

Section 1: N-2 (N-2)

As filed with the Securities and Exchange Commission on January 23, 2019

Securities Act File No.

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

FORM N-2

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

(Check appropriate box or boxes)

Pre-Effective Amendment No.

Post-Effective Amendment No.

OXFORD SQUARE CAPITAL CORP.

(Exact name of Registrant as specified in charter)

8 Sound Shore Drive, Suite 255

Greenwich, CT 06830

(Address of Principal Executive Offices)

Registrant's telephone number, including Area Code: (203) 983-5275

Jonathan H. Cohen

Chief Executive Officer

Oxford Square Capital Corp.

8 Sound Shore Drive, Suite 255

Greenwich, CT 06830

(Name and address of agent for service)

COPIES TO:

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Approximate date of proposed public offering: From time to time after the effective date of this Registration Statement.

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

It is proposed that this filing will become effective (check appropriate box):

when declared effective pursuant to section 8(c).

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities Being Registered	Proposed Maximum Aggregate Offering Price⁽¹⁾	Amount of Registration Fee⁽¹⁾
Common Stock, \$0.01 par value per share ⁽³⁾⁽⁴⁾		
Preferred Stock, \$0.01 par value per share ⁽³⁾		
Subscription Rights ⁽³⁾		
Warrants ⁽⁵⁾		
Debt Securities ⁽⁶⁾		
Total⁽⁷⁾	\$ 600,000,000	\$ 7,801.67⁽²⁾

- (1) Estimated pursuant to Rule 457(o) under the Securities Act of 1933 solely for the purpose of determining the registration fee. The proposed maximum offering price per security will be determined, from time to time, by the Registrant in connection with the sale by the Registrant of the securities registered under this Registration Statement.
- (2) Pursuant to Rule 415(a)(6) under the Securities Act, the Registrant is carrying forward to this Registration Statement \$535,629,775 in aggregate offering price of unsold securities that the Registrant previously registered on its registration statement on Form N-2 (File No. 333-202672) initially filed on March 11, 2015 (the "Prior Registration Statement"). Pursuant to Rule 415(a)(6) under the Securities Act, the filing fee previously paid with respect to such unsold securities will continue to be applied to such unsold securities. The amount of the registration fee in the "Calculation of Registration Fee Under the Securities Act of 1933" table relates to the additional \$64,370,225 in aggregate offering price of securities being registered hereunder. As a result, a filing fee of \$7,801.67 is being paid herewith. Pursuant to Rule 415(a)(6) under the Securities Act, the offering of unsold securities under the Prior Registration Statement will be deemed terminated as of the date of effectiveness of this Registration Statement.
- (3) Subject to Note 7 below, there is being registered hereunder an indeterminate number of shares of common stock or preferred stock, or subscription rights to purchase shares of common stock as may be sold, from time to time.
- (4) Includes such indeterminate number of shares of common stock as may, from time to time, be issued upon conversion or exchange of other securities registered hereunder, to the extent any such securities are, by their terms, convertible or exchangeable for common stock.
- (5) Subject to Note 7 below, there is being registered hereunder an indeterminate number of warrants as may be sold, from time to time.
- (6) Subject to Note 7 below, there is being registered hereunder an indeterminate number of debt securities as may be sold, from time to time. If any debt securities are issued at an original issue discount, then the offering price shall be in such greater principal amount as shall result in an aggregate price to investors not to exceed \$600,000,000.
- (7) In no event will the aggregate offering price of all securities issued from time to time pursuant to this registration statement exceed \$600,000,000.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.



The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS

SUBJECT TO COMPLETION DATED JANUARY 23, 2019

\$600,000,000



**Oxford Square Capital Corp.
Common Stock**

**Preferred Stock
Subscription Rights**

**Debt Securities
Warrants**

Our investment objective is to maximize our portfolio's total return. Our primary current focus is to seek an attractive risk-adjusted total return by investing primarily in corporate debt securities and collateralized loan obligation ("CLO") structured finance investments that own corporate debt securities. CLO investments may also include 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 in publicly traded debt and/or equity securities. We operate as a closed-end, non-diversified management investment company and have elected to be regulated as a business development company, or "BDC," under the Investment Company Act of 1940, as amended, or the "1940 Act." **The portfolio companies in which we invest, however, will generally be considered below investment grade, and their debt securities may in turn be referred to as "junk." A portion of our investment portfolio may consist of debt investments for which issuers are not required to make significant principal payments until the maturity of the senior loans, which could result in a substantial loss to us if such issuers are unable to refinance or repay their debt at maturity. In addition, many of the debt securities we hold typically contain interest reset provisions that may make it more difficult for a borrower to repay the loan, heightening the risk that we may lose all or part of our investment.**

We may offer, from time to time, in one or more offerings or series, up to \$600,000,000 of our common stock, preferred stock, debt securities, subscription rights to purchase shares of our common stock, or warrants representing rights to purchase shares of our common stock, preferred stock or debt securities, which we refer to, collectively, as our "securities." The preferred stock, subscription rights, warrants and debt securities offered hereby may be convertible or exchangeable into shares of our common stock. The securities may be offered at prices and on terms to be described in one or more supplements to this prospectus.

In the event we offer common stock, the offering price per share of our common stock less any underwriting discounts or commissions will generally not be less than the net asset value per share of our common stock at the time we make the offering. However, we may issue shares of our common stock pursuant to this prospectus at a price per share that is less than our net asset value per share (i) in connection with a rights offering to our existing stockholders, (ii) with the prior approval of the majority of our common stockholders or (iii) under such other circumstances as the Securities and Exchange Commission, or the "SEC," may permit.

Our securities may be offered directly to one or more purchasers, or through agents designated from time to time by us, or to or through underwriters or dealers. Each prospectus supplement relating to an offering will identify any agents or underwriters involved in the sale of our securities, and will disclose any applicable purchase price, fee, discount or commissions arrangement between us and our agents or underwriters or among our underwriters or the basis upon which such amount may be calculated. See "Plan of Distribution." We may not sell any of our securities through agents, underwriters or dealers without delivery of this prospectus and a prospectus supplement describing the method and terms of the offering of such securities.

Our common stock is traded on the Nasdaq Global Select Market under the symbol "OXSQ." On January 22, 2019, the last reported sales price on the Nasdaq Global Select Market for our common stock was \$6.33 per share. On September 30, 2018, our net asset value was \$7.49 per share.

Our 6.50% Unsecured Notes due 2024 (the "6.50% Unsecured Notes") are currently listed on the NASDAQ Global Select Market under the symbol "OXSQL". The reported closing price for our 6.50% Unsecured Notes on January 22, 2019 was \$25.13 per note.

An investment in our securities is subject to a number of significant risks and involves a heightened risk of total loss of investment. In addition, the companies in which we invest are subject to special risks. See "Risk Factors" beginning on page 16 to read about factors you should consider, including the risk of leverage, before investing in our securities.

Neither the SEC nor any state securities commission has approved or disapproved of these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

This prospectus may not be used to consummate sales of our securities unless accompanied by a prospectus supplement. This prospectus and any accompanying prospectus supplement will together constitute the prospectus for an offering of our securities.

Please read this prospectus and any accompanying prospectus supplements before investing and keep each for future reference. This prospectus contains and any accompanying prospectus supplement will contain important information about us that a prospective investor should know before investing in our securities. We file annual, quarterly and current reports, proxy statements and other information with the SEC (<http://www.sec.gov>), which is available free of charge by contacting Oxford Square Capital Corp. at 8 Sound Shore Drive, Suite 255, Greenwich, CT 06830 or by telephone at (203) 983-5275, or by visiting our website (www.oxfordsquarecapital.com). The information found on, or otherwise accessible through, our website is not incorporated into, and does not form a part of this prospectus or any other report or document we file with or furnish to the SEC.

, 2019

You should rely only on the information contained, collectively, in this prospectus and any accompanying prospectus supplement. We have not authorized any person to give any information or to make any representation other than those contained in this prospectus or any accompanying prospectus supplement. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus and any accompanying prospectus do not constitute an offer to sell or a solicitation of any offer to buy any security other than the registered securities to which they relate, nor do they constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. The information contained in this prospectus and any accompanying prospectus supplement is accurate as of the dates on their respective covers; however, this prospectus and any accompanying prospectus supplement will be updated to reflect any material changes.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we have filed with the SEC, using the “shelf” registration process. Under the shelf registration process, we may offer, from time to time, in one or more offerings or series up to \$600,000,000 of our common stock, preferred stock, debt securities, subscription rights to purchase shares of our common stock, or warrants representing rights to purchase shares of our common stock, preferred stock or debt securities, on terms to be determined at the time of the offering. The securities may be offered at prices and on terms described in one or more supplements to this prospectus. This prospectus provides you with a general description of the securities that we may offer. Each time we use this prospectus to offer securities, we will provide an accompanying prospectus supplement that will contain specific information about the terms of that offering. The accompanying prospectus supplement may also add, update or change information contained in this prospectus. If there is any inconsistency between information in this prospectus and the accompanying prospectus supplement, you should rely only on the information contained in the prospectus supplement. Please carefully read this prospectus and any accompanying prospectus supplement together with any exhibits and the additional information described under the headings “Where You Can Find Additional Information” and “Risk Factors” and summarized in this prospectus before you make an investment decision.

SUMMARY

The following summary contains basic information about offerings pursuant to this prospectus. It may not contain all the information that is important to you. For a more complete understanding of offerings pursuant to this prospectus, we encourage you to read this entire prospectus and the documents to which we have referred in this prospectus, together with any accompanying prospectus supplements including the risks set forth under the caption “Risk Factors” in this prospectus and any accompanying prospectus supplement and the information set forth under the caption “Where You Can Find Additional Information” in this prospectus.

Except where the context requires otherwise, the terms “OXSQ,” “Company,” “we,” “us” and “our” refer to Oxford Square Capital Corp. (formerly known as TICC Capital Corp.) together with its subsidiaries, Oxford Square Funding 2018, LLC (“OXSQ Funding”), TICC CLO 2012-1 LLC, which was dissolved in 2017 (“2012 Securitization Issuer” or “TICC CLO 2012-1”), and TICC CLO LLC, which ceased operations in 2014 (“2011 Securitization Issuer” or “TICC CLO”); “Oxford Square Management” refers to Oxford Square Management, LLC (formerly known as TICC Management, LLC); and “Oxford Funds” refers to Oxford Funds, LLC (formerly known as BDC Partners, LLC).

Overview

We operate as a closed-end, non-diversified management investment company and have elected to be regulated as a BDC under the 1940 Act. We have elected to be treated for tax purposes as a RIC under the Code beginning with our 2003 taxable year. Our investment objective is to maximize our portfolio’s total return. Our primary current focus is to seek an attractive risk-adjusted total return by investing primarily in corporate debt securities and CLO structured finance investments that own corporate debt securities. CLO investments may also include 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 in publicly traded debt and/or equity securities. As a BDC, we may not acquire any asset other than “qualifying assets” unless, at the time we make the acquisition, the value of our qualifying assets represents at least 70% of the value of our total assets.

Our capital is generally used by our corporate borrowers to finance organic growth, acquisitions, recapitalizations and working capital. Our investment decisions are based on extensive analysis of potential portfolio companies’ business operations supported by an in-depth understanding of the quality of their recurring revenues and cash flow, variability of costs and the inherent value of their assets, including proprietary intangible assets and intellectual property. In making our CLO investments, we consider the indenture structure for that vehicle, its operating characteristics and compliance with its various indenture provisions, as well as its corporate loan-based collateral pool.

We generally expect to invest between \$5.0 million and \$50.0 million in each of our portfolio investments, although this investment size may vary as the size of our capital base changes and market conditions warrant. We invest in both fixed and variable interest rate structures. We expect that our investment portfolio will be diversified among a large number of investments, with few investments, if any, exceeding 5% of the total portfolio.

The structures of our investments will vary and we seek to invest across a wide range of different industries. We seek to invest in entities that, as a general matter, have been operating for at least one year prior to the date of our investment and that will, at the time of our investment, have employees and revenues, and which are cash flow positive. Many of these companies are expected to have financial backing provided by other financial or strategic sponsors at the time we make an investment. The portfolio companies in which we invest, however, will generally be considered below investment grade, and their debt securities may in turn be referred to as “junk.” A portion of our investment portfolio may consist of debt investments for which issuers are not required to make significant principal payments until the maturity of the senior loans, which could result in a substantial loss to us if such issuers are unable to refinance or repay their debt at maturity. In addition, many of the debt securities we hold typically contain interest reset provisions that may make it more difficult for a borrower to repay the loan, heightening the risk that we may lose all or part of our investment.

We also purchase portions of equity and junior debt tranches of CLO vehicles. Substantially all of the CLO vehicles in which we may invest would be deemed to be investment companies under the 1940 Act but for the exceptions set forth in section 3(c)(1) or section 3(c)(7). Other than CLO vehicles, we do not intend to invest, and we would be limited to 15% of our net assets if we did invest, in any types of entities that rely on the exceptions set forth in section 3(c)(1) or section 3(c)(7) of the 1940 Act. Structurally, CLO vehicles are entities that are formed to originate and manage a portfolio of loans. The loans within the CLO vehicle are limited to loans which meet established credit criteria and are subject to concentration limitations in order to limit a CLO vehicle’s exposure to a single credit. A CLO vehicle is formed by raising various classes or “tranches” of debt (with the most senior tranches being rated “AAA” to the most junior tranches typically

being rated “BB” or “B”) and equity. The tranches of CLO vehicles rated “BB” or “B” may be referred to as “junk.” The equity of a CLO vehicle is generally required to absorb the CLO’s losses before any of the CLO’s other tranches, yet it also has the lowest level of

payment priority among the CLO's tranches; therefore, the equity is typically the riskiest of CLO investments which, if it were rated, may also be referred to as "junk." We primarily focus on investing in the junior tranches and the equity of CLO vehicles. The CLO vehicles which we focus on are collateralized primarily by senior secured loans made to companies whose debt is unrated or is rated below investment grade, and generally have very little or no direct exposure to real estate, mortgage loans or to pools of consumer-based debt, such as credit card receivables or auto loans. However, there can be no assurance that the collateral securing such senior secured loans would satisfy all of the unpaid principal and interest of our investment in the CLO vehicle in the event of default and the junior tranches, especially the equity tranches, of CLO vehicles are the last tranches to be paid, if at all, in the event of a default. Our investment strategy may also include warehouse facilities, which are financing structures intended to aggregate loans that may be used to form the basis of a CLO vehicle.

We have historically borrowed funds to make investments and may continue to do so. As a result, we are exposed to the risks of leverage, which may be considered a speculative investment technique. Borrowings, also known as leverage, magnify the potential for gain and loss on amounts invested and therefore increase the risks associated with investing in our securities. In addition, the costs associated with our borrowings, including any increase in the management fee payable to our investment adviser, Oxford Square Management, will be borne by our common stockholders.

6.50% Unsecured Notes

On April 12, 2017, we completed an underwritten public offering of approximately \$64.4 million in aggregate principal amount of our 6.50% Unsecured Notes. The 6.50% Unsecured Notes will mature on March 30, 2024, and may be redeemed in whole or in part at any time or from time to time at our option on or after March 30, 2020. The 6.50% Unsecured Notes bear interest at a rate of 6.50% per year payable quarterly on March 30, June 30, September 30, and December 30 of each year. The 6.50% Unsecured Notes are listed on the NASDAQ Global Select Market under the trading symbol "OXSQL."

OXSQ Facility

On June 21, 2018, OXSQ Funding, a special purpose vehicle that is our wholly-owned subsidiary, entered into a credit facility (the "OXSQ Facility") with Citibank, N.A. On October 12, 2018, OXSQ Funding amended the OXSQ Facility to provide for additional borrowings under the OXSQ Facility. Pursuant to the terms of the OXSQ Facility, as amended, OXSQ Funding may borrow up to \$125.0 million. As of September 30, 2018, OXSQ Funding has borrowed approximately \$87.7 million. Subject to certain exceptions, pricing under the OXSQ Facility is based on the London interbank offered rate for an interest period equal to three months plus a spread of 2.25% per annum. Interest on the outstanding principal amount owing under the OXSQ Facility is payable quarterly in arrears. The OXSQ Facility will mature, and all outstanding principal and accrued and unpaid interest thereunder will be due and payable, on June 21, 2020, and is subject to periodic repayment prior to such date from collections on OXSQ Funding's loan assets and certain other mandatory payment requirements.

Organizational and Regulatory Structure

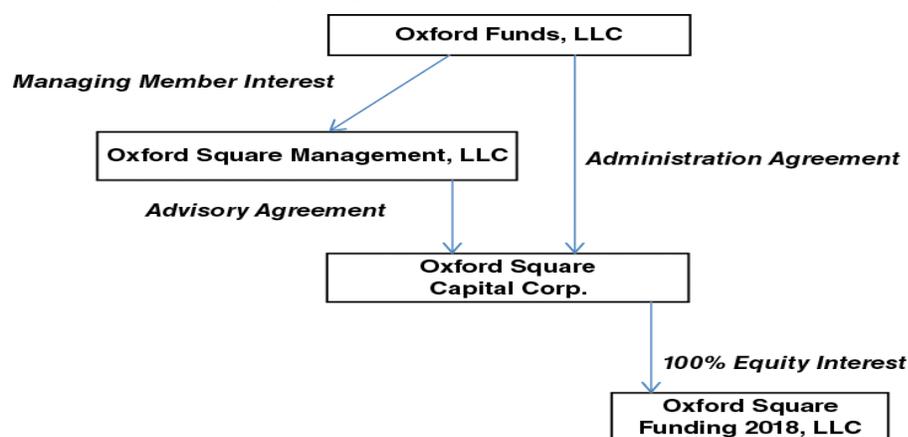
Our investment activities are managed by Oxford Square Management. Oxford Square Management is an investment adviser registered under the Investment Advisers Act of 1940, as amended, or the "Advisers Act." Oxford Square Management is owned by Oxford Funds, its managing member, and Charles M. Royce, a member of our Board of Directors who holds a minority,

non-controlling interest in Oxford Square Management. Jonathan H. Cohen, our Chief Executive Officer, and Saul B. Rosenthal, our President and Chief Operating Officer, directly or indirectly own or control all of the outstanding equity interests of Oxford Funds. Under the investment advisory agreement, or the “Investment Advisory Agreement,” we have agreed to pay Oxford Square Management an annual base management fee based on our gross assets as well as an incentive fee based on our performance. See “Investment Advisory Agreement” in this prospectus.

We were founded in July 2003 and completed an initial public offering of shares of our common stock in November 2003. We are a Maryland corporation and a closed-end, non-diversified management investment company that has elected to be regulated as a BDC under the 1940 Act. As a BDC, we are required to meet certain regulatory tests, including the requirement to invest at least 70% of our total assets in eligible portfolio companies. See “Regulation as a Business Development Company” in this prospectus. In addition, we have elected to be treated for U.S. federal income tax purposes, and intend to qualify annually, as a regulated investment company, or “RIC,” under Subchapter M of the Internal Revenue Code of 1986, as amended, or the “Code.”

Our consolidated operations include the activities of our wholly-owned subsidiaries, OXSQ Funding and TICC CLO 2012-1, for the periods during which they were held. OXSQ Funding, a special purpose vehicle, was formed for the purpose of entering into TICC CLO 2012-1 was formed for the purpose of enabling us to obtain debt financing and is operated solely for our investment activities. TICC CLO 2012-1 ceased operations on August 25, 2017. During the quarter ended December 31, 2017, we, as collateral manager of TICC CLO 2012-1, dissolved TICC CLO 2012-1 pursuant to Delaware law by filing a certificate of cancellation with the Secretary of State in Delaware.

Set forth below is a chart detailing our organizational structure as of December 31, 2018.



Our Corporate Information

Our headquarters are located at 8 Sound Shore Drive, Suite 255 Greenwich, Connecticut and our telephone number is (203) 983-5275.

Market Overview and Opportunity

Year-to-date September 30, 2018 represented a period of continued strength in the markets in which we participate. From January 1, 2018 to September 30, 2018, the LSTA Corporate Loan index marginally increased, trading at approximately 98.6% of par. At the same time, corporate loan default rates remained at low levels, providing investors with a generally lower-risk, lower-return corporate debt environment. Both our corporate loan and CLO portfolios had strong performance during year-to-date September 30, 2018. During the first half of 2018, the market environment resulted in tighter CLO liability spreads presenting us with ongoing refinancing as well as resetting opportunities. A “reset” is conducted via an optional redemption via refinancing in most CLO indentures. In addition to refinancing the debt tranches of the CLO, a “reset” typically includes modifications of the structure and changes to the indenture including but not limited to: the stated maturity of the debt tranches, the reinvestment period, the non-call period, collateral quality tests, overcollateralization and interest coverage tests and other various provisions of the indenture.

As we executed our strategy of focusing primarily on narrowly-syndicated loans and club deals through purchases in both the primary and secondary markets, we remained mindful of maintaining overall portfolio liquidity. Club deals are corporate loans that are not broadly syndicated, are generally not very liquid, and are typically held by a small number of unique institutional investors. We believe this strategy allowed us to maintain corporate debt investments which had sufficient liquidity to be sold (if necessary) in order to take advantage of market opportunities.

We continue to view our mandate as maximizing the risk-adjusted return on our shareholders' investment in Oxford Square. We view the market opportunity currently available to us as strong and, as a permanent capital vehicle, we have historically been able to take a longer-term view towards our investments.

Competitive Advantages

We believe that we are well positioned to provide financing to corporate borrowers and structured finance vehicles that, in turn, provide capital to corporate borrowers for the following reasons:

- Expertise in credit analysis and monitoring investments; and
- Established transaction sourcing network.

Expertise in credit analysis and monitoring investments

While our investment focus is on middle-market companies, we have invested, and in the future will likely continue to invest, in larger and smaller companies and in other investment structures on an opportunistic basis including CLO investment vehicles. We believe our experience in analyzing middle-market companies and CLO investment structures, as detailed in the biographies of Oxford Square Management's senior investment professionals, affords us a sustainable competitive advantage over lenders with limited experience in investing in these markets. In particular, we have expertise in evaluating the investment merits of middle-market companies as well as the structural features of CLO investments, and monitoring the credit risk of such investments after closing until full repayment.

- Jonathan H. Cohen, our Chief Executive Officer, has more than 25 years of experience in debt and equity research and investment. Mr. Cohen has also served as the Chief Executive Officer and a Director of Oxford Lane Capital Corp. (NasdaqGS: OXLC), a registered closed-end fund, and as Chief Executive Officer of its investment adviser, Oxford Lane Management, LLC, or "Oxford Lane Management," since 2010. Since 2015 and 2018, respectively, Mr. Cohen has also served as the Chief Executive Officer of each of Oxford Bridge Management, LLC, or "Oxford Bridge Management," the investment adviser to Oxford Bridge, LLC and Oxford Bridge II, LLC (collectively, the "Oxford Bridge Funds"), and Oxford Gate Management, LLC, or "Oxford Gate Management," the investment adviser to Oxford Gate Master Fund, LLC, Oxford Gate, LLC and Oxford Gate (Bermuda), LLC (collectively, the "Oxford Gate Funds"). The Oxford Bridge Funds and the Oxford Gate Funds are private investment funds. Previously, Mr. Cohen managed technology equity research groups at Wit Capital, Merrill Lynch, UBS and Smith Barney. Mr. Cohen is a member of the Board of Trustees of Connecticut College. Mr. Cohen received a B.A. in Economics from Connecticut College and an M.B.A. from Columbia University.

- Saul B. Rosenthal, our President and Chief Operating Officer, has 18 years of experience in the capital markets, with a focus on middle-market transactions. In addition, Mr. Rosenthal has served as President and a Director of Oxford Lane Capital Corp. (NasdaqGS: OXLC), a registered closed-end fund, and as President of Oxford Lane Management, since 2010. Mr. Rosenthal has also served as President of Oxford Bridge Management, the investment adviser to the Oxford Bridge Funds and Oxford Gate Management, the invest adviser to the Oxford Gate Funds, since 2015 and 2018, respectively. Mr. Rosenthal was previously an attorney at the law firm of Shearman & Sterling LLP. Mr. Rosenthal serves on the boards of Lift Forward, Inc. and the National Museum of Mathematics. Mr. Rosenthal received a B.S., magna cum laude, from the Wharton School of the University of Pennsylvania, a J.D. from Columbia University Law School, where he was a Harlan Fiske Stone Scholar, and a LL.M. (Taxation) from New York University School of Law.
- Darryl Monasebian is the Executive Vice President and head of risk and portfolio management of Oxford Square Management, and also holds those same positions at Oxford Lane Management, the investment adviser to Oxford Lane Capital Corp., Oxford Bridge Management, the investment adviser to the Oxford Bridge Funds and Oxford Gate Management, the invest adviser to the Oxford Gate Funds, since 2015 and 2018, respectively. Prior to joining Oxford Square Management, Mr. Monasebian was a director in the Merchant Banking Group at BNP Paribas, and prior to that he was a director at Swiss Bank Corporation and a senior account officer at Citibank. He began his business career at Metropolitan Life Insurance Company as an investment analyst in the Corporate Investments Department. Mr. Monasebian received a B.S. in Management Science/Operations Research from Case Western Reserve University and a Masters of Business Administration from Boston University's Graduate School of Management.
- Debdeep Maji is a Senior Managing Director of Oxford Square Management, and also holds the same position at Oxford Lane Management, the investment adviser to Oxford Lane Capital Corp., Oxford Bridge Management, the investment adviser to the Oxford Bridge Funds and Oxford Gate Management, the investment adviser to the Oxford Gate Funds. Mr. Maji graduated from the Jerome Fisher Program in Management and Technology at the University of Pennsylvania where he received a Bachelor of Science degree in Economics from the Wharton School (and was designated a Joseph Wharton Scholar) and a Bachelor of Applied Science from the School of Engineering.
- Kevin Yonon is a Managing Director of Oxford Square Management, and also holds the same position at Oxford Lane Management, the investment adviser to Oxford Lane Capital Corp., Oxford Bridge Management, the investment adviser to the Oxford Bridge Funds and Oxford Gate Management, the investment adviser to the Oxford Gate Funds. Previously, Mr. Yonon was an Associate at Deutsche Bank Securities and prior to that he was an Analyst at Blackstone Mezzanine Partners. Before joining Blackstone, he worked as an Analyst at Merrill Lynch in the Mergers & Acquisitions group. Mr. Yonon received a B.S. in Economics with concentrations in Finance and Accounting from the Wharton School at the University of Pennsylvania, where he graduated magna cum laude, and an M.B.A. from the Harvard Business School.

Established deal sourcing network

Through the investment professionals of Oxford Square Management, we have extensive contacts and sources from which to generate investment opportunities. These contacts and sources include private equity funds, companies, brokers and bankers. We believe that senior professionals of Oxford Square Management have developed strong relationships within the investment community over their years within the banking, investment management and equity research fields.

Management Fee

We pay Oxford Square Management a fee for its services under the Investment Advisory Agreement consisting of two components — a base management fee, or the “Base Fee,” and an incentive fee. The cost of both the Base Fee payable to Oxford Square Management and any incentive fees earned by Oxford Square Management are ultimately borne by our common stockholders.

Through March 31, 2016, the Base Fee was calculated at an annual rate of 2.00%. Effective April 1, 2016, the Base Fee is currently calculated at an annual rate of 1.50%. The Base Fee is payable quarterly in arrears, and is calculated based on the average value of Oxford Square's gross assets at the end of the two most recently completed calendar quarters, and appropriately adjusted for any equity or debt capital raises, repurchases or redemptions during the current calendar quarter (however, no Base Fee will be payable on the cash proceeds received by Oxford Square in connection with any share or debt issuances until such proceeds have been invested in accordance with Oxford Square's investment objectives). Accordingly, the Base Fee will be payable

regardless of whether the value of the Company's gross assets have decreased during the quarter. The Base Fee for any partial quarter will be appropriately pro rated.

The incentive fee has two parts: net investment income incentive fee and capital gains incentive fee. The net investment income incentive fee is calculated and payable quarterly in arrears based on the amount by which (x) the "Pre-Incentive Fee Net Investment Income" for the immediately preceding calendar quarter exceeds (y) the "Preferred Return Amount" for that calendar quarter. For this purpose, "Pre-Incentive Fee Net Investment Income" means interest income, dividend income and any other income (including any accrued income that Oxford Square has not yet received in cash and any other fees such as commitment, origination, structuring, diligence and consulting fees or other fees that Oxford Square receives from portfolio companies) accrued during the calendar quarter, minus Oxford Square's operating expenses accrued during the calendar quarter (including the Base Fee, expenses payable under an administration agreement, or the "Administration Agreement," and any interest expense and dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee). "Pre-Incentive Fee Net Investment Income" includes, in the case of investments with a deferred interest feature (such as original issue discount, or "OID," debt instruments with PIK interest and zero coupon securities), accrued income that the Company has not yet received in cash. Our investment adviser will not be under any obligation to reimburse us for any part of the incentive fee it received that was based on accrued income that we never receive as a result of a default by an entity on the obligation that resulted in the accrual of such income. "Pre-Incentive Fee Net Investment Income" does not include any realized gains, realized losses or unrealized appreciation or depreciation. Given that this portion of the incentive fee is payable without regard to any gain, loss or unrealized depreciation that may occur during the quarter, this portion of Oxford Square Management's incentive fee may also be payable notwithstanding a decline in net asset value that quarter.

From January 1, 2005 through March 31, 2016, the "Pre-Incentive Fee Net Investment Income," which was expressed as a rate of return on the value of the Company's net assets at the end of the immediately preceding calendar quarter, was compared to one-fourth of an annual hurdle rate that was determined as of the immediately preceding December 31st by adding 5.00% to the interest rate then payable on the most recently issued five-year U.S. Treasury Notes, up to a maximum annual hurdle rate of 10.00%.

Effective April 1, 2016, a "Preferred Return Amount" is calculated on a quarterly basis by multiplying 1.75% by the Company's net asset value at the end of the immediately preceding calendar quarter. The net investment income incentive fee is then calculated as follows: (a) no net investment income incentive fee is payable to Oxford Square Management in any calendar quarter in which the "Pre-Incentive Fee Net Investment Income" does not exceed the "Preferred Return Amount"; (b) 100% of the "Pre-Incentive Fee Net Investment Income" for such quarter, if any, that exceeds the "Preferred Return Amount" but is less than or equal to a "Catch-Up Amount" determined on a quarterly basis by multiplying 2.1875% by Oxford Square's net asset value at the end of such calendar quarter; and (c) for any quarter in which the "Pre-Incentive Fee Net Investment Income" exceeds the "Catch-Up Amount," the net investment income incentive fee will be 20% of the amount of the "Pre-Incentive Fee Net Investment Income" for such quarter. There is no accumulation of amounts from quarter to quarter for the "Preferred Return Amount," and accordingly there is no clawback of amounts previously paid to Oxford Square Management if the "Pre-Incentive Fee Net Investment Income" for subsequent quarters is below the quarterly "Preferred Return Amount," and there is no delay of payment of incentive fees to Oxford Square Management if the "Pre-Incentive Fee Net Investment Income" for prior quarters is below the quarterly "Preferred Return Amount" for the quarter for which the calculation is being made.

In addition, effective April 1, 2016, the calculation of the Company's net investment income incentive fee is subject to a total return requirement, which provides that a net investment income incentive fee will not be payable to Oxford Square Management except to the extent 20% of the "cumulative net increase in net assets resulting from operations" (which is the amount, if positive, of the sum of the "Pre-Incentive Fee Net Investment Income," realized gains and losses and unrealized appreciation and depreciation) during the calendar quarter for which such fees are being calculated and the eleven (11) preceding quarters (or if shorter, the number of quarters since April 1, 2016) exceeds the cumulative net investment income incentive fees accrued and/or paid for such eleven (11) preceding quarters (or if shorter, the number of quarters since April 1, 2016). Under the revised fee structure, under no circumstances will the aggregate fees earned from April 1, 2016 by Oxford Square Management in any quarterly period be higher than the aggregate fees that would have been earned prior to the adoption of these changes.

The second part of the incentive fee is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Advisory Agreement, as of the termination date), and equals 20% of our "Incentive Fee Capital Gains," which consists of our realized capital gains for each calendar year, computed net of all realized capital losses and unrealized capital depreciation for that calendar year. For accounting purposes only, in order to reflect the theoretical capital gains incentive fee that would be payable

for a given period as if all unrealized gains were realized, we will accrue a capital

gains incentive fee based upon net realized gains and unrealized depreciation for that calendar year (in accordance with the terms of the Investment Advisory Agreement), plus unrealized appreciation on investments held at the end of the period. It should be noted that a fee so calculated and accrued would not necessarily be payable under the Investment Advisory Agreement, and may never be paid based upon the computation of capital gains incentive fees in subsequent periods. Amounts paid under the Investment Advisory Agreement will be consistent with the formula reflected in the Investment Advisory Agreement. See "Investment Advisory Agreement."

Risk Factors

The value of our assets, as well as the market price of our securities, will fluctuate. Our investments may be risky, and you may lose all or part of your investment in us. Investing in our securities involves other significant risks, including the following:

- We are dependent upon Oxford Square Management's management personnel for our future success, particularly Jonathan H. Cohen and Saul B. Rosenthal.
- We operate in a highly competitive market for investment opportunities.
- There will be uncertainty as to the value of our portfolio investments, which may impact our net asset value.
- The lack of liquidity in our investments may adversely affect our business.
- We may experience fluctuations in our operating results for any period, and as a result, our financial results for any period should not be relied upon as being indicative of performance in future periods.
- Economic recessions or downturns could impair our portfolio companies and harm our operating results.
- Global capital markets could enter a period of severe disruption and instability. These market conditions have historically and could again have a materially adverse effect on debt and equity capital markets in the U.S., which could have a materially negative impact on our business, financial condition and results of operations.
- Our business is subject to increasingly complex corporate governance, public disclosure and accounting requirements that could adversely affect our business and financial results.
- We are permitted to borrow money, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing in us.
- Beginning on April 6, 2019, we will be permitted to borrow more money, which will further magnify the potential for gain or loss on amounts invested and may further increase the risk of investing in us.
- If we are unable to comply with the covenants or restrictions in our borrowings, our business could be materially adversely affected.
- The terms of the OXSQ Facility may contractually limit our ability to incur additional indebtedness.
- Regulations governing our operation as a BDC affect our ability to, and the way in which we raise additional capital, which may expose us to risks, including the typical risks associated with leverage.
- A change in interest rates may adversely affect our profitability and we may expose ourselves to risks if we engage in hedging transactions to mitigate changes in interest rates.
- We will be subject to corporate-level U.S. federal income tax if we are unable to qualify for tax treatment as a RIC for U.S. federal income tax purposes.
- We cannot predict how tax reform legislation will affect us, our investments, or our stockholders, and any such legislation could adversely affect our business.
- Changes to U.S. tariff and import/export regulations may have a negative effect on our portfolio companies and, in turn, harm us.
- Uncertainty about presidential administration initiatives could negatively impact our business, financial condition and results of operations.

- Our investment portfolio may be concentrated in a limited number of portfolio companies, which will subject us to a risk of significant loss if any of these companies defaults on its obligations under any of its debt securities that we hold or if the sectors in which we invest experience a market downturn.
- Most of our debt investments will not fully amortize during their lifetime, which may subject us to the risk of loss of our principal in the event a portfolio company is unable to repay us prior to maturity.
- Our investments in the companies that we target may be extremely risky and we could lose all or part of our investments.
- Our incentive fee may induce Oxford Square Management to use leverage and to make speculative investments.
- Our investments in CLO vehicles may be riskier and less transparent than direct investments in portfolio companies.

- Failure by a CLO vehicle in which we are invested to satisfy certain tests may harm our operating results.
- Our financial results may be affected adversely if one or more of our equity or junior debt investments in a CLO vehicle defaults on its payment obligations or fails to perform as we expect or if the market price fluctuates significantly in such illiquid investments.
- Our common stock price may be volatile.
- Our shares of common stock have traded at a discount from net asset value and may do so in the future.
- You may not receive distributions or our distributions may decline or may not grow over time.
- If we issue preferred stock, the net asset value and market value of our common stock will likely become more volatile.
- Holders of any preferred stock we might issue would have the right to elect members of our Board of Directors and class voting rights on certain matters.

See “Risk Factors” beginning on page 16, and the other information included in this prospectus, for additional discussion of factors you should carefully consider before deciding to invest in our securities.

OFFERINGS

We may offer, from time to time, up to \$600,000,000 of our common stock, preferred stock, debt securities, subscription rights to purchase shares of our common stock, or warrants representing rights to purchase shares of our common stock, preferred stock or debt securities, on terms to be determined at the time of the offering. We will offer our securities at prices and on terms to be set forth in one or more supplements to this prospectus. The offering price per share of our common stock, less any underwriting commissions or discounts, generally will not be less than the net asset value per share of our common stock at the time of an offering. However, we may issue shares of our common stock pursuant to this prospectus at a price per share that is less than our net asset value per share of (i) in connection with a rights offering to our existing stockholders, (ii) with the prior approval of the majority of our common stockholders or (iii) under such other circumstances as the SEC may permit. Any such issuance of shares of our common stock below net asset value may be dilutive to the net asset value of our common stock. See “Risk Factors — Risks Relating to Offerings Pursuant to this Prospectus.”

Our securities may be offered directly to one or more purchasers, or through agents designated from time to time by us, or to or through underwriters or dealers. The prospectus supplement relating to an offering will identify any agents or underwriters involved in the sale of our securities, and will disclose any applicable purchase price, fee, commission or discount arrangement between us and our agents or underwriters or among our underwriters or the basis upon which such amount may be calculated. See “Plan of Distribution.” We may not sell any of our securities through agents, underwriters or dealers without delivery of this prospectus and a prospectus supplement describing the method and terms of the offering of such securities.

Set forth below is additional information regarding offerings of our securities:

Use of Proceeds	We intend to use the net proceeds from the sale of our securities pursuant to this prospectus for general corporate purposes, which may include investments in corporate debt and equity securities and investments in structured finance vehicles. Each supplement to this prospectus relating to an offering will more fully identify the use of the proceeds from such offering. See “Use of Proceeds.”
NASDAQ Global Select Market symbol for common stock	“OXSQ”
NASDAQ Global Select Market symbol for 6.50% Unsecured Notes	“OXSQL”
Distributions	To the extent that we have income available, we intend to distribute quarterly distributions to our stockholders. The amount of our distributions, if any, will be determined by our Board of Directors. Any distributions to our stockholders will be declared out of assets legally available for distribution.
Taxation	We have elected to be treated for U.S. federal income tax purposes as a RIC under Subchapter M of the Code. As a RIC, we generally do not have to pay corporate-level U.S. federal income taxes on any ordinary income or capital gains that we distribute (or are deemed to distribute) to our stockholders as distributions. To maintain our RIC tax treatment, we must meet specified source-of-income and asset diversification requirements and distribute annually at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any. See “Price Range of Common Stock and Distributions” and “Certain U.S. Federal Income Tax Considerations.”
Leverage	We have historically and may in the future borrow funds to make investments. As a result, we may be exposed to the risks of leverage, which may be considered a speculative investment technique. The use of leverage magnifies the potential for gain and loss on amounts invested and therefore increases the risks associated with investing in our securities. In addition, the costs associated with our borrowings, including any increase in the

management fee payable to our investment adviser, Oxford Square Management, will be borne by our common stockholders.

Management Arrangements	Oxford Square Management serves as our investment adviser. Oxford Funds serves as our administrator. For a description of Oxford Square Management and Oxford Funds, and our contractual arrangements with these companies, see “Portfolio Management — Investment Advisory Agreement,” and “— Administration Agreement.”
Distribution Reinvestment Plan	We have adopted an “opt out” distribution reinvestment plan. If your shares of common stock are registered in your own name, your distributions will automatically be reinvested under our distribution reinvestment plan in additional whole and fractional shares of common stock, unless you “opt out” of our distribution reinvestment plan so as to receive cash distributions by delivering a written notice to our distribution paying agent. If your shares are held in the name of a broker or other nominee, you should contact the broker or nominee for details regarding opting out of our distribution reinvestment plan. Stockholders who receive distributions in the form of stock will be subject to the same federal, state and local tax consequences as stockholders who elect to receive their distributions in cash. See “Distribution Reinvestment Plan.”
Certain Anti-Takeover Measures	Our charter and bylaws, as well as certain statutory and regulatory requirements, contain certain provisions that may have the effect of discouraging a third party from making an acquisition proposal for us. These anti-takeover provisions may inhibit a change in control in circumstances that could give the holders of our securities the opportunity to realize a premium over the market price for our securities. See “Description of Our Capital Stock.”
Where You Can Find Additional Information	<p>We have filed with the SEC a registration statement on Form N-2 together with all amendments and related exhibits under the Securities Act of 1933, as amended, or the “Securities Act.” The registration statement contains additional information about us and the securities being offered by this prospectus.</p> <p>We file annual, quarterly and current reports, proxy statements and other information with the SEC under the Securities Exchange Act of 1934, as amended, or the “Exchange Act.” The information we file with the SEC is available free of charge by contacting us at 8 Sound Shore Drive, Suite 255, Greenwich, CT 06830, by telephone at (203) 983-5275 or on our website at www.oxfordsquarecapital.com. Information contained on our website or on the SEC’s web site about us is not incorporated into this prospectus and you should not consider information contained on our website or on the SEC’s website to be part of this prospectus.</p>

FEES AND EXPENSES

The following table is intended to assist you in understanding the costs and expenses that you will bear directly or indirectly. We caution you that some of the percentages indicated in the table below are estimates and may vary. Except where the context suggests otherwise, whenever this prospectus contains a reference to fees or expenses paid by “us” or “OXSQ,” or that “we” will pay fees or expenses, you will indirectly bear such fees or expenses as an investor in OXSQ. The fee table and example below include all fees and expenses of our consolidated subsidiaries.

Stockholder transaction expenses:	
Sales load (as a percentage of offering price)	—% (1)
Offering expenses borne by our common stockholders (as a percentage of offering price)	—% (2)
Distribution reinvestment plan expenses	None (3)
Total stockholder transaction expenses (as a percentage of offering price)	<u>—%</u>
Annual expenses (as a percentage of net assets attributable to our common stock):	
Base management fee	2.13% (4)
Incentive fees payable under our investment advisory agreement	1.35% (5)
Interest payments on borrowed funds	2.35% (6)
Other expenses (includes OXSQ’s consolidated subsidiaries)	1.00% (7)
Total annual expenses	<u>6.83% (8)</u>

Example

The following example demonstrates the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in our common stock. In calculating the following expense amounts, we assumed we would maintain the current amount of leverage and that our operating expenses would remain at the levels set forth in the table above. In the event that shares to which this prospectus relates are sold to or through underwriters, a corresponding prospectus supplement will restate this example to reflect the applicable sales load and offering expenses.

	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
You would pay the following expenses on a \$1,000 investment, assuming a 5% annual return	\$ 68	\$ 199	\$ 326	\$ 624

The example and the expenses in the tables above should not be considered a representation of our future expenses, and actual expenses may be greater or less than those shown. Moreover, while the example assumes, as required by the SEC, a 5.0% annual return, our performance will vary and may result in a return greater or less than 5.0%. The incentive fee under the Investment Advisory Agreement, which, assuming a 5.0% annual return, would either not be payable or have a de minimis effect, is nonetheless included in the example for illustrative purposes based upon the estimated annual expenses relating thereto as set forth above. If we achieve sufficient returns on our investments to trigger an incentive fee of a material amount, our expenses, and returns to our investors, would be higher. In addition, while the example assumes reinvestment of all distributions at net asset value, participants in our distribution reinvestment plan may receive shares valued at the market price in effect at that time. This price may be at, above or below net asset value. See “Distribution Reinvestment Plan” for additional information regarding our distribution reinvestment plan.

- (1) In the event that the securities to which this prospectus relates are sold to or through underwriters, a corresponding prospectus supplement will disclose the applicable sales load and the “Example” will be updated accordingly.
- (2) The prospectus supplement corresponding to each offering will disclose the applicable offering expenses and total stockholder transaction expenses as a percentage of the offering price.
- (3) The expenses of the distribution reinvestment plan are included in “other expenses.” The plan administrator’s fees will be paid by us. We will not charge any brokerage charges or other charges to stockholders who participate in the plan. However, your own broker may impose brokerage charges in connection with your participation in the plan.
- (4) Assumes gross assets (which equals the total assets on our Consolidated Statements of Assets and Liabilities adjusted as described in this footnote) of \$522.7 million and \$150.1 million of leverage (including \$64.4 million in aggregate principal of our 6.50% Unsecured Notes and outstanding principal borrowings of \$87.7 million under the OXSQ Facility, in each case, as of September 30, 2018 and less any respective amortization of deferred issuance costs), and assumes net assets of \$368.3 million. The above calculation presents our base management fee as a percentage of our net assets. Our base management fee under the Investment Advisory Agreement, however, is based on our gross assets, which is defined as all the

assets of Oxford Square Capital Corp., including those acquired using borrowings for investment purposes. As a result, to the extent we use additional leverage, it would have the effect of increasing our base management fee as a percentage of our net assets. See “Investment Advisory Agreement” in this prospectus for additional information.

- (5) Assumes that annual incentive fees earned by Oxford Square Management remain consistent with the incentive fees earned by Oxford Square Management during the nine months ended September 30, 2018, excluding any reversal of previously accrued investment income incentive fees or hypothetical capital gains incentive fees described below. In subsequent periods, incentive fees would increase if, and to the extent that, we earn greater interest income through our investments in portfolio companies and realize additional gains upon the sale of warrants or other equity investments in such companies. The incentive fee consists of two parts. The first part, which is payable quarterly in arrears, equals the amount by which (x) the “Pre-Incentive Fee Net Investment Income” for the immediately preceding calendar quarter exceeds (y) the “Preferred Return Amount” for that calendar quarter. Effective April 1, 2016, a “Preferred Return Amount” is calculated on a quarterly basis by multiplying 1.75% by the Company’s net asset value at the end of the immediately preceding calendar quarter. The net investment income incentive fee is then calculated as follows: (a) no net investment income incentive fee is payable to Oxford Square Management in any calendar quarter in which the “Pre-Incentive Fee Net Investment Income” does not exceed the “Preferred Return Amount”; (b) 100% of the “Pre-Incentive Fee Net Investment Income” for such quarter, if any, that exceeds the “Preferred Return Amount” but is less than or equal to a “Catch-Up Amount” determined on a quarterly basis by multiplying 2.1875% by OXSQ’s net asset value at the end of such calendar quarter; and (c) for any quarter in which the “Pre-Incentive Fee Net Investment Income” exceeds the “Catch-Up Amount,” the net investment income incentive fee will be 20% of the amount of the “Pre-Incentive Fee Net Investment Income” for such quarter. In addition, effective April 1, 2016, the calculation of the Company’s net investment income incentive fee is subject to a total return requirement, (the “Total Return Requirement”) which provides that a net investment income incentive fee will not be payable to Oxford Square Management except to the extent 20% of the “cumulative net increase in net assets resulting from operations” (which is the amount, if positive, of the sum of the “Pre-Incentive Fee Net Investment Income,” realized gains and losses and unrealized appreciation and depreciation) during the calendar quarter for which such fees are being calculated and the eleven (11) preceding quarters (or if shorter, the number of quarters since April 1, 2016) exceeds the cumulative net investment income incentive fees accrued and/or paid for such eleven (11) preceding quarters (or if shorter, the number of quarters since April 1, 2016). The second part of the incentive fee equals 20.0% of our net realized gains for the calendar year less any unrealized losses for such year and will be payable at the end of each calendar year. It should be noted that no capital gains incentive fee was calculated as of September 30, 2018, which is calculated based upon an assumed liquidation of the entire portfolio, and no other changes in realized or unrealized gains and losses, as of September 30, 2018 and the termination of the Investment Advisory Agreement on such date. For a more detailed discussion of the calculation of the incentive fees, see “Investment Advisory Agreement” in this prospectus.
- (6) Assumes that we have \$152.1 million of outstanding principal borrowings as of September 30, 2018. The calculation also assumes an effective interest rate of 7.02% (including amortization of deferred issuance costs) on the approximately \$64.4 million of 6.50% Unsecured Notes outstanding as of September 30, 2018 and an effective interest rate of 4.69% (including amortization of deferred issuance costs) on the approximately \$87.7 million outstanding under the OXSQ Facility as of September 30, 2018. This table includes all of the commitment fees, interest expense and amortized financing costs of the 6.50% Unsecured Notes and the OXSQ Facility, as well as the fees and expenses of issuing and servicing any other borrowings or leverage that the Company expects to incur during the 12 months following effectiveness of the registration statement of which this prospectus forms a part. We may issue preferred stock, which may be considered a form of leverage, pursuant to the registration statement of which this prospectus forms a part, although we have no current plans to do so during the 12 months following effectiveness of such registration statement.

- (7) “Other expenses” (\$3.7 million) are estimated for the current fiscal year, which considers the actual expenses for the nine months ended September 30, 2018, annualized, and adjusted for any new and non-recurring expenses. These expenses include certain expenses allocated to the Company under the Investment Advisory Agreement, such as travel expenses incurred in connection with the investigation and monitoring of our investments. In the event of a debt restructuring or extinguishment, we may incur a loss comprised of deferred financing costs and note discount which may cause actual expenses to exceed those amounts projected in the table.
- (8) “Total annual expenses” is presented as a percentage of net assets attributable to common stockholders, because the holders of shares of our common stock (and not the holders of our debt securities or preferred stock, if any) bear all of our fees and expenses, including the fees and expenses of any wholly-owned consolidated subsidiaries, all of which are included in this fee table presentation. **The indirect expenses associated with the Company’s CLO equity investments are not included in the fee table presentation, but if such expenses were included in the fee table presentation then OXSQ’s total annual expenses would have been 9.80%.**

SELECTED FINANCIAL AND OTHER DATA

The selected financial and other data below should be read in conjunction with our “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in this prospectus. Financial information at and for the fiscal years ended December 31, 2017, 2016, 2015, 2014 and 2013 is derived from our financial statements that were audited by PricewaterhouseCoopers LLP, our independent registered public accounting firm. Quarterly financial information is derived from unaudited financial data, but in the opinion of management, reflects all adjustments (consisting only of normal recurring adjustments) which are necessary to present fairly the results of such interim periods. Historical data is not necessarily indicative of the results to be expected for any future period. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Senior Securities” below for more information.

(\$ in millions, except per share data)	Nine Months Ended September 30, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013
Total Investment Income	\$ 41.1	\$ 61.4	\$ 69.3	\$ 87.5	\$ 117.3	\$ 105.1
Total Expenses	\$ 16.1	\$ 30.7	\$ 42.5	\$ 47.8	\$ 48.7	\$ 49.3
Net Investment Income	\$ 25.0	\$ 30.7	\$ 26.8	\$ 39.6	\$ 68.6	\$ 55.8
Net Increase (Decrease) in Net Assets						
Resulting from Operations	\$ 24.9	\$ 43.6	\$ 110.4	\$ (66.1)	\$ (3.3)	\$ 58.9
Per Share Data:						
Net Increase in Net Assets Resulting from Net Investment Income per common share (Basic)	\$ 0.50	\$ 0.60	\$ 0.52	\$ 0.66	\$ 1.17	\$ 1.09
Net Increase in Net Assets Resulting from Net Investment Income per common share (Diluted) ⁽¹⁾	\$ 0.50	\$ 0.60	\$ 0.52	\$ 0.66	\$ 1.10	\$ 1.03
Net Increase (Decrease) in Net Assets Resulting from Operations per common share (Basic)	\$ 0.50	\$ 0.85	\$ 2.13	\$ (1.11)	\$ (0.06)	\$ 1.15
Net Increase (Decrease) in Net Assets Resulting from Operations per common share (Diluted) ⁽¹⁾	\$ 0.50	\$ 0.83	\$ 1.90	\$ (1.11)	\$ (0.06)	\$ 1.09
Distributions Declared per Share	\$ 0.60	\$ 0.80	\$ 1.16	\$ 1.14	\$ 1.16	\$ 1.16
Balance Sheet Data:						
Total Assets	\$ 522.7	\$ 454.1	\$ 612.5	\$ 718.3	\$ 1,037.0	\$ 990.2
Total Long Term Debt	\$ 150.1	\$ 62.3	\$ 220.0	\$ 347.7	\$ 495.4	\$ 442.7
Total Net Assets	\$ 368.3	\$ 388.4	\$ 386.0	\$ 360.9	\$ 520.8	\$ 526.2
Other Data:						
Number of Portfolio Companies at Period End	54	51	60	72	77	91
Portfolio Investments Acquired	\$ 205.3	\$ 208.8	\$ 171.6	\$ 234.8	\$ 556.7	\$ 577.5
Repayments	\$ 92.7	\$ 189.2	\$ 115.2	\$ 224.2	\$ 311.9	\$ 203.9
Proceeds from Sales	\$ 15.4	\$ 171.4	\$ 176.8	\$ 196.2	\$ 127.5	\$ 118.5
Reductions to CLO Equity cost value ⁽²⁾	\$ 10.9 ⁽⁵⁾	\$ 37.1 ⁽⁶⁾	\$ 34.2 ⁽⁷⁾	\$ 41.6 ⁽⁸⁾	—	—
Total Return Based on Market Value ⁽²⁾	35.52%	(2.01)%	33.29%	(4.35)%	(17.22)%	14.68%
Total Return Based on Net Asset Value ⁽³⁾	7.20%	11.33%	35.31%	(12.73)%	(0.51)%	11.21%
Weighted Average Yield on Debt						
Investments at Period End ⁽⁴⁾	9.4%	9.7%	8.3%	7.1%	7.8%	8.7%

(1) Due to the anti-dilutive effect on the computation of net increase in net assets resulting from net investment income (diluted) per share for the years ended December 31, 2017, 2016 and 2015, and net increase (decrease) in net assets resulting from operations (diluted) per share for the years ended December 31, 2015 and 2014, the adjustments for interest and deferred issuance costs on the Convertible Notes, and the related impact on the Base Fees and net investment income incentive fees, as well as weighted average common shares outstanding adjustments for the dilutive effect of the Convertible Notes were excluded from the respective period’s diluted earnings per share computation.

(2) Total return based on market value equals the increase or decrease of ending market value over beginning market value, plus distributions, divided by the beginning market value, assuming distribution reinvestment prices obtained under the Company’s distribution reinvestment plan, excluding any discounts. Total return is not annualized.

(3) Total return based on net asset value equals the increase or decrease of ending net asset value over beginning net asset value, plus distributions, divided by the beginning net asset value. Total return is not annualized.

(4) Weighted average yield calculation includes the impact of any loans on non-accrual status as of the year end.

(5) Reduction to cost value on our CLO equity investments represents the difference between distributions

received, or entitled to be received, of approximately \$31.0 million and the effective yield interest income of approximately \$20.1 million.

- (6) Reduction to cost value on our CLO equity investments represents the difference between distributions received, or entitled to be received, of approximately \$70.4 million and the effective yield interest income of approximately \$33.3 million.
- (7) Reduction to cost value on our CLO equity investments represents the difference between distributions received, or entitled to be received, of approximately \$66.7 million and the effective yield interest income of approximately \$32.5 million.
- (8) Reduction to cost value on our CLO equity investments represents the difference between distributions received, or entitled to be received, of approximately \$76.5 million and the effective yield interest income of approximately \$34.9 million.

SELECTED QUARTERLY FINANCIAL DATA

The following table sets forth certain quarterly financial data for the quarters ended September 30, 2018, June 30, 2018 and March 31, 2018, and for each of the fiscal years ended December 31, 2017 and 2016. This data is derived from our unaudited financial statements. Results for any quarter are not necessarily indicative of results for the full year or for any future quarter.

(\$ in thousands,
except per share
data)⁽¹⁾

	2018			2017			2016				
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total investment income	\$15,218	\$12,519	\$13,347	\$13,442	\$14,498	\$17,012	\$16,465	\$18,869	\$18,096	\$17,047	\$15,268
Total expenses before incentive fee	\$ 5,036	\$ 3,991	\$ 3,623	\$ 4,790	\$ 7,166	\$ 7,755	\$ 7,128	\$ 8,344	\$11,134	\$ 9,004	\$11,224
Total incentive fee	\$ 1,570	\$ 840	\$ 1,000	\$ 1,023	\$ 564	\$ 1,210	\$ 1,053	\$ 1,129	\$ 423	\$ 1,244	—
Total expenses	\$ 6,606	\$ 4,831	\$ 4,624	\$ 5,813	\$ 7,730	\$ 8,965	\$ 8,182	\$ 9,473	\$11,557	\$10,248	\$11,224
Net investment income	\$ 8,613	\$ 7,688	\$ 8,723	\$ 7,629	\$ 6,768	\$ 8,047	\$ 8,283	\$ 9,396	\$ 6,539	\$ 6,799	\$ 4,045
Net increase (decrease) in net assets resulting from operations	\$ 6,512	\$ 6,902	\$11,490	\$16,422	\$ 6,016	\$ 9,118	\$12,054	\$36,299	\$42,913	\$48,264	\$(17,114)
Net increase in net assets resulting from net investment income per common share, basic ⁽¹⁾⁽⁴⁾	\$ 0.18	\$ 0.15	\$ 0.17	\$ 0.15	\$ 0.13	\$ 0.16	\$ 0.16	\$ 0.18	\$ 0.13	\$ 0.13	\$ 0.08
Net increase in net assets resulting from net investment income per common share, diluted ⁽¹⁾⁽²⁾⁽⁴⁾	\$ 0.18	\$ 0.15	\$ 0.17	\$ 0.15	\$ 0.13	\$ 0.16	\$ 0.16	\$ 0.18	\$ 0.13	\$ 0.13	\$ 0.08
Net increase (decrease) in net assets resulting from operations per common share, basic ⁽¹⁾⁽⁴⁾	\$ 0.13	\$ 0.14	\$ 0.22	\$ 0.32	\$ 0.12	\$ 0.18	\$ 0.23	\$ 0.71	\$ 0.83	\$ 0.94	\$(0.32)
Net increase (decrease) in net assets resulting from operations per common share, diluted ⁽¹⁾⁽³⁾	\$ 0.13	\$ 0.14	\$ 0.22	\$ 0.31	\$ 0.12	\$ 0.18	\$ 0.23	\$ 0.62	\$ 0.72	\$ 0.81	\$(0.32)

(1) Amounts may differ from actual quarterly results previously reported, due to rounding.

(2) Due to the anti-dilutive effect on the computation of diluted net increase in net assets resulting from net investment income per share, the adjustments for interest and deferred issuance costs on the Convertible

Notes, and the related impact on the Base Fees and net investment income incentive fees as well as weighted average common shares outstanding adjustments for the dilutive effect of the Convertible Notes were excluded from the quarters ended presented for the fiscal years 2017 and 2016.

- (3) Due to the anti-dilutive effect on the computation of diluted net increase (decrease) in net assets resulting from operations per share, the adjustments for interest and deferred issuance costs on the Convertible Notes, and the related impact on the Base Fees and net investment income incentive fees as well as weighted average common shares outstanding adjustments for the dilutive effect of the Convertible Notes were excluded from the quarters ended September 30, 2017, June 30, 2017 and March 31, 2016.
- (4) Aggregate of quarterly earnings per share differs from calculation of annual earnings per share for the fiscal years ended December 31, 2017 and 2016.

RISK FACTORS

Investing in our securities involves a number of significant risks. In addition to the other information contained in this prospectus and any accompanying prospectus supplement, you should consider carefully the following information before making an investment in our securities. The risk factors described below are the principal risk factors associated with an investment in our securities, as well as those factors generally associated with a business development company with investment objectives, investment policies, capital structure or trading markets similar to ours, including the risks associated with investing in a portfolio of small and developing or financially troubled businesses. Additional risks and uncertainties not presently known to us or not presently deemed material by us might also impair our operations and performance. If any of the following events occur, our business, financial condition and results of operations could be materially and adversely affected. In such case, our net asset value and the trading price of our common stock could decline, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS AND STRUCTURE

Any failure on our part to maintain our status as a business development company would reduce our operating flexibility, including our ability to borrow money.

If we do not remain a BDC, we might be regulated as a closed-end investment company under the 1940 Act, which would subject us to substantially more regulatory restrictions under the 1940 Act and correspondingly decrease our operating flexibility, including our ability to borrow money.

We are dependent upon Oxford Square Management's key management personnel for our future success, particularly Jonathan H. Cohen and Saul B. Rosenthal.

We depend on the diligence, skill and network of business contacts of the senior management of Oxford Square Management. The senior management, together with other investment professionals, will evaluate, negotiate, structure, close, monitor and service our investments. Our future success will depend to a significant extent on the continued service and coordination of the senior management team, particularly Jonathan H. Cohen, the Chief Executive Officer of Oxford Square Management, and Saul B. Rosenthal, the President and Chief Operating Officer of Oxford Square Management. Neither Mr. Cohen nor Mr. Rosenthal will devote all of their business time to our operations, and both will have other demands on their time as a result of their other activities. Neither Mr. Cohen nor Mr. Rosenthal is subject to an employment contract. The departure of either of these individuals could have a material adverse effect on our ability to achieve our investment objective. In addition, due to Oxford Square Management's relatively small staff size, the departure of any of Oxford Square Management's personnel, including investment, accounting and compliance professionals, could have a material adverse effect on us.

Our financial condition and results of operations will depend on our ability to manage our existing portfolio and future growth effectively.

Our ability to achieve our investment objective will depend on our ability to manage our existing investment portfolio and to grow, which will depend, in turn, on our investment adviser's ability to identify, analyze, invest in and finance companies that meet our investment criteria, and our ability to raise and retain debt and equity capital. Accomplishing this result on a cost-effective basis is largely a function of our investment adviser's structuring of the investment process, its ability to provide competent, attentive and efficient services to us and our access to financing on acceptable terms.

We and Oxford Square Management, through its managing member, Oxford Funds, will need to continue to hire, train, supervise and manage new employees. Failure to manage our future growth effectively could have a material adverse effect on our business, financial condition and results of operations.

Our business and operation could be negatively affected if we become subject to any securities litigation or shareholder activism, which could cause us to incur significant expense, hinder execution of our investment strategy and impact our stock price.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been brought against that company. Shareholder activism, which could take many forms or arise in a variety of situations, has been increasing in the BDC space recently.

While we are currently not subject to any securities litigation, due to the volatility of our stock price and for a variety of other reasons, we may in the future become the target of additional securities litigation and the subject of additional shareholder activism. If at any time our current investment advisory agreement is terminated we may not be able to find a new investment adviser or hire internal management with similar expertise and ability to provide the same or equivalent services on acceptable terms. If we are unable to do so quickly, our operations are likely to experience a disruption, our financial condition, business and results of operations as well as our ability to pay distributions are likely to be adversely affected and the market price of our shares may decline.

Securities litigation and shareholder activism, including potential proxy contests, could result in substantial costs and divert management's and our board of directors' attention and resources from our business. Additionally, such securities litigation and shareholder activism could give rise to perceived uncertainties as to our future, adversely affect our relationships with service providers and make it more difficult to attract and retain qualified personnel. Also, we may be required to incur significant legal fees and other expenses related to any securities litigation and activist shareholder matters. Further, our stock price could be subject to significant fluctuation or otherwise be adversely affected by the events, risks and uncertainties of any securities litigation and shareholder activism.

The SEC has raised questions regarding certain non-traditional investments, including investments in CLOs.

The staff of the Division of Investment Management has, in correspondence with certain BDCs, raised questions about the level and special risks of investments in CLOs. While it is not possible to predict what conclusions the staff will reach in these areas, or what recommendations the staff might make to the SEC, the imposition of limitations on investments by BDCs in CLOs could adversely impact our ability to implement our investment strategy and/or our ability to raise capital through public offerings, or cause us to take certain actions with potential negative impacts on our financial condition and results of operations. We are unable at this time to assess the likelihood or timing of any such regulatory development.

We operate in a highly competitive market for investment opportunities.

A large number of entities compete with us to make the types of investments that we make. We compete with a large number of hedge funds and CLO investment vehicles, other equity and non-equity based investment funds, including other BDCs, investment banks and other sources of financing, including traditional financial services companies such as commercial banks and specialty finance companies. Many of our competitors are substantially larger than us and have considerably greater financial, technical and marketing resources than we do. For example, some competitors may have a lower cost of funds and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a BDC. If we are unable to source attractive investments, we may hold a greater percentage of our assets in cash than anticipated, which could impact potential returns on our portfolio. There can be no assurance that the competitive pressures we face will not have a material adverse effect on our business, financial condition and results of operations. Also, as a result of this competition, we may not be able to take advantage of attractive investment opportunities from time to time, and we can offer no assurance that we will be able to identify and make investments that are consistent with our investment objective.

Our business model depends to a significant extent upon strong referral relationships with financial sponsors, and the inability of the senior investment professionals of our investment adviser to maintain or develop these relationships, or the failure of these relationships to generate investment opportunities, could adversely affect our business.

We expect that the principals of our investment adviser will maintain and develop their relationships with financial sponsors, brokers and agents, and we will rely to a significant extent upon these relationships to provide us with potential investment opportunities. If the senior investment professionals of our investment adviser fail to maintain their existing relationships or develop new relationships with other sponsors or sources of investment opportunities, we will not be able to grow our investment portfolio. In addition, individuals with whom the senior investment professionals of our investment adviser have relationships are not obligated to provide us with investment opportunities, and, therefore, there is no assurance that such relationships will generate investment opportunities for us. If our investment adviser is unable to source investment opportunities, we may hold a greater percentage of our assets in cash than anticipated, which could impact potential returns on our portfolio.

We may not realize gains from our equity investments.

When we invest in debt securities, we may acquire warrants or other equity securities as well. However, the equity interests we receive may not appreciate in value and, in fact, may decline in value. Accordingly, we may not be able to realize gains from our equity interests, and any gains that we do realize on the disposition of any equity interests may not be sufficient to offset any other losses we experience.

There will be uncertainty as to the value of our portfolio investments, which may impact our net asset value.

A large percentage of our portfolio investments are in the form of securities that are not publicly traded. The fair value of securities and other investments that are not publicly traded may not be readily determinable. We value these securities on a quarterly basis in accordance with our valuation policy, which is consistent with U.S. generally accepted accounting principles, or "GAAP." Our board of directors utilizes the services of third-party valuation firms to aid it in determining the fair value of certain securities. The board of directors discusses valuations and determines the fair value in good faith based on the input of our investment adviser and the respective third-party valuation firms. The factors that may be considered in fair value pricing our investments include the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings, the markets in which the portfolio company does business, comparisons to publicly traded companies, discounted cash flow and other relevant factors. Because such valuations, and particularly valuations of private securities and private companies, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, our determinations of fair value may differ materially from the values that would have been used if a ready market for these securities existed. Our net asset value could be adversely affected if our determinations regarding the fair value of our investments were materially higher than the values that we ultimately realize upon the disposal of such securities.

The lack of liquidity in our investments may adversely affect our business.

As stated above, our investments are generally not in publicly traded securities. Substantially all of these securities are subject to legal and other restrictions on resale or will otherwise be less liquid than publicly traded securities. The illiquidity of our investments may make it difficult for us to sell such investments if the need arises. Also, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we have previously recorded our investments.

In addition, because we generally invest in debt securities with a term of up to seven years and generally intend to hold such investments until maturity of the debt, we do not expect realization events, if any, to occur in the near-term. We expect that our holdings of equity securities may require several years to appreciate in value, and we can offer no assurance that such appreciation will occur.

We may experience fluctuations in our operating results for any period, and as a result, our financial results for any period should not be relied upon as being indicative of performance in future periods.

We may experience fluctuations in our operating results due to a number of factors, including the rate at which we make new investments, the interest rates payable on the debt securities we acquire, the default rate on such securities, the level of our expenses, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which

we encounter competition in our markets and general economic conditions. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods.

If we cannot obtain additional capital because of either regulatory or market price constraints, we could be forced to curtail or cease our new lending and investment activities, our net asset value could decrease and our level of distributions and liquidity could be affected adversely.

Our ability to secure additional financing and satisfy our financial obligations under indebtedness outstanding from time to time will depend upon our future operating performance, which is subject to the prevailing general economic and credit market conditions, including interest rate levels and the availability of credit generally, and financial, business and other factors, many of which are beyond our control. The worsening of current economic and capital market conditions could have a material adverse effect on our ability to secure financing on favorable terms, if at all.

If we are unable to obtain debt capital, then our equity investors will not benefit from the potential for increased returns on equity resulting from leverage to the extent that our investment strategy is successful and we may be limited in our ability to make new commitments or fundings to our portfolio companies.

Beginning on April 6, 2019, we will be permitted to borrow more money, which will further magnify the potential for gain or loss on amounts invested and may further increase the risk of investing in us.

On March 23, 2018, the Small Business Credit Availability Act (the “SBCAA”) was signed into law, which included various changes to regulations under the federal securities laws that impact BDCs. The SBCAA included changes to the 1940 Act to allow BDCs to decrease their asset coverage requirement to 150% from 200% under certain circumstances. On April 6, 2018, the Board, including a “required majority” (as such term is defined in Section 57(o) of the 1940 Act) of the Board, approved the modified asset coverage requirements set forth in Section 61(a)(2) of the 1940 Act, as amended by the SBCAA. As a result, the Company’s asset coverage requirements for senior securities will be changed from 200% to 150%, effective as of April 6, 2019. Prior to the enactment of the SBCAA, BDCs were required to maintain an asset coverage ratio of at least 200% in order to incur debt or to issue other senior securities. Generally, for every \$1.00 of debt incurred or in senior securities issued, a BDC was required to have at least \$2.00 of assets immediately following such incurrence or issuance. For those BDCs that satisfy the SBCAA’s disclosure and approval requirements, the minimum asset coverage ratio is reduced such that for every \$1.00 of debt incurred or in senior securities issued, a BDC must now have at least \$1.50 of assets. If we incur additional leverage, general interest rate fluctuations may have a more significant negative impact on our investments and investment opportunities than they would have absent such additional incurrence, and, accordingly, may have a material adverse effect on our investment objectives and rate of return on investment capital.

Borrowings (including through the securitization transactions, which are consolidated in our financial statements), also known as leverage, magnify the potential for gain or loss on amounts invested and, therefore, increase the risks associated with investing in our securities. We may borrow from and issue senior debt securities to banks, insurance companies, and other lenders. Lenders of these senior securities have fixed dollar claims on our assets that are superior to the claims of our common stockholders. If the value of our assets increases, then leveraging would cause the net asset value attributable to our common stock to increase more sharply than it would have had we not leveraged. Conversely, if the value of our assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had we not leveraged. Similarly, any increase in our income in excess of interest payable on the borrowed funds would cause our net income to increase more than it would without the leverage, while any decrease in our income would cause net income to decline more sharply than it would have had we not borrowed. Such a decline could negatively affect our ability to make common stock distribution payments. Leverage is generally considered a speculative investment technique. Our ability to service any debt that we incur will depend largely on our financial performance and will be subject to prevailing economic conditions and competitive pressures. Moreover, as the management fee payable to Oxford Square Management will be payable on our gross assets, including those assets acquired through the use of leverage, Oxford Square Management may have a financial incentive to incur leverage which may not be consistent with our stockholders’ interests. In addition, our common stockholders will bear the burden of any increase in our expenses as a result of leverage, including any increase in the management fee payable to Oxford Square Management.

Market conditions affect debt and equity capital markets in the U.S. and abroad and may in the future have a negative impact on our business and operations.

Equity capital may be difficult to raise because, subject to some limited exceptions which apply to us, as a BDC we are generally not able to issue additional shares of our common stock at a price less than net asset value. In addition, our ability to incur indebtedness (including by issuing preferred stock) is limited by applicable regulations such that our asset coverage, as defined in the 1940 Act, must equal at least 200% (or 150% effective April 6, 2019) immediately after each time we incur indebtedness. The debt capital that will be available, if at all, may be at a higher cost and on less favorable terms and conditions in the future. Any inability to raise capital

could have a negative effect on our business, financial condition and results of operations.

The illiquidity of our investments may make it difficult for us to sell such investments if required. As a result, we may realize significantly less than the value at which we have recorded our investments. In addition, significant changes in the capital markets, including the recent period of extreme volatility and disruption, have had, and may in the future have, a negative effect on the valuations of our investments and on the potential for liquidity events involving our investments. An inability to raise capital, and any required sale of our investments for liquidity purposes, could have a material adverse impact on our business, financial condition or results of operations.

Economic recessions or downturns could impair our portfolio companies and harm our operating results.

Many of our portfolio companies may be susceptible to economic slowdowns or recessions and may be unable to repay our loans during these periods. Therefore, our non-performing assets may increase and the value of our portfolio may decrease during these periods as we are required to record the values of our investments. Adverse economic conditions also may decrease the value of collateral securing some of our loans and the value of our equity investments at fair value. Economic slowdowns or recessions could lead to financial losses in our portfolio and a decrease in revenues, net income and assets. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could prevent us from increasing investments and harm our operating results.

A portfolio company's failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, acceleration of the time when the loans are due and foreclosure on its secured assets, which could trigger cross-defaults under other agreements and jeopardize the portfolio company's ability to meet its obligations under the debt that we hold. We may incur additional expenses to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting portfolio company. In addition, if one of our portfolio companies were to go bankrupt, depending on the facts and circumstances, including the extent to which we actually provided significant managerial assistance to that portfolio company, a bankruptcy court might recharacterize our debt holding and subordinate all or a portion of our claim to that of other creditors. These events could harm our financial condition and operating results.

Our portfolio companies may face intense competition, including competition from companies with greater financial resources, more extensive research and development, manufacturing, marketing and service capabilities and greater number of qualified and experienced managerial and technical personnel. They may need additional financing which they are unable

to secure and which we are unable or unwilling to provide, or they may be subject to adverse developments unrelated to the technologies they acquire.

Global capital markets could enter a period of severe disruption and instability. These market conditions have historically and could again have a materially adverse effect on debt and equity capital markets in the U.S., which could have a materially negative impact on our business, financial condition and results of operations.

The U.S. and global capital markets have experienced periods of disruption characterized by the freezing of available credit, a lack of liquidity in the debt capital markets, significant losses in the principal value of investments, the re-pricing of credit risk in the broadly syndicated credit market, the failure of certain major financial institutions and general volatility in the financial markets. During these periods of disruption, general economic conditions deteriorated with material and adverse consequences for the broader financial and credit markets, and the availability of debt and equity capital for the market as a whole, and financial services firms in particular, was reduced significantly. These conditions may reoccur for a prolonged period of time or materially worsen in the future. In addition, signs of deteriorating sovereign debt conditions in Europe and concerns of economic slowdown in China create uncertainty that could lead to further disruptions and instability. We may in the future have difficulty accessing debt and equity capital, and a severe disruption in the global financial markets, deterioration in credit and financing conditions or uncertainty regarding U.S. government spending and deficit levels, European sovereign debt, Chinese economic slowdown or other global economic conditions could have a material adverse effect on our business, financial condition and results of operations.

Further downgrades of the U.S. credit rating, impending automatic spending cuts or another government shutdown could negatively impact our liquidity, financial condition and earnings.

Recent U.S. debt ceiling and budget deficit concerns have increased the possibility of additional credit-rating downgrades and economic slowdowns, or a recession in the U.S. In the future, the U.S. government may not be able to meet its debt payments unless the federal debt ceiling is raised. If legislation increasing the debt ceiling is not enacted, as needed, and the debt ceiling is reached, the U.S. federal government may stop or delay making payments on its obligations. Any default by the U.S. government on its obligations or any prolonged U.S. government shutdown could negatively impact the U.S. economy and our portfolio companies. Multiple factors relating to the international operations of some of our portfolio companies and to particular countries in which they operate could negatively impact their business, financial condition and results of operations. In addition, disagreement over the federal budget has caused the U.S. federal government to shut down for periods of time. Continued adverse political and economic conditions could have a material adverse effect on our business, financial condition and results of operations.

Global economic, political and market conditions may adversely affect our business, results of operations and financial condition, including our revenue growth and profitability.

The current worldwide financial market situation, as well as various social and political tensions in the United States and around the world, may contribute to increased market volatility, may have long-term effects on the U.S. and worldwide financial markets, and may cause economic uncertainties or deterioration in the United States and worldwide. The U.S. and global capital markets experienced extreme volatility and disruption during the economic downturn that began in mid-2007, and the U.S. economy was in a recession for several consecutive calendar quarters during the same period. In 2010, a financial crisis emerged in Europe, triggered by high budget deficits and rising direct and contingent sovereign debt, which created concerns about the ability of certain nations to continue to service their sovereign debt obligations. Risks resulting from such debt crisis and any future debt crisis in Europe or any similar crisis elsewhere could have a detrimental impact on the global economic recovery, sovereign and non-sovereign debt in certain countries and the financial condition of financial institutions generally. In July and August 2015, Greece reached agreements with its creditors for bailouts that provide aid in exchange for certain austerity measures. These and similar austerity measures may adversely affect world economic conditions and have an adverse impact on our business and that of our portfolio companies. In the second quarter of 2015, stock prices in China experienced a significant drop, resulting primarily from continued sell-off of shares trading in Chinese markets. In August 2015, Chinese authorities sharply devalued China's currency. In June 2016, the United Kingdom held a referendum in which voters approved an exit from the European Union, or "Brexit," and, accordingly, on February 1, 2017, the U.K. Parliament voted in favor of allowing the U.K. government to begin the formal process of Brexit. The initial negotiations on Brexit commenced in June 2017. Brexit created political and economic uncertainty and instability in the global markets (including currency and credit markets), and especially in the United Kingdom and the European Union, and this uncertainty and instability may last indefinitely. Because the U.K. Parliament rejected Prime Minister Theresa May's proposed Brexit deal with the European Union in January 2019, there is increased uncertainty on the outcome of Brexit. There is continued concern about national-level support for the Euro and the accompanying coordination

of fiscal and wage policy among European Economic and Monetary Union member countries. In addition, the fiscal policy of foreign nations, such as Russia and China, may have a severe impact on the worldwide and U.S. financial markets.

The Republican Party currently controls the executive branch and the Senate portion of the legislative branch of government, which increases the likelihood that legislation may be adopted that could significantly affect the regulation of U.S. financial markets. Areas subject to potential change, amendment or repeal include the Dodd-Frank Act and the authority of the Federal Reserve and the Financial Stability Oversight Council. For example, in March 2018, the U.S. Senate passed a bill that eased financial regulations and reduced oversight for certain entities. The United States may also potentially withdraw from or renegotiate various trade agreements and take other actions that would change current trade policies of the United States. We cannot predict which, if any, of these actions will be taken or, if taken, their effect on the financial stability of the United States. Such actions could have a significant adverse effect on our business, financial condition and results of operations. We cannot predict the effects of these or similar events in the future on the U.S. economy and securities markets or on our investments. We monitor developments and seek to manage our investments in a manner consistent with achieving our investment objective, but there can be no assurance that we will be successful in doing so.

The effect of global climate change may impact the operations of our portfolio companies.

There may be evidence of global climate change. Climate change creates physical and financial risk and some of our portfolio companies may be adversely affected by climate change. For example, the needs of customers of energy companies vary with weather conditions, primarily temperature and humidity. To the extent weather conditions are affected by climate change, energy use could increase or decrease depending on the duration and magnitude of any changes. Increases in the cost of energy could adversely affect the cost of operations of our portfolio companies if the use of energy products or services is material to their business. A decrease in energy use due to weather changes may affect some of our portfolio companies' financial condition, through decreased revenues. Extreme weather conditions in general require more system backup, adding to costs, and can contribute to increased system stresses, including service interruptions. In December 2015 the United Nations, of which the U.S. is a member, adopted a climate accord (the "Paris Agreement") with the long-term goal of limiting global warming and the short-term goal of significantly reducing greenhouse gas emissions. Although the U.S. ratified the Paris Agreement on November 4, 2016, the current administration announced the U.S. would cease participation. As a result, some of our portfolio companies may become subject to new or strengthened regulations or legislation, at least through November 4, 2020 (the earliest date the U.S. may withdraw from the Paris Agreement), which could increase their operating costs and/or decrease their revenues.

Our business is subject to increasingly complex corporate governance, public disclosure and accounting requirements that could adversely affect our business and financial results.

We are subject to changing rules and regulations of federal and state government as well as the stock exchange on which our common stock is listed. These entities, including the Public Company Accounting Oversight Board, the SEC and the NASDAQ Stock Market, have issued a significant number of new and increasingly complex requirements and regulations over the course of the last several years and continue to develop additional regulations and requirements in response to laws enacted by Congress. Our efforts to comply with these requirements have resulted in, and are likely to continue to result in, an increase in expenses and a diversion of management's time from other business activities.

Uncertainty relating to the LIBOR calculation process may adversely affect the value of our portfolio of the LIBOR-indexed, floating-rate debt securities.

Concerns have been publicized that some of the member banks surveyed by the British Bankers' Association, or the "BBA," in connection with the calculation of LIBOR across a range of maturities and currencies may have been under-reporting or otherwise manipulating the inter-bank lending rate applicable to them in order to profit on their derivatives positions or to avoid an appearance of capital insufficiency or adverse reputational or other consequences that may have resulted from reporting inter-bank lending rates higher than those they actually submitted. A number of BBA member banks have entered into settlements with their regulators and law enforcement agencies with respect to alleged manipulation of LIBOR, and investigations by regulators and governmental authorities in various jurisdictions are ongoing.

On July 27, 2017, the United Kingdom's Financial Conduct Authority, which regulates LIBOR, announced that it intends to phase out LIBOR by the end of 2021. It is unclear if at that time whether or not LIBOR will cease to exist or if new methods of calculating LIBOR will be established such that it continues to exist after 2021. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large US financial institutions, is considering replacing U.S. dollar LIBOR with a new index calculated by short-term repurchase agreements, backed by Treasury securities. The future of LIBOR at this time is uncertain. If LIBOR ceases to exist, we may need to renegotiate the credit agreements extending beyond 2021

with our portfolio companies that utilize LIBOR as a factor in determining the interest rate to replace LIBOR with the new standard that is established.

A disruption in the capital markets and the credit markets could negatively affect our business.

As a BDC, we seek to maintain our ability to raise additional capital for investment purposes. Without sufficient access to the capital markets or credit markets, we may not be able to pursue new business opportunities. Disruptive conditions in the financial industry and the impact of new legislation in response to those conditions could restrict our business operations and could adversely impact our results of operations and financial condition.

Our ability to grow our business could be impaired by an inability to access the capital markets or to enter into new credit facilities. At various times over the past three years, reflecting concern about the stability of the financial markets, many lenders and institutional investors have reduced or ceased providing funding to borrowers. This market disruption and tightening of credit has led to increased market volatility and widespread reduction of business activity generally. If we are unable to raise additional equity capital or consummate new credit facilities on terms that are acceptable to us, we may not be able to initiate significant originations.

These situations may arise due to circumstances that we may be unable to control, such as access to the credit markets, a severe decline in the value of the U.S. dollar, a further economic downturn or an operational problem that affects third parties or us, and could materially harm our business. Even though such conditions have improved broadly and significantly over the short-term, adverse conditions in particular sectors of the financial markets could adversely impact our business over the long-term.

Price declines and illiquidity in the corporate debt markets have adversely affected, and may continue to adversely affect, the fair value of our portfolio investments, reducing our net asset value through increased net unrealized depreciation. Any unrealized depreciation that we experience on our loan portfolio may be an indication of future realized losses, which could reduce our income available for distribution and could adversely affect our ability to service our outstanding borrowings.

As a BDC, we are required to carry our investments at fair value as determined in good faith by or under the direction of our Board of Directors. Decreases in fair values of our investments are recorded as unrealized depreciation. Any unrealized depreciation in our loan portfolio could be an indication of a portfolio company's inability to meet its repayment obligations to us with respect to the affected loans. This could result in realized losses in the future and ultimately in reductions of our income available for distribution in future periods and could materially adversely affect our ability to service our outstanding borrowings. The unprecedented declines in prices and liquidity in the corporate debt markets from 2008 through mid-2010 resulted in significant net unrealized depreciation in our portfolio, reducing our net asset value. Depending on market conditions, we may incur substantial losses in future periods, which could have a material adverse impact on our business, financial condition and results of operations.

Even in the event the value of your investment declines, the management fee and, in certain circumstances, the incentive fee will still be payable.

The management fee is calculated as a percentage of our gross assets at a specific time. Accordingly, the management fee will be payable regardless of whether the value of our gross assets and/or your investment have decreased. Moreover, a portion of the incentive fee is payable if our net investment income for a calendar quarter exceeds a designated hurdle rate. Although this portion of the incentive fee is subject to the Total Return Requirement, the net investment income incentive fee may still be payable during a quarter with net capital losses. Accordingly, this portion of our adviser's incentive fee may also be payable notwithstanding a decline in net asset value that quarter. In addition, in the event we recognize deferred loan interest income in excess of our available capital as a result of our receipt of payment-in-kind, or "PIK" interest, we may be required to liquidate assets in order to pay a portion of the incentive fee. Oxford Square Management, however, is not required to reimburse us for the portion of any incentive fees attributable to deferred loan interest income in the event of a subsequent default.

PIK interest payments we receive will increase our assets under management and, as a result, will increase the amount of base management fees and incentive fees payable by us to our investment adviser.

Certain of our debt investments contain provisions providing for the payment of contractual PIK interest. Because PIK interest results in an increase in the size of the loan balance of the underlying loan, the receipt by us of PIK interest will have the effect of increasing our assets under management. As a result, because the base management fee that we pay to our investment adviser is based on the value of our gross assets, the receipt by us of PIK interest will result in an increase in the

amount of the base management fee payable by us. In addition, any such increase in a loan balance due to the receipt of PIK interest will cause such loan to accrue interest on the higher loan balance, which will result in an increase in our pre-incentive fee net investment income and, as a result, an increase in incentive fees that are payable by us to our investment adviser.

Our investment adviser is not obligated to reimburse us for any part of the incentive fee it receives that is based on accrued income that we never receive.

Part of the incentive fee payable by us to our investment adviser that relates to our net investment income is computed and paid on income that may include interest that has been accrued but not yet received in cash, such as market discount, debt instruments with PIK interest, preferred stock with PIK dividends and zero coupon securities. If a portfolio company defaults on a loan that is structured to provide accrued interest, it is possible that accrued interest previously used in the calculation of the incentive fee will become uncollectible. Our investment adviser will not be under any obligation to reimburse us for any part of the incentive fee it received that was based on accrued income that we never receive as a result of a default by an entity on the obligation that resulted in the accrual of such income.

Our investment adviser can resign on 60 days' notice, and we may not be able to find a suitable replacement within that time, resulting in a disruption in our operations that could adversely affect our financial condition, business and results of operations.

Our investment adviser has the right, under our investment advisory agreement, to resign at any time upon 60 days' written notice, whether we have found a replacement or not. If our investment adviser resigns, we may not be able to find a new investment adviser or hire internal management with similar expertise and ability to provide the same or equivalent services on acceptable terms within 60 days, or at all. If we are unable to do so quickly, our operations are likely to experience a disruption, our financial condition, business and results of operations as well as our ability to pay distributions are likely to be adversely affected and the market price of our shares may decline. In addition, the coordination of our internal management and investment activities is likely to suffer if we are unable to identify and reach an agreement with a single institution or group of executives having the expertise possessed by our investment adviser and its affiliates. Even if we are able to retain comparable management, whether internal or external, the integration of such management and their lack of familiarity with our investment objective may result in additional costs and time delays that may adversely affect our financial condition, business and results of operations.

We are permitted to borrow money, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing in us.

Borrowings (including through securitization transactions, which are consolidated in our financial statements), also known as leverage, magnify the potential for gain or loss on amounts invested and, therefore, increase the risks associated with investing in our securities. We may borrow from and issue senior debt securities to banks, insurance companies, and other lenders. Lenders of these senior securities have fixed dollar claims on our assets that are superior to the claims of our common stockholders. If the value of our assets increases, then leveraging would cause the net asset value attributable to our common stock to increase more sharply than it would have had we not leveraged. Conversely, if the value of our assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had we not leveraged. Similarly, any increase in our income in excess of interest payable on the borrowed funds would cause our net income to increase more than it would without the leverage, while any decrease in our income would cause net income to decline more sharply than it would have had we not borrowed. Such a decline could negatively affect our ability to make common stock distribution payments. Leverage is generally considered a speculative investment technique. Our ability to service any debt that we incur will depend largely on our financial performance and will be subject to prevailing economic conditions and competitive pressures. Moreover, as the management fee payable to Oxford Square Management will be payable on our gross assets, including those assets acquired through the use of leverage, Oxford Square Management may have a financial incentive to incur leverage which may not be consistent with our stockholders' interests. In addition, our common stockholders will bear the burden of any increase in our expenses as a result of leverage, including any increase in the management fee payable to Oxford Square Management.

We completed a public offering of our 6.50% Unsecured Notes. The 6.50% Unsecured Notes will mature on March 30, 2024, and may be redeemed in whole or in part at any time or from time to time at our option on or after March 30, 2020. The 6.50% Unsecured Notes bear interest at a rate of 6.50% per year payable quarterly on March 30, June 30, September 30

and December 30. The 6.50% Unsecured Notes are our general unsecured obligations, rank equally in right of payment with our future senior unsecured debt, and rank senior in right of payment to any potential subordinated debt, should any be issued in the future.

On June 21, 2018, Oxford Funding entered into the OXSQ Facility. On October 12, 2018, OXSQ Funding amended the OXSQ Facility to provide for additional borrowings under the OXSQ Facility. Pursuant to the terms of the OXSQ Facility, as amended, OXSQ Funding may borrow up to \$125.0 million. As of September 30, 2018, OXSQ Funding has borrowed approximately \$87.7 million. Subject to certain exceptions, pricing under the OXSQ Facility is based on the London interbank offered rate for an interest period equal to three months plus a spread of 2.25% per annum. Interest on the outstanding principal amount owing under the Facility is payable quarterly in arrears. The OXSQ Facility will mature, and all outstanding principal and accrued and unpaid interest thereunder will be due and payable, on June 21, 2020, and is subject to periodic repayment prior to such date from collections on OXSQ Funding's loan assets and certain other mandatory payment requirements.

Illustration. The following table illustrates the effect of leverage on returns from an investment in our common stock assuming various annual returns on the portfolio, net of expenses. The calculations in the table below are hypothetical and actual returns may be higher or lower than those appearing in the table below.

	Assumed total return on our portfolio (net of expenses)				
	- 10.0%	- 5.0%	0.0%	5.0%	10.0%
Corresponding return to stockholder ⁽¹⁾	-16.5%	-9.4%	-2.3%	4.8%	11.9%

(1) Assumes \$522.7 million in total assets and \$152.1 million in total principal debt outstanding, which reflects our total assets and total debt outstanding as of September 30, 2018, (excluding non-portfolio related assets and non-leverage related liabilities) and a cost of leverage of approximately 2.3%.

Our portfolio must have an annual return of at least 1.6% in order to cover the annual interest payments on our current borrowings.

If we are unable to comply with the covenants or restrictions in our borrowings, our business could be materially adversely affected.

The OXSQ Facility includes covenants, among others, that, subject to exceptions, restrict our ability to pay distributions, create liens on assets, make investments, make acquisitions and engage in mergers or consolidations. The OXSQ Facility also includes a change of control provision that accelerates the indebtedness under the facility in the event of certain change of control events. Complying with these restrictions may prevent us from taking actions that we believe would help us grow our business or are otherwise consistent with our investment objective. These restrictions could also limit our ability to plan for or react to market conditions or meet extraordinary capital needs or otherwise restrict corporate activities. In addition, the restrictions contained in the OXSQ Facility could limit our ability to make distributions to our stockholders in certain circumstances, which could result in us failing to qualify as a RIC and thus becoming subject to corporate-level U.S. federal income tax (and any applicable state and local taxes).

The breach of any of the covenants or restrictions, unless cured within the applicable grace period, would result in a default under the OXSQ Facility that would permit the lender thereunder to declare all amounts outstanding to be due and payable. In such an event, we may not have sufficient assets to repay such indebtedness. As a result, any default could have serious consequences to our financial condition. An event of default or an acceleration under the OXSQ Facility could also cause a cross-default or cross-acceleration of another debt instrument or contractual obligation, which would adversely impact our liquidity. We may not be granted waivers or amendments to the OXSQ Facility if for any reason we are unable to comply with it, and we may not be able to refinance the OXSQ Facility on terms acceptable to us, or at all.

The terms of the OXSQ Facility may contractually limit our ability to incur additional indebtedness.

We will need additional capital to fund new investments and grow our portfolio of investments. We intend to access the capital markets periodically to issue debt or equity securities or borrow from financial institutions in order to obtain such additional capital. We believe that having the flexibility to incur additional leverage could augment the returns to our stockholders and would be in the best interests of our stockholders. Contractual leverage limitations under our existing OXSQ Facility or future borrowings may limit our ability to incur additional indebtedness. We cannot assure you that we will be able to negotiate a change to the OXSQ Facility to allow us to incur additional leverage or that any such an amendment will be available to us on favorable terms. An inability on our part to amend the contractual asset coverage limitation and access additional leverage could limit our ability to take advantage of the benefits described above related to our ability to incur additional leverage and could decrease our earnings, if any, which would have an adverse effect on our results of operations and the value of our shares of common stock.

We may need to raise additional capital to grow because we must distribute most of our income.

We may need additional capital to fund growth in our investments. We expect to issue equity securities and expect to borrow from financial institutions in the future. A reduction in the availability of new capital could limit our ability to grow. We must distribute at least 90% of our investment company taxable income to our stockholders to maintain our regulated investment company status. As a result, any such cash earnings may not be available to fund investment originations. We expect to borrow from financial institutions and issue additional debt and equity securities. If we fail to obtain funds from such sources or from other sources to fund our investments, it could limit our ability to grow, which may have an adverse effect on the value of our securities. In addition, as a BDC, our ability to borrow or issue preferred stock may be restricted if our total assets are less than 200% (or 150% effective April 6, 2019) of our total borrowings and preferred stock.

Regulations governing our operation as a BDC affect our ability to, and the way in which we raise additional capital, which may expose us to risks, including the typical risks associated with leverage.

Our ability to grow our business requires a substantial amount of capital, which we may acquire from the following sources:

Senior Securities and Other Indebtedness

We may issue debt securities or preferred stock and/or borrow money from banks or other financial institutions, which we refer to collectively as “senior securities,” up to the maximum amount permitted by the 1940 Act. Under the provisions of the 1940 Act, we are permitted, as a BDC, to issue senior securities in amounts such that our asset coverage ratio, as defined in the 1940 Act, equals at least 200% (or 150% effective April 6, 2019) immediately after each issuance of senior securities. This requirement of sustaining a 200% (or 150% effective April 6, 2019) asset coverage ratio limits the amount that we may borrow. Because we will continue to need capital to grow our loan and investment portfolio, this limitation may prevent us from incurring debt. Further additional debt financing may not

be available on favorable terms, if at all, or may be restricted by the terms of our debt facilities. If we are unable to incur additional debt, we may be required to raise additional equity at a time when it may be disadvantageous to do so.

As a result of the issuance of senior securities, including preferred stock and debt securities, we are exposed to typical risks associated with leverage, including an increased risk of loss and an increase in expenses, which are ultimately borne by our common stockholders. Because we may incur leverage to make investments, a decrease in the value of our investments would have a greater negative impact on the value of our common stock. When we issue debt securities or preferred stock, it is likely that such securities will be governed by an indenture or other instrument containing covenants restricting our operating flexibility. In addition, such securities may be rated by rating agencies, and in obtaining a rating for such securities, we may be required to abide by operating and investment guidelines that could further restrict our operating flexibility. See “— We are permitted to borrow money, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing in us” for a description of our outstanding senior securities.

On April 12, 2017 we issued approximately \$64.4 million in aggregate principal of our 6.50% Unsecured Notes. As of September 30, 2018, approximately \$64.4 million of the 6.50% Unsecured Notes remained outstanding. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources” for more information.

On June 21, 2018, Oxford Funding entered into the OXSQ Facility. On October 12, 2018, OXSQ Funding amended the OXSQ Facility to provide for additional borrowings under the OXSQ Facility. Pursuant to the terms of the OXSQ Facility, as amended, OXSQ Funding may borrow up to \$125.0 million. As of September 30, 2018, OXSQ Funding has borrowed approximately \$87.7 million.

Our ability to pay distributions or issue additional senior securities may be restricted if our asset coverage ratio is not at least 200% (or 150% effective April 6, 2019). If the value of our assets declines, we may be unable to satisfy this test. If that happens, we may be required to sell a portion of our investments and, depending on the nature of our leverage, repay a portion of our indebtedness at a time when such sales may be disadvantageous. Furthermore, any amounts that we use to service our indebtedness would not be available for distributions to our common stockholders.

Common Stock

We are not generally able to issue and sell our common stock at a price below net asset value per share. We may, however, sell our common stock, or warrants, options or rights to acquire our common stock, at a price below the then-current net asset value of our common stock if our Board of Directors determines that such sale is in the best interests of Oxford Square and its stockholders, and our stockholders approve such sale.

In certain limited circumstances, we may also issue shares at a price below net asset value in connection with a transferable rights offering so long as: (1) the offer does not discriminate among stockholders; (2) we use our best efforts to ensure an adequate trading market exists for the rights; and (3) the ratio of the offering does not exceed one new share for each three rights held. If we raise additional funds by issuing more common stock or senior securities convertible into, or exchangeable for, our common stock, the percentage ownership of our stockholders at that time would decrease and they may experience dilution. Moreover, we can offer no assurance that we will be able to issue and sell additional equity securities in the future, on favorable terms or at all.

Our Board of Directors is authorized to reclassify any unissued shares of common stock into one or more classes of preferred stock, which could convey special rights and privileges to its owners.

Our charter permits our Board of Directors to reclassify any authorized but unissued shares of stock into one or more classes of preferred stock. We are currently authorized to issue up to 100,000,000 shares of common stock, of which 47,650,959 shares are issued and outstanding as of January 22, 2019. In the event our Board of Directors opts to reclassify a portion of our unissued shares of common stock into a class of preferred stock, those preferred shares would have a preference over our common stock with respect to distributions and liquidation. The cost of any such reclassification would be borne by our existing common stockholders. The class voting rights of any preferred shares we may issue could make it more difficult for us to take some actions that may, in the future, be proposed by our Board of Directors and/or the holders of our common stock, such as a merger, exchange of securities, liquidation, or alteration of the rights of a class of our securities, if these actions were perceived by the holders of preferred shares as not in their best interests.

The issuance of preferred shares convertible into shares of common stock might also reduce the net income and net asset value per share of our common stock upon conversion. These effects, among others, could have an adverse effect on your investment in our common stock.

A change in interest rates may adversely affect our profitability and we may expose ourselves to risks if we engage in hedging transactions to mitigate changes in interest rates.

Currently, all of the debt investments in our investment portfolio are at variable rates. In addition, our CLO equity investments are sensitive to risks associated with changes in interest rates. Although we have not done so in the past, we may in the future choose to hedge against interest rate fluctuations by using standard hedging instruments such as futures, forward contracts, options and interest rate swaps, caps, collars and floors to seek to hedge against fluctuations in the relative values of our portfolio positions from changes in market interest rates. Hedging against a decline in the values of our portfolio positions does not eliminate the possibility of fluctuations in the values of such positions or prevent losses if the values of such positions decline. However, such hedging can establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of such portfolio positions. Such hedging transactions may also limit the opportunity for gain if the values of the underlying portfolio positions should increase. It may not be possible to hedge against an interest rate fluctuation that is so generally anticipated that we are not able to enter into a hedging transaction at an acceptable price.

The success of our hedging transactions will depend on our ability to correctly predict movements in interest rates. Therefore, while we may enter into such transactions to seek to reduce interest rate risks, unanticipated changes in interest rates may result in poorer overall investment performance than if we had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions being hedged may vary. Moreover, for a variety of reasons, we may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Any such imperfect correlation may prevent us from achieving the intended hedge and expose us to risk of loss. To the extent we engage in hedging transactions, we also face the risk that counterparties to the derivative instruments we hold may default, which may expose us to unexpected losses from positions where we believed that our risk had been appropriately hedged. These activities may limit our ability to participate in the benefits of lower interest rates with respect to the hedged portfolio. Adverse developments resulting from changes in interest rates or hedging transactions could have a material adverse effect on our business, financial condition and results of operations. Also, we have limited experience in entering into hedging transactions, and we will initially have to purchase or develop such expertise if we choose to employ hedging strategies in the future.

The SEC has proposed a new rule under the 1940 Act that would govern the use of derivatives (defined to include any swap, security-based swap, futures contract, forward contract, option or any similar instrument) as well as financial commitment transactions (defined to include reverse repurchase agreements, short sale borrowings and any firm or standby commitment agreement or similar agreement) by BDCs. Under the proposed rule, a BDC would be required to comply with one of two alternative portfolio limitations and manage the risks associated with derivatives transactions and financial commitment transactions by segregating certain assets. Furthermore, a BDC that engages in more than a limited amount of derivatives transactions or that uses complex derivatives would be required to establish a formalized derivatives risk management program. If the SEC adopts this rule in the form proposed, we may incur greater and indirect costs to engage in derivatives transactions or financial commitment transactions, and our ability to enter into transactions involving such instruments may be hindered, which could have an adverse effect on our business, financial condition and results of operations.

We will be subject to corporate-level U.S. federal income tax if we are unable to qualify for tax treatment as a RIC for U.S. federal income tax purposes.

To remain entitled to the tax benefits accorded to RICs under the Code, we must meet certain income source, asset diversification and Annual Distribution Requirements. In order to qualify as a RIC, we must derive each taxable year at least 90% of our gross income from dividends, interest, payments with respect to certain securities loans, gains from the sale of stock or other securities, or other income derived with respect to our business of investing in such stock or securities. The Annual Distribution Requirement for a RIC is satisfied if we distribute at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, to our stockholders on an annual basis. Because we use debt financing, we are subject to certain asset coverage ratio requirements under the 1940 Act and financial covenants under loan and credit agreements that could, under certain circumstances, restrict us from making distributions necessary to satisfy the Annual Distribution Requirement. If we are unable to obtain cash from other sources, we may fail to qualify for special tax treatment as a RIC and, thus, may be subject to corporate-level U.S. federal income tax on all of our income.

To qualify as a RIC, we must also meet certain asset diversification requirements at the end of each calendar

quarter. Failure to meet these tests may result in our having to dispose of certain investments quickly in order to prevent the loss of RIC treatment. Because most of our investments will be in private companies, any such dispositions could be made at disadvantageous prices and may result in substantial losses. If we fail to qualify for tax treatment as a RIC for any reason and remain or become subject to corporate income tax, the resulting corporate taxes could substantially reduce our net assets, the amount of income available for distribution and the amount of our distributions. Such a failure would have a material adverse effect on us and our stockholders.

We cannot predict how tax reform legislation will affect us, our investments, or our stockholders, and any such legislation could adversely affect our business.

Legislative or other actions relating to taxes could have a negative effect on us. The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Treasury Department. We cannot predict with certainty how any changes in the tax laws might affect us, our stockholders, or our portfolio investments. New legislation and any U.S. Treasury regulations, administrative interpretations or court decisions interpreting such legislation could significantly and negatively affect our ability to qualify for tax treatment as a RIC and the U.S. federal income tax consequences to us and our stockholders of such qualification, and could have other adverse consequences. Stockholders are urged to consult with their tax advisor regarding tax legislative, regulatory, or administrative developments and proposals and their potential effect on an investment in our securities.

Our investments in CLOs may be subject to special anti-deferral provisions that could result in us incurring tax or recognizing income prior to receiving cash distributions related to such income.

We have purchased and may in the future purchase residual or subordinated interests in CLOs that are treated for U.S. federal income tax purposes as shares in a “passive foreign investment company,” or a “PFIC.” If we acquire investments in a PFIC (including equity tranche investments in CLOs that are PFICs), we may be subject to U.S. federal income tax on a portion of any “excess distribution” or gain from the disposition of such shares even if such income is distributed as a taxable distribution by us to our stockholders. Certain elections may be available to mitigate or eliminate such tax on excess distributions, but such elections (if available) will generally require us to recognize our share of the PFICs income for each year regardless of whether we receive any distributions from such PFICs. We must nonetheless distribute such income to maintain our tax treatment as a RIC.

If we hold more than 10% of the shares in a foreign corporation that is treated as a controlled foreign corporation, or a “CFC” (including equity tranche investments in a CLO treated as CFC), we may be treated as receiving a deemed distribution (taxable as ordinary income) each year from such foreign corporation in an amount equal to our pro rata share of the corporation’s income for the tax year (including both ordinary earnings and capital gains). If we are required to include such deemed distributions from a CFC in our income, we will be required to distribute such income to maintain our RIC tax treatment regardless of whether or not the CFC makes an actual distribution during such year.

If we are required to include amounts in income prior to receiving distributions representing such income, we may have to sell some of our investments at times and/or at prices we would not consider advantageous, raise additional debt or equity capital or forgo new investment opportunities for this purpose. If we are not able to obtain cash from other sources, we may fail to qualify for RIC tax treatment and thus become subject to corporate-level U.S. federal income tax.

If we do not receive timely distributions from our CLO investments, we may fail to qualify as a RIC.

We are required to include in our taxable income our proportionate share of the income of certain CLO investments to the extent that such CLOs are PFICs for which we have made a qualifying electing fund, or “QEF,” election or are CFCs. To the extent that such CLOs do not distribute all of their earnings and profits on a current basis, we may fail to qualify as a RIC. To qualify as a RIC, we must, among other things, derive in each taxable year at least 90% of our gross income from certain sources specified in the Code, or the “90% Income Test.” Although the Code generally provides that the income inclusions from a QEF or a CFC will be “good income” for purposes of this 90% Income Test to the extent that the QEF or the CFC distribute such income to us in the same taxable year to which the income is included in our income, the Code does not specifically provide whether these income inclusions would be “good income” for this 90% Income Test if we do not receive distributions from the QEF or CFC during such taxable year. The IRS has issued a series of private rulings in which it has concluded that all income inclusions from a QEF or a CFC included in a RIC’s gross income would constitute “good income” for purposes of the 90% Income Test. Such rulings are not binding on the IRS except with respect to the taxpayers to whom such rulings were issued. Recently, however, the IRS and U.S. Treasury Department issued proposed regulations that provide that the income inclusions from a QEF or a CFC would not be good income for purposes of the 90% Income Test unless we receive a cash distribution from such entity in the same year attributable to the included income. If such income were not considered “good income” for purposes of the 90% Income Test, we may fail to qualify as a RIC.

The CLOs in which we invest may be subject to withholding tax if they fail to comply with certain reporting requirements.

Legislation commonly referred to as the “Foreign Account Tax Compliance Act,” or “FATCA,” imposes a withholding tax of 30% on payments of U.S. source interest and distributions to certain non-U.S. entities, including certain non-U.S. financial institutions and investment funds, unless such non-U.S. entity complies with certain reporting requirements regarding its U.S. account holders and its U.S. owners. Most CLO vehicles in which we invest will be treated as non-U.S. financial entities for this purpose, and therefore will be required to comply with these reporting requirements to avoid the 30% withholding. If a CLO vehicle in which we invest fails to properly comply with these reporting requirements, it could

reduce the amounts available to distribute to equity and junior debt holders in such CLO vehicle, which could materially and adversely affect our operating results and cash flows.

We may choose to pay distributions in our own common stock, in which case, our stockholders may be required to pay U.S. federal income taxes in excess of the cash distributions they receive.

We may distribute taxable distributions that are payable in cash or shares of our common stock at the election of each stockholder. Under certain applicable IRS guidance, distributions by publicly offered RICs that are payable in cash or in shares of stock at the election of stockholders are treated as taxable distributions. The Internal Revenue Service has published guidance indicating that this rule will apply even where the total amount of cash that may be distributed is limited to no more than 20% of the total distribution. Under this guidance, if too many stockholders elect to receive their distributions in cash, the cash available for distribution must be allocated among the stockholders electing to receive cash (with the balance of the distribution paid in stock). In no event will any stockholder electing to receive cash, receive less than the lesser of (a) the portion of the distribution such stockholders has elected to receive in cash or (b) an amount equal to his, her or its entire distribution times the percentage limitation on cash available for distribution. If we decide to make any distributions consistent with this guidance that are payable in part in our stock, taxable stockholders receiving such distributions will be required to include the full amount of the distribution (whether received in cash, our stock, or a combination thereof) as ordinary income (or as long-term capital gain to the extent such distribution is properly reported as a capital gain distribution) to the extent of our current and accumulated earnings and profits for U.S. federal income tax purposes. As a result, a U.S. stockholder may be required to pay tax with respect to such distributions in excess of any cash received. If a U.S. stockholder sells the stock it receives as a distribution in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the distribution, depending on the market price of our stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such distributions, including in respect of all or a portion of such distribution that is payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our stock in order to pay taxes owed on distributions, it may put downward pressure on the trading price of our stock.

We may have difficulty paying our required distributions if we recognize income before or without receiving cash representing such income.

For U.S. federal income tax purposes, we will include in income certain amounts that we have not yet received in cash, such as OID, which may arise if we receive warrants in connection with the making of a loan or possibly in other circumstances, or contracted PIK interest, which represents contractual interest added to the loan balance and due at the end of the loan term. In addition, we may be required to accrue for U.S. federal income tax purposes amounts attributable to our investment in CLOs that may differ from the distributions received in respect of such investments. We also may be required to include in income certain other amounts that we will not receive in cash.

Because in certain cases we may recognize income before or without receiving cash representing such income, we may have difficulty satisfying the Annual Distribution Requirement applicable to RICs. Accordingly, we may have to sell some of our investments at times we would not consider advantageous, raise additional debt or equity capital, reduce new investments or make taxable distributions of our stock or debt securities to meet that distribution requirement. If we are not able to obtain cash from other sources, we may fail to qualify for RIC tax treatment and thus be subject to corporate-level U.S. federal income tax.

In addition, OID income for certain portfolio investments may or may not be included as a factor in the determination of the fair value of such investments.

There are significant potential conflicts of interest between Oxford Square and our management team.

In the course of our investing activities, we pay management and incentive fees to Oxford Square Management, and reimburse Oxford Funds for certain expenses it incurs. As a result, investors in our common stock invest on a “gross” basis and receive distributions on a “net” basis after expenses, resulting in, among other things, a lower rate of return than one might achieve through direct investments. As a result of this arrangement, there may be times when the management team of Oxford Square Management has interests that differ from those of our stockholders, giving rise to a conflict.

Oxford Square Management receives a quarterly incentive fee based, in part, on our “Pre-Incentive Fee Net Investment Income,” if any, for the immediately preceding calendar quarter. This incentive fee is subject to a quarterly hurdle rate before providing

an incentive fee return to Oxford Square Management. To the extent we or Oxford Square Management are able to exert influence over our portfolio companies, the quarterly pre-incentive fee may provide Oxford Square Management with an incentive to induce our portfolio companies to accelerate or defer interest or other obligations owed to us from one calendar quarter to another.

In addition, our executive officers and directors, and the executive officers of Oxford Square Management, and its managing member, Oxford Funds, serve or may serve as officers and directors of entities that operate in a line of business similar to our own. Accordingly, they may have obligations to investors in those entities, the fulfillment of which might not be in the best interests of us or our stockholders. Charles M. Royce, a member of our Board of Directors, holds a minority, non-controlling interest in our investment adviser.

Messrs. Cohen and Rosenthal currently serve as Chief Executive Officer and President, respectively, of Oxford Lane Capital Corp., a non-diversified closed-end management investment company that currently invests primarily in CLO debt and equity tranches, and its investment adviser, Oxford Lane Management. Messrs. Cohen and Rosenthal also currently serve as Chief Executive Officer and President, respectively, at Oxford Bridge Management, the investment adviser to the Oxford Bridge Funds and Oxford Gate Management, the investment adviser to the Oxford Gate Funds. The Oxford Bridge Funds and Oxford Gate Funds are private funds that invest principally in CLO debt and equity. Oxford Funds is the managing member of Oxford Bridge Management, LLC. As a result, certain conflicts of interest may arise with respect to the management of our portfolio by Messrs. Cohen and Rosenthal, on the one hand, and the obligations of Messrs. Cohen and Rosenthal to manage the portfolios of Oxford Lane Capital Corp., the Oxford Bridge Funds and the Oxford Gate Funds, respectively, on the other hand. In addition, Bruce L. Rubin, our Chief Financial Officer, Corporate Secretary and Treasurer, currently serves in similar capacities for Oxford Lane Capital Corp. Mr. Rubin also currently serves as the Chief Financial Officer and Secretary of Oxford Lane Management, Oxford Square Management, LLC, Oxford Bridge Management, LLC, Oxford Gate Management, LLC and Oxford Funds. Further, Mr. Gerald Cummins, our Chief Compliance Officer, currently serves in similar capacities for Oxford Lane Management, Oxford Lane Capital Corp., Oxford Square Management, LLC, Oxford Bridge Management, LLC and Oxford Gate Management, LLC. Because of these possible conflicts of interest, these individuals may direct potential business and investment opportunities to other entities rather than to us or such individuals may undertake or otherwise engage in activities or conduct on behalf of such other entities that is not in, or which may be adverse to, our best interests.

Oxford Square Management, Oxford Lane Management, LLC, Oxford Bridge Management, LLC and Oxford Gate Management, LLC are subject to a written policy with respect to the allocation of investment opportunities among Oxford Square, Oxford Lane Capital Corp., the Oxford Bridge Funds and the Oxford Gate Funds. Where investments are suitable for more than one entity, the allocation policy generally provides that, depending on size and subject to current and anticipated cash availability, the absolute size of the investment as well as its relative size compared to the total assets of each entity, current and anticipated weighted average costs of capital, and whether the proposed investment is an add-on investment to an existing investment, among other factors, an investment amount will be determined by the adviser to each entity. If the investment opportunity is sufficient for each entity to receive its investment amount, then each entity receives the investment amount; otherwise, the investment amount is reduced pro rata.

On October 13, 2016, we filed an exemptive application with the SEC to permit us to co-invest with funds or entities managed by Oxford Square Management or its affiliates in certain negotiated transactions where co-investing would otherwise be prohibited under the 1940 Act. On June 14, 2017, the SEC issued an order permitting Oxford Square and certain of its affiliates to complete negotiated co-investment transactions in portfolio companies, subject to certain conditions, or the "Order." Subject to satisfaction of certain conditions to the Order, Oxford Square and certain of its affiliates are now permitted, together with any future BDCs, registered closed-end funds and certain private funds, each of whose investment adviser is Oxford Square's investment adviser or an investment adviser controlling, controlled by, or under common control with Oxford Square's investment adviser, to co-invest in negotiated investment opportunities where doing so would otherwise be prohibited under the 1940 Act, providing Oxford Square's stockholders with access to a broader array of investment opportunities. Pursuant to the Order, we are permitted to co-invest in such investment opportunities with our affiliates if a "required majority" (as defined in Section 57(o) of the 1940 Act) of our independent directors make certain conclusions in connection with a co-investment transaction, including, but not limited to, that (1) the terms of the potential co-investment transaction, including the consideration to be paid, are reasonable and fair to us and our stockholders and do not involve overreaching in respect of us or our stockholders on the part of any person concerned, and (2) the potential co-investment transaction is consistent with the interests of our stockholders and is consistent with our then-current investment objective and strategies.

In the ordinary course of business, we may enter into transactions with portfolio companies that may be considered related party transactions. In order to ensure that we do not engage in any prohibited transactions with any persons affiliated with us, we have implemented certain policies and procedures whereby our executive

officers screen each of our transactions for any possible affiliations between the proposed portfolio investment, us, companies controlled by us and our employees and

directors. We will not enter into any agreements unless and until we are satisfied that doing so will not raise concerns under the 1940 Act or, if such concerns exist, we have taken appropriate actions to seek board review and approval or exemptive relief for such transaction. Our Board of Directors reviews these procedures on an annual basis.

We have also adopted a Code of Business Conduct and Ethics which applies to, among others, our senior officers, including our Chief Executive Officer and Chief Financial Officer, as well as all of our officers, directors and employees. Our Code of Business Conduct and Ethics requires that all employees and directors avoid any conflict, or the appearance of a conflict, between an individual's personal interests and our interests. Pursuant to our Code of Business Conduct and Ethics, each employee and director must disclose any conflicts of interest, or actions or relationships that might give rise to a conflict. Our Audit Committee is charged with approving any waivers under our Code of Business Conduct and Ethics. As required by the NASDAQ Global Select Market corporate governance listing standards, the Audit Committee of our Board of Directors is also required to review and approve any transactions with related parties (as such term is defined in Item 404 of Regulation S-K).

Changes in laws or regulations governing our operations may adversely affect our business.

We and our portfolio companies are subject to regulation by laws at the local, state and federal levels. These laws and regulations, as well as their interpretation, may be changed from time to time. Any change in these laws or regulations could have a material adverse effect on our business. In particular, legislative initiatives relating to climate change, tax return healthcare reform and similar public policy matters may impact the portfolio companies in which we invest to the extent they operate in industries that may be subject to such changes.

On May 24, 2018, President Trump signed into law the Economic Growth, Regulatory Relief, and Consumer Protection Act, which increased from \$50 billion to \$250 billion the asset threshold for designation of "systemically important financial institutions" or "SIFIs" subject to enhanced prudential standards set by the Federal Reserve Board, staggering application of this change based on the size and risk of the covered bank holding company. On May 30, 2018, the Federal Reserve Board voted to consider changes to the Volcker Rule that would loosen compliance requirements for all banks. The effect of this change and any further rules or regulations are and could be complex and far-reaching, and the change and any future laws or regulations or changes thereto could negatively impact our operations, cash flows or financial condition, impose additional costs on us, intensify the regulatory supervision of us or otherwise adversely affect our business, financial condition and results of operations.

Changes to U.S. tariff and import/export regulations may have a negative effect on our portfolio companies and, in turn, harm us.

There has been ongoing discussion and commentary regarding potential significant changes to U.S. trade policies, treaties and tariffs. The current U.S. presidential administration, along with the U.S. Congress, has created significant uncertainty about the future relationship between the United States and other countries with respect to trade policies, treaties and tariffs. These developments, or the perception that any of them could occur, may have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global trade and, in particular, trade between the impacted nations and the United States. Any of these factors could depress economic activity and restrict our portfolio companies' access to suppliers or customers and have a material adverse effect on their business, financial condition and results of operations, which in turn would negatively impact us.

Uncertainty about presidential administration initiatives could negatively impact our business, financial condition and results of operations.

The current administration has called for significant changes to U.S. trade, healthcare, immigration, foreign and government regulatory policy. In this regard, there is significant uncertainty with respect to legislation, regulation and government policy at the federal level, as well as the state and local levels. Recent events have created a climate of heightened uncertainty and introduced new and difficult-to-quantify macroeconomic and political risks with potentially far-reaching implications. There has been a corresponding meaningful increase in the uncertainty surrounding interest rates, inflation, foreign exchange rates, trade volumes and fiscal and monetary policy. To the extent the U.S. Congress or the current administration implements changes to U.S. policy, those changes may impact, among other things, the U.S. and global economy, international trade and relations, unemployment, immigration, corporate taxes, healthcare, the U.S. regulatory environment, inflation and other areas. Although we cannot predict the impact, if any, of these changes to our business, they could adversely affect our business, financial condition, operating results and cash flows. Until we know what policy changes are made and how those changes impact our business and the business of our competitors over the long term, we will not know if, overall, we will benefit from them or be negatively affected by them.

If we do not invest a sufficient portion of our assets in qualifying assets, we could fail to qualify as a business

development company or be precluded from investing according to our current business strategy.

As a BDC, we may not acquire any assets other than “qualifying assets” unless, at the time of and after giving effect to such acquisition, at least 70% of our total assets are qualifying assets.

We believe that most of our portfolio investments will constitute qualifying assets. However, we may be precluded from investing in what we believe are attractive investments if such investments are not qualifying assets for purposes of the 1940 Act. If we do not invest a sufficient portion of our assets in qualifying assets, we could lose our status as a BDC, which would have a material adverse effect on our business, financial condition and results of operations. Similarly, these rules could prevent us from making follow-on investments in existing portfolio companies (which could result in the dilution of our position) or could require us to dispose of investments at inappropriate times in order to comply with the 1940 Act. If we need to dispose of such investments quickly, it would be difficult to dispose of such investments on favorable terms. For example, we may have difficulty in finding a buyer and, even if we do find a buyer, we may have to sell the investments at a substantial loss.

Provisions of the Maryland General Corporation Law and of our charter and bylaws could deter takeover attempts and have an adverse impact on the price of our common stock.

The Maryland General Corporation Law and our charter and bylaws contain provisions that may discourage, delay or make more difficult a change in control of Oxford Square or the removal of our directors. We are subject to the Maryland Business Combination Act, subject to any applicable requirements of the 1940 Act. Our board of directors has adopted a resolution exempting from the Business Combination Act any business combination between us and any other person, subject to prior approval of such business combination by our board, including approval by a majority of our disinterested directors. If the resolution exempting business combinations is repealed or our board does not approve a business combination, the Business Combination Act may discourage third parties from trying to acquire control of us and increase the difficulty of consummating such an offer. Our bylaws exempt from the Maryland Control Share Acquisition Act acquisitions of our stock by any person. If we amend our bylaws to repeal the exemption from the Control Share Acquisition Act, the Control Share Acquisition Act also may make it more difficult for a third party to obtain control of us and increase the difficulty of consummating such a transaction. However, we will amend our bylaws to be subject to the Control Share Acquisition Act only if our board of directors determines that it would be in our best interests and if the SEC staff does not object to our determination that our being subject to the Control Share Acquisition Act does not conflict with the 1940 Act. The SEC staff has issued informal guidance setting forth its position that certain provisions of the Control Share Acquisition Act would, if implemented, violate Section 18(i) of the 1940 Act.

We have also adopted measures that may make it difficult for a third party to obtain control of us, including provisions of our charter classifying our board of directors in three classes serving staggered three-year terms, and authorizing our board of directors to classify or reclassify shares of our stock in one or more classes or series, to cause the issuance of additional shares of our stock and to amend our charter without stockholder approval to increase or decrease the number of shares of stock that we have authority to issue. These provisions, as well as other provisions of our charter and bylaws, may delay, defer or prevent a transaction or a change in control that might otherwise be in the best interests of our stockholders.

The foregoing provisions are expected to discourage certain coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of us to negotiate first with our Board of Directors. However, these provisions may deprive a stockholders of the opportunity to sell such stockholder's shares at a premium to a potential acquirer. We believe that the benefits of these provisions outweigh the potential disadvantages of discouraging any such acquisition proposals because, among other things, the negotiation of such proposals may improve their terms. Our Board of Directors has considered both the positive and negative effects of the foregoing provisions and determined that they are in the best interest of our stockholders.

Internal and external cyber threats, as well as other disasters, could impair our ability to conduct business effectively.

The occurrence of a disaster such as a cyber-attack against us or against a third-party that has access to our data or networks, a natural catastrophe, an industrial accident, a terrorist attack or war, events unanticipated in our disaster recovery systems, or a support failure from external providers, could have an adverse effect on our ability to conduct business and on our results of operations and financial condition, particularly if those events affect our computer-based data processing, transmission, storage, and retrieval systems or destroy data.

We depend heavily upon computer systems to perform necessary business functions. Despite our implementation of a variety of security measures, our computers, networks, and data, like those of other companies, could be subject to cyber-attacks and unauthorized access, use, alteration, or destruction, such as from physical and electronic break-ins or unauthorized tampering. If one or more of these events occurs, it could potentially jeopardize the confidential, proprietary, and other information processed, stored in, and transmitted through our computer systems and networks. Such an attack could cause interruptions or malfunctions in our operations, which could result in financial losses, litigation, regulatory penalties, client dissatisfaction or loss, reputational damage, and increased costs associated with mitigation of damages and remediation.

Third parties with which we do business may also be sources of cybersecurity or other technological risk. We outsource certain functions and these relationships allow for the storage and processing of our information, as well as client, counterparty, employee, and borrower information. While we engage in actions to reduce our exposure resulting from outsourcing, ongoing threats may result in unauthorized access, loss, exposure, destruction, or other cybersecurity incident that affects our data, resulting in increased costs and other consequences as described above.

We are highly dependent on information systems and systems failures could significantly disrupt our business, which may, in turn, negatively affect the market price of our common stock and our ability to pay distributions.

Our business is highly dependent on our and third parties' communications and information systems. Any failure or interruption of those systems, including as a result of the termination of an agreement with any third-party service providers, could cause delays or other problems in our activities. Our financial, accounting, data processing, backup or other operating systems and facilities may fail to operate properly or become disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control and adversely affect our business. There could be:

- sudden electrical or telecommunications outages;
- natural disasters such as earthquakes, tornadoes and hurricanes;
- events arising from local or larger scale political or social matters, including terrorist acts; and
- cyber attacks.

These events, in turn, could have a material adverse effect on our operating results and negatively affect the market price of our common stock and our ability to pay distributions to our stockholders.

Our board of directors may change our investment objective, operating policies and strategies without prior notice or stockholder approval.

Our board of directors has the authority to modify or waive certain of our operating policies and strategies without prior notice (except as required by the 1940 Act) and without stockholder approval. However, absent stockholder approval, we may not change the nature of our business so as to cease to be, or withdraw our election as a BDC. We cannot predict the effect any changes to our current operating policies and strategies would have on our business, operating results and value of our stock. Nevertheless, the effects may adversely affect our business and impact our ability to make distributions.

RISKS RELATED TO OUR INVESTMENTS

Our investment portfolio may be concentrated in a limited number of portfolio companies, which will subject us to a risk of significant loss if any of these companies defaults on its obligations under any of its debt securities that we hold or if the sectors in which we invest experience a market downturn.

A consequence of our limited number of investments is that the aggregate returns we realize may be significantly adversely affected if a small number of investments perform poorly or if we need to write down the value of any one investment. Beyond the asset diversification requirements applicable to RICs, we do not have fixed guidelines for diversification, and our investments could be concentrated in relatively few issuers. While we have historically focused on the technology sector, we are actively seeking new investment opportunities outside this sector that otherwise meet our investment criteria. As a result, a market downturn, including a downturn in the sectors in which we invest, could materially adversely affect us.

Most of our debt investments will not fully amortize during their lifetime, which may subject us to the risk of loss of our principal in the event a portfolio company is unable to repay us prior to maturity.

Most of our debt investments are not structured to fully amortize during their lifetime. Accordingly, if a portfolio company has not previously pre-paid its debt investment to us, a significant portion of the principal amount due on such a debt investment may be due at maturity. In order to create liquidity to pay the final principal payment, a portfolio company typically must raise additional capital. If it is unable to raise sufficient funds to repay us, the debt investment may go into default, which may compel us to foreclose on the borrower's assets, even if the debt investment was otherwise performing prior to maturity. This may prevent us from immediately obtaining full recovery on the debt investment and may prevent or delay the reinvestment of the investment proceeds in other, possibly more profitable investments.

The application of the risk retention rules to CLOs may have broader effects on the CLO and loan markets in general, potentially resulting in fewer or less desirable investment opportunities for the Company.

Section 941 of the Dodd-Frank Act added a provision to the Exchange Act, requiring the seller, sponsor or securitizer of a securitization vehicle to retain no less than five percent of the credit risk in assets it sells into a securitization and prohibits such securitizer from directly or indirectly hedging or otherwise transferring the retained credit risk. The responsible federal agencies adopted final rules implementing these restrictions on October 22, 2014 and the final rules became effective on December 24, 2016. Under the final rules, the asset manager of a CLO is considered the sponsor of a securitization vehicle and is required to retain five percent of the credit risk in the CLO, which may be retained horizontally in the equity tranche of the CLO or vertically as a five percent interest in each tranche of the securities issued by the CLO. Although the final rules contain an exemption from such requirements for the asset manager of a CLO if, among other things, the originator or lead arranger of all of the loans acquired by the CLO retain such risk at the asset level and, at origination of such asset, takes a loan tranche of at least 20% of the aggregate principal balance, it is possible that the originators and lead arrangers of loans in this market will not agree to assume this risk or provide such retention at origination of the asset in a manner that would provide meaningful relief from the risk retention requirements for CLO managers.

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 regard to future CLO issuance. Given that certain CLO managers may require capital provider partners to satisfy this requirement, we believe that this may create additional opportunities (and additional risks) for us in the future.

On February 9, 2018, a panel of the United States Court of Appeals for the District of Columbia Circuit ruled that the federal agencies exceeded their authority under the Dodd-Frank Wall Street Reform and Consumer Protection Act in adopting the final rules as applied to asset managers of open-market CLOs. On April 5, 2018, the United States District Court for the District of Columbia entered an order implementing the D.C. Circuit Ruling and thereby vacated the U.S. Risk Retention Rules insofar as they apply to CLO managers of "open market CLOs".

Our investments in the companies that we target may be extremely risky and we could lose all or part of our investments.

Although a prospective portfolio company's assets are one component of our analysis when determining whether to provide debt capital, we generally do not base investment decisions primarily on the liquidation value of a company's balance sheet assets. Instead, given the nature of the companies that we invest in, we also review the company's historical and projected cash flows, equity capital and "soft" assets, including intellectual property (patented and non-patented), databases, business relationships (both contractual and non-contractual) and the like. Accordingly, considerably higher levels of overall risk will likely be associated with our portfolio compared with that of a traditional asset-based lender whose security consists primarily of receivables, inventories, equipment and other tangible assets. Interest rates payable by our portfolio companies may not compensate for these additional risks, any of which could cause us to lose part or all of our investment.

Specifically, investment in certain of the companies that we are invested in involves a number of significant risks, including:

- these companies may have limited financial resources and may be unable to meet their obligations under their debt securities that we hold, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of us realizing any value from the liquidation of such collateral;
- they may have limited operating histories, narrower product lines and smaller market shares than larger businesses, which may tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns;
- because many of them tend to be privately owned, there is generally little publicly available information about these businesses; therefore, although Oxford Square Management's agents will perform "due diligence" investigations on these portfolio companies, their operations and their prospects, we may not learn all of the material information we need to know regarding these businesses;
- some of these companies are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on our portfolio company and, in turn, on us;
- some of these companies may have less predictable operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position; and
- many of these companies may be more susceptible to economic recessions or downturns than other better capitalized companies that operate in less capital intensive industries.

A portfolio company's failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, termination of its loans and foreclosure on its assets, which could trigger cross-defaults under other agreements and jeopardize our portfolio company's ability to meet its obligations under the debt securities that we hold. We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting portfolio company. In addition, if a portfolio company goes bankrupt, even though we may have structured our interest as senior debt, depending on the facts and circumstances, including the extent to which we actually provided significant "managerial assistance" to that portfolio company, a bankruptcy court might recharacterize our debt holding and subordinate all or a portion of our claim to that of other creditors.

Our failure to make follow-on investments in our portfolio companies could impair the value of our investment portfolio.

Following an initial investment in a portfolio company, we may make additional investments in that portfolio company as "follow-on" investments, in order to: (i) increase or maintain in whole or in part our equity ownership percentage; (ii) exercise warrants, options or convertible securities that were acquired in the original or subsequent financing; or (iii) attempt to preserve or enhance the value of our investment.

We may elect not to make follow-on investments or otherwise lack sufficient funds to make those investments. We have the discretion to make any follow-on investments, subject to the availability of capital resources. The failure to make follow-on investments may, in some circumstances, jeopardize the continued viability of a portfolio company and our initial investment, or may result in a missed opportunity for us to increase our participation in a successful operation. Even if we have sufficient capital to make a desired follow-

on investment, we may elect not to make a follow-on investment because we may not want to increase our concentration of risk, because we prefer other opportunities, or because we are inhibited by compliance with BDC requirements or the desire to maintain our tax status.

Our incentive fee may induce Oxford Square Management to use leverage and to make speculative investments.

The incentive fee payable by us to Oxford Square Management may create an incentive for Oxford Square Management to use leverage and to make investments on our behalf that are risky or more speculative than would be the case in the absence of such compensation arrangement. The way in which the incentive fee on “Pre-Incentive Fee Net Investment Income” is determined, which is calculated as a percentage of the return on invested capital, may encourage Oxford Square Management to use leverage to increase the return on our equity capital. Under certain circumstances, the use of leverage may increase the likelihood of default, which would disfavor holders of our common stock. Similarly, because Oxford Square Management may also receive an incentive fee based, in part, upon the capital gains realized on our investments, the investment adviser may invest more than would otherwise be appropriate in companies whose securities are likely to yield capital gains, as compared to income producing securities. Such a practice could result in our investing in more speculative securities than would otherwise be the case, which could result in higher investment losses, particularly during an economic downturn.

Our portfolio companies may incur debt that ranks equally with, or senior to, our investments in such companies.

We intend to invest primarily in senior debt securities, but may also invest in subordinated debt securities, issued by our portfolio companies. In some cases, portfolio companies will be permitted to have other debt that ranks equally with, or senior to, the debt securities in which we invest. By their terms, such debt instruments may provide that the holders thereof are entitled to receive payment of interest or principal on or before the dates on which we are entitled to receive payments in respect of the debt securities in which we invest. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of debt instruments ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any distribution in respect of our investment. After repaying such senior creditors, such portfolio company may not have any remaining assets to use for repaying its obligations to us. In the case of debt ranking equally with debt securities in which we invest, we would have to share on an equal basis any distributions with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company. In addition, we will not be in a position to control any portfolio company by investing in its debt securities. As a result, we are subject to the risk that a portfolio company in which we invest may make business decisions with which we disagree and the management of such companies, as representatives of the holders of their common equity, may take risks or otherwise act in ways that do not best serve our interests as debt investors.

Because we generally do not hold controlling equity interests in our portfolio companies, we may not be in a position to exercise control over our portfolio companies or to prevent decisions by the managements of our portfolio companies that could decrease the value of our investments.

Although we have taken and may in the future take controlling equity positions in our portfolio companies from time to time, we generally do not do so. As a result, we are subject to the risk that a portfolio company may make business decisions with which we disagree, and the stockholders and management of a portfolio company may take risks or otherwise act in ways that are adverse to our interests. Due to the lack of liquidity for the debt and equity investments that we typically hold in our portfolio companies, we may not be able to dispose of our investments in the event we disagree with the actions of a portfolio company, and may therefore suffer a decrease in the value of our investments.

Our investments in CLO vehicles are riskier and less transparent than direct investments in portfolio companies.

From time to time we have invested and may in the future invest in debt and residual value interests of CLO vehicles. Generally, there may be less information available to us regarding the underlying debt investments held by such CLOs than if we had invested directly in the debt of the underlying companies. As a result, our stockholders may not know the details of the underlying securities of the CLO vehicles in which we may invest. Our CLO investments will also be subject to the risk of leverage associated with the debt issued by such CLOs and the repayment priority of debt holders senior to us in such CLOs.

The accounting and tax implications of such investments are complicated. In particular, reported earnings from the equity tranche investments of these CLO vehicles are recorded under GAAP based upon an effective yield calculation. Current taxable earnings on these investments, however, will generally not be determinable until after the end of the fiscal year of each individual CLO vehicle that ends within the Company's fiscal year, even though the investments are generating cash flow. In general, the tax treatment of these investments may result in higher distributable earnings in the early years and a capital loss at maturity, while for reporting purposes the totality of cash flows are reflected in a constant yield to maturity.

Some instruments issued by CLO vehicles may not be readily marketable and may be subject to restrictions on resale. Securities issued by CLO vehicles are generally not listed on any U.S. national securities exchange and no active trading market may exist for the securities of CLO vehicles in which we may invest. Although a secondary market may exist for our investments in CLO vehicles, the market for our investments in CLO vehicles may be subject to irregular trading activity, wide bid/ask spreads and extended trade settlement periods. As a result, these types of investments may be more difficult to value.

Failure by a CLO vehicle in which we are invested to satisfy certain tests will harm our operating results.

The failure by a CLO vehicle in which we invest to satisfy certain financial covenants, specifically those with respect to adequate collateralization and/or interest coverage tests, could lead to a reduction in its payments to us. In the event that a CLO vehicle failed these certain tests, holders of debt senior to us may be entitled to additional payments that would, in turn, reduce the payments we would otherwise be entitled to receive. Separately, we may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms, which may include the waiver of certain financial covenants, with a defaulting CLO vehicle or any other investment we may make. If any of these occur, it could materially and adversely affect our operating results and cash flows.

Our financial results may be affected adversely if one or more of our significant equity or junior debt investments in a CLO vehicle defaults on its payment obligations or fails to perform as we expect or if the market price fluctuates significantly in such illiquid investments.

Up to 30% of our portfolio may consist of equity and junior debt investments in CLO vehicles, which involves a number of significant risks. CLO vehicles that we invest in are typically very highly levered, and therefore, the junior debt and equity tranches that we invest in are subject to a higher degree of risk of total loss. As of September 30, 2018, the CLO vehicles in which we were invested had average leverage of 10.4 times and ranged from approximately 6.8 times to 13.3 times levered. In particular, investors in CLO vehicles indirectly bear risks of the underlying debt investments held by such CLO vehicles. We will generally have the right to receive payments only from the CLO vehicles, and will generally not have direct rights against the underlying borrowers or the entity that sponsored the CLO vehicle. While the CLO vehicles we have and continue to target generally enable the investor to acquire interests in a pool of leveraged corporate loans without the expenses associated with directly holding the same investments, we will generally pay a proportionate share of the CLO vehicles' administrative and other expenses. Although it is difficult to predict whether the prices of indices and securities underlying CLO vehicles will rise or fall, these prices (and, therefore, the prices of the CLO vehicles) will be influenced by the same types of political and economic events that affect issuers of securities and capital markets generally. The failure by a CLO vehicle in which we invest to satisfy certain financial covenants, specifically those with respect to adequate collateralization and/or interest coverage tests, could lead to a reduction in its payments to us. In the event that a CLO vehicle failed those tests, holders of debt senior to us may be entitled to additional payments that would, in turn, reduce the payments we would otherwise be entitled to receive. Separately, we may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting CLO vehicle or any other investment we may make. If any of these occur, it could materially and adversely affect our operating results and cash flows.

The interests we intend to acquire in CLO vehicles will likely be thinly traded or have only a limited trading market. CLO vehicles are typically privately offered and sold, even in the secondary market. As a result, investments in CLO vehicles may be characterized as illiquid securities. In addition to the general risks associated with investing in debt securities, CLO vehicles carry additional risks, including, but not limited to: (i) the possibility that distributions from collateral securities will not be adequate to make interest or other payments; (ii) the quality of the collateral may decline in value or default; (iii) the fact that our investments in CLO tranches will likely be subordinate to other senior classes of note tranches thereof; and (iv) the complex structure of the security may not be fully understood at the time of investment and may produce disputes with the CLO vehicle or unexpected investment results. Our net asset value may also decline over time if our principal recovery with respect to CLO equity investments is less than the price we paid for those investment.

Investments in structured vehicles, including equity and junior debt instruments issued by CLO vehicles, involve risks, including credit risk and market risk. Changes in interest rates and credit quality may cause significant price fluctuations. Additionally, changes in the underlying leveraged corporate loans held by a CLO

vehicle may cause payments on the instruments we hold to be reduced, either temporarily or permanently.

Structured investments, particularly the subordinated interests in which we intend to invest, are less liquid than many other types of securities and may be more volatile than the leveraged corporate loans underlying the CLO vehicles we intend to target. Fluctuations in interest rates may also cause payments on the tranches of CLO vehicles that we hold to be reduced, either temporarily or permanently.

Investments in foreign securities formed under the laws of the Cayman Islands may involve significant risks in addition to the risks inherent in U.S. investments.

Our investment strategy involves investments in securities issued by foreign entities, including foreign CLO vehicles that are formed under the laws of the Cayman Islands. Investing in foreign entities formed under the laws of the Cayman Islands may expose us to additional risks not typically associated with investing in U.S. issues. These risks include changes

in exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the U.S., higher transaction costs, less government supervision of exchanges, brokers and issuers, less developed bankruptcy laws, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility. Further, we, and the CLO vehicles in which we invest, may have difficulty enforcing creditor's rights in foreign jurisdictions, such as the Cayman Islands. In addition, the underlying companies of the CLO vehicles in which we invest may be foreign, which may create greater exposure for us to foreign economic developments.

Although we expect that most of our investments will be U.S. dollar-denominated, any investments denominated in a foreign currency will be subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation, and political developments. We may employ hedging techniques to minimize these risks, but we can offer no assurance that we will, in fact, hedge currency risk, or that if we do, such strategies will be effective.

RISKS RELATED TO AN INVESTMENT IN OUR SECURITIES

Our common stock price may be volatile.

The trading price of our common stock may fluctuate substantially depending on many factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include, but are not limited to, the following:

- price and volume fluctuations in the overall stock market from time to time;
- significant volatility in the market price and trading volume of securities of regulated investment companies, BDCs or other financial services companies;
- exclusion of our common stock from certain indices, such as the Russell 2000 Financial Services Index, which could reduce the ability of certain investment funds to own our common stock and put short-term selling pressure on our common stock;
- changes in regulatory policies or tax guidelines with respect to regulated investment companies or BDCs;
- actual or anticipated changes in our earnings or fluctuations in our operating results or changes in the expectations of securities analysts;
- general economic conditions and trends;
- loss of a major funding source; or
- departures of key personnel.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been brought against that company. Due to the potential volatility of our stock price, we may therefore be the target of securities litigation in the future. Securities litigation could result in substantial costs and divert management's attention and resources from our business. See "Risks relating to our business and structure — Our business and operation could be negatively affected if we become subject to any additional securities litigation or shareholder activism, which could cause us to incur significant expense, hinder execution of our investment strategy and impact our stock price."

Our shares of common stock have traded at a discount from net asset value and may do so in the future.

Shares of closed-end investment companies have frequently traded at a market price that is less than the net asset value that is attributable to those shares. Our common stock traded below our net asset value per share during some periods from 2010 through 2018. Our common stock could trade at a discount to net asset value at any time in the future. The possibility that our shares of common stock may trade at a discount from net asset value over the long term is separate and distinct from the risk that our net asset value will decrease. We cannot predict whether shares of our common stock will trade above, at or below our net asset value. If our common stock trades below its net asset value, we will generally not be able to issue additional shares of our common stock at its market price without first obtaining the approval for such issuance from our stockholders and our independent directors. If additional funds are not available to us, we could be forced to curtail or cease our new lending and investment activities, and our net asset value could decrease and our level of distributions could be impacted. Our net asset value may also decline over time if our principal recovery with respect to CLO equity investments is less than the price that we paid for those investments.

You may not receive distributions or our distributions may decline or may not grow over time.

We cannot assure you that we will achieve investment results or maintain a tax treatment that will allow or require any specified level of cash distributions or year-to-year increases in cash distributions. In particular, our future distributions are dependent upon the investment income we receive on our portfolio investments, including our higher-yielding CLO equity investments. To the extent such investment income, including income from our CLO equity investments (which we expect to decline as those vehicles de-leverage after the end of their respective re-investment periods), declines or if we transition our portfolio into lower-yielding investments, our ability to pay future distributions may be harmed.

We will have broad discretion over the use of proceeds of any offering made pursuant to this prospectus, to the extent it is successful.

We will have significant flexibility in applying the proceeds of any offering made pursuant to this prospectus. We will also pay operating expenses, and may pay other expenses such as due diligence expenses of potential new investments, from net proceeds. Our ability to achieve our investment objective may be limited to the extent that the net proceeds of the offering, pending full investment, are used to pay operating expenses. In addition, we can provide you no assurance that the current offering will be successful, or that by increasing the size of our available equity capital our aggregate expenses, and correspondingly, our expense ratio, will be lowered.

Your interest in us may be diluted if you do not fully exercise your subscription rights in any rights offering.

In the event we issue subscription rights to purchase shares of our common stock, stockholders who do not fully exercise their rights should expect that they will, at the completion of the offer, own a smaller proportional interest in us than would otherwise be the case if they fully exercised their rights. We cannot state precisely the amount of any such dilution in share ownership because we do not know at this time what proportion of the shares will be purchased as a result of the offer.

In addition, if the subscription price is less than our net asset value per share, then our stockholders would experience an immediate dilution of the aggregate net asset value of their shares as a result of the offer. The amount of any decrease in net asset value is not predictable because it is not known at this time what the subscription price and net asset value per share will be on the expiration date of the rights offering or what proportion of the shares will be purchased as a result of the offer. Such dilution could be substantial.

If we issue preferred stock, the net asset value and market value of our common stock will likely become more volatile.

We cannot assure you that the issuance of preferred stock would result in a higher yield or return to the holders of the common stock. The issuance of preferred stock would likely cause the net asset value and market value of the common stock to become more volatile. If the distribution rate on the preferred stock were to approach the net rate of return on our investment portfolio, the benefit of leverage to the holders of the common stock would be reduced. If the distribution rate on the preferred stock were to exceed the net rate of return on our portfolio, the leverage would result in a lower rate of return to the holders of common stock than if we had not issued preferred stock. Any decline in the net asset value of our investments would be borne entirely by the holders of common stock. Therefore, if the market value of our portfolio were to decline, the leverage would result in a greater decrease in net asset value to the holders of common stock than if we were not leveraged through the issuance of preferred stock. This greater net asset value decrease would also tend to cause a greater decline in the market price for the common stock. We might be in danger of failing to maintain the required asset coverage of the preferred stock or of losing our ratings, if any, on the preferred stock or, in an extreme case, our current investment income might not be sufficient to meet the distribution requirements on the preferred stock. In order to counteract such an event, we might need to liquidate investments in order to fund a redemption of some or all of the preferred stock. In addition, we would pay (and the holders of common stock would bear) all costs and expenses relating to the issuance and ongoing maintenance of the preferred stock, including higher advisory fees if our total return exceeds the distribution rate on the preferred stock.

Holders of preferred stock may have different interests than holders of common stock and may at times have disproportionate influence over our affairs.

Holders of any preferred stock we might issue would have the right to elect members of our Board of Directors and class voting rights on certain matters.

Holders of any preferred stock we might issue, voting separately as a single class, would have the right to elect two members of our Board of Directors at all times and in the event distributions become two full years in arrears would have the right to elect a majority of the directors until such arrearage is completely eliminated. In addition, preferred stockholders have class voting rights on certain matters, including changes in fundamental investment restrictions and conversion to open-end status, and accordingly can veto any such changes. Restrictions imposed on the declarations and payment of distributions or other distributions to the holders of our common stock and preferred stock, both by the 1940 Act and by requirements imposed by rating agencies, if any, or the terms of our credit facilities, if any, might impair our ability to maintain our tax treatment as a RIC for U.S. federal income tax purposes. While we would intend to redeem our preferred stock to the extent necessary to enable us to distribute our income as required to maintain our qualification as a RIC, there can be no assurance that such actions could be effected in time to meet the tax requirements.

The net asset value per share of our common stock may be diluted if we sell shares of our common stock in one or more offerings at prices below the then current net asset value per share of our common stock.

If we were to sell shares of our common stock below its then current net asset value per share; such sales would result in an immediate dilution to the net asset value per share of our common stock. This dilution would occur as a result of the sale of shares at a price below the then current net asset value per share of our common stock and a proportionately greater decrease in the stockholders' interest in our earnings and assets and their voting interest in us than the increase in our assets resulting from such issuance. Because the number of shares of common stock that could be so issued and the timing of any issuance is not currently known, the actual dilutive effect cannot be predicted.

Further, if our current stockholders do not purchase any shares to maintain their percentage interest, regardless of whether such offering is above or below the then current net asset value per share, their voting power will be diluted. For example, if we sell an additional 10% of our common shares at a 10% discount from net asset value, a stockholder who does not participate in that offering for its proportionate interest will suffer net asset value dilution of up to 1.0% or \$10 per \$1,000 of net asset value. For additional information and hypothetical examples of these risks, see "Sale of Common Stock Below Net Asset Value" in the prospectus supplement pursuant to which such sale is made.

Delays in the government budget process or a government shutdown may adversely affect our operations and may prevent us from conducting a securities offering.

Each year, the U.S. Congress must pass all spending bills in the federal budget. If any such spending bill is not timely passed, a government shutdown will close many federally run operations, which includes those of the SEC, and halt work for federal employees unless they are considered essential or such work is separately funded by industry. If a government shutdown were to occur, and the SEC were to remain closed for a prolonged period

of time, we may not be able to conduct a securities offering. Our ability to raise additional capital through the sale of securities could be materially affected by any prolonged government shutdown.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that involve substantial risks and uncertainties. These forward-looking statements are not historical facts, but rather are based on current expectations, estimates and projections about Oxford Square, our current and prospective portfolio investments, our industry, our beliefs, and our assumptions. Words such as “anticipates,” “expects,” “intends,” “plans,” “will,” “may,” “continue,” “believes,” “seeks,” “estimates,” “would,” “could,” “should,” “targets,” “projects,” and variations of these words and similar expressions are intended to identify forward-looking statements. The forward-looking statements contained in this prospectus involve risks and uncertainties, including statements as to:

- our future operating results;
- our business prospects and the prospects of our portfolio companies;
- the impact of investments that we expect to make;
- our contractual arrangements and relationships with third parties;
- the dependence of our future success on the general economy and its impact on the industries in which we invest;
- the ability of our portfolio companies to achieve their objectives;
- our expected financings and investments;
- the adequacy of our cash resources and working capital; and
- the timing of cash flows, if any, from the operations of our portfolio companies.

These statements are not guarantees of future performance and are subject to risks, uncertainties, and other factors, some of which are beyond our control and difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements, including without limitation:

- an economic downturn could impair our portfolio companies’ ability to continue to operate, which could lead to the loss of some or all of our investments in such portfolio companies;
- a contraction of available credit and/or an inability to access the equity markets could impair our lending and investment activities;
- interest rate volatility could adversely affect our results, particularly because we use leverage as part of our investment strategy;
- currency fluctuations could adversely affect the results of our investments in foreign companies, particularly to the extent that we receive payments denominated in foreign currency rather than U.S. dollars; and
- the risks, uncertainties and other factors we identify in “Risk Factors” and elsewhere in this prospectus and in our filings with the SEC.

Although we believe that the assumptions on which these forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and as a result, the forward-looking statements based on those assumptions also could be inaccurate. Important assumptions include our ability to originate new loans and investments, certain margins and levels of profitability and the availability of additional capital. In light of these and other uncertainties, the inclusion of a projection or forward-looking statement in this prospectus should not be regarded as a representation by us that our plans and objectives will be achieved. These risks and uncertainties include those described or identified in “Risk Factors” and elsewhere in this prospectus. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this prospectus. However, we will update this prospectus to reflect any material changes to the information contained herein. The forward-looking statements contained in this prospectus are excluded from the safe harbor protection provided by Section 27A of the Securities Act.

USE OF PROCEEDS

We intend to use the net proceeds from the sale of our securities pursuant to this prospectus for general corporate purposes, which may include investments in corporate debt and equity securities and investments in structured finance vehicles. Because our primary business is to originate loans and make investments in non-public small — to medium-sized companies, we are continuously identifying, reviewing and, to the extent consistent with our investment objective, funding new investments. As a result, we typically raise capital as we deem appropriate to fund such new investments. The supplement to this prospectus relating to an offering will more fully identify the use of the proceeds from such offering.

We estimate that it will take up to six months for us to substantially invest the net proceeds of any offering made pursuant to this prospectus, depending on the availability of attractive opportunities and market conditions. However, we can offer no assurance that we will be able to achieve this goal.

Pending these uses, we will invest such net proceeds primarily in cash, cash equivalents, and U.S. government securities and other high-quality debt investments that mature in one year or less, which are consistent with maintaining our election as a RIC. These temporary investments are expected to provide a lower net return than we hope to achieve from our target investments. The management fee payable by us to our investment adviser will not be reduced while our assets are invested in such temporary investments.

PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS

Our common stock is traded on the Nasdaq Global Select Market under the symbol “OXSQ.” The following table sets forth, for each fiscal quarter during the last two fiscal years and the current fiscal year, the net asset value, or “NAV,” per share of our common stock, the high and low intraday sales prices for our common stock, such sales prices as a percentage of NAV per share and quarterly distributions per share.

	NAV ⁽¹⁾	Price Range High	Low	Premium or (Discount) of High Sales Price to NAV ⁽²⁾	Premium or (Discount) of Low Sales Price to NAV ⁽²⁾	Distributions Per Share ⁽³⁾
Fiscal 2019						
First Quarter (through January 22, 2019)	*	\$ 6.76	\$ 6.16	*	*	*
Fiscal 2018						
Fourth Quarter	*	\$ 7.21	\$ 5.89	*	*	\$ 0.20
Third Quarter	\$ 7.49	\$ 7.52	\$ 6.87	0.40%	(8.3)%	\$ 0.20
Second Quarter	\$ 7.56	\$ 7.25	\$ 5.91	(4.1)%	(21.8)%	\$ 0.20
First Quarter	\$ 7.60	\$ 6.44	\$ 5.15	(15.3)%	(32.2)%	\$ 0.20
Fiscal 2017						
Fourth Quarter	\$ 7.55	\$ 6.87	\$ 5.17	(9.0)%	(31.5)%	\$ 0.20
Third Quarter	\$ 7.43	\$ 7.06	\$ 6.30	(5.0)%	(15.2)%	\$ 0.20
Second Quarter	\$ 7.51	\$ 7.56	\$ 6.15	0.7%	(18.1)%	\$ 0.20
First Quarter	\$ 7.53	\$ 8.19	\$ 6.65	8.8%	(11.7)%	\$ 0.20

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- (1) Net asset value per share is determined as of the last day in the relevant quarter and therefore may not reflect the net asset value per share on the date of the high and low sales prices. The net asset values shown are based on outstanding shares at the end of each period.
 - (2) Calculated as the respective high or low intraday sales price divided by NAV and subtracting 1.
 - (3) Represents the cash distributions, including dividends, dividends reinvested and returns of capital, if any, per share that we have declared on our common stock in the specified quarter.
- * Not determinable as of the date of this prospectus.

On January 22, 2019, the last reported sales price of our common stock was \$6.33 per share. As of January 22, 2019, we had 159 stockholders of record.

Shares of BDCs may trade at a market price that is less than the value of the net assets attributable to those shares. The possibility that our shares of common stock will trade at a discount from net asset value or at premiums that are unsustainable over the long term are separate and distinct from the risk that our net asset value will decrease. Since 2008, our shares of common stock have traded both at a premium and a discount to the net assets attributable to those shares. As of January 22, 2019, our shares of common stock traded at a discount equal to approximately 15.5% of the net asset value per share as of September 30, 2018. It is not possible to predict whether the shares offered hereby will trade at, above, or below net asset value.

We currently intend to distribute a minimum of 90% of our ordinary income and net realized short-term capital gains in excess of realized net long-term capital losses, if any, on a quarterly basis to our stockholders. The amount of our quarterly distributions is determined by our Board of Directors. To the extent our taxable earnings for any fiscal year fall below the total amount of our distributions for that fiscal year, a portion of those distributions may be deemed a taxable return of capital to our stockholders for U.S. federal income tax purposes. Distributions in excess of our current and accumulated earnings and profits constitute a return of capital and will reduce the stockholder’s adjusted tax basis in such stockholder’s common stock. A return of capital (1) is a return of the original amount invested, (2) does not constitute earnings or profits and (3) will have the effect of reducing the basis such that when a stockholder sells its shares the sale may be subject to taxes even if the

shares are sold for less than the original purchase price. There can be no assurance that we will achieve investment results or maintain a tax treatment that will permit any particular level of distribution payment. Our ability to make distributions is limited by the asset coverage requirements under the 1940 Act. For a more detailed discussion, see “Regulation as a Business Development Company” in this prospectus.

We have adopted a distribution reinvestment plan. If your shares of common stock are registered in your own name, your distributions will automatically be reinvested under our distribution reinvestment plan in additional whole and fractional shares of common stock, unless you opt out of our distribution reinvestment plan by delivering a written notice to our distribution paying agent. If your shares are held in the name of a broker or other nominee, you should contact the broker or nominee for details regarding opting out of our distribution reinvestment plan.

The following table reflects the cash distributions, including dividends and returns of capital, if any, per share that have been declared by our board of directors for the two most recent fiscal years and the current fiscal year to date:

Three Months Ended	Date Declared	Record Date	Payment Date	Distributions	GAAP net investment income	Distributions in excess of/(less than) net investment income
December 31, 2018	October 26, 2018	December 17, 2018	December 31, 2018	\$ 0.20 ⁽⁴⁾	\$ — ⁽²⁾	\$ — ⁽²⁾
September 30, 2018	July 26, 2018	September 14, 2018	September 28, 2018	0.20 ⁽⁴⁾	0.18	0.02
June 30, 2018	April 24, 2018	June 15, 2018	June 29, 2018	0.20 ⁽⁴⁾	0.15	0.05
March 31, 2018	February 22, 2018	March 16, 2018	March 30, 2018	0.20 ⁽⁴⁾	0.17	0.03
Total 2018				\$ 0.80⁽¹⁾	\$ —⁽²⁾	\$ —⁽²⁾
December 31, 2017	October 27, 2017	December 15, 2017	December 29, 2017	\$ 0.20	\$ 0.15	\$ 0.05
September 30, 2017	February 27, 2017	September 15, 2017	September 29, 2017	0.20	0.13	0.07
June 30, 2017	February 27, 2017	June 16, 2017	June 30, 2017	0.20	0.16	0.04
March 31, 2017	February 27, 2017	March 16, 2017	March 31, 2017	0.20	0.16	0.04
Total 2017				\$ 0.80⁽³⁾	\$ 0.60	\$ 0.20

- (1) The tax characterization of cash distributions for the year ended December 31, 2018 will not be known until the tax return for such year is finalized.
- (2) We have not yet reported earnings for this period.
- (3) Cash distributions for the year ended December 31, 2017 includes a tax return of capital of approximately \$0.50 per share for tax purposes.
- (4) The tax character of distributions for the three months ended March 31, 2018, June 30, 2018, and September 30, 2018 represented on an estimated basis, \$0.12 per share from ordinary income and \$0.08 per share as a return of capital. For the three months ended September 30, 2018, the amounts and sources of distributions reported are only estimates (based on an average of our 3 most recent years’ reported tax character) and are not being provided for U.S. tax reporting purposes. Because the Company believes the historical tax characteristics of distributions is the most useful information which is readily available, the Company has used the average of the 3 most recent years in providing the estimates herein. However, the timing and character of distributions for federal income tax purposes (which are determined in accordance with the U.S. federal tax rules which may differ from GAAP) may be materially different than the historical information the Company used in providing the estimates herein. The final determination of the source of all distributions in 2018 will be made after year-end and the amounts represented may be materially different from the amounts disclosed in the final Form 1099-DIV notice. The actual amounts and sources of the amounts for tax reporting purposes will depend upon the Company’s investment performance and may be subject to change based on tax regulations.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information contained in this section should be read in conjunction with the Selected Financial and Other Data and our Financial Statements and notes thereto appearing elsewhere in this prospectus. In addition to historical information, the following discussion and other parts of this prospectus contain forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated by such forward-looking information due to the factors discussed under “Risk Factors” and “Cautionary Statement Regarding Forward-Looking Statements” appearing elsewhere in this prospectus.

OVERVIEW

Our investment objective is to maximize our portfolio’s total return. Our primary focus is to seek an attractive risk-adjusted total return by investing primarily in corporate debt securities and in collateralized loan obligation (“CLO”) structured finance investments that own corporate debt securities. CLO investments may also include warehouse facilities, which are financing structures intended to aggregate loans that may be used to form the basis of a CLO vehicle. We operate as a closed-end, non-diversified management investment company and have elected to be regulated as a BDC under the 1940 Act. We have elected to be treated for tax purposes as a RIC under the Code, beginning with our 2003 taxable year.

Effective March 19, 2018, TICC Capital Corp. changed its name to Oxford Square Capital Corp. The Company has made this change in order to more closely align the branding of the Company with its affiliated funds.

Our investment activities are managed by Oxford Square Management, a registered investment adviser under the Investment Advisers Act of 1940, as amended. Oxford Square Management is owned by Oxford Funds, its managing member and a related party, and Charles M. Royce, a member of Oxford Square Capital Corp.’s Board of Directors (the “Board”) who holds a minority, non-controlling interest in Oxford Square Management. Oxford Square Management and Oxford Funds changed their names from TICC Management, LLC and BDC Partners, LLC, respectively, effective March 19, 2018 to align the branding of these entities and our affiliated funds. Jonathan H. Cohen, our Chief Executive Officer, and Saul B. Rosenthal, our President, are the controlling members of Oxford Funds. Under an investment advisory agreement (the “Investment Advisory Agreement”), we have agreed to pay Oxford Square Management an annual base fee calculated on gross assets, and an incentive fee based upon our performance. Under an amended and restated administration agreement (the “Administration Agreement”), we have agreed to pay or reimburse Oxford Funds, as administrator, for certain expenses incurred in operating the Company. Our executive officers and directors, and the executive officers of Oxford Square Management and Oxford Funds, serve or may serve as officers and directors of entities that operate in a line of business similar to our own. Accordingly, they may have obligations to investors in those entities, the fulfillment of which might not be in the best interests of us or our stockholders.

We generally expect to invest between \$5 million and \$50 million in each of our portfolio companies, although this investment size may vary proportionately as the size of our capital base changes and market conditions warrant. We expect that our investment portfolio will be diversified among a large number of investments with few investments, if any, exceeding 5.0% of the total portfolio. As of September 30, 2018, our debt investments had stated interest rates of between 5.62% and 12.95% and maturity dates of between 20 and 154 months. In addition, our total portfolio had a weighted average annualized yield on debt investments of approximately 9.44%.

The weighted average annualized yield of our debt investments is not the same as a return on investment for our stockholders but, rather, relates to a portion of our investment portfolio and is calculated before the payment of all of our fees and expenses. The weighted average annualized yield was computed using the effective interest rates as of September 30, 2018, including accretion of original issue discount (“OID”). There can be no assurance that the weighted average annualized yield will remain at its current level.

We have historically borrowed funds to make investments and may continue to borrow funds to make investments. As a result, we are exposed to the risks of leverage, which may be considered a speculative investment technique. Borrowings, also known as leverage, magnify the potential for gain and loss on amounts invested and therefore increase the risks associated with investing in our securities. In addition, the costs associated with our borrowings, including any increase in the management fee payable to Oxford Square Management, will be borne by our common stockholders.

In addition, as a BDC under the 1940 Act, we are required to make available significant managerial assistance, for which we may receive fees, to our portfolio companies. This assistance could involve, among other things, monitoring the operations of our portfolio companies, participating in board and management meetings, consulting with and advising officers of portfolio companies and providing other organizational and financial guidance. These fees would be generally non-recurring, however in some instances they may have a recurring component. We have received no fee income for managerial assistance to date.

Prior to making an investment, we may enter into a non-binding term sheet with the potential portfolio company. These term sheets are generally subject to a number of conditions, including but not limited to the satisfactory completion of our due diligence investigations of the company's business and legal documentation for the loan.

To the extent possible, we will generally seek to invest in loans that are collateralized by a security interest in the borrower's assets or guaranteed by a principal to the transaction. Interest payments, if not deferred, are normally payable quarterly with most debt investments having scheduled principal payments on a monthly or quarterly basis. When we receive a warrant to purchase stock in a portfolio company, the warrant will typically have a nominal strike price, and will entitle us to purchase a modest percentage of the borrower's stock.

CRITICAL ACCOUNTING POLICIES

The preparation of consolidated financial statements and related disclosures in conformity with generally accepted accounting principles in the United States ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and revenues and expenses during the periods reported. Actual results could materially differ from those estimates. We have identified investment valuation and investment income as critical accounting policies.

Investment Valuation

We measure our investment portfolio at fair value in accordance with the provisions of ASC 820, *Fair Value Measurement and Disclosure*. Estimates made in the preparation of our consolidated financial statements include the valuation of investments and the related amounts of unrealized appreciation and depreciation of investments recorded. We believe 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 we make.

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. We consider the attributes of current market conditions on an ongoing basis and have determined that due to the general illiquidity of the market for our investment portfolio, whereby little or no market data exists, all of our investments are based upon "Level 3" inputs as of September 30, 2018.

Our Board determines the value of our investment portfolio each quarter. In connection with that determination, members of Oxford Square Management's portfolio management team prepare a quarterly analysis of each portfolio investment using the most recent portfolio company financial statements, forecasts and other relevant financial and operational information. We may engage third-party valuation firms to provide assistance in valuing certain of its syndicated loans and bilateral investments, including related equity investments, although our Board ultimately determines the appropriate valuation of each such investment. Changes in fair value, as described above, are recorded in the statements of operations as net change in unrealized appreciation/depreciation.

Syndicated Loans

In accordance with ASC 820-10, our valuation procedures specifically provide for the review of indicative quotes supplied by the large agent banks that make a market for each security. However, the marketplace from which we obtain indicative bid quotes for purposes of determining the fair value of its syndicated loan investments has shown attributes of illiquidity as described by ASC-820-10. During such periods of illiquidity, when we believe that the non-binding indicative bids received from agent banks for certain syndicated investments that it owns may not be determinative of their fair value or when no market indicative quote is available, we may engage third-party valuation firms to provide assistance in valuing certain syndicated investments that we own. In addition, Oxford Square Management prepares an analysis of each syndicated loan, financial summary, covenant compliance review, recent trading activity in the security, if known, and other business developments related to the portfolio company. All available information, including non-binding indicative bids which may not be determinative of fair value, is presented to the Valuation Committee 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 Valuation Committee 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. The Valuation Committee will evaluate the impact of such additional information, and factor it into its consideration of the fair value that is indicated by the analysis provided by third-party valuation firms, if any. All information is presented to the Board for its determination of fair value of these investments.

Collateralized Loan Obligations — Debt and Equity

We have acquired a number of debt and equity positions in CLO investment vehicles and CLO warehouse investments. These investments are special purpose financing vehicles. In valuing such investments, we consider 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. We also consider those instances in which the record date for an equity distribution payment falls on the last day of the period, and the likelihood that a prospective purchaser would require a downward adjustment to the indicative price representing substantially all of the pending distribution. Additional factors include any available information on other relevant transactions including firm bids and offers in the market and information resulting from bids-wanted-in-competition. In addition, we consider the operating metrics of the specific investment vehicle, including compliance with collateralization tests, defaulted and restructured securities, and payment defaults, if any. Oxford Square Management or the Valuation Committee 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 our Board for its determination of fair value of these investments.

Bilateral Investments (Including Equity)

Bilateral investments for which market quotations are readily available are valued by an independent pricing agent or market maker. If such market quotations are not readily available, under the valuation procedures approved by our Board, upon the recommendation of the Valuation Committee, a third-party valuation firm will prepare valuations for each of our bilateral investments that, when combined with all other investments in the same portfolio company, (i) have a value as of the previous quarter of greater than or equal to 2.5% of its total assets as of the previous quarter, and (ii) have a value as of the current quarter of greater than or equal to 2.5% of its total assets as of the previous quarter, after taking into account any repayment of principal during the current quarter. In addition, in those instances where a third-party valuation is prepared for a portfolio investment which meets the parameters noted in (i) and (ii) above, the frequency of those third-party valuations is based upon the grade assigned to each such security under its credit grading system as follows: Grade 1, at least annually; Grade 2, at least semi-annually; Grades 3, 4, and 5, at least quarterly. Bilateral investments which do not meet the parameters in (i) and (ii) above are not required to have a third-party valuation and, in those instances, a valuation analysis will be prepared by Oxford Square Management. Oxford Square Management also retains the authority to seek, on our behalf, additional third party valuations with respect to our bilateral portfolio securities, our syndicated loan investments, and CLO investment vehicles. Our Board retains ultimate authority as to the third-party review cycle as well as the appropriate valuation of each investment.

Investment Income

Interest Income

Interest income is recorded on an accrual basis using the contractual rate applicable to each debt investment and includes the accretion of market discounts and/or original issue discount (“OID”) and amortization of market 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 we otherwise do not expect the borrower to be able to service its debt and other obligations, we 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. We generally restore non-accrual loans to accrual status when past due principal and interest is paid and, in our judgment, is likely to remain current. As of September 30, 2018 and December 31, 2017, we had no investments on non-accrual status.

Interest income also includes a payment-in-kind (“PIK”) provision on certain investments in our portfolio. Refer to the section below, “Payment-In-Kind,” for a description of the PIK provision and its impact on interest income.

Payment-In-Kind

We have investments in our portfolio which contain a contractual PIK provision. Certain PIK investments offer issuers the option at each payment date of making payments in cash or additional securities. PIK interest computed at the contractual rate is accrued into income and added to the principal balance on the capitalization date. Upon capitalization, the PIK component is subject to the fair value estimates associated with their related investments. At the point we believe the PIK is not fully expected to be realized, the PIK investment will be placed on non-accrual status. PIK investments on non-accrual status are restored to accrual status once it becomes probable that PIK will be realized.

Income from Securitization Vehicles and Investments

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

Other Income

Other income includes prepayment, amendment, and other fees earned by our loan investments, distributions from fee letters and success fees associated with portfolio investments. Distributions from fee letters 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. We may also earn success fees associated with our investments in certain securitization vehicles or “CLO warehouse facilities,” which are contingent upon a repayment of the warehouse by a permanent CLO securitization structure; such fees are earned and recognized when the repayment is completed.

Preferred Equity Dividends

The Company holds preferred equity investments in its portfolio that contain cumulative preferred dividends that accumulate quarterly. The Company will record cumulative preferred dividends as investment income when they are declared by the portfolio company’s board of directors or upon any voluntary or involuntary liquidation, dissolution or winding up of the portfolio company. As of September 30, 2018, approximately \$4.5 million of cumulative preferred dividends had accumulated but had yet to be recorded as investment income by the Company. These dividends are considered in the estimation of fair value of these preferred equity investments.

Recently Issued Accounting Standards

Refer to “Note 3. Summary of Significant Account Policies” to our consolidated financial statements for a description of recent accounting pronouncements, including the impact on our consolidated financial statements.

PORTFOLIO COMPOSITION AND INVESTMENT ACTIVITY

The total fair value of our investment portfolio was approximately \$505.4 million and \$418.4 million as of September 30, 2018 and December 31, 2017, respectively. The increase in the value of investments during the nine month period ended September 30, 2018 was due primarily to purchases of investments of approximately \$205.3 million and net unrealized appreciation on our investment portfolio of approximately \$0.5 million (which incorporates reductions to CLO equity cost value of \$10.9 million) partially offset by debt repayments and sales of securities totaling approximately 108.1 million and net realized losses of \$0.6 million. A reconciliation of the investment portfolio for the nine months ended September 30, 2018 and the year ended December 31, 2017 follows:

(\$ in millions)	September 30, 2018	December 31, 2017
Beginning investment portfolio	\$ 418.4	\$ 589.9
Portfolio investments acquired	205.3	208.8
Debt repayments	(92.7)	(189.2)
Sales of securities	(15.4)	(171.4)
Reductions to CLO equity cost value ⁽¹⁾	(10.9)	(37.1)
Payment-in-kind	0.2	0.2
Accretion of discounts on investments ⁽²⁾	0.6	1.2
Net change in unrealized appreciation/depreciation	0.5	23.0
Net realized losses on investments	(0.6)	(7.0)
Ending investment portfolio	<u>\$ 505.4</u>	<u>\$ 418.4</u>

- (1) For the nine months ended September 30, 2018, reduction to cost value on our CLO equity investments represents the difference between distributions received, or entitled to be received for the nine months ended September 30, 2018, of approximately \$31.0 million and the effective yield interest income of approximately \$20.1 million. For the year ended December 31, 2017, reduction to cost value on our CLO equity investments represents the difference between distributions received, or entitled to be received for the year ended December 31, 2017, of approximately \$70.4 million and the effective yield interest income of approximately \$33.3 million.
- (2) Includes rounding adjustment to reconcile ending investment portfolio as of September 30, 2018 and December 31, 2017.

During the three months ended September 30, 2018, we purchased approximately \$91.8 million in portfolio investments, including additional investments of approximately \$15.8 million in existing portfolio companies and approximately \$76.0 million in new portfolio companies. For the year ended December 31, 2017, we closed approximately \$208.8 million in portfolio investments, including additional investments of approximately \$62.6 million in existing portfolio companies and approximately \$146.2 million in new portfolio companies.

In certain instances, we receive investment proceeds based on the scheduled amortization of the outstanding loan balances and from the sales of portfolio investments. In addition, we receive repayments of some of our debt investments prior to their scheduled maturity date. The frequency or volume of these repayments may fluctuate significantly from period to period.

For the three months ended September 30, 2018 and the year ended December 31, 2017, we had debt repayments of approximately \$24.1 million and \$189.2 million, respectively. Also, during the three months ended September 30, 2018 and the year ended December 31, 2017, we recognized proceeds from the sales of securities of approximately \$12.1 million and \$171.4 million, respectively.

As of September 30, 2018, we had investments in debt securities of, or loans to, 23 portfolio companies, with a fair value of approximately \$295.1 million, and equity investments of approximately \$210.3 million. Our debt investments included approximately \$0.1 million in capitalized PIK interest, which, as described in “— Overview” section above, is added to the carrying value of our investments, reduced by repayments of principal.

As of December 31, 2017, we had investments in debt securities of, or loans to, 21 portfolio companies, with a fair value of approximately \$247.7 million, and equity investments of approximately \$170.7 million. Our debt investments included approximately \$0.2 million in capitalized PIK interest.

The following table indicates the quarterly portfolio investment activity for the past seven quarters:

Three Months Ended (\$ in millions)	Purchases of Investments	Debt Repayments	Reductions	Sales of Investments
			to CLO Equity Cost ⁽¹⁾	
September 30, 2018	\$ 91.8	\$ 24.1	\$ 1.2	\$ 12.1
June 30, 2018	88.8	43.7	5.8	0.2
March 31, 2018	24.7	24.9	3.9	3.1
Total	\$ 205.3	\$ 92.7	\$ 10.9	\$ 15.4
December 31, 2017	\$ 40.7	\$ 30.2	\$ 5.7	\$ 17.3
September 31, 2017	31.2	50.3	3.2	12.5
June 30, 2017	89.3	57.1	16.1	60.4
March 31, 2017	47.6	51.6	12.1	81.2
Total	\$ 208.8	\$ 189.2	\$ 37.1	\$ 171.4

(1) Represents reductions to CLO equity cost value (representing distributions received, or entitled to be received, in excess of effective yield interest income).

The following table shows the fair value of our portfolio of investments by asset class as of September 30, 2018 and December 31, 2017:

(\$ in millions)	September 30, 2018		December 31, 2017	
	Investments at Fair Value	Percentage of Total Portfolio	Investments at Fair Value	Percentage of Total Portfolio
Senior Secured Notes	\$ 290.6	57.5%	\$ 242.2	57.9%
Subordinated Debt	—	—%	0.8	0.2%
CLO Debt	4.5	0.9%	4.7	1.1%
CLO Equity	191.2	37.8%	156.0	37.3%
Equity and Other Investments	19.1	3.8%	14.8	3.5%
Total ⁽¹⁾	\$ 505.4	100.0%	\$ 418.4	100.0%

(1) Totals may not sum due to rounding.

Qualifying assets must represent at least 70% of the Company's total assets at the time of acquisition of any additional non-qualifying assets. As of September 30, 2018, we held qualifying assets that represented 63% of our total assets. No additional non-qualifying assets were acquired during the periods when qualifying assets were less than 70% of the total assets.

The following table shows our portfolio of investments by industry at fair value, as of September 30, 2018 and December 31, 2017:

	September 30, 2018		December 31, 2017	
	Investments at Fair Value (\$ in millions)	Percentage of Fair Value	Investments at Fair Value (\$ in millions)	Percentage of Fair Value
Structured finance ⁽¹⁾	\$ 195.7	38.7%	\$ 160.7	38.4%
Business services	107.1	21.2%	67.5	16.1%
Software	60.4	12.0%	24.8	5.9%
Healthcare	35.8	7.1%	13.0	3.1%
Telecommunication services	20.1	4.0%	51.2	12.3%
IT consulting	19.1	3.8%	18.1	4.3%
Financial intermediaries	16.9	3.3%	16.9	4.0%
Diversified insurance	15.0	3.0%	15.2	3.6%
Logistics	12.5	2.5%	10.4	2.5%
Utilities	7.0	1.4%	—	—%
Printing and publishing	5.7	1.1%	11.4	2.8%
Aerospace and defense	5.3	1.0%	5.4	1.3%
Education	4.8	0.9%	4.5	1.1%
Consumer services	—	—%	19.3	4.6%
Total	\$ 505.4	100.0%	\$ 418.4	100.0%

(1) Reflects our debt and equity investments in CLOs as of September 30, 2018 and December 31, 2017, respectively.

PORTFOLIO GRADING

We have adopted a credit grading system to monitor the quality of our debt investment portfolio. As of September 30, 2018 and December 31, 2017, our portfolio had a weighted average grade of 2.0 and 2.2, respectively, based upon the fair value of the debt investments in the portfolio. Equity securities and investments in CLOs are not graded.

At September 30, 2018 and December 31, 2017, our debt investment portfolio was graded as follows:

		September 30, 2018			
Grade	Summary Description	Principal Value	Percentage of Total Portfolio	Portfolio at Fair Value	Percentage of Total Portfolio
		(\$ in millions)		(\$ in millions)	
1	Company is ahead of expectations and/or outperforming financial covenant requirements of the specific tranche and such trend is expected to continue.	\$ —	—%	—	—%
2	Full repayment of the outstanding amount of OXSQ's cost basis and interest is expected for the specific tranche.	288.8	96.2%	285.0	96.6%
3	Closer monitoring is required. Full repayment of the outstanding amount of OXSQ's cost basis and interest is expected for the specific tranche.	11.4	3.8%	10.1	3.4%
4	A loss of interest income has occurred or is expected to occur and, in most cases, the investment is placed on non-accrual status. Full repayment of the outstanding amount of OXSQ's cost basis is expected for the specific tranche.	—	—%	—	—%
5	Full repayment of the outstanding amount of OXSQ's cost basis is not expected for the specific tranche and the investment is placed on non-accrual status.	—	—%	—	—%
		<u>\$ 300.2</u>	<u>100.0%</u>	<u>295.1</u>	<u>100.0%</u>

		December 31, 2017			
Grade	Summary Description	Principal Value	Percentage of Total Portfolio	Portfolio at Fair Value	Percentage of Total Portfolio
		(\$ in millions)		(\$ in millions)	
1	Company is ahead of expectations and/or outperforming financial covenant requirements of the specific tranche and such trend is expected to continue.	\$ —	—%	\$ —	—%
2	Full repayment of the outstanding amount of OXSQ's cost basis and interest is expected for the specific tranche.	203.4	80.3%	200.2	80.8%
3	Closer monitoring is required. Full repayment of the outstanding amount of OXSQ's cost basis and interest is expected for the specific tranche.	49.9	19.7%	47.5	19.2%
4	A loss of interest income has occurred or is expected to occur and, in most cases, the investment is placed on non-accrual status. Full repayment of the outstanding amount of OXSQ's cost basis is expected for the specific tranche.	—	—%	—	—%
5	Full repayment of the outstanding amount of OXSQ's cost basis is not expected for the specific tranche and the investment is placed on non-accrual status.	—	—%	—	—%
		<u>\$ 253.3</u>	<u>100.0%</u>	<u>\$ 247.7</u>	<u>100.0%</u>

We expect that a portion of our investments will be in the grades 3, 4 or 5 categories from time to time, and, as such, we will be required to work with troubled portfolio companies to improve their business and protect our investment. The number and amount of investments included in grades 3, 4 or 5 may fluctuate from period to period.

RESULTS OF OPERATIONS

Set forth below is a comparison of our results of operations for the three and nine months ended September 30, 2018 to the three and nine months ended September 30, 2017.

Investment Income

Investment income for the three months ended September 30, 2018 and September 30, 2017 was approximately \$15.2 million and \$14.5 million, respectively. For the nine months ended September 30, 2018 and September 30, 2017, investment income was approximately \$41.1 million and \$48.0 million, respectively. The following tables set forth the components of investment income for the three and nine months ended September 30, 2018 and September 30, 2017:

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Interest income				
Stated interest income	\$ 6,240,305	\$ 5,091,751	\$ 17,561,261	\$ 18,337,423
Original issue discount and market discount income	123,064	244,751	488,734	827,746
Payment-in-kind income	91,265	59,446	230,689	173,347
Discount income derived from unscheduled remittances at par	77,403	8,460	126,061	37,737
Total interest income	\$ 6,532,037	\$ 5,404,408	\$ 18,406,745	\$ 19,376,253
Income from securitization vehicles	\$ 7,217,804	\$ 8,086,059	\$ 20,121,432	\$ 26,081,676
Commitment, amendment and other fee income				
Fee letters	\$ 102,691	\$ 314,007	\$ 562,022	\$ 1,051,207
Loan prepayment and bond call fees	762,842	300,000	1,050,842	570,212
All other fees	603,078	393,223	942,933	895,982
Total commitment, amendment and other fee income	\$ 1,468,611	\$ 1,007,230	\$ 2,555,797	\$ 2,517,401
Total investment income	\$ 15,218,452	\$ 14,497,697	\$ 41,083,974	\$ 47,975,330

The increase in total investment income for the three months ended September 30, 2018 was primarily due to an increase in interest income and other fee income partially offset by lower income from securitization vehicles. For the nine months ended September 30, 2018, total investment income decreased as compared to the nine months ended September 30, 2017 primarily due to a decrease in income from securitization vehicles and lower interest income. The total principal value of income producing debt investments as of September 30, 2018 and September 30, 2017 was approximately \$300.2 million and \$244.4 million, respectively.

As of September 30, 2018, our debt investments had stated interest rates of between 5.62% and 12.95% and maturity dates of between 20 and 154 months compared to stated interest rates of 4.75% to 15.00% and maturity dates between 15 and 112 months as of September 30, 2017. In addition, our total debt portfolio had a weighted average yield on debt investments of approximately 9.44% as of September 30, 2018, compared to approximately 9.47% as of September 30, 2017. As of September 30, 2018, our CLO equity investments had a weighted average effective yield of 14.82% and compared to a weighted average effective yield of 15.93% as of September 30, 2017.

Operating Expenses

Total expenses for the three months ended September 30, 2018 and September 30, 2017 were approximately \$6.6 million and \$7.7 million, respectively. Total expenses for the nine months ended September 30, 2018 and September 30, 2017 were approximately \$16.1 million and \$24.9 million, respectively. These amounts consisted of base management fees, interest expense, professional fees, compensation expense, incentive fees and general and administrative expenses.

Expenses before incentive fees for the three months ended September 30, 2018 were approximately \$5.0 million, which decreased by approximately \$2.1 million from the quarter ended September 30, 2017, largely attributable to lower interest expense, base management fees, and professional fees. Expenses before incentive fees for the nine months ended September 30, 2018 were approximately \$12.7 million, which decreased by approximately \$9.4 million from the nine months ended September 30, 2017, largely attributable to lower interest expense, base management fees, and professional fees.

The base management fee for the three months ended September 30, 2018 was approximately \$1.8 million compared with \$2.0 million for the three months ended September 30, 2017. The base management fee for the nine months ended September 30, 2018 was approximately \$5.3 million compared with \$6.5 million for the nine months ended September 30, 2017. The decrease was due largely to a decline in the weighted average gross assets due to the repayment of the TICC CLO 2012-1 LLC secured notes and the Convertible Notes, which occurred in the third and fourth quarters of 2017, respectively. As of September 30, 2018 and December 31, 2017, approximately \$1.8 million and \$1.7 million respectively, of base management fees remained payable to Oxford Square Management.

Interest expense for the three months ended September 30, 2018 was approximately \$2.3 million, which relates to the 6.50% Unsecured Notes and the OXSQ Facility, compared to interest expense of approximately \$3.7 million for the three months ended September 30, 2017. Interest expense for the nine months ended September 30, 2018 was approximately \$4.6 million compared to interest expense of approximately \$11.1 million for the nine months ended September 30, 2017. The primary driver of the decrease was the repayment of the TICC CLO 2012-1 secured notes and the Convertible Notes. The aggregate accrued interest which remained payable as of September 30, 2018 and December 31, 2017, was approximately \$365,000 and \$12,000, respectively.

Professional fees, consisting of legal, consulting, valuation, audit and tax fees, were approximately \$0.4 million for the quarter ended September 30, 2018, compared to approximately \$0.7 million for the quarter ended September 30, 2017. Professional fees were approximately \$0.9 million and \$2.1 million for the nine months ended September 30, 2018 and September 30, 2017, respectively. Those decreases are primarily due to lower audit and legal fees.

Compensation expenses were approximately \$0.2 million for the three months ended September 30, 2018, compared to approximately \$0.2 million for the three months ended September 30, 2017, reflecting the allocation of compensation expenses for the services of our Chief Financial Officer, accounting personnel, and other administrative support staff. Compensation expenses for the nine months ended September 30, 2018 and September 30, 2017 were approximately \$0.7 million and \$0.7 million, respectively.

General and administrative expenses, consisting primarily of directors' fees, insurance, listing fees, transfer agent and custodian fees, office supplies, facilities costs and other expenses, were approximately \$0.4 million for the three months ended September 30, 2018, compared to approximately \$0.5 million for the three months ended September 30, 2017. General and administrative expenses for the nine months ended September 30, 2018 and September 30, 2017 were approximately \$1.2 million and \$1.7 million, respectively. Office supplies, facilities costs and other expenses are allocated to us under the terms of the Administration Agreement.

Incentive Fees

The net investment income incentive fee recorded for the three months ended September 30, 2018 was approximately \$1.6 million, compared to \$0.6 million for the three months ended September 30, 2017. The net investment income incentive fee recorded for the nine months ended September 30, 2018 was approximately \$3.4 million, compared to \$2.8 million for the nine months ended September 30, 2017.

The net investment income incentive fee is calculated and payable quarterly in arrears based on the amount by which (x) the "Pre-Incentive Fee Net Investment Income" for the immediately preceding calendar quarter exceeds (y) the "Preferred Return Amount" for calendar quarter (see "Note 8. Related Party Transactions" in the notes to our consolidated financial statements). For this purpose, "Pre-Incentive Fee Net Investment Income" means interest income, dividend income and any other income accrued during the calendar quarter minus our operating expenses for the quarter (including the base fee, expenses payable under the Administration Agreement with Oxford Funds, and any interest expense and dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee).

The capital gains incentive fee expense, as reported under GAAP, is calculated on the basis of net realized and unrealized gains and losses at the end of each period. The expense related to the hypothetical liquidation of the portfolio (and assuming no other changes in realized or unrealized gains and losses) would only become payable to our investment adviser in the event of a complete liquidation of our portfolio as of period end and the termination of the Investment Advisory Agreement on such date. For the three and nine months ended September 30, 2018 and September 30, 2017, no accrual was required as a result of the impact of accumulated net unrealized depreciation and net realized losses on our portfolio.

The amount of the capital gains incentive fee which will actually be payable is determined in accordance with the terms of the Investment Advisory Agreement and is calculated as of the end of each calendar year (or

upon termination of the Investment Advisory Agreement). The terms of the Investment Advisory Agreement state that the capital gains incentive fee calculation is based on net realized gains, if any, offset by gross unrealized depreciation for the calendar year. No effect is given to gross unrealized appreciation in this calculation. For the three and nine months ended September 30, 2018 and September 30, 2017, such an accrual was not required under the terms of the Investment Advisory Agreement.

Realized and Unrealized Gains/Losses on Investments

For the three and nine months ended September 30, 2018, we recognized net realized gains on investments of approximately \$0.2 million and net realized losses on investments of \$0.6 million, respectively, which primarily reflects the sale of several CLO equity investments and full repayment of a senior secured note investment.

For the three months ended September 30, 2018, our net change in unrealized depreciation was approximately \$2.3 million, composed of \$3.6 million in gross unrealized appreciation, \$5.2 million in gross unrealized depreciation and approximately \$0.7 million relating to the reversal of prior period net unrealized appreciation as investment gains and losses were realized. This includes net unrealized appreciation of approximately \$1.2 million as a result of reductions to the cost value of our CLO equity investments under the effective yield accounting methodology, whereby the cost value of the respective investments are reduced by the excess of actual cash received and record date distributions to be received over the calculated income using the effective yield.

The most significant components of the net change in unrealized appreciation and depreciation during the three months ended September 30, 2018 were as follows (in millions):

Portfolio Company	Change in Unrealized Appreciation (Depreciation)
Sound Point CLO XVI, Ltd.	\$ (1.1)
Telos CLO 2014-5, Ltd.	(1.0)
Polycom, Inc.	(0.9)
Telos CLO 2013-4, Ltd.	(0.5)
Zais CLO 6, Ltd.	(0.4)
Ivy Hill Middle Market Credit Fund VII, Ltd.	(0.4)
Jamestown CLO V Ltd.	0.4
Venture XIV, Ltd.	0.3
Net all other	1.3
Total	<u>\$ (2.3)</u>

For the nine months ended September 30, 2018, our net change in unrealized appreciation/depreciation was approximately \$0.5 million, composed of \$9.1 million in gross unrealized appreciation, \$11.0 million in gross unrealized depreciation and approximately \$2.4 million relating to the reversal of prior period net unrealized depreciation as investment gains and losses were realized. This includes net unrealized appreciation of approximately \$10.9 million as a result of reductions to the cost value of our CLO equity investments under the effective yield accounting methodology, whereby the cost value of the respective investments are reduced by the excess of actual cash received and record date distributions to be received over the calculated income using the effective yield.

The most significant changes in net unrealized appreciation and depreciation during the nine months ended September 30, 2018 were as follows (in millions):

Portfolio Company	Change in Unrealized Appreciation (Depreciation)
Catamaran CLO 2012-1 Ltd.	\$ 2.6
Unitek Global Services, Inc.	2.3
Ares XXVI CLO Ltd.	2.0
Telos CLO 2014-5, Ltd.	0.9
Imagine! Print Solutions	(1.6)
AMMC CLO XII, Ltd.	(1.2)
Cedar Funding II CLO, Ltd.	(1.2)
Sound Point CLO XVI, Ltd.	(1.1)
Net all other	(2.2)
Total	<u>\$ 0.5</u>

Net Increase in Net Assets Resulting from Net Investment Income

Net investment income for the three months ended September 30, 2018 and September 30, 2017 was approximately \$8.6 million and \$6.8 million, respectively. Net investment income for the nine months ended September 30, 2018 and September 30, 2017 was approximately \$25.0 million and \$23.1 million, respectively.

For the three and nine months ended September 30, 2018, the net increase in net assets resulting from net investment income per common share was \$0.18 (basic and diluted) and \$0.50 (basic and diluted), respectively, and based on 49,195,368 and 50,153,321 weighted average common shares, respectively. For the three and nine months ended September 30, 2017, the net increase in net assets resulting from net investment income per common share was \$0.13 (basic and diluted) and \$0.45 (basic and diluted), respectively, and based on 51,479,409 weighted average common shares. Due to the anti-dilutive effect on the computation of diluted earnings per share for the three and nine months ended September 30, 2018 and September 30, 2017, the adjustments for interest on Convertible Notes, investment advisory fees, deferred issuance costs and net investment income incentive fees as well as share adjustments for the dilutive effect of Convertible Notes were excluded from the respective period's diluted earnings per share computation.

Net Increase in Net Assets Resulting from Operations

Net increase in net assets resulting from operations for the three months ended September 30, 2018 and September 30, 2017 was approximately \$6.5 million and \$6.0 million, respectively. Net increase in net assets resulting from operations for the nine months ended September 30, 2018 and September 30, 2017 was approximately \$24.9 million and \$27.2 million, respectively.

For the three months ended September 30, 2018, the net increase in net assets resulting from operations per common share was \$0.13 (basic and diluted) compared to \$0.12 (basic) and \$0.18 (diluted) for the three months ended September 30, 2017. For the nine months ended September 30, 2018 and September 30, 2017, the net increase in net assets resulting from operations per common share was \$0.50 (basic and diluted) and \$0.53 (basic and diluted), respectively. Due to the anti-dilutive effect on the computation of diluted earnings per share for the three and nine months ended September 30, 2018 and for the nine months ended September 30, 2017, the adjustments for interest on Convertible Notes, investment advisory fees, deferred issuance costs and net investment income incentive fees as well as share adjustments for the dilutive effect of Convertible Notes were excluded from the respective period's diluted earnings per share computation.

Set forth below is a comparison of our results of operations for the years ended December 31, 2017, 2016 and 2015.

Investment Income

The following tables set forth the components of investment income for the years ended December 31, 2017, 2016 and 2015:

	December 31, 2017	December 31, 2016	December 31, 2015
Interest Income			
Stated interest income	\$ 23,640,789	\$ 33,154,526	\$ 45,728,704
Original issue discount and market discount income	1,003,086	1,158,401	3,865,679
Payment-in-kind income	233,067	214,389	572,408
Discount income derived from unscheduled remittances at par	67,214	20,574	61,702
Total interest income	<u>24,944,156</u>	<u>34,547,890</u>	<u>50,228,493</u>
Income from securitization vehicles and investments⁽¹⁾	<u>33,274,392</u>	<u>32,503,279</u>	<u>34,901,766</u>
Other income			
Fee letters	1,368,132	1,352,396	1,353,373
Loan prepayment and bond call fees	719,012	358,381	360,000
All other fees	1,111,325	518,100	619,307
Total other income	<u>3,198,469</u>	<u>2,228,877</u>	<u>2,332,680</u>
Total investment income	<u>\$ 61,417,017</u>	<u>\$ 69,280,046</u>	<u>\$ 87,462,939</u>

(1) During the first quarter of 2015, we identified a non-material error in our accounting policy for revenue recognition — refer to “Note 2. Change of Accounting for Collateralized Loan Obligation Equity Investment Income” in the notes to our consolidated financial statements.

Total investment income for the year ended December 31, 2017 decreased by approximately \$7.9 million compared to December 31, 2016. The decrease was comprised of a decrease in total interest income of approximately \$9.6 million partially offset by increased income from securitization vehicles and investments of approximately \$0.8 million and total other income of approximately \$1.0 million. The reduction of total interest income resulted largely from a smaller debt portfolio due to loan sale activity to fund the repayments of the TICC CLO 2012-1 and the maturity of the Convertible Notes. The total principal outstanding on income producing debt investments as of December 31, 2017 and December 31, 2016 was approximately \$253.3 million and \$395.5 million, respectively.

As of December 31, 2017, our debt investments had stated interest rates of between 5.70% and 15.00% and maturity dates of between 12 and 109 months. In addition, our total portfolio had a weighted average yield on debt investments of approximately 9.7%, compared with 8.3% as of December 31, 2016. The increase in the weighted average yield on our debt portfolio is primarily due to our ongoing strategy of rotating the corporate loan portfolio into higher-yielding, less liquid loans.

Total investment income for the year ended December 31, 2016 decreased by approximately \$18.2 million compared to December 31, 2015. The decrease was comprised of decreases in total interest income of approximately \$15.7 million, income from securitization vehicles and investments of approximately \$2.4 million, and total other income of approximately \$0.1 million. The decrease in total interest income in 2016 was primarily due to a reduction of stated interest income (approximately \$12.6 million) resulting largely from a smaller debt portfolio due to loan sale activity to fund the voluntary partial repayment of the TICC CLO 2012-1 class A-1 notes (during the third and fourth quarters of the year ended December 31, 2016), the partial repurchase of outstanding shares of the Convertible Notes (during the fourth quarter of the fiscal year ended December 31, 2016) and the repayment of the TICC Funding credit facility during the quarter ended December 31, 2015. Additionally, income from securitization vehicles declined (approximately \$2.4 million) in 2016 largely

as a result of volatility in the corporate loan market and a lower cost basis in the CLO equity portfolio. The total principal outstanding on income producing debt investments as of December 31, 2016 and December 31, 2015 was approximately \$395.5 million and \$491.0 million, respectively.

As of December 31, 2016, our debt investments had stated interest rates of between 4.75% and 15.00% and maturity dates of between 24 and 93 months. In addition, our total portfolio had a weighted average yield on debt investments of approximately 8.3%, compared with 7.1% as of December 31, 2015. The increase in the weighted average yield on our debt portfolio is primarily due to our ongoing strategy of rotating the corporate loan portfolio into higher-yielding, less liquid loans and the restructuring of our investment previously held in Innovaire Holding Company (f/k/a “RBS Holding Company”).

Operating Expenses

The following tables set forth the components of operating expenses for the years ended December 31, 2017, 2016 and 2015:

	December 31, 2017	December 31, 2016	December 31, 2015
Interest expense	\$ 12,898,815	\$ 17,202,851	\$ 19,889,147
Base management fees	8,140,010	11,292,395	19,770,170
Professional fees	2,799,113	6,393,812	5,690,799
Compensation expense	901,472	837,343	1,158,622
Director’s Fees	584,580	642,000	514,501
Insurance	256,956	159,573	68,679
Transfer agent and custodian fees	244,115	316,577	332,796
General and administrative	1,014,580	2,861,803	1,340,326
Net investment income incentive fees	3,850,646	2,795,399	(929,933)
Total operating expenses	<u>\$ 30,690,287</u>	<u>\$ 42,501,753</u>	<u>\$ 47,835,107</u>

Total operating expenses for the year ended December 31, 2017 decreased approximately \$11.8 million compared to the year ended December 31, 2016. The decrease in 2017 is attributable primarily to lower interest expense, professional fees, base management fees, and general and administrative expenses offset by higher net investment income incentive fees. Total operating expenses for the year ended December 31, 2016 decreased approximately \$5.3 million compared to the year ended December 31, 2015. The decrease in 2016 is attributable primarily to lower base management fees and interest expense partially offset by higher net investment income incentive fees and general and administrative expenses.

Interest expense decreased approximately \$4.3 million in 2017 and \$2.7 million in 2016 compared to each prior year. The decrease in 2017 and 2016 are primary attributable to the decrease in outstanding debt as compared to the prior years. The TICC Funding credit facility was repaid in the fourth quarter of 2015, TICC CLO 2012-1 was repaid in the third quarter of 2017 and the Convertible Notes matured in the fourth quarter of 2017. Voluntary partial repayment of the TICC CLO 2012-1 class A-1 notes occurred in 2017 and 2016 and we partially repurchased outstanding shares of the Convertible Notes in the fourth quarter of 2016. The aggregate accrued interest which remained payable as of December 31, 2017, 2016 and 2015 was approximately \$11.6 thousand, \$1.7 million and \$2.1 million, respectively.

The base management fee decreased approximately \$3.2 million in 2017 and approximately \$8.5 million in 2016 compared to each prior year. The decrease in 2017 and 2016 is largely due to the previously announced fee reduction from 2.00% to 1.50% of gross assets (refer to “Incentive Fees,” in the Business section above, for discussion of ongoing fee waivers) and the reduction of total gross assets over those periods. The base management fees which remained payable to Oxford Square Management as of December 31, 2017, 2016 and 2015 was approximately \$1.7 million, \$2.5 million and \$4.2 million, respectively.

Professional fees, consisting of legal, valuation, compliance, audit and tax fees, decreased approximately \$3.6 million in 2017 and increased approximately \$0.7 million in 2016. These changes are largely due to the engagement of legal and financial advisors to the Company's Special Committee of the Board of Directors in 2016.

Compensation expense reflects the allocation of compensation expenses for the services of our Chief Financial Officer, accounting personnel, and other administrative support staff. The increase in 2017 and the decrease in 2016 were largely the result of staffing changes during those periods. As of December 31, 2017, 2016 and 2015, no compensation expenses remained payable for each respective date.

General and administrative expenses consist primarily of listing fees, office supplies, facilities costs and other miscellaneous expenses, decreased approximately \$1.8 million in 2017 and increased approximately \$1.5 million in 2016 primarily as the result of additional proxy related costs incurred (such costs include fees for mailing, filing, processing, tabulation, and solicitation) in 2016. Office supplies, facilities costs and other expenses are allocated to us under the terms of the Administration Agreement.

The net investment income incentive fee is calculated and payable quarterly in arrears based on the amount by which (x) the "Pre-Incentive Fee Net Investment Income" for the immediately preceding calendar quarter exceeds (y) the "Preferred Return Amount" for calendar quarter (refer to "Note 8. Related Party Transactions" in the notes to our consolidated financial statements). For this purpose, "Pre-Incentive Fee Net Investment Income" means interest income, dividend income and any other income accrued during the calendar quarter minus our operating expenses for the quarter (including the base management fee, expenses payable under the Administration Agreement with Oxford Funds, and any interest expense and dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee).

The capital gains incentive fee expense, as reported under GAAP, is calculated on the basis of net realized and unrealized gains and losses at the end of each period. The expense related to the hypothetical liquidation of the portfolio (and assuming no other changes in realized or unrealized gains and losses) would only become payable to our investment adviser in the event of a complete liquidation of our portfolio as of period end and the termination of the Investment Advisory Agreement on such date. For the years ended December 31, 2017, 2016 and 2015, no accrual was required as a result of the impact of accumulated net unrealized depreciation and net realized losses on our portfolio.

The amount of the capital gains incentive fee which will actually be payable is determined in accordance with the terms of the Investment Advisory Agreement and is calculated as of the end of each calendar year (or upon termination of the Investment Advisory Agreement). The terms of the Investment Advisory Agreement state that the capital gains incentive fee calculation is based on net realized gains, if any, offset by gross unrealized depreciation for the calendar year. No effect is given to gross unrealized appreciation in this calculation.

Realized and Unrealized Gains/Losses on Investments

For the year ended December 31, 2017, we recognized net realized losses on investments of approximately \$7.0 million, which primarily represents the losses from the sale of several CLO equity investments.

For the year ended December 31, 2017, our net change in unrealized appreciation was approximately \$23.0 million, composed of approximately \$16.1 million in gross unrealized appreciation, approximately \$12.1 million in gross unrealized depreciation and approximately \$19.0 million relating to the reversal of prior period net unrealized depreciation as investment gains and losses were realized. This includes net unrealized appreciation of approximately \$37.1 million as a result of reductions to the cost value of our CLO equity investments under the effective yield accounting methodology, whereby the cost value of the respective investments are reduced by the excess of actual cash received and record date distributions to be received over the calculated income using the effective yield method.

The ten most significant components of the net change in unrealized appreciation and depreciation during the year ended December 31, 2017 were as follows (\$ in millions):

Portfolio Company	Changes in unrealized appreciation (depreciation)
SourceHOV, LLC	\$ 6.2
Marea CLO, Ltd.	3.9
Unitek Global Services, Inc.	3.6
Shackleton 2013-IV CLO, Ltd.	3.5
Mountain Hawk III CLO, Ltd.	3.4
Benefit Street Partners CLO II, Ltd.	2.8
Aricent Technologies, Inc.	2.2
Ares XXIX CLO, Ltd.	1.5
KVK CLO 2013-2, Ltd.	(1.8)
Electric Lightwave Holdings, Inc. (f/k/a "Integra Telecom Holdings, Inc.")	(2.4)
Net all other	0.1
Total	<u>\$ 23.0</u>

For the year ended December 31, 2016, we recognized net realized losses on investments of approximately \$14.3 million, which primarily represents the losses from the sale of several CLO equity investments, the sale of our equity investment in Algorithmic Implementations, Inc. (d/b/a "Ai Squared") of approximately \$3.0 million and the restructuring of our investment in Innovairre Holding Company (f/k/a "RBS Holding Company") of approximately \$3.9 million.

For the year ended December 31, 2016, our net change in unrealized appreciation was approximately \$100.6 million, composed of approximately \$74.6 million in gross unrealized appreciation, approximately \$9.0 million in gross unrealized depreciation and approximately \$35.0 million relating to the reversal of prior period net unrealized appreciation as investment gains and losses were realized. This includes net unrealized appreciation of approximately \$34.2 million as a result of reductions to the cost value of our CLO equity investments under the effective yield accounting methodology, whereby the cost value of the respective investments are reduced by the excess of actual cash received and record date distributions to be received over the calculated income using the effective yield method.

The ten most significant components of the net change in unrealized appreciation and depreciation during the year ended December 31, 2016 were as follows (\$ in millions):

Portfolio Company	Changes in unrealized appreciation (depreciation)
Newmark Capital Funding 2013-1 CLO Ltd	\$ 5.9
Shackleton 2013-IV CLO, Ltd	5.9
Algorithmic Implementations, Inc	5.5
Global Tel Link Corp	5.5
Catamaran CLO 2012-1 Ltd	5.0
Unitek Global Services, Inc	4.7
Securus Technologies, Inc	4.5
Shackleton 2013-III CLO, Ltd	4.2
Carlyle Global Market Strategies CLO 2014-4, Ltd	4.0
Benefit Street Partners CLO II, Ltd	3.8
Net all other	51.6
Total	<u>\$ 100.6</u>

For the year ended December 31, 2015, we recognized net realized losses on investments of approximately \$6.3 million, which primarily represents the losses from the restructuring of our debt investment in Unitek Global Services, Inc. (approximately \$4.3 million), the repayment of our debt and sale of our equity investments in Nextag, Inc. (approximately \$2.5 million), as well as the net loss on the sale of several of our CLO debt and equity investments (approximately \$4.4 million), partially offset by realized gains from the sale of our equity investment held in Merrill Communications LLC (approximately \$2.8 million) and from the repayment of our debt investment held in Merrill Communications LLC (approximately \$2.6 million).

For the year ended December 31, 2015, our net change in unrealized depreciation was approximately \$98.4 million, composed of approximately \$3.0 million in gross unrealized appreciation, \$112.1 million in gross unrealized depreciation and approximately \$10.7 million relating to the reversal of prior period net unrealized depreciation as certain investments were realized. This includes net unrealized appreciation of approximately \$41.6 million as a result of reductions to the cost value of our CLO equity investments under the effective yield accounting methodology, whereby the cost value of the respective investments are reduced by the excess of actual cash received and record date distributions to be received over the calculated income using the effective yield method.

The ten most significant changes in net unrealized appreciation and depreciation during the year ended December 31, 2015 were as follows (\$ in millions):

Portfolio Company	Changes in unrealized appreciation (depreciation)
Unitek Global Services, Inc	\$ 4.4
Securus Technologies, Inc	(4.4)
Marea CLO, Ltd	(4.6)
Benefit Street Partners CLO II, Ltd	(4.6)
Newmark Capital Funding 2013-1 CLO Ltd	(4.9)
Innovairre Holding Company (f/k/a "RBS Holding Company")	(5.0)
Global Tel Link Corp	(5.5)
Mountain Hawk III CLO, Ltd	(5.8)
Shackleton 2013-IV CLO, Ltd	(6.5)
Catamaran CLO 2012-1 Ltd	(7.4)
Net all other	(54.1)
Total	<u>\$ (98.4)</u>

Realized loss on extinguishment of debt

In connection with the February 27, 2017 repayment of approximately \$24.5 million of the TICC CLO 2012-1 Class A-1 notes, the Company incurred debt extinguishment costs of approximately \$409,000, which consisted of approximately \$181,000 in accelerated note discount expense and approximately \$228,000 in accelerated deferred debt issuance costs. In connection with the May 25, 2017 repayment of approximately \$31.4 million of the TICC CLO 2012-1 Class A-1 notes, the Company incurred debt extinguishment costs of approximately \$505,000, which consisted of approximately \$224,000 in accelerated note discount expense and approximately \$281,000 in accelerated deferred debt issuance costs. In connection with the August 25, 2017 repayment of approximately \$73.4 million of the TICC CLO 2012-1 Class A-1, B-1, C-1 and D-1 notes, the Company incurred debt extinguishment costs of approximately \$2.2 million, which consisted of approximately \$1.6 million in accelerated note discount expense and approximately \$0.6 million in accelerated deferred debt issuance costs. The total debt extinguishment costs for the year ended December 31, 2017 was approximately \$3.1 million and was recorded within Realized Loss on Extinguishment of Debt in the Consolidated Statement of Operations.

In connection with the August 25, 2016 repayment of approximately \$36.0 million of the TICC CLO 2012-1 Class A-1 notes, the Company incurred debt extinguishment costs of approximately \$648,000, which consisted of approximately \$287,000 in accelerated note discount expense and approximately \$361,000 in accelerated deferred debt issuance costs. In connection with the November 25, 2016 repayment of approximately \$74.7 million of the TICC CLO 2012-1 Class A-1 notes, the Company incurred debt extinguishment costs of approximately \$1,296,000, which consisted of approximately \$574,000 in accelerated note discount expense and approximately \$722,000 in accelerated deferred debt issuance costs. In connection with the repurchase of approximately \$20.5 million of the Convertible Notes in December 2016, the Company incurred debt extinguishment costs of approximately \$815,000, which consisted of approximately \$716,000 due to repurchasing

the Convertible Notes at a premium and approximately \$99,000 in accelerated deferred debt issuance costs. The total debt extinguishment costs for the year ended December 31, 2016 was approximately \$2.8 million and was recorded within Realized Loss on Extinguishment of Debt in the Consolidated Statement of Operations.

During the fourth quarter of 2015, the Company fully repaid the total borrowings under the Facility. In connection with the extinguishment of the Facility, the Company incurred debt extinguishment costs of approximately \$1.0 million, which consisted of approximately \$474,000 in accelerated deferred issuance costs and \$573,000 in extinguishment fees. The total debt extinguishment costs for the year ended December 31, 2015 was approximately \$1.0 million and was recorded within Realized Loss on Extinguishment of Debt in the Consolidated Statement of Operations.

Net Increase in Net Assets Resulting from Net Investment Income

Net investment income for the year ended December 31, 2017 was approximately \$30.7 million, compared to \$26.8 million and \$39.6 million, for the year ended December 31, 2016 and December 31, 2015, respectively. The changes were largely the result of lower total expenses and lower total investment income, as discussed above.

For the year ended December 31, 2017, the net increase in net assets resulting from net investment income per common share was \$0.60 (basic and diluted), compared to \$0.52 per share (basic and diluted) for the year ended December 31, 2016 and \$0.66 per share (basic and diluted) for the year ended December 31, 2015, based on the weighted average common shares outstanding for the respective period. Due to the anti-dilutive effect on the computation of diluted earnings per share for the years ended December 31, 2017, December 31, 2016 and December 31, 2015, adjustments for interest and deferred issuance costs on the Convertible Notes, and the related impact on the base management fees and net investment income incentive fees as well as share adjustments for dilutive effect of the Convertible Notes were excluded from the respective period's diluted earnings per share computation, where applicable.

For the year ended December 31, 2017, the net increase in the net assets resulting from core net investment income per common share was \$0.71 (basic and diluted), compared to \$1.18 (basic and diluted) for the year ended December 31, 2016 and \$1.29 (basic and diluted) for the year ended December 31, 2015. Core net investment income is a non-GAAP measure; please see “— Supplemental Information Regarding Core Net Investment Income and Core Net Increase (Decrease) in Net Assets Resulting from Operations” below for more information.

Net Increase (Decrease) in Net Assets Resulting from Operations

Net increase in net assets resulting from operations for the year ended December 31, 2017 was approximately \$43.6 million, compared to a net increase of \$110.4 million for year ended December 31, 2016 and a net decrease of \$66.1 million for year ended December 31, 2015. These changes were largely due to a net change in unrealized appreciation as discussed above.

For the year ended December 31, 2017, the net increase in net assets resulting from operations per common share was \$0.85 (basic) and \$0.83 (diluted), compared to \$2.13 (basic) and \$1.90 (diluted) for the year ended December 31, 2016 and a net decrease in net assets resulting from operations per common share of \$1.11 (basic and diluted) for the year ended December 31, 2015, based on the weighted average common shares outstanding for the respective period. Due to the anti-dilutive effect on the computation of diluted earnings per share for the year ended December 31, 2015, the adjustments for interest and deferred issuance costs on the Convertible Notes, and the related impact on the Base Fees and net investment income incentive fees as well as share adjustments for dilutive effect of the Convertible Notes were excluded from the respective period's diluted earnings per share computation, where applicable.

Supplemental Information Regarding Core Net Investment Income and Core Net Increase (Decrease) in Net Assets Resulting from Operations

On a supplemental basis, we provide information relating to core net investment income, its ratio to net assets and core net increase in net assets resulting from operations, which are non-GAAP measures. These measures are provided in addition to, but not as a substitute for, GAAP net investment income and net increase in net assets resulting from operations. Our non-GAAP measures may differ from similar measures by other companies, even if similar terms are used to identify such measures. Core net investment income represents GAAP net investment income adjusted for additional taxable income on our CLO equity investments and also excludes our capital gains incentive fee. Core net increase in net assets resulting from operations represents GAAP net increase in net assets resulting from operations excluding the capital gains incentive fee

(there would not have been any change to the net increase in net assets resulting from operations resulting from our CLO equity investments as there is an offsetting change in unrealized appreciation equal to the change in net investment income).

Income from investments in the equity class securities of CLO equity vehicles, for GAAP purposes, is recorded using the effective yield method. This method requires an estimate of future cash flows, including recurring cash flows as well as future principal payments, compared to the cost resulting in an effective yield for the investment; the difference between the actual cash received or distributions entitled to receive 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 both the tax-basis investment income and from the cash distributions actually received by us during the period, (referred to below as “CLO equity additional estimated taxable income”). As the capital gains incentive fee, for generally accepted accounting purposes, is based on the hypothetical liquidation of the entire portfolio (and as any capital gains incentive fee may be non-recurring), such fees are excluded when calculating core net investment income. We believe that core net investment income and core net increase in net assets resulting from operations are useful indicators of performance during this period. Further, as the RIC requirements are to distribute taxable earnings and as capital gains incentive fees may not be fully and currently tax deductible, the core net investment income provides an indication of estimated taxable income for the year-to-date.

The following table provides a reconciliation of net investment income to core net investment income for the years ended December 31, 2017, 2016 and 2015:

	Year Ended December 31, 2017			Year Ended December 31, 2016			Year Ended December 31, 2015		
	Amount	Per Share Amounts (basic)	Per Share Amounts (diluted)	Amount	Per Share Amounts (basic)	Per Share Amounts (diluted)	Amount	Per Share Amounts (basic)	Per Share Amounts (diluted)
Net investment income	\$ 30,726,730	\$ 0.60	\$ 0.60	\$ 26,778,293	\$ 0.52	\$ 0.52	\$ 39,627,832	\$ 0.66	\$ 0.66
CLO equity additional distributions:	5,680,872	0.11	0.11	34,165,951	0.66	0.66	37,497,502	0.63	0.63
Core net investment income	<u>\$ 36,407,602</u>	<u>\$ 0.71</u>	<u>\$ 0.71</u>	<u>\$ 60,944,244</u>	<u>\$ 1.18</u>	<u>\$ 1.18</u>	<u>\$ 77,125,334</u>	<u>\$ 1.29</u>	<u>\$ 1.29</u>

The following table provides a reconciliation of net increase (decrease) in net assets resulting from operations to core net increase (decrease) in net assets resulting from operations for the years ended December 31, 2017, 2016 and 2015:

	Year Ended December 31, 2017			Year Ended December 31, 2016			Year Ended December 31, 2015		
	Amount	Per Share Amounts (basic)	Per Share Amounts (diluted)	Amount	Per Share Amounts (basic)	Per Share Amounts (diluted)	Amount	Per Share Amounts (basic)	Per Share Amounts (diluted)
Net increase (decrease) in net assets resulting from operations	\$ 43,609,671	\$ 0.85	\$ 0.83	\$ 110,361,763	\$ 2.13	\$ 1.90	\$ (66,133,649)	\$ (1.11)	\$ (1.11)
Capital gains incentive fee	—	—	—	—	—	—	—	—	—
Core net increase (decrease) in net assets resulting from operations	<u>\$ 43,609,671</u>	<u>\$ 0.85</u>	<u>\$ 0.83</u>	<u>\$ 110,361,763</u>	<u>\$ 2.13</u>	<u>\$ 1.90</u>	<u>\$ (66,133,649)</u>	<u>\$ (1.11)</u>	<u>\$ (1.11)</u>

In addition, the following ratio is presented to supplement the financial highlights included in Note 11 (also presented below) to the consolidated financial statements:

| Year Ended
December 31, |
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	2017	2016	2015	2014	2013
Ratio of core net investment income to average net assets	9.43%	17.75%	15.81%	11.00%	10.79%

The following table provides a reconciliation of the ratio of net investment income to average net assets to the ratio of core net investment income to average net assets, for the years ended December 31, 2017, 2016, 2015, 2014 and 2013, respectively.

	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013
Ratio of net investment income to average net assets	7.96%	7.80%	8.12%	11.69%	11.02%
Ratio of CLO equity additional estimated taxable income to average net assets	1.47%	9.95%	7.69%	—	—
Ratio of capital gain incentive fee to average net assets	—	—	—	(0.69)%	(0.23)%
Ratio of core net investment income to average net assets	<u>9.43%</u>	<u>17.75%</u>	<u>15.81%</u>	<u>11.00%</u>	<u>10.79%</u>

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2018, cash, cash equivalents and restricted cash were approximately \$12.1 million as compared to approximately \$30.0 million as of December 31, 2017. For the nine months ended September 30, 2018, net cash provided by operating activities for the period, consisting primarily of the items described in “— Results of Operations,” was approximately \$60.4 million, largely reflecting proceeds from principal repayments and sales of investments of approximately \$108.1 million and reductions to CLO equity cost value of \$10.9 million partially offset by purchases of investments of approximately \$205.3 million. For the nine months ended September 30, 2018, net cash provided by financing activities was approximately \$42.5 million, reflecting the issuance of the OXSQ Facility partially offset by distribution of dividends and repurchase of common stock.

From time to time, we may seek to retire, repurchase, or exchange our debt and equity securities in open market purchases or by other means dependent on market conditions, liquidity, contractual obligations, and other matters.

Contractual Obligations

A summary of our significant contractual payment obligations as of September 30, 2018 is as follows:

Contractual obligations (in millions)	Total Principal	Payments Due by Period			
		Less than 1 year	1 – 3 years	3 – 5 years	More than 5 years
Long-term debt obligations:					
6.50% Unsecured Notes	\$ 64.4	\$ —	\$ —	\$ —	\$ 64.4
OXSQ Facility	87.7	—	87.7	—	—
	<u>\$ 152.1</u>	<u>—</u>	<u>\$ 87.7</u>	<u>\$ —</u>	<u>\$ 64.4</u>

Refer to “Note 6. Borrowings” in the notes to our consolidated financial statements.

Off-Balance Sheet Arrangements

As of September 30, 2018, we had approximately \$1.5 million of commitments to purchase additional investments. We had no off-balance sheet arrangements, including any risk management of commodity pricing or other hedging practices.

Borrowings

In accordance with the 1940 Act, with certain limited exceptions, we are only allowed to borrow amounts such that our asset coverage, as defined in the 1940 Act, is at least 200%, immediately after such borrowing. As of September 30, 2018, our asset coverage for borrowed amounts was 340.9%.

On March 23, 2018, the SBCAA was signed into law, which included various changes to regulations under the federal securities laws that impact BDCs. The SBCAA included changes to the 1940 Act to allow BDCs to decrease their asset coverage requirement to 150% from 200% under certain circumstances. On April 6, 2018, the Board, including a “required majority” (as such term is defined in Section 57(o) of the 1940 Act) of the Board, approved the modified asset coverage requirements set forth in Section 61(a)(2) of the 1940 Act, as amended by the SBCAA. As a result, the Company’s asset coverage requirements for senior securities will be changed from 200% to 150%, effective as of April 6, 2019.

The weighted average stated interest rate and weighted average maturity on all of the Company’s debt outstanding as of September 30, 2018 were 5.39% and 3.3 years, respectively, and as of December 31, 2017 were 6.50% and 6.2 years, respectively.

On June 21, 2018, OXSQ Funding, a special purpose vehicle and wholly-owned subsidiary of OXSQ, entered into the OXSQ Facility with Citibank, N.A. Subject to certain exceptions, pricing under the OXSQ Facility is based on the London interbank offered rate for an interest period equal to three months plus a spread of 2.25% per annum payable quarterly on March 21, June 21, September 21 and December 21, commencing on September 21, 2018. Pursuant to the terms of the credit agreement governing the OXSQ Facility, OXSQ Funding has borrowed approximately \$95.2 million. The OXSQ Facility has a mandatory amortization schedule such that 15.0% of the principal amount outstanding as of June 21, 2018 will be due and payable on June 21, 2019. On each payment date occurring thereafter, an additional 6.25% of the remaining principal amount outstanding will be due and payable. On June 21, 2020, all remaining principal and accrued and unpaid interest will be due and payable.

On April 12, 2017, the Company completed an underwritten public offering of approximately \$64.4 million in aggregate principal amount of the 6.50% Unsecured Notes. The 6.50% Unsecured Notes will mature on March 30, 2024, and may be redeemed in whole or in part at any time or from time to time at the Company’s option on or after March 30, 2020. The 6.50% Unsecured Notes will bear interest at a rate of 6.50% per year payable quarterly on March 30, June 30, September 30, and December 30 of each year, commencing June 30, 2017.

Refer to “Note 6. Borrowings” in the notes to our consolidated financial statements.

Distributions

In order to qualify for tax treatment as a RIC and to avoid corporate level tax on the income we distribute to our stockholders, we are required, under Subchapter M of the Code, to distribute at least 90% of our ordinary income and short-term capital gains to our stockholders on an annual basis.

Effective January 1, 2015, we recorded interest from our investments in the equity class securities of CLO vehicles 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 the expected redemption utilizing estimated cash flows, including those CLO equity investments that have not made their inaugural distribution for the relevant period end. We monitor the expected residual payments, and effective yield is determined and updated periodically, as needed. Accordingly, investment income recognized on CLO equity securities in the GAAP statements of operations differs from both the tax-basis investment income and from the cash distributions we actually received during the period. CLO entities generally constitute “passive foreign investment companies” and 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, while accounting income is recorded using the effective yield method. This method requires the calculation of an effective yield to expected redemption based upon an estimation of the amount and timing of future cash flows, including recurring cash flows as well as future principal repayments; the difference between the actual cash received (and record date distributions to be received) and the effective yield income calculation is an adjustment to cost. The effective yield is reviewed quarterly and adjusted as appropriate. Our final taxable earnings for the year ended December 31, 2018 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. While GAAP accounting income from our CLO equity class investments for the three months ended September 30, 2018 was approximately \$7.2 million, we received or were entitled to receive approximately \$8.4 million in distributions. Our distribution 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 following table reflects the cash distributions, including dividends and returns of capital, if any, per share that our Board has declared on our common stock since the beginning of 2016:

<u>Date Declared</u>	<u>Record Date</u>	<u>Payment Date</u>	<u>Distributions</u>	<u>GAAP net investment income</u>	<u>Distributions of return of capital</u>
Fiscal 2018					
October 26, 2018	December 17, 2018	December 31, 2018	\$ 0.20	\$ — ⁽²⁾	\$ — ⁽¹⁾
July 26, 2018	September 14, 2018	September 28, 2018	0.20	0.18	0.08 ⁽³⁾
April 24, 2018	June 15, 2018	June 29, 2018	0.20	0.15	0.08 ⁽³⁾
February 22, 2018	March 16, 2018	March 30, 2018	0.20	0.17	0.08 ⁽³⁾
<i>Total (2018)</i>			<u>\$ 0.80⁽¹⁾</u>	<u>\$ —⁽²⁾</u>	<u>\$ —⁽¹⁾</u>
Fiscal 2017					
October 27, 2017	December 15, 2017	December 29, 2017	\$ 0.20	\$ 0.15	\$ 0.13
February 27, 2017	September 15, 2017	September 29, 2017	0.20	0.13	0.13
February 27, 2017	June 16, 2017	June 30, 2017	0.20	0.16	0.13
February 27, 2017	March 16, 2017	March 31, 2017	0.20	0.16	0.13
<i>Total (2017)</i>			<u>\$ 0.80⁽⁴⁾</u>	<u>\$ 0.60</u>	<u>\$ 0.50⁽⁴⁾⁽⁶⁾</u>
Fiscal 2016					
October 26, 2016	December 16, 2016	December 30, 2016	\$ 0.29	\$ 0.18	\$ 0.15
July 28, 2016	September 16, 2016	September 30, 2016	0.29	0.13	0.15
April 28, 2016	June 16, 2016	June 30, 2016	0.29	0.13	0.15
February 18, 2016	March 17, 2016	March 31, 2016	0.29	0.08	0.15
<i>Total (2016)</i>			<u>\$ 1.16⁽⁵⁾</u>	<u>\$ 0.52</u>	<u>\$ 0.59⁽⁵⁾⁽⁶⁾</u>

- (1) The tax characterization of cash distributions for the year ended December 31, 2018 will not be known until the tax return for such year is finalized.
- (2) We have not yet reported earnings for this period.
- (3) The tax character of distributions for the three months ended March 31, 2018, June 30, 2018, and September 30, 2018 represented on an estimated basis, \$0.12 per share from ordinary income and \$0.08 per share as a return of capital. For the three months ended September 30, 2018, the amounts and sources of distributions reported are only estimates (based on an average of our 3 most recent years’ reported tax character) and are not being provided for U.S. tax reporting purposes. Because the Company believes the historical tax characteristics of distributions is the most useful information which is readily available, the Company has used the average of the 3 most recent years in providing the estimates herein. However, the timing and character of distributions for federal income tax purposes (which are determined in accordance with the U.S. federal tax rules which may differ from GAAP) may be materially different than the historical information the Company used in providing the estimates herein. The final determination of the source of all distributions in 2018 will be made after year-end and the amounts represented may be materially different from the amounts disclosed in the final Form 1099-DIV notice. The actual amounts and sources of the amounts for tax

reporting purposes will depend upon the Company's investment performance and may be subject to change based on tax regulations.

- (4) Cash distributions for the year ended December 31, 2017 includes a tax return of capital of approximately \$0.50 per share for tax purposes.
- (5) Cash distributions for the year ended December 31, 2016 includes a tax return of capital of approximately \$0.59 per share for tax purposes.
- (6) Totals may not sum due to rounding.

Related Parties

We have entered into the Investment Advisory Agreement with Oxford Square Management. Oxford Square Management is controlled by Oxford Funds, its managing member. Oxford Funds, as the managing member of Oxford Square Management, manages the business and internal affairs of Oxford Square Management. In addition, Oxford Funds provides us with office facilities and administrative services pursuant to the Administration Agreement. Jonathan H. Cohen is the managing member of and controls Oxford Funds. Saul B. Rosenthal is also the President of Oxford Square Management and a member of Oxford Funds. Charles M. Royce has a minority, non-controlling interest in Oxford Square Management.

Messrs. Cohen and Rosenthal also currently serve as Chief Executive Officer and President, respectively, at Oxford Bridge Management, LLC, the investment adviser to the Oxford Bridge Funds, and Oxford Gate Management, LLC, the investment adviser to the Oxford Gate Funds. Oxford Funds is the managing member of each of Oxford Bridge Management, LLC and Oxford Gate Management, LLC. In addition, Bruce L. Rubin serves as the Chief Financial Officer and Secretary, and Gerald Cummins serves as the Chief Compliance Officer, respectively, of each of Oxford Bridge Management, LLC and Oxford Gate Management, LLC.

Messrs. Cohen and Rosenthal currently serve as Chief Executive Officer and President, respectively, of Oxford Lane Capital Corp., a non-diversified closed-end management investment company that invests primarily in equity and junior debt tranches of CLO vehicles, and its investment adviser, Oxford Lane Management, LLC. Oxford Funds provides Oxford Lane Capital Corp. with office facilities and administrative services pursuant to an administration agreement and also serves as the managing member of Oxford Lane Management, LLC. In addition, Bruce L. Rubin serves as the Chief Financial Officer, Treasurer and Corporate Secretary of Oxford Lane Capital Corp. and Chief Financial Officer and Treasurer of Oxford Lane Management, LLC, and Mr. Cummins serves as the Chief Compliance Officer of Oxford Lane Capital Corp. and Oxford Lane Management, LLC.

As a result, certain conflicts of interest may arise with respect to the management of our portfolio by Messrs. Cohen and Rosenthal on the one hand, and the obligations of Messrs. Cohen and Rosenthal to manage Oxford Lane Capital Corp., the Oxford Bridge Funds and the Oxford Gate Funds, respectively, on the other hand.

Oxford Square Management, Oxford Lane Management, LLC, Oxford Bridge Management, LLC and Oxford Gate Management, LLC are subject to a written policy with respect to the allocation of investment opportunities among the Company, Oxford Lane Capital Corp., the Oxford Bridge Funds and the Oxford Gate Funds. Where investments are suitable for more than one entity, the allocation policy generally provides that, depending on size and subject to current and anticipated cash availability, the absolute size of the investment as well as its relative size compared to the total assets of each entity, current and anticipated weighted average costs of capital, among other factors, an investment amount will be determined by the adviser to each entity. If the investment opportunity is sufficient for each entity to receive its investment amount, then each entity receives the investment amount; otherwise, the investment amount is reduced pro rata. On June 14, 2017, the Securities and Exchange Commission issued an order permitting the Company and certain of its affiliates to complete negotiated co-investment transactions in portfolio companies, subject to certain conditions (the "Order"). Subject to satisfaction of certain conditions to the Order, the Company and certain of its affiliates are now permitted, together with any future BDCs, registered closed-end funds and certain private funds, each of whose investment adviser is the Company's investment adviser or an investment adviser controlling, controlled by, or under common control with the Company's investment adviser, to co-invest in negotiated investment opportunities where doing so would otherwise be prohibited under the 1940 Act, providing the Company's stockholders with access to a broader array of investment opportunities. Pursuant to the Order, we are permitted to co-invest in such investment opportunities with our affiliates if a "required majority" (as defined in Section 57 (o) of the 1940 Act) of our independent directors make certain conclusions in connection with a co-investment transaction, including, but not limited to, that (1) the terms of the potential co-investment transaction, including the consideration to be paid, are reasonable and fair to us and our stockholders and do not involve overreaching in respect of us or our stockholders on the part of any person concerned, and (2) the potential co-investment transaction is consistent with the interests of our stockholders and is consistent with our then-current investment objective and strategies.

In the ordinary course of business, we may enter into transactions with portfolio companies that may be considered related party transactions. In order to ensure that we do not engage in any prohibited transactions with any persons affiliated with us, we have implemented certain policies and procedures whereby our executive officers screen each of our transactions for any possible affiliations between the proposed portfolio investment, us, companies controlled by us and our employees and directors. We will not enter into any agreements unless and until we are satisfied that doing so will not raise concerns under the 1940 Act or, if such concerns exist, we have taken appropriate actions to seek board review and approval or exemptive relief for such transaction. Our Board reviews these procedures on an annual basis.

We have also adopted a Code of Business Conduct and Ethics which applies to, among others, our senior officers, including our Chief Executive Officer and Chief Financial Officer, as well as all of our officers, directors and employees. Our Code of Business Conduct and Ethics requires that all employees and directors avoid any conflict, or the appearance of a conflict, between an individual's personal interests and our interests. Pursuant to our Code of Business Conduct and Ethics, each employee and director must disclose any conflicts of interest, or actions or relationships that might give rise to a conflict. Our Audit Committee is charged with approving any waivers under our Code of Business Conduct and Ethics. As required by the NASDAQ Global Select Market corporate governance listing standards, the Audit Committee of our Board is also required to review and approve any transactions with related parties (as such term is defined in Item 404 of Regulation S-K).

Information concerning related party transactions is included in the consolidated financial statements and related notes, appearing elsewhere in this prospectus.

RECENT DEVELOPMENTS

From October 1, 2018 through October 30, 2018, an additional 646,450 shares of the Company's common stock settled through its share repurchase program, for an aggregate cost of approximately \$4.3 million at a weighted average price per share of common stock of approximately \$6.60.

On October 12, 2018, OXSQ Funding amended the OXSQ Facility with Citibank, N.A. Under the amended OXSQ Facility, an additional borrowing amount of approximately \$37.3 million was made under the same terms as the existing credit agreement. The Company posted additional collateral with a principal amount of approximately \$76.4 million. All other existing terms of the OXSQ Facility remain unchanged.

On October 26, 2018, the Board declared a distribution of \$0.20 per share for the fourth quarter, payable on December 31, 2018 to stockholders of record as of December 17, 2018.

SENIOR SECURITIES

Information about our senior securities is shown in the following tables as of September 30, 2018 and the end of each fiscal year since 2008. The report of our independent registered public accounting firm on the senior securities table as of December 31, 2017, 2016, 2015, 2014, 2013, 2012 and 2011 is attached as an exhibit to the registration statement of which this prospectus is a part.

Year	Total Amount Outstanding Exclusive of Treasury Securities ⁽¹⁾	Asset Coverage Ratio Per Unit ⁽²⁾	Involuntary Liquidation Preference Per Unit ⁽³⁾	Average Market Value Per Unit ⁽⁴⁾
<u>OXSQ Funding Facility</u>				
2018 (as of September 30, 2018) (unaudited)	\$ 87,703,238	\$ 3,409	—	N/A
<u>6.50% Unsecured Notes</u>				
2018 (as of September 30, 2018) (unaudited)	\$ 64,370,225	\$ 3,409	—	\$ 25.65
2017	64,370,225	7,003	—	\$ 25.90
<u>2017 Convertible Notes</u>				
2018 (as of September 30, 2018) (unaudited)	\$ —	\$ —	—	—
2017	\$ —	\$ —	—	—
2016	\$ 94,542,000	\$ 2,707	—	N/A
2015	\$ 115,000,000	\$ 2,007	—	N/A
2014	\$ 115,000,000	\$ 2,024	—	N/A
2013	\$ 115,000,000	\$ 2,141	—	N/A
2012	\$ 115,000,000	\$ 2,200	—	N/A
2011	—	—	—	—
2010	—	—	—	—
2009	—	—	—	—
2008	—	—	—	—
<u>Debt Securitization – TICC CLO 2012-1 LLC Senior Notes</u>				
2018 (as of September 30, 2018) (unaudited)	\$ —	\$ —	—	—
2017	\$ —	\$ —	—	—
2016	\$ 129,281,817	\$ 2,707	—	N/A
2015	\$ 240,000,000	\$ 2,007	—	N/A
2014	\$ 240,000,000	\$ 2,024	—	N/A
2013	\$ 240,000,000	\$ 2,141	—	N/A
2012	\$ 120,000,000	\$ 2,200	—	N/A
2011	—	—	—	—
2010	—	—	—	—
2009	—	—	—	—
2008	—	—	—	—
<u>Debt Securitization – TICC CLO LLC Senior Notes</u>				
2018 (as of September 30, 2018) (unaudited)	\$ —	\$ —	—	—
2017	\$ —	\$ —	—	—
2016	\$ —	\$ —	—	—
2015	\$ —	\$ —	—	—
2014	\$ —	\$ —	—	—
2013	\$ 101,250,000	\$ 2,141	—	N/A
2012	\$ 101,250,000	\$ 2,200	—	N/A
2011	\$ 101,250,000	\$ 3,998	—	N/A
2010	—	—	—	—
2009	—	—	—	—
2008	—	—	—	—

Year	Total Amount Outstanding Exclusive of Treasury Securities⁽¹⁾	Asset Coverage Ratio Per Unit⁽²⁾	Involuntary Liquidation Preference Per Unit⁽³⁾	Average Market Value Per Unit⁽⁴⁾
TICC Funding, LLC Revolving Credit Facility				
2018 (as of September 30, 2018) (unaudited)	\$ —	\$ —	—	—
2017	\$ —	\$ —	—	—
2016	\$ —	\$ —	—	—
2015	\$ —	\$ —	—	—
2014	\$ 150,000,000	\$ 2,024	—	N/A
2013	—	—	—	—
2012	—	—	—	—
2011	—	—	—	—
2010	—	—	—	—
2009	—	—	—	—
2008	—	—	—	—

(1) Total amount of each class of senior securities outstanding at the end of the period presented.

(2) Asset coverage per unit is the ratio of the carrying value of our total consolidated assets, less all liabilities and indebtedness not represented by senior securities, to the aggregate amount of senior securities representing indebtedness. Asset coverage per unit is expressed in terms of dollar amounts per \$1,000 of indebtedness.

(3) The amount to which such class of senior security would be entitled upon the voluntary liquidation of the issuer in preference to any security junior to it. The “—” in this column indicates that the Securities and Exchange Commission expressly does not require this information to be disclosed for the types of senior securities representing indebtedness issued by OXSQ as of the stated time periods.

(4) Not applicable for any of the senior securities (except for the 6.50% Unsecured Notes) as they are not registered for public trading. For the 6.50% Unsecured Notes, the amounts represent the average of the daily closing prices on the NASDAQ Global Select Market for the period from April 12, 2017 (date of issuance) through December 31, 2017 and for the period from January 1, 2018 through September 30, 2018.

BUSINESS

Overview

OXSQ operates as a closed-end, non-diversified management investment company and has elected to be regulated as a BDC under the 1940 Act. We have elected to be treated as a RIC under the Code beginning with our 2003 taxable year. Our investment objective is to maximize our portfolio's total return. Our primary current focus is to seek an attractive risk-adjusted total return by investing primarily in corporate debt securities and CLO structured finance investments that own corporate debt securities. CLO investments may also include 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 in publicly traded debt and/or equity securities. As a BDC, we may not acquire any asset other than "qualifying assets" unless, at the time we make the acquisition, the value of our qualifying assets represents at least 70% of the value of our total assets.

Our capital is generally used by our corporate borrowers to finance organic growth, acquisitions, recapitalizations and working capital. Our investment decisions are based on extensive analysis of potential portfolio companies' business operations supported by an in-depth understanding of the quality of their recurring revenues and cash flow, variability of costs and the inherent value of their assets, including proprietary intangible assets and intellectual property. In making our CLO investments, we consider the indenture structure for that vehicle, its operating characteristics and compliance with its various indenture provisions, as well as its corporate loan-based collateral pool.

We generally expect to invest between \$5.0 million and \$50.0 million in each of our portfolio investments, although this investment size may vary as the size of our capital base changes and market conditions warrant. We invest in both fixed and variable interest rate structures. We expect that our investment portfolio will be diversified among a large number of investments with few investments, if any, exceeding 5% of the total portfolio.

The structures of our investments will vary and we seek to invest across a wide range of different industries. We seek to invest in entities that, as a general matter, have been operating for at least one year prior to the date of our investment and that will, at the time of our investment, have employees and revenues, and which are cash flow positive. Many of these companies are expected to have financial backing provided by other financial or strategic sponsors at the time we make an investment. The portfolio companies in which we invest, however, will generally be considered below investment grade, and their debt securities may in turn be referred to as "junk." A portion of our investment portfolio may consist of debt investments for which issuers are not required to make significant principal payments until the maturity of the senior loans which could result in a substantial loss to us if such issuers are unable to refinance or repay their debt at maturity. In addition, many of the debt securities we hold typically contain interest reset provisions that may make it more difficult for a borrower to repay the loan, heightening the risk that we may lose all or part of our investment.

We also purchase portions of equity and junior debt tranches of CLO vehicles. Substantially all of the CLO vehicles in which we may invest would be deemed to be investment companies under the 1940 Act but for the exceptions set forth in section 3(c)(1) or section 3(c)(7). Other than CLO vehicles, we do not intend to invest, and we would be limited to 15% of our net assets if we did invest, in any types of entities that rely on the exceptions set forth in section 3(c)(1) or section 3(c)(7) of the 1940 Act. Structurally, CLO vehicles are entities that are formed to originate and manage a portfolio of loans. The loans within the CLO vehicle are limited to loans which meet established credit criteria and are subject to concentration limitations in order to limit a CLO vehicle's exposure to a single credit. A CLO vehicle is formed by raising various classes or "tranches" of debt (with the most senior tranches being rated "AAA" to the most junior tranches typically being rated "BB" or "B") and equity. The tranches of CLO vehicles rated "BB" or "B" may be referred to as "junk." The equity of a CLO vehicle is generally required to absorb the CLO's losses before any of the CLO's other tranches, yet it also has the lowest level of payment priority among the CLO's tranches; therefore, the equity is typically the riskiest of CLO investments which, if it were rated, may also be referred to as "junk." We primarily focus on investing in the junior tranches and the equity of CLO vehicles. The CLO vehicles which we focus on are collateralized primarily by senior secured loans made to companies whose debt is unrated or is rated below investment grade, and generally have very little or no direct exposure to real estate, mortgage loans or to pools of consumer-based debt, such as credit card receivables or auto loans. However, there can be no assurance that the collateral securing such senior secured loans would satisfy all of the unpaid principal and interest of our investment in the CLO vehicle in the event of default and the junior tranches, especially the equity tranches, of CLO vehicles are the last tranches to be paid, if at all, in the event of a default. Our investment strategy may also include warehouse facilities, which are financing structures intended to aggregate loans that may be used to form the basis of a CLO vehicle.

We have historically borrowed funds to make investments and may continue to do so. As a result, we are exposed to the risks of leverage, which may be considered a speculative investment technique. Borrowings, also known as leverage, magnify the potential for gain and loss on amounts invested and therefore increase the risks associated with investing in our securities. In addition, the costs associated with our borrowings, including any increase in the management fee payable to our investment adviser, Oxford Square Management, will be borne by our common stockholders.

6.50% Unsecured Notes

On April 12, 2017, we completed an underwritten public offering of approximately \$64.4 million in aggregate principal amount of our 6.50% Unsecured Notes. The 6.50% Unsecured Notes will mature on March 30, 2024, and may be redeemed in whole or in part at any time or from time to time at our option on or after March 30, 2020. The 6.50% Unsecured Notes bear interest at a rate of 6.50% per year payable quarterly on March 30, June 30, September 30, and December 30 of each year. The 6.50% Unsecured Notes are listed on the NASDAQ Global select Market under the trading symbol “OXSQL.”

OXSQ Facility

On June 21, 2018, OXSQ Funding, a special purpose vehicle that is our wholly-owned subsidiary, entered into the OXSQ Facility with Citibank, N.A. On October 12, 2018, OXSQ Funding amended the OXSQ Facility to provide for additional borrowings under the OXSQ Facility. Pursuant to the terms of the OXSQ Facility, as amended, OXSQ Funding may borrow up to \$125.0 million. As of September 30, 2018, OXSQ Funding has borrowed approximately \$87.7 million. Subject to certain exceptions, pricing under the OXSQ Facility is based on the London interbank offered rate for an interest period equal to three months plus a spread of 2.25% per annum. Interest on the outstanding principal amount owing under the OXSQ Facility is payable quarterly in arrears. The OXSQ Facility will mature, and all outstanding principal and accrued and unpaid interest thereunder will be due and payable, on June 21, 2020, and is subject to periodic repayment prior to such date from collections on OXSQ Funding’s loan assets and certain other mandatory payment requirements.

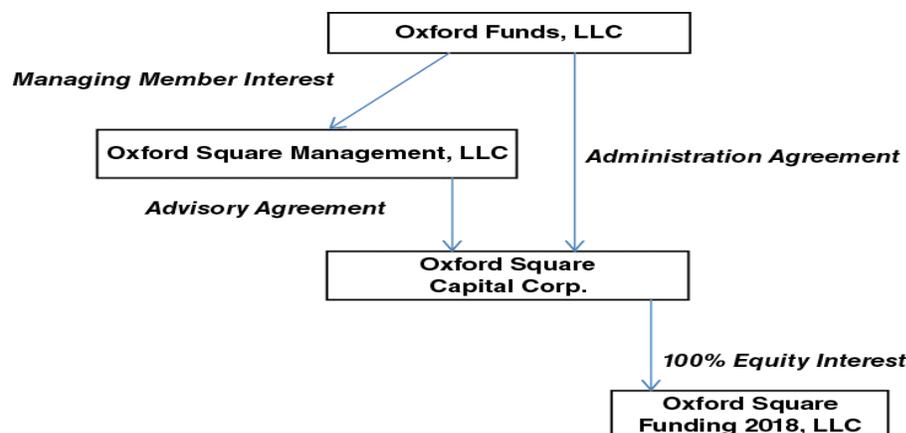
Organizational and Regulatory Structure

Our investment activities are managed by Oxford Square Management. Oxford Square Management is an investment adviser registered under the Advisers Act. Oxford Square Management is owned by Oxford Funds, its managing member, and Charles M. Royce, a member of our Board of Directors who holds a minority, non-controlling interest in Oxford Square Management. Jonathan H. Cohen, our Chief Executive Officer, and Saul B. Rosenthal, our President and Chief Operating Officer, directly or indirectly own or control all of the outstanding equity interests of Oxford Funds. Under the Investment Advisory Agreement, we have agreed to pay Oxford Square Management an annual base management fee based on our gross assets as well as an incentive fee based on our performance. See “Investment Advisory Agreement.”

We were founded in July 2003 and completed an initial public offering of shares of our common stock in November 2003. We are a Maryland corporation and a closed-end, non-diversified management investment company that has elected to be regulated as a BDC under the 1940 Act. As a BDC, we are required to meet certain regulatory tests, including the requirement to invest at least 70% of our total assets in eligible portfolio companies. In addition, we have elected to be treated for U.S. federal income tax purposes, and intend to qualify annually, as a RIC under Subchapter M of the Code.

Our consolidated operations include the activities of our wholly-owned subsidiaries, OXSQ Funding and TICC CLO 2012-1, for the periods during which they were held. OXSQ Funding, a special purpose vehicle, was formed for the purpose of entering into the OXSQ Facility with Citibank, N.A. TICC CLO 2012-1 was formed for the purpose of enabling us to obtain debt financing and is operated solely for our investment activities. TICC CLO 2012-1 ceased operations on August 25, 2017. During the quarter ended December 31, 2017, we, as collateral manager of TICC CLO 2012-1, dissolved TICC CLO 2012-1 pursuant to Delaware law by filing a certificate of cancellation with the Secretary of State in Delaware.

Set forth below is a chart detailing our organizational structure as of December 31, 2018.



Our headquarters are located at 8 Sound Shore Drive, Suite 255, Greenwich, Connecticut and our telephone number is (203) 983-5275.

We file annual, quarterly and current reports, proxy statements and other information with the SEC. The information we file with the SEC is available free of charge by contacting us at 8 Sound Shore Drive, Suite 255, Greenwich, CT 06830 or by telephone at (203) 983-5275 or on our website at www.oxfordsquarecapital.com. The SEC also maintains a website that contains reports, proxy statements and other information regarding registrants, including us, that file such information electronically with the SEC. The address of the SEC's website is <http://www.sec.gov>. Information contained on our website or on the SEC's website about us is not incorporated into this prospectus and you should not consider information contained on our website or on the SEC's website to be part of this prospectus.

Market Overview and Opportunity

Year-to-date September 30, 2018 represented a period of continued strength in the markets in which we participate. From January 1, 2018 to September 30, 2018, the LSTA Corporate Loan index marginally increased, trading at approximately 98.6% of par. At the same time, corporate loan default rates remained at low levels, providing investors with a generally lower-risk, lower-return corporate debt environment. Both our corporate loan and CLO portfolios had strong performance during year-to-date September 30, 2018. During the first half of 2018, the market environment resulted in tighter CLO liability spreads presenting us with ongoing refinancing as well as resetting opportunities. A "reset" is conducted via an optional redemption via refinancing in most CLO indentures. In addition to refinancing the debt tranches of the CLO, a "reset" typically includes modifications of the structure and changes to the indenture including but not limited to: the stated maturity of the debt tranches, the reinvestment period, the non-call period, collateral quality tests, overcollateralization and interest coverage tests and other various provisions of the indenture.

As we executed our strategy of focusing primarily on narrowly-syndicated loans and club deals through purchases in both the primary and secondary markets, we remained mindful of maintaining overall portfolio liquidity. Club deals are corporate loans that are not broadly syndicated, are generally not very liquid, and are typically held by a small number of unique institutional investors. We believe this strategy allowed us to maintain corporate debt investments which had sufficient liquidity to be sold (if necessary) in order to take advantage of market opportunities.

We continue to view our mandate as maximizing the risk-adjusted return on our shareholders' investment in Oxford Square. We view the market opportunity currently available to us as strong and, as a permanent capital vehicle, we have historically been able to take a longer-term view towards our investments.

Competitive Advantages

We believe that we are well positioned to provide financing to corporate borrowers and structured finance vehicles that, in turn, provide capital to corporate borrowers for the following reasons:

- Expertise in credit analysis and monitoring investments; and
- Established transaction sourcing network.

Expertise in credit analysis and monitoring investments

While our investment focus is on middle-market companies, we have invested, and in the future will likely continue to invest, in larger and smaller companies and in other investment structures on an opportunistic basis including CLO investment vehicles. We believe our experience in analyzing middle-market companies and CLO investment structures, as detailed in the biographies of Oxford Square Management's senior investment professionals, affords us a sustainable competitive advantage over lenders with limited experience in investing in these markets. In particular, we have expertise in evaluating the investment merits of middle-market companies as well as the structural features of CLO investments, and monitoring the credit risk of such investments after closing until full repayment.

- Jonathan H. Cohen, our Chief Executive Officer, has more than 25 years of experience in debt and equity research and investment. Mr. Cohen has also served as Chief Executive Officer and a Director of Oxford Lane Capital Corp. (NasdaqGS: OXLC), a registered closed-end fund, and as Chief Executive Officer of its investment adviser, Oxford Lane Management, since 2010. Mr. Cohen has also served as the Chief Executive Officer of Oxford Bridge Management, LLC, the investment adviser to the Oxford Bridge Funds, and Oxford Gate Management, LLC, the investment adviser to the Oxford Gate Funds, since 2015 and 2018, respectively. Previously, Mr. Cohen managed technology equity research groups at Wit Capital, Merrill Lynch, UBS and Smith Barney. Mr. Cohen is a member of the Board of Trustees of Connecticut College. Mr. Cohen received a B.A. in Economics from Connecticut College and an M.B.A. from Columbia University.
- Saul B. Rosenthal, our President and Chief Operating Officer, has 18 years of experience in the capital markets, with a focus on middle-market transactions. In addition, Mr. Rosenthal has served as President and a Director of Oxford Lane Capital Corp. (NasdaqGS: OXLC), a registered closed-end fund, and as President of Oxford Lane Management, since 2010. Mr. Rosenthal has also served as President of Oxford Bridge Management, the investment adviser to the Oxford Bridge Funds, and Oxford Gate Management, LLC, the investment adviser to the Oxford Gate Funds, since 2015 and 2018, respectively. Mr. Rosenthal was previously an attorney at the law firm of Shearman & Sterling LLP. Mr. Rosenthal serves on the boards of Lift Forward, Inc. and the National Museum of Mathematics. Mr. Rosenthal received a B.S., magna cum laude, from the Wharton School of the University of Pennsylvania, a J.D. from Columbia University Law School, where he was a Harlan Fiske Stone Scholar, and a LL.M. (Taxation) from New York University School of Law.

- Darryl Monasebian is the Executive Vice President and head of risk and portfolio management of Oxford Square Management, and also holds those same positions at Oxford Lane Management, the investment adviser to Oxford Lane Capital Corp. and Oxford Bridge Management, the investment adviser to the Oxford Bridge Funds, and Oxford Gate Management, LLC, the investment adviser to the Oxford Gate Funds. Prior to joining Oxford Square Management, Mr. Monasebian was a director in the Merchant Banking Group at BNP Paribas, and prior to that he was a director at Swiss Bank Corporation and a senior account officer at Citibank. He began his business career at Metropolitan Life Insurance Company as an investment analyst in the Corporate Investments Department. Mr. Monasebian received a B.S. in Management Science/Operations Research from Case Western Reserve University and a Masters of Business Administration from Boston University's Graduate School of Management.
- Debdeep Maji is a Senior Managing Director of Oxford Square Management, and also holds the same position at Oxford Lane Management, the investment adviser to Oxford Lane Capital Corp. and at Oxford Bridge Management, the investment adviser to the Oxford Bridge Funds, and Oxford Gate Management, LLC, the investment adviser to the Oxford Gate Funds. Mr. Maji graduated from the Jerome Fisher Program in Management and Technology at the University of Pennsylvania where he received a Bachelor of Science degree in Economics from the Wharton School (and was designated a Joseph Wharton Scholar) and a Bachelor of Applied Science from the School of Engineering.
- Kevin Yonon is a Managing Director of Oxford Square Management, and also holds the same position at Oxford Lane Management, the investment adviser to Oxford Lane Capital Corp. and at Oxford Bridge Management, the investment adviser to the Oxford Bridge Funds, and Oxford Gate Management, LLC, the investment adviser to the Oxford Gate Funds. Previously, Mr. Yonon was an Associate at Deutsche Bank Securities and prior to that he was an Analyst at Blackstone Mezzanine Partners. Before joining Blackstone, he worked as an Analyst at Merrill Lynch in the Mergers & Acquisitions group. Mr. Yonon received a B.S. in Economics with concentrations in Finance and Accounting from the Wharton School at the University of Pennsylvania, where he graduated magna cum laude, and an M.B.A. from the Harvard Business School.

Established deal sourcing network

Through the investment professionals of Oxford Square Management, we have extensive contacts and sources from which to generate investment opportunities. These contacts and sources include private equity funds, companies, brokers and bankers. We believe that senior professionals of Oxford Square Management have developed strong relationships within the investment community over their years within the banking, investment management and equity research fields.

INVESTMENT PROCESS

Identification

We identify opportunities in the CLO market through our network of brokers, dealers, agent banks, collateral managers and sponsors that we have worked with for several years. The CLO vehicles which we focus on are collateralized primarily by senior secured loans made to companies whose debt is unrated or is rated below investment grade, and generally have very little or no direct exposure to real estate, mortgage loans or to pools of consumer-based debt, such as credit card receivables or auto loans.

We identify and source new prospective corporate debt investments through a network of funds, investment banks, accounting and law firms and direct company relationships. We have identified several criteria that we believe are important in seeking our investment objective. These criteria provide general guidelines for our investment decisions; however, we do not require each prospective investment to meet all or any specific number of these criteria.

- *Experienced management.* We generally require that our portfolio companies have an experienced management team. We also prefer the portfolio companies to have in place proper incentives to induce management to succeed and to act in concert with our interests as investors, including having significant equity interests.
- *Significant financial or strategic sponsor and/or strategic partner.* We prefer to invest in companies in which established private equity or venture capital funds or other financial or strategic sponsors have previously invested and are willing to make an ongoing contribution to the management of the business, including participation as board members or as business advisers.
- *Strong competitive position in industry.* We seek to invest in companies that have developed a competitive position within their respective sector or niche of a specific industry.

- *Profitable on a cash flow basis.* We focus on companies that are profitable or nearly profitable on an operating cash flow basis. Typically, we would not expect to invest in start-up companies.
- *Clearly defined exit strategy.* Prior to making a direct corporate equity investment and/or an investment in a debt security that is accompanied by an equity-based security in a portfolio company, we analyze the potential for that company to increase the liquidity of its common equity through a future event that would enable us to realize appreciation, if any, in the value of our equity interest. Liquidity events may include an initial public offering, a merger or an acquisition of the company, a private sale of our equity interest to a third party, or a purchase of our equity position by the company or one of its stockholders.
- *Liquidation value of assets.* Although we do not operate as an asset-based lender, the prospective liquidation value of the assets, if any, collateralizing the debt securities that we hold is a consideration in our credit analysis. We consider both tangible assets, such as accounts receivable, inventory and equipment, and intangible assets, such as intellectual property, software code, customer lists, networks and databases.

Due diligence

Our due diligence process generally includes some or all of the following elements:

Corporate Loans

Management team and financial sponsor

- management assessment including a review of management’s track record with respect to product development, sales and marketing, mergers and acquisitions, alliances, collaborations, research and development outsourcing and other strategic activities; and
- financial sponsor reputation, track record, experience and knowledge (where a financial sponsor is present in a transaction).

Business

- industry and competitive analysis;
- assessment of likely exit strategies; and
- potential regulatory/legal issues.

Financial condition

- detailed review of the historical financial performance and the quality of earnings;
- development of detailed pro forma financial projections; and
- review of assets and liabilities, including contingent liabilities.

Structured Finance Vehicles

- review of indenture structures;
- review of underlying collateral loans;
- analysis of projected future cash flows; and
- analysis of compliance with covenants.

Contemporaneous with our due diligence process, the investment team presents the investment proposal to our Investment Committee, which currently consists of Messrs. Cohen, Rosenthal and Monasebian. Our Investment Committee reviews and approves each of our portfolio investments.

Investment Characteristics

In identifying corporate debt investments, we seek to ascertain the asset quality as well as the earnings quality of our prospective portfolio companies. Frequently, we obtain a senior secured position and thus receive a perfected, first or second priority security interest in substantially all of our portfolio companies' assets, which entitles us to a preferred position on payments in the event of liquidation. It should be noted, however, that because we are not primarily an asset-based lender, in the current economic environment, the value of collateral and security interests may dissipate rapidly. In addition, in certain investments we seek loan covenants or to participate in syndicated loans that incorporate loan covenants that assist in the early identification of risk. Our loan documents may include affirmative covenants that require the portfolio company to take specific actions such as periodic financial reporting, notification of material events and compliance with laws, restrictive covenants that prevent portfolio companies from taking a range of significant actions such as incurring additional indebtedness or making acquisitions without our consent, covenants requiring the portfolio company to maintain or achieve specified financial ratios such as debt to cash flow and interest coverage and operating covenants requiring them to maintain certain operational benchmarks such as minimum revenue or minimum cash flow. Our loan documents also provide protection against customary events of default such as non-payment, breach of covenant, insolvency and change of control.

MONITORING RELATIONSHIPS WITH PORTFOLIO COMPANIES

Monitoring

We monitor the financial trends of each portfolio company to assess the appropriate course of action for each investment and to evaluate overall portfolio quality. We closely monitor the status and performance of each individual company on at least a quarterly and, in some cases, a monthly basis.

We have several methods of evaluating and monitoring the performance of our investments, including but not limited to the following:

- assessment of business development success, and the portfolio company's overall adherence to its business plan; and
- review of monthly and/or quarterly financial statements and financial projections for portfolio companies.

In addition, we may from time to time identify investments that require closer monitoring or become workout assets. In such cases, we will develop a strategy for workout assets and periodically gauge our progress against that strategy. As a private debt holder, we may incur losses from our investing activities from time to time, however we attempt where possible to work with troubled portfolio companies in order to recover as much of our investments as is practicable.

Portfolio Grading

We have developed a credit grading system to monitor the quality of our debt investment portfolio. We use an investment rating scale of 1 to 5. The following table provides a description of the conditions associated with each debt investment. Equity securities, including CLO equity tranches, are not graded.

Grade	Summary Description
1	Company is ahead of expectations and/or outperforming financial covenant requirements of the specific tranche and such trend is expected to continue.
2	Full repayment of the outstanding amount of OXSQ's cost basis and interest is expected for the specific tranche.
3	Closer monitoring is required. Full repayment of the outstanding amount of OXSQ's cost basis and interest is expected for the specific tranche.
4	A loss of interest income has occurred or is expected to occur and, in most cases, the investment is placed on non-accrual status. Full repayment of the outstanding amount of OXSQ's cost basis is expected for the specific tranche.
5	Full repayment of the outstanding amount of OXSQ's cost basis is not expected for the specific tranche and the investment is placed on non-accrual status.

Significant Managerial assistance

As a BDC, we are required to offer significant managerial assistance to portfolio companies. This assistance, were it to be accepted, would typically involve monitoring the operations of portfolio companies, participating in their board and management meetings, consulting with and advising their officers and providing other organizational and financial guidance.

Portfolio Overview

We seek to create a portfolio that includes primarily CLO investments senior secured loans, senior subordinated and junior subordinated debt investments, as well as warrants and other equity instruments we may receive in connection with such debt investments. We generally expect to invest between \$5 million and \$50 million in each of our portfolio companies. We expect that our investment portfolio will be diversified among a large number of investments with few investments, if any, exceeding 5% of the total portfolio.

The following is a representative list of the industries in which we have invested:

- Structured finance
- Telecommunication services
- Business services
- Printing and publishing
- Financial intermediaries
- Software
- Consumer services
- Diversified insurance
- IT consulting
- Logistics
- Healthcare
- Utilities
- Aerospace and Defense
- Education

During the quarter ended September 30, 2018, we invested approximately \$91.8 million. At September 30, 2018, our portfolio was invested in approximately 57.5% in senior secured notes, 37.8% in CLO equity and 4.7% in CLO debt and other investments.

TEN LARGEST PORTFOLIO INVESTMENTS AS OF SEPTEMBER 30, 2018

Our ten largest portfolio company investments at September 30, 2018, based on the combined fair value of the debt and equity securities we hold in each portfolio company, were as follows:

For a description of the factors relevant to the changes in the value of the above portfolio investments for the quarter ended September 30, 2018, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Portfolio Grading.”

Set forth below are descriptions of the ten largest portfolio investments as of September 30, 2018:

		At September 30, 2018		
		(\$ in millions)		
Portfolio Company	Industry	Cost	Fair Value	Fair Value Percentage of Total Portfolio
Sound Point CLO XVI, Ltd.	Structured Finance	\$ 43.9	\$ 42.8	8.46%
Premiere Global Services, Inc.	Business Services	23.8	23.7	4.70%
Quest Software	Software	20.8	20.9	4.14%
Keystone Acquisition Corp.	Healthcare	20.4	20.6	4.07%
Global Tel Link Corp	Telecommunications Services	19.9	20.1	3.97%
ECi Software Solutions	Software	19.9	19.9	3.95%
OMNIA Partners, Inc.	Business Services	19.9	19.8	3.91%
Help/Systems Holdings, Inc.	Software	19.5	19.6	3.88%
Telos CLO 2014-5, Ltd.	Structured Finance	19.4	18.3	3.62%
Intralinks, Inc.	Business Services	17.6	17.7	3.51%
		\$ 225.1	\$ 223.4	44.2%

Sound Point CLO XVI, Ltd.

Sound Point CLO XVI, Ltd. is a collateralized loan obligation investing primarily in U.S.-based senior secured loans. As of September 30, 2018, approximately \$45.5 million remained outstanding on our investment.

Premiere Global Services, Inc.

Premiere Global Services, Inc. is a provider of audio conferencing, web-based and video collaboration services. As of September 30, 2018, approximately \$15.0 million and \$10.0 million remained outstanding on our investment in the first lien notes and second lien notes, respectively.

Quest Software

Quest Software is an infrastructure software provider. They have five main product/service offerings: Platform Management, Information Management, Identity Management, Data Protection, and Endpoint Management. As of September 30, 2018, approximately \$6.0 million and \$15.0 million remained outstanding on our investment in the first lien notes and second lien notes, respectively.

Keystone Acquisition Corp.

Keystone Acquisition Corp. is a Quality Improvement Organization that is involved in healthcare care management, quality assurance, and cost containment services for providers of physical and behavioral health services. As of September 30, 2018, approximately \$7.6 million and \$13.0 million remained outstanding on our investment in the first lien notes and second lien notes, respectively.

Global Tel Link Corp.

Global Tel Link is a provider of telecom and technology products and services used by inmates, investigators and administrators in the corrections industry. As of September 30, 2018, approximately \$3.0 million and \$17.0 million remained outstanding on our investment in the first lien notes and second lien notes, respectively.

ECi Software Solutions

ECi Software Solutions is a global end-to-end provider of Enterprise Resource Planning software to more than 14,200 Small- and Medium-Sized Businesses primarily across four end-market verticals (i.e., manufacturing, distribution, field services, and building & construction), with an in-depth manufacturing capability. As of September 30, 2018, approximately \$5.0 million and \$15.0 million remained outstanding on our investment in the

first lien notes and second lien notes, respectively.

OMNIA Partners, Inc.

OMNIA Partners, Inc. is a group purchasing organization operating through both the public and private sectors. As of September 30, 2018, approximately \$6.0 million and \$14.0 million remained outstanding on our investment in the first lien notes and second lien notes, respectively.

Help/Systems Holdings, Inc.

Help/Systems Holdings, Inc. is a provider of a suite of infrastructure software solutions that automate IT operations, secure IT systems and inform key stakeholders for customers worldwide. As of September 30, 2018, approximately \$4.0 million and \$15.5 million remained outstanding on our investment in the first lien notes and second lien notes, respectively.

Telos CLO 2014-5, Ltd.

Telos CLO 2014-5, Ltd is a collateralized loan obligation investing primarily in U.S.-based senior secured loans. As of September 30, 2018, approximately \$28.5 million remained outstanding on our investment.

Intralinks, Inc.

Intralinks, Inc. is a provider of cloud-based secured virtual data rooms. As of September 30, 2018, approximately \$9.6 million and \$8.0 million remained outstanding on our investment in the first lien notes and second lien notes, respectively.

Competition

Our primary competitors to provide financing to primarily non-public companies include private equity and venture capital funds, other equity and non-equity based investment funds, including other business development companies, and investment banks and other sources of financing, including traditional financial services companies such as commercial banks and specialty finance companies. Many of these entities have greater financial and managerial resources than we will have. For additional information concerning the competitive risks we face, see “Risk Factors — Risks Relating to Our Business and Structure — We operate in a highly competitive market for investment opportunities.”

Employees

We have no employees. Our day-to-day investment operations are managed by our investment adviser. In addition, we reimburse Oxford Funds for an allocable portion of expenses incurred by it in performing its obligations under the Administration Agreement, including a portion of the rent and the compensation of our Chief Financial Officer, Treasurer, Controller, accounting staff and any administrative support staff. We will also pay the costs associated with the functions performed by our Chief Compliance Officer under the terms of an agreement between us and Alaric Compliance Services.

Properties

We do not own any real estate or other physical properties materially important to our operation. Our headquarters are located at 8 Sound Shore Drive, Suite 255, Greenwich, Connecticut, where we occupy our office space pursuant to our Administration Agreement with Oxford Funds. We believe that our office facilities are suitable and adequate for our business as it is presently conducted.

Legal Proceedings

We are not currently subject to any material legal proceedings. From time to time, we may be a party to certain legal proceedings in the ordinary course of business, including proceedings relating to the enforcement of our rights under contracts with our portfolio companies. While the outcome of these legal proceedings cannot be predicted with certainty, we do not expect that these proceedings will have a material effect upon our financial condition or results of operations.

PORTFOLIO COMPANIES

The following table sets forth certain information as of September 30, 2018 regarding each portfolio company in which we have a debt or equity investment. The general terms of our loans and other investments are described in “Business — Investment Process — Investment Structuring.” We offer to make available significant managerial assistance to our qualified portfolio companies. We may receive rights to observe the meetings of our portfolio companies’ board of directors. Other than these investments, our only relationships with our portfolio companies are the managerial assistance we may separately provide to our portfolio companies, which services would be ancillary to our investments.

COMPANY/INVESTMENT ⁽¹⁾	ADDRESS OF PORTFOLIO COMPANY	PERCENTAGE OF CLASS HELD	COST	FAIR VALUE ⁽²⁾	% of Net Assets
Senior Secured Notes					
Aerospace and Defense					
Novetta, LLC					
first lien senior secured notes, 7.25% (LIBOR + 5.00%), (1.00% floor) due October 16, 2022 ⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽¹⁶⁾⁽²¹⁾	7921 Jones Branch Drive McLean, VA 22102		— \$ 5,493,464	\$ 5,348,879	
Total Aerospace and Defense			\$ 5,493,464	\$ 5,348,879	1.5%
Business Services					
Access CIG					
second lien senior secured notes, 9.99% (LIBOR + 7.75%), (0.00% floor) due February 27, 2026 ⁽⁴⁾⁽⁵⁾⁽¹⁴⁾⁽¹⁶⁾⁽²¹⁾	500 Unicorn Park Drive, Suite 503 Woburn, MA 01801		— \$ 13,707,698	\$ 13,639,255	
first lien incremental senior secured notes, 5.99% (LIBOR + 3.75%), (0.00% floor) due February 27, 2025 ⁽⁴⁾⁽⁵⁾⁽¹⁴⁾⁽¹⁶⁾			497,500	499,988	
second lien incremental senior secured notes, 9.99% (LIBOR + 7.75%), (0.00% floor) due February 27, 2026 ⁽⁴⁾⁽⁵⁾⁽¹⁴⁾⁽¹⁶⁾			2,420,536	2,403,000	
Convergent Technologies, LLC					
second lien senior secured notes, 9.08% (LIBOR + 6.75%), (0.75% floor) due February 2, 2026 ⁽⁴⁾⁽⁵⁾⁽¹⁶⁾⁽²¹⁾	DG Investment Intermediate Holdings 2, Inc. One Commerce Drive Schaumburg, Illinois 60173		— 1,493,022	1,505,610	
Imagine! Print Solutions					
second lien senior secured notes, 11.00% (LIBOR + 8.75%), (1.00% floor) due June 21, 2023 ⁽⁴⁾⁽⁵⁾⁽¹⁶⁾⁽²¹⁾	1000 Valley Park Drive Minneapolis, MN 55379		— 14,834,659	12,787,500	
Intralinks, Inc.					
first lien senior secured notes, 6.25% (LIBOR + 4.00%), (1.00% floor) due November 14, 2024 ⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽¹⁴⁾⁽¹⁶⁾⁽²¹⁾	150 East 42nd Street, 8th Floor New York, NY 10017		— 9,635,871	9,664,418	
second lien senior secured notes, 10.25% (LIBOR + 8.00%), (1.00% floor) due November 14, 2025 ⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽¹⁴⁾⁽¹⁶⁾⁽²¹⁾			7,973,013	8,069,814	
OMNIA Partners, Inc.					
first lien senior secured notes, 6.14% (LIBOR + 3.75%), (0.00% floor) due May 23, 2025 ⁽⁴⁾⁽⁵⁾⁽¹⁴⁾⁽¹⁵⁾⁽²¹⁾	National Intergovernmental Purchasing Alliance Company 840 Crescent Centre Drive, Suite 600 Franklin, TN 37067		— 5,986,337	5,999,963	
second lien senior secured notes, 9.89% (LIBOR + 7.50%), (0.00% floor) due May 22, 2026 ⁽⁴⁾⁽⁵⁾⁽¹⁴⁾⁽¹⁵⁾⁽²¹⁾			13,934,339	13,755,000	
Premiere Global Services, Inc.					
senior secured notes, 8.84% (LIBOR + 6.50%), (1.00% floor) due December 8, 2021 ⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽¹⁴⁾⁽¹⁵⁾⁽²¹⁾	3280 Peachtree Rd N.E, Suite 1000 Atlanta, GA 30305		— 14,008,557	14,382,212	
second lien senior secured notes, 11.83% (LIBOR + 9.50%), (1.00% floor) due June 6, 2022 ⁽⁴⁾⁽⁵⁾⁽¹⁴⁾⁽¹⁵⁾⁽²¹⁾			9,774,987	9,350,000	

Verifone Systems, Inc.

first lien senior secured notes, 6.32% One Letterman
(LIBOR + 4.00%), (0.00% floor) due August Drive, Building C,
20, 2025⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽¹⁵⁾ Suite 410
San Francisco, CA
94120 — 6,965,457 7,042,000

second lien senior secured notes, 10.32%
(LIBOR + 8.00%), (0.00% floor) due August
20, 2026⁽⁴⁾⁽⁵⁾⁽¹⁵⁾ 7,921,203 7,970,000

Total Business Services **\$109,153,179** **\$107,068,760** **29.1%**

Diversified Insurance**AmeriLife Group LLC**

first lien senior secured notes, 2650 McCormick
6.99% (LIBOR + 4.75%), (1.00% Drive
floor) due July 10, 2022⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽¹⁶⁾⁽²¹⁾ Clearwater, FL
33759 — \$ 14,926,112 \$ 14,985,762

Total Diversified Insurance **\$ 14,926,112** **\$ 14,985,762** **4.1%**

Education**Edmentum, Inc. (f/k/a Plato, Inc.)**

first lien senior secured notes,
6.84% (LIBOR + 4.50%), (1.00% floor) 5600 W 83rd St
Cash, 4.00% PIK due June 9, 2021⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾ Bloomington, MN
(15)(21) 55437 — \$ 5,811,086 \$ 4,776,995

Total Education **\$ 5,811,086** **\$ 4,776,995** **1.3%**

Financial Intermediaries**First American Payment Systems**

second lien senior secured notes, 100
12.62% (LIBOR + 10.50%), (1.00% floor) Throckmorton
due July 5, 2024⁽⁴⁾⁽⁵⁾⁽¹⁶⁾⁽²¹⁾ Street, Suite 1800
Fort Worth,
Texas 76102 — \$ 1,462,147 \$ 1,500,615

Lighthouse Network, LLC (f/k/a Harbortouch Payments, LLC)

first lien senior secured notes, 2202 North Irving
6.84% (LIBOR + 4.50%), (1.00% floor) Street
due November 30, 2024⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽¹⁵⁾⁽²¹⁾ Allentown, PA
18109 — 3,458,132 3,497,649

second lien senior secured notes,
10.84% (LIBOR + 8.50%), (1.00% floor)
due November 30, 2025⁽⁴⁾⁽⁵⁾⁽¹⁵⁾⁽²¹⁾ 11,889,921 11,925,000

Total Financial Intermediaries **\$ 16,810,200** **\$ 16,923,264** **4.6%**

Healthcare**Keystone Acquisition Corp.**

first lien senior secured notes, 777 East Park
7.64% (LIBOR + 5.25%), (1.00% floor) Drive
due May 1, 2024⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽¹⁴⁾⁽¹⁵⁾⁽²¹⁾ Harrisburg, PA
17111 — \$ 7,519,346 \$ 7,581,564

second lien senior secured notes,
11.64% (LIBOR + 9.25%), (1.00% floor)
due May 1, 2025⁽⁴⁾⁽⁵⁾⁽¹⁴⁾⁽¹⁵⁾⁽²¹⁾ 12,850,521 13,000,000

MedPlast Holdings Inc.

first lien senior secured notes, MedPlast
6.09% (LIBOR + 3.75%), (0.00% floor) Holdings, Inc.
due July 2, 2025⁽⁴⁾⁽⁵⁾⁽¹⁵⁾ c/o JLL Partners,
Inc.
245 Park Avenue,
Suite 1601
New York, NY
10167 — 9,999,877 10,118,800

second lien senior secured notes,
10.09% (LIBOR + 7.75%), (0.00% floor)
due July 2, 2026⁽⁴⁾⁽⁵⁾⁽¹⁵⁾ 4,952,041 5,062,500

Total Healthcare **\$ 35,321,785** **\$ 35,762,864** **9.7%**

Logistics**Capstone Logistics Acquisition, Inc.**

first lien senior secured notes, 6.74% (LIBOR + 4.50%), (1.00% floor) due October 7, 2021 ⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽¹⁶⁾⁽²¹⁾	6525 The Corners Pky Suite 520 Norcross, GA 30092	—	\$ 12,452,805	\$ 12,476,611	
Total Logistics			\$ 12,452,805	\$ 12,476,611	3.4%
Printing and Publishing					
Merrill Communications, LLC					
first lien senior secured notes, 7.59% (LIBOR + 5.25%), (1.00% floor) due June 01, 2022 ⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽¹⁵⁾⁽²¹⁾	One Merrill Circle St. Paul, MN 55108	—	\$ 5,691,183	\$ 5,748,988	
Total Printing and Publishing			\$ 5,691,183	\$ 5,748,988	1.6%

(continued on next page)

See Accompanying Notes.

COMPANY/INVESTMENT ⁽¹⁾	ADDRESS OF PORTFOLIO COMPANY OF CLASS HELD	COST	FAIR VALUE ⁽²⁾	% of Net Assets
Senior Secured Notes - (continued)				
Software				
ECI Software Solutions				
first lien senior secured notes, 6.64% (LIBOR + 4.25%), (0.00% floor) due September 27, 2024 ⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽¹⁴⁾⁽¹⁵⁾	5455 Rings Road, Suite 400 Dublin, OH, 43017	— \$ 4,990,602	\$ 5,018,404	
second lien senior secured notes, 10.39% (LIBOR + 8.00%), (1.00% floor) due September 29, 2025 ⁽⁴⁾⁽⁵⁾⁽¹⁴⁾⁽¹⁵⁾⁽²¹⁾		14,904,622	14,925,000	
Help/Systems Holdings, Inc.				
first lien senior secured notes, 5.99% (LIBOR + 3.75%), (0.00% floor) due March 28, 2025 ⁽⁴⁾⁽⁵⁾⁽¹⁴⁾⁽¹⁶⁾	6533 Flying Cloud Drive Suite 200 Eden Prairie, MN 55344	— 3,999,268	4,009,950	
second lien senior secured notes, 9.99% (LIBOR + 7.75%), (1.00% floor) due March 27, 2026 ⁽⁴⁾⁽⁵⁾⁽¹⁴⁾⁽¹⁶⁾⁽²¹⁾		15,492,319	15,577,500	
Quest Software				
first lien senior secured notes, 6.57% (LIBOR + 4.25%), (0.00% floor) due May 16, 2025 ⁽⁴⁾⁽⁵⁾⁽¹⁴⁾⁽¹⁵⁾⁽²¹⁾	One Letterman Drive, Building C, Suite 410 San Francisco, CA 94120	— 5,970,434	6,045,000	
second lien senior secured notes, 10.57% (LIBOR + 8.25%), (0.00% floor) due May 18, 2026 ⁽⁴⁾⁽⁵⁾⁽¹⁴⁾⁽²¹⁾⁽²²⁾		14,852,080	14,859,450	
Total Software		\$ 60,209,325	\$ 60,435,304	16.4%
Telecommunications Services				
Global Tel Link Corp				
first lien senior secured notes, 6.39% (LIBOR + 4.00%), (0.00% floor) due May 22, 2020 ⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽¹⁴⁾⁽¹⁵⁾	12021 Sunset Hills Road Suite 100 Reston, VA 20190	— \$ 3,004,099	\$ 2,998,208	
second lien senior secured notes, 10.64% (LIBOR + 8.25%), (1.25% floor) due November 23, 2020 ⁽⁴⁾⁽⁵⁾⁽¹⁴⁾⁽¹⁵⁾⁽²¹⁾		16,928,386	17,063,750	
Total Telecommunication Services		\$ 19,932,485	\$ 20,061,958	5.4%
Utilities				
CLEAResult Consulting, Inc.				
first lien senior secured notes, 5.62% (LIBOR + 3.50%), (0.00% floor) due August 8, 2025 ⁽⁴⁾⁽⁵⁾⁽¹⁴⁾⁽¹⁶⁾	CRCI Longhorn Holdings, Inc. 100 SW Main, Suite 1500 Portland, OR 97204	— \$ 4,975,408	\$ 5,009,400	
second lien senior secured notes, 9.37% (LIBOR + 7.25%), (0.00% floor) due August 10, 2026 ⁽⁴⁾⁽⁵⁾⁽¹⁴⁾⁽¹⁶⁾		1,985,144	2,000,000	
Total Utilities		\$ 6,960,552	\$ 7,009,400	1.9%
Total Senior Secured Notes		\$292,762,176	\$ 290,598,785	79.0%

(continued on next page)

See Accompanying Notes.

COMPANY/INVESTMENT ⁽¹⁾	ADDRESS OF PORTFOLIO COMPANY	PERCENTAGE OF CLASS HELD	COST	FAIR VALUE ⁽²⁾	% of Net Assets
Collateralized Loan Obligation – Debt Investments					
Structured Finance					
Galaxy XXVIII CLO, Ltd.					
CLO secured class F notes, 12.95% (LIBOR + 8.48%), due July 15, 2031 ⁽⁴⁾⁽⁵⁾⁽¹¹⁾⁽¹²⁾⁽¹⁵⁾	c/o MaplesFS Limited P.O. Box 1093 Queensgate House Grand Cayman, KY1-1102, Cayman Islands	—	\$ 926,217	\$ 998,100	
Jamestown CLO V Ltd.					
CLO secured class F notes, 7.58% (LIBOR + 5.85%), due January 17, 2027 ⁽⁴⁾⁽⁵⁾⁽¹¹⁾⁽¹²⁾⁽¹⁵⁾	c/o Appleby Trust (Cayman) Ltd. Clifton House, 75 Fort Street PO Box 1350 Grand Cayman KY1-1108, Cayman Islands	—	3,365,250	3,525,200	
Total Structured Finance			\$ 4,291,467	\$ 4,523,300	1.2%
Total Collateralized Loan Obligation - Debt Investments			\$ 4,291,467	\$ 4,523,300	1.2%
Collateralized Loan Obligation - Equity Investments					
Structured Finance					
AMMC CLO XI, Ltd.					
CLO subordinated notes, estimated yield 13.27% due April 30, 2031 ⁽⁹⁾⁽¹¹⁾⁽¹²⁾⁽¹⁷⁾	c/o MaplesFS Limited P.O. Box 1093 Queensgate House, Grand Cayman, KY1-1102 Cayman Islands	13.5%	\$ 3,730,925	\$ 3,420,000	
AMMC CLO XII, Ltd.					
CLO subordinated notes, estimated yield 13.34% due November 10, 2030 ⁽⁹⁾⁽¹¹⁾⁽¹²⁾⁽¹⁷⁾	c/o MaplesFS Limited P.O. Box 1093 Queensgate House, Grand Cayman, KY1-1102 Cayman Islands	32.3%	6,821,665	5,685,429	
Babson CLO Ltd. 2015-I					
CLO subordinated notes, estimated yield 18.52% due January 20, 2031 ⁽⁹⁾⁽¹¹⁾⁽¹²⁾⁽¹⁷⁾	c/o Intertrust SPV (Cayman) Limited, 190 Elgin Avenue George Town Grand Cayman, KY1-9005 Cayman Islands	5.9%	1,903,467	1,817,600	
Carlyle Global Market Strategies CLO					

2013-2, Ltd.

CLO subordinated notes, estimated yield 19.46% due January 18, 2029 ⁽⁹⁾⁽¹¹⁾⁽¹²⁾⁽¹⁷⁾	c/o Intertrust SPV (Cayman) Limited, 190 Elgin Avenue	18.5%	5,509,986	5,980,655
	George Town Grand Cayman, KY1-9005 Cayman Islands			

Catamaran CLO 2012-1 Ltd.

CLO subordinated notes, estimated yield 0.00% due December 20, 2023 ⁽⁹⁾⁽¹⁰⁾⁽¹¹⁾⁽¹²⁾ (17)	c/o Appleby Trust (Cayman) Ltd. Clifton House 75 Fort Street PO Box 1350 Grand Cayman KY1-1108 Cayman Islands	64.1%	2,377,105	-
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Cedar Funding II CLO, Ltd.

CLO subordinated notes, estimated yield 12.89% due March 09, 2025 ⁽⁹⁾⁽¹¹⁾⁽¹²⁾⁽¹⁷⁾	c/o Esera Trust (Cayman) Limited, Clifton House 75 Fort Street PO Box 1350 Grand Cayman KY1-1108 Cayman Islands	51.8%	13,646,899	12,060,000
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See Accompanying Notes.

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ADDRESS OF PERCENTAGE

PORTFOLIO OF

COMPANY CLASS HELD COST FAIR VALUE⁽²⁾ % of Net

Assets

COMPANY/INVESTMENT⁽¹⁾

Collateralized Loan Obligation - Equity Investments
(continued)

Structured Finance - (continued)

Cedar Funding VI CLO, Ltd.