

Oxford Lane Capital Corp.
Form 497
February 09, 2017

Filed pursuant to Rule 497
File No. 333-205405

PROSPECTUS SUPPLEMENT
(To Prospectus dated August 23, 2016
and Prospectus Supplements dated August 24, 2016
and November 21, 2016)

February 9, 2017

Oxford Lane Capital Corp.

\$50,000,000

Common Stock

This prospectus supplement supplements the prospectus supplement dated November 21, 2016 (the “Second Prospectus Supplement”), the prospectus supplement dated August 24, 2016 (the “First Prospectus Supplement”) and the accompanying prospectus thereto, dated August 23, 2016 (the “Base Prospectus,” together with the First Prospectus Supplement, the Second 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 equity distribution agreement, dated March 7, 2016, with Ladenburg Thalmann & Co. Inc., which was amended on November 21, 2016.

You should carefully read the entire Prospectus before investing in our common stock. **You should also review the information set forth under the “Supplementary Risk Factor” section in the Second Prospectus Supplement and the “Risk Factors” section beginning on page 21 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 February 8, 2017, we sold a total of 3,067,199 shares of common stock pursuant to the “at-the-market” offering. The total amount of capital raised as a result of these sales of common stock was

approximately \$33.9 million and net proceeds were approximately \$33.0 million after deducting the sales agent's commissions and offering expenses.

RECENT DEVELOPMENTS

Financial Results as of December 31, 2016

Net asset value per share as of December 31, 2016 stood at \$10.74 compared with a net asset value per share at September 30, 2016 of \$9.94.

Net investment income, calculated in accordance with generally accepted accounting principles ("GAAP"), was approximately \$7.7 million, or approximately \$0.38 per share, for the quarter ended December 31, 2016.

Our core net investment income ("Core NII") was approximately \$11.7 million, or approximately \$0.58 per share, for the quarter ended December 31, 2016.

Core NII represents net investment income adjusted for additional cash distributions received, or entitled to be received (if any, in either case), on our collateralized loan obligation ("CLO") equity investments. (See additional information under "Supplemental Information Regarding Core Net Investment Income" below).

Total investment income, calculated in accordance with GAAP, amounted to approximately \$14.7 million for the quarter ended December 31, 2016.

o For the quarter ended December 31, 2016, we recorded GAAP investment income from our portfolio as follows:

§ approximately \$14.0 million from our CLO equity investments,

§ approximately \$0.3 million from our CLO debt investments, and

§ approximately \$0.4 million from other sources.

While our experience has been that cash flow distributions have historically represented useful indicators of our CLO equity investments' annual taxable income, we believe that current and future cash flow distributions may provide less useful indications as to the final determination of taxable income with respect to our CLO equity investments. In general, we currently expect our annual taxable income to be higher than our GAAP earnings for the current fiscal year.

o The weighted average yield of our CLO debt investments at current cost was approximately 9.1% as of December 31, 2016.

o The weighted average effective yield of our CLO equity investments at current cost was approximately 17.6% as of December 31, 2016.

o The weighted average cash yield of our CLO equity investments at current cost was approximately 23.8% as of December 31, 2016.

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Net increase in net assets from operations was approximately \$27.8 million, or approximately \$1.38 per share, for the quarter ended December 31, 2016, including:

- Net investment income of approximately \$7.7 million;
- Net realized losses of approximately \$0.9 million; and
- Net unrealized appreciation of approximately \$21.0 million.

During the quarter ended December 31, 2016, we made additional CLO equity investments of approximately \$96.3 million.

During the quarter ended December 31, 2016, we sold approximately \$69.0 million of our CLO equity investments.

During the quarter ended December 31, 2016, we issued a total of 1,641,304 shares of common stock pursuant to an "at-the-market" offering, resulting in net proceeds of approximately \$18.5 million after deducting the sales agent's commissions and offering expenses.

- Our Board of Directors has declared the following distributions on our common stock:

Quarter Ending	Record Date	Payment Date	Amount Per Share
March 31, 2017	March 16, 2017	March 31, 2017	\$0.60
June 30, 2017	June 16, 2017	June 30, 2017	\$0.40
September 30, 2017	September 15, 2017	September 29, 2017	\$0.40

These distributions reflect our solid operating performance during the quarter ended December 31, 2016 and the full 2016 calendar year, and our projections of the impact of the recent rise in the 3-month LIBOR (and the corresponding loss of the benefit from LIBOR floors) and compression in corporate loan spreads on our taxable income in 2017. We note that this change is not related to current or projected cash flow diversions from our CLO equity portfolio, and that all of our CLO equity positions made full distributions in the quarter ended December 31, 2016. Going forward, we intend to declare and pay special distributions to our shareholders on an as-needed basis, in order to comply with our income distribution requirements as a regulated investment company.

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

	Per Share Dividend Amount Declared	Record Dates	Payment Dates
Series 2023	\$0.15625	March 17, April 17, May 17	March 31, April 28, May 31
Series 2024	\$0.16930	March 17, April 17, May 17	March 31, April 28, May 31

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 8.125%, respectively, of the \$25.00 per share liquidation preference, or \$1.875 and \$2.03125 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 8.125% 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

On a supplemental basis, we provide information relating to core net investment income, which is a non-GAAP measure. This measure is provided in addition to, but not as a substitute for, net investment income determined in accordance with GAAP. Our non-GAAP measure may differ from similar measures by other companies, even if similar terms are used to identify such measures. Core net investment income represents net investment income 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 based upon an effective yield to the expected redemption utilizing estimated cash flows, compared to the cost resulting in an effective yield for the investment; the difference between the actual cash received or distributions entitled to be received and the effective yield calculation is an adjustment to cost. Accordingly, investment income recognized on CLO equity securities in the GAAP statement of operations differs from the cash distributions actually received by us during the period (referred to in the table below as "CLO equity additional distributions").

Further, in order to continue to qualify to be taxed as a regulated investment company ("RIC"), we are required, among other things, to distribute at least 90% of our investment company taxable income annually. Therefore, core net investment income may, for certain periods, provide a better indication of estimated taxable income for a reporting period than does GAAP net investment income, although we can offer no assurance that will be the case as the ultimate tax character of our earnings cannot be determined until tax returns are prepared after the end of a fiscal year. We note that this non-GAAP measure may not be a useful indicator of taxable earnings, particularly during periods of market disruption and volatility.

The following table provides a reconciliation of net investment income to Core NII for the three months ended December 31, 2016:

	Three Months Ended December 31, 2016	
	Amount	Per Share Amounts
Net investment income	\$7,664,319	\$ 0.380
CLO equity additional distributions	4,076,677	0.202
Core net investment income	\$11,740,996	\$ 0.582

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS

On February 7, 2017, the Company filed its Quarterly Schedule of Portfolio Holdings on Form N-Q for the period from October 1, 2016 to December 31, 2016. The text of the Quarterly Schedule of Portfolio Holdings is attached hereto and is incorporated herein by reference.

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

OXFORD LANE CAPITAL CORP.

SCHEDULE OF INVESTMENTS

DECEMBER 31, 2016

(Unaudited)

Item 1. Schedule of Investments

COMPANY ⁽¹⁾ /INVESTMENT	INDUSTRY	PRINCIPAL AMOUNT	COST	FAIR VALUE ⁽²⁾	% of Net Assets
Collateralized Loan Obligation - Debt Investments					
Neuberger Berman CLO XIII, Ltd.	structured finance				
CLO secured notes - Class F ⁽³⁾⁽⁴⁾⁽⁶⁾ , (LIBOR + 6.50%, due January 23, 2024)		\$4,500,000	\$4,014,644	\$4,230,000	
OFSI Fund VII, Ltd.	structured finance				
CLO secured notes - Class F ⁽³⁾⁽⁴⁾⁽⁶⁾ , (LIBOR + 5.65%, due October 18, 2026)		5,564,000	4,762,378	4,417,816	
Telos CLO 2013-3, Ltd.	structured finance				
CLO secured notes - Class F ⁽³⁾⁽⁴⁾⁽⁶⁾ , (LIBOR + 5.50%, due January 17, 2024)		3,000,000	2,771,347	2,700,000	
Total Collateralized Loan Obligation - Debt Investments			\$11,548,369	\$11,347,816	4.92 %
Collateralized Loan Obligation - Equity Investments					
AIMCO CLO, Series 2014-A	structured finance				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 8.04%, maturity July 20, 2026)		\$26,000,000	\$16,157,423	\$14,452,566	
ALM X, Ltd.	structured finance				
		3,800,000	2,502,576	2,598,351	

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CLO preference shares ⁽⁵⁾⁽⁷⁾ , (Estimated yield 24.92%, maturity January 15, 2025)				
AMMC CLO XII, Ltd.	structured finance			
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 27.00%, maturity May 10, 2025)		7,178,571	3,739,479	3,302,143
Anchorage Capital CLO 5, Ltd.	structured finance			
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 22.70%, maturity October 15, 2026)		2,000,000	1,153,578	1,346,528
Ares XXV CLO Ltd.	structured finance			
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 15.40%, maturity January 17, 2024)		15,500,000	9,151,440	8,370,000
Ares XXVI CLO Ltd.	structured finance			
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 21.21%, maturity April 15, 2025)		15,115,000	6,781,807	6,716,264
Ares XXIX CLO Ltd.	structured finance			
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 10.41%, maturity April 17, 2026)		12,750,000	8,649,535	7,355,511
Ares CLO Warehouse 2017-1 Ltd.	structured finance			
CLO preference shares ⁽⁵⁾⁽⁷⁾⁽⁹⁾⁽¹⁰⁾ , (Estimated yield 14.27%, maturity December 22, 2017)		6,000,000	6,000,000	6,000,000
Atrium XII CLO	structured finance			
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 20.10%, maturity October 22, 2026)		37,762,500	30,309,417	38,140,125
Battalion CLO VII Ltd.	structured finance			
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 12.97%, maturity October 17, 2026)		24,000,000	17,839,713	12,960,000
Benefit Street Partners CLO V Ltd.	structured finance			
CLO preference shares ⁽⁵⁾⁽⁷⁾ , (Estimated yield 15.84%, maturity October 20, 2026)		5,000,000	3,251,435	3,350,000
B&M CLO 2014-1 LTD	structured finance			
		2,000,000	1,064,006	920,000

CLO subordinated notes⁽⁵⁾⁽⁷⁾, (Estimated yield
20.89%, maturity April 16, 2026)

(Continued on next page)

OXFORD LANE CAPITAL CORP.

SCHEDULE OF INVESTMENTS - (continued)

DECEMBER 31, 2016

(Unaudited)

COMPANY ⁽¹⁾ /INVESTMENT	INDUSTRY	PRINCIPAL AMOUNT	COST	FAIR VALUE ⁽²⁾	% of Net Assets
Collateralized Loan Obligation - Equity Investments - (continued)					
Carlyle Global Market Strategies CLO 2013-2, Ltd.	structured finance				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 13.72%, maturity April 18, 2025)		\$9,250,000	\$6,632,830	\$5,599,429	
Carlyle Global Market Strategies CLO 2014-4, Ltd.	structured finance				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 20.08%, maturity October 15, 2026)		12,892,000	8,527,563	9,271,303	
CENT CLO 16, L.P.	structured finance				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 36.70%, maturity August 01, 2024)		10,500,000	5,424,959	6,405,000	
CIFC Funding 2014-III, Ltd.	structured finance				
CLO income notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 21.08%, maturity July 22, 2026)		10,000,000	6,120,898	6,300,000	
Dryden 42 Senior Loan Fund	structured finance				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 17.31%, maturity July 15, 2027)		3,500,000	3,071,201	3,430,000	
Hull Street CLO Ltd.	structured finance				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 11.94%, maturity October 18, 2026)		15,000,000	9,827,174	7,200,000	
Ivy Hill Middle Market Credit VII, Ltd.	structured finance				

CLO subordinated notes⁽⁵⁾⁽⁷⁾, (Estimated yield
13.69%, maturity October 20, 2025)

7,000,000