paid in cash.

Amounts required to be distributed reflect estimates made by the Fund. Dividends paid by the Fund are subject to re-characterization for tax purposes.

CONCENTRATION OF CREDIT RISK

At September 30, 2014, the Fund maintained a cash balance with U.S. Bank N.A. The Fund is subject to credit risk arising should U.S. Bank N.A. be unable to fulfill its obligations. In addition, the Fund s portfolio may be concentrated in a limited number of investments in CLO vehicles, which will subject the Fund to a risk of significant loss if that sector experiences a market downturn.

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

Deferred offering costs consist principally of legal, accounting, filing and underwriting fees incurred that are related to an offering proposed by the Fund. The deferred offering costs will be charged to capital upon