

## Section 1: 10-Q (10-Q)

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2018

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

COMMISSION FILE NUMBER: 0-50398

**OXFORD SQUARE CAPITAL CORP.**

(Exact name of registrant as specified in its charter)

**MARYLAND**

(State or other jurisdiction of  
incorporation or organization)

**20-0188736**

(I.R.S. Employer  
Identification No.)

**8 SOUND SHORE DRIVE, SUITE 255  
GREENWICH, CONNECTICUT 06830**

(Address of principal executive office)

**(203) 983-5275**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See definitions of "large accelerated filer", "accelerated filer", "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Non-accelerated filer

Emerging growth company

Accelerated filer

Smaller Reporting company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. The number of

shares of the issuer's common stock, \$0.01 par value, outstanding as of October 30, 2018 was 48,499,816.

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OXFORD SQUARE CAPITAL CORP.

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**PART I — FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**OXFORD SQUARE CAPITAL CORP.**

**CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES**

	<b>September 30, 2018</b>	<b>December 31, 2017</b>
	<b>(unaudited)</b>	
<b>ASSETS</b>		
Non-affiliated/non-control investments (cost of \$506,898,656 and \$418,990,080, respectively)	\$ 486,312,794	\$ 400,223,439
Affiliated investments (cost of \$9,126,017 and \$10,528,740, respectively)	19,103,214	18,218,787
Cash equivalents	8,636,939	30,013,842
Restricted cash	3,450,325	—
Interest and distributions receivable	4,706,982	5,085,494
Other assets	508,139	579,694
Total assets	<u>\$ 522,718,393</u>	<u>\$ 454,121,256</u>
<b>LIABILITIES</b>		
Notes payable – Credit Facility, net of deferred issuance costs	\$ 87,534,595	\$ —
Notes payable – 6.50% Unsecured Notes, net of deferred issuance costs	62,583,019	62,340,159
Base management fee and net investment income incentive fee payable to affiliate	3,404,982	2,706,099
Accrued interest payable	364,738	11,621
Accrued expenses	563,644	644,735
Total liabilities	<u>154,450,978</u>	<u>65,702,614</u>
<b>COMMITMENTS AND CONTINGENCIES (Note 13)</b>		
<b>NET ASSETS</b>		
Common stock, \$0.01 par value, 100,000,000 shares authorized; 49,146,266 and 51,479,409 shares issued and outstanding, respectively	491,463	514,794
Capital in excess of par value	514,216,403	529,297,749
Distributions in excess of net investment income	(29,999,484)	(25,072,262)
Net unrealized depreciation on investments	(10,608,665)	(11,076,594)
Accumulated net realized losses on investments	(100,580,578)	(100,007,929)
Accumulated realized losses on extinguishment of debt	(5,251,724)	(5,237,116)
Total net assets	<u>368,267,415</u>	<u>388,418,642</u>
Total liabilities and net assets	<u>\$ 522,718,393</u>	<u>\$ 454,121,256</u>
Net asset value per common share	\$ 7.49	\$ 7.55

See Accompanying Notes.

**OXFORD SQUARE CAPITAL CORP.**

**CONSOLIDATED SCHEDULE OF INVESTMENTS (unaudited)  
September 30, 2018**

COMPANY/INVESTMENT <sup>(1)</sup>	PRINCIPAL AMOUNT	COST	FAIR VALUE <sup>(2)</sup>	% of Net Assets
<b>Senior Secured Notes</b>				
<b>Aerospace and Defense</b>				
<b>Novetta, LLC</b>				
first lien senior secured notes, 7.25% (LIBOR + 5.00%), (1.00% floor) due October 16, 2022 <sup>(4)(5)(6)(16)(21)</sup>	\$ 5,542,880	\$ 5,493,464	\$ 5,348,879	
<b>Total Aerospace and Defense</b>		<b>\$ 5,493,464</b>	<b>\$ 5,348,879</b>	<b>1.5%</b>
<b>Business Services</b>				
<b>Access CIG</b>				
second lien senior secured notes, 9.99% (LIBOR + 7.75%), (0.00% floor) due February 27, 2026 <sup>(4)(5)(14)(16)(21)</sup>	\$ 13,622,227	\$ 13,707,698	\$ 13,639,255	
first lien incremental senior secured notes, 5.99% (LIBOR + 3.75%), (0.00% floor) due February 27, 2025 <sup>(4)(5)(14)(16)</sup>	497,500	497,500	499,988	
second lien incremental senior secured notes, 9.99% (LIBOR + 7.75%), (0.00% floor) due February 27, 2026 <sup>(4)(5)(14)(16)</sup>	2,400,000	2,420,536	2,403,000	
<b>Convergent Technologies, LLC</b>				
second lien senior secured notes, 9.08% (LIBOR + 6.75%), (0.75% floor) due February 2, 2026 <sup>(4)(5)(16)(21)</sup>	1,500,000	1,493,022	1,505,610	
<b>Imagine! Print Solutions</b>				
second lien senior secured notes, 11.00% (LIBOR + 8.75%), (1.00% floor) due June 21, 2023 <sup>(4)(5)(16)(21)</sup>	15,000,000	14,834,659	12,787,500	
<b>Intralinks, Inc.</b>				
first lien senior secured notes, 6.25% (LIBOR + 4.00%), (1.00% floor) due November 14, 2024 <sup>(4)(5)(6)(14)(16)(21)</sup>	9,646,283	9,635,871	9,664,418	
second lien senior secured notes, 10.25% (LIBOR + 8.00%), (1.00% floor) due November 14, 2025 <sup>(4)(5)(6)(14)(16)(21)</sup>	7,989,915	7,973,013	8,069,814	
<b>OMNIA Partners, Inc.</b>				
first lien senior secured notes, 6.14% (LIBOR + 3.75%), (0.00% floor) due May 23, 2025 <sup>(4)(5)(14)(15)(21)</sup>	5,985,000	5,986,337	5,999,963	
second lien senior secured notes, 9.89% (LIBOR + 7.50%), (0.00% floor) due May 22, 2026 <sup>(4)(5)(14)(15)(21)</sup>	14,000,000	13,934,339	13,755,000	
<b>Premiere Global Services, Inc.</b>				
senior secured notes, 8.84% (LIBOR + 6.50%), (1.00% floor) due December 8, 2021 <sup>(4)(5)(6)(14)(15)(21)</sup>	14,961,989	14,008,557	14,382,212	
second lien senior secured notes, 11.83% (LIBOR + 9.50%), (1.00% floor) due June 6, 2022 <sup>(4)(5)(14)(15)(21)</sup>	10,000,000	9,774,987	9,350,000	
<b>Verifone Systems, Inc.</b>				
first lien senior secured notes, 6.32% (LIBOR + 4.00%), (0.00% floor) due August 20, 2025 <sup>(4)(5)(6)(15)</sup>	7,000,000	6,965,457	7,042,000	
second lien senior secured notes, 10.32% (LIBOR + 8.00%), (0.00% floor) due August 20, 2026 <sup>(4)(5)(15)</sup>	8,000,000	7,921,203	7,970,000	
<b>Total Business Services</b>		<b>\$109,153,179</b>	<b>\$ 107,068,760</b>	<b>29.1%</b>
<b>Diversified Insurance</b>				
<b>AmeriLife Group LLC</b>				
first lien senior secured notes, 6.99% (LIBOR + 4.75%), (1.00% floor) due July 10, 2022 <sup>(4)(5)(6)(16)(21)</sup>	\$ 15,023,320	\$ 14,926,112	\$ 14,985,762	
<b>Total Diversified Insurance</b>		<b>\$ 14,926,112</b>	<b>\$ 14,985,762</b>	<b>4.1%</b>
<b>Education</b>				

<b>Edmentum, Inc. (f/k/a Plato, Inc.)</b>				
first lien senior secured notes, 6.84% (LIBOR + 4.50%), (1.00% floor) Cash, 4.00% PIK due June 9, 2021 <sup>(3)(4)(5)(6)(15)(21)</sup>	\$ 5,861,343	\$ 5,811,086	\$ 4,776,995	
<b>Total Education</b>		<b>\$ 5,811,086</b>	<b>\$ 4,776,995</b>	<b>1.3%</b>
<b>Financial Intermediaries</b>				
<b>First American Payment Systems</b>				
second lien senior secured notes, 12.62% (LIBOR + 10.50%), (1.00% floor) due July 5, 2024 <sup>(4)(5)(16)(21)</sup>	\$ 1,500,000	\$ 1,462,147	\$ 1,500,615	
<b>Lighthouse Network, LLC (f/k/a Harbortouch Payments, LLC)</b>				
first lien senior secured notes, 6.84% (LIBOR + 4.50%), (1.00% floor) due November 30, 2024 <sup>(4)(5)(6)(15)(21)</sup>	3,473,750	3,458,132	3,497,649	
second lien senior secured notes, 10.84% (LIBOR + 8.50%), (1.00% floor) due November 30, 2025 <sup>(4)(5)(15)(21)</sup>	12,000,000	11,889,921	11,925,000	
<b>Total Financial Intermediaries</b>		<b>\$ 16,810,200</b>	<b>\$ 16,923,264</b>	<b>4.6%</b>
<b>Healthcare</b>				
<b>Keystone Acquisition Corp.</b>				
first lien senior secured notes, 7.64% (LIBOR + 5.25%), (1.00% floor) due May 1, 2024 <sup>(4)(5)(6)(14)(15)(21)</sup>	\$ 7,553,239	\$ 7,519,346	\$ 7,581,564	
second lien senior secured notes, 11.64% (LIBOR + 9.25%), (1.00% floor) due May 1, 2025 <sup>(4)(5)(14)(15)(21)</sup>	13,000,000	12,850,521	13,000,000	
<b>MedPlast Holdings Inc.</b>				
first lien senior secured notes, 6.09% (LIBOR + 3.75%), (0.00% floor) due July 2, 2025 <sup>(4)(5)(15)</sup>	10,000,000	9,999,877	10,118,800	
second lien senior secured notes, 10.09% (LIBOR + 7.75%), (0.00% floor) due July 2, 2026 <sup>(4)(5)(15)</sup>	5,000,000	4,952,041	5,062,500	
<b>Total Healthcare</b>		<b>\$ 35,321,785</b>	<b>\$ 35,762,864</b>	<b>9.7%</b>
<b>Logistics</b>				
<b>Capstone Logistics Acquisition, Inc.</b>				
first lien senior secured notes, 6.74% (LIBOR + 4.50%), (1.00% floor) due October 7, 2021 <sup>(4)(5)(6)(16)(21)</sup>	\$ 12,476,611	\$ 12,452,805	\$ 12,476,611	
<b>Total Logistics</b>		<b>\$ 12,452,805</b>	<b>\$ 12,476,611</b>	<b>3.4%</b>
<b>Printing and Publishing</b>				
<b>Merrill Communications, LLC</b>				
first lien senior secured notes, 7.59% (LIBOR + 5.25%), (1.00% floor) due June 01, 2022 <sup>(4)(5)(6)(15)(21)</sup>	\$ 5,706,192	\$ 5,691,183	\$ 5,748,988	
<b>Total Printing and Publishing</b>		<b>\$ 5,691,183</b>	<b>\$ 5,748,988</b>	<b>1.6%</b>

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See Accompanying Notes.

**OXFORD SQUARE CAPITAL CORP.**  
**CONSOLIDATED SCHEDULE OF INVESTMENTS**  
**September 30, 2018**

COMPANY/INVESTMENT <sup>(1)</sup>	PRINCIPAL AMOUNT	COST	FAIR VALUE <sup>(2)</sup>	% of Net Assets
<b>Senior Secured Notes - (continued)</b>				
<b>Software</b>				
<b>ECI Software Solutions</b>				
first lien senior secured notes, 6.64% (LIBOR + 4.25%), (0.00% floor) due September 27, 2024 <sup>(4)(5)(6)(14)(15)</sup>	\$ 4,974,874	\$ 4,990,602	\$ 5,018,404	
second lien senior secured notes, 10.39% (LIBOR + 8.00%), (1.00% floor) due September 29, 2025 <sup>(4)(5)(14)(15)(21)</sup>	15,000,000	14,904,622	14,925,000	
<b>Help/Systems Holdings, Inc.</b>				
first lien senior secured notes, 5.99% (LIBOR + 3.75%), (0.00% floor) due March 28, 2025 <sup>(4)(5)(14)(16)</sup>	3,990,000	3,999,268	4,009,950	
second lien senior secured notes, 9.99% (LIBOR + 7.75%), (1.00% floor) due March 27, 2026 <sup>(4)(5)(14)(16)(21)</sup>	15,500,000	15,492,319	15,577,500	
<b>Quest Software</b>				
first lien senior secured notes, 6.57% (LIBOR + 4.25%), (0.00% floor) due May 16, 2025 <sup>(4)(5)(14)(15)(21)</sup>	6,000,000	5,970,434	6,045,000	
second lien senior secured notes, 10.57% (LIBOR + 8.25%), (0.00% floor) due May 18, 2026 <sup>(4)(5)(14)(21)(22)</sup>	15,000,000	14,852,080	14,859,450	
<b>Total Software</b>		<b>\$ 60,209,325</b>	<b>\$ 60,435,304</b>	<b>16.4%</b>
<b>Telecommunications Services</b>				
<b>Global Tel Link Corp</b>				
first lien senior secured notes, 6.39% (LIBOR + 4.00%), (0.00% floor) due May 22, 2020 <sup>(4)(5)(6)(14)(15)</sup>	\$ 2,982,550	\$ 3,004,099	\$ 2,998,208	
second lien senior secured notes, 10.64% (LIBOR + 8.25%), (1.25% floor) due November 23, 2020 <sup>(4)(5)(14)(15)(21)</sup>	17,000,000	16,928,386	17,063,750	
<b>Total Telecommunication Services</b>		<b>\$ 19,932,485</b>	<b>\$ 20,061,958</b>	<b>5.4%</b>
<b>Utilities</b>				
<b>CLEAResult Consulting, Inc.</b>				
first lien senior secured notes, 5.62% (LIBOR + 3.50%), (0.00% floor) due August 8, 2025 <sup>(4)(5)(14)(16)</sup>	\$ 5,000,000	\$ 4,975,408	\$ 5,009,400	
second lien senior secured notes, 9.37% (LIBOR + 7.25%), (0.00% floor) due August 10, 2026 <sup>(4)(5)(14)(16)</sup>	2,000,000	1,985,144	2,000,000	
<b>Total Utilities</b>		<b>\$ 6,960,552</b>	<b>\$ 7,009,400</b>	<b>1.9%</b>
<b>Total Senior Secured Notes</b>		<b>\$292,762,176</b>	<b>\$ 290,598,785</b>	<b>79.0%</b>
<b>Collateralized Loan Obligation - Debt Investments</b>				
<b>Structured Finance</b>				
<b>Galaxy XXVIII CLO, Ltd.</b>				
CLO secured class F notes, 12.95% (LIBOR + 8.48%), due July 15, 2031 <sup>(4)(5)(11)(12)</sup> (15)	\$ 1,000,000	\$ 926,217	\$ 998,100	
<b>Jamestown CLO V Ltd.</b>				
CLO secured class F notes, 7.58% (LIBOR + 5.85%), due January 17, 2027 <sup>(4)(5)(11)</sup> (12)(15)	4,000,000	3,365,250	3,525,200	
<b>Total Structured Finance</b>		<b>\$ 4,291,467</b>	<b>\$ 4,523,300</b>	<b>1.2%</b>
<b>Total Collateralized Loan Obligation - Debt Investments</b>		<b>\$ 4,291,467</b>	<b>\$ 4,523,300</b>	<b>1.2%</b>
<b>Collateralized Loan Obligation - Equity Investments</b>				
<b>Structured Finance</b>				
<b>AMMC CLO XI, Ltd.</b>				
CLO subordinated notes, estimated yield 13.27% due April 30, 2031 <sup>(9)(11)(12)(17)</sup>	\$ 6,000,000	\$ 3,730,925	\$ 3,420,000	

<b>AMMC CLO XII, Ltd.</b>			
CLO subordinated notes, estimated yield 13.34% due November 10, 2030 <sup>(9)(11)(12)</sup> (17)	12,921,429	6,821,665	5,685,429
<b>Babson CLO Ltd. 2015-1</b>			
CLO subordinated notes, estimated yield 18.52% due January 20, 2031 <sup>(9)(11)(12)(17)</sup>	2,840,000	1,903,467	1,817,600
<b>Carlyle Global Market Strategies CLO 2013-2, Ltd.</b>			
CLO subordinated notes, estimated yield 19.46% due January 18, 2029 <sup>(9)(11)(12)(17)</sup>	9,250,000	5,509,986	5,980,655
<b>Catamaran CLO 2012-1 Ltd.</b>			
CLO subordinated notes, estimated yield 0.00% due December 20, 2023 <sup>(9)(10)(11)(12)</sup> (17)	23,000,000	2,377,105	-
<b>Cedar Funding II CLO, Ltd.</b>			
CLO subordinated notes, estimated yield 12.89% due March 09, 2025 <sup>(9)(11)(12)(17)</sup>	18,000,000	13,646,899	12,060,000
<b>Cedar Funding VI CLO, Ltd.</b>			
CLO subordinated notes, estimated yield 16.11% due October 20, 2028 <sup>(9)(11)(12)(17)</sup>	7,700,000	7,236,909	7,084,000
<b>CIFC Funding 2014-3, Ltd.</b>			
CLO subordinated notes, estimated yield 15.87% due July 22, 2026 <sup>(9)(11)(12)(17)</sup>	10,000,000	6,637,185	5,400,000
<b>Galaxy XVII CLO, Ltd.</b>			
CLO subordinated notes, estimated yield 17.92% due July 15, 2031 <sup>(9)(11)(12)(17)</sup>	2,000,000	980,869	860,000
<b>GoldenTree Loan Opportunities VII, Ltd.</b>			
CLO subordinated notes, estimated yield 0.00% due April 25, 2025 <sup>(9)(10)(11)(12)(17)</sup>	4,670,000	152,864	70,050
<b>Hull Street CLO Ltd.</b>			
CLO subordinated notes, estimated yield -27.92% due October 18, 2026 <sup>(9)(11)(12)(17)</sup>	5,000,000	1,977,131	1,000,000
<b>Ivy Hill Middle Market Credit Fund VII, Ltd.</b>			
CLO subordinated notes, estimated yield 15.30% due October 20, 2029 <sup>(9)(11)(12)(17)</sup>	10,800,000	9,260,308	7,518,847
<b>Jamestown CLO V Ltd.</b>			
CLO subordinated notes, estimated yield -12.53% due January 17, 2027 <sup>(9)(11)(12)(17)</sup>	8,000,000	4,267,718	2,560,000

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See Accompanying Notes.



**OXFORD SQUARE CAPITAL CORP.**  
**CONSOLIDATED SCHEDULE OF INVESTMENTS**  
**September 30, 2018**

COMPANY/INVESTMENT <sup>(1)</sup>	PRINCIPAL AMOUNT/SHARES	COST	FAIR VALUE <sup>(2)</sup>	% of Net Assets
<b>Collateralized Loan Obligation - Equity Investments (continued)</b>				
<b>Structured Finance - (continued)</b>				
<b>KVK CLO 2013-2, Ltd.</b>				
CLO subordinated notes, estimated yield 7.56% due January 15, 2026 <sup>(9)(10)</sup> (11)(12)(17)	\$ 14,200,000	\$ 6,166,600	\$ 4,686,000	
<b>Madison Park Funding XIX, Ltd.</b>				
CLO subordinated notes, estimated yield 13.90% due January 22, 2028 <sup>(9)(11)</sup> (12)(17)	5,422,500	5,314,485	5,910,525	
<b>Octagon Investment Partners 38, Ltd.</b>				
CLO subordinated notes, estimated yield 17.95% due July 20, 2030 <sup>(9)(11)(12)</sup> (17)	5,000,000	4,321,842	4,156,250	
<b>Regatta V Funding, Ltd.</b>				
CLO subordinated notes, estimated yield 10.74% due October 25, 2026 <sup>(9)(10)</sup> (11)(12)(17)	3,000,000	1,837,143	1,830,000	
<b>Sound Point CLO XVI, Ltd.</b>				
CLO subordinated notes, estimated yield 15.88% due July 25, 2030 <sup>(9)(11)(12)</sup> (14)(17)	45,500,000	43,903,316	42,770,000	
<b>Steele Creek CLO 2014-1, Ltd.</b>				
CLO subordinated notes, estimated yield 22.73% due August 21, 2031 <sup>(9)(11)</sup> (12)(17)	6,000,000	4,217,089	4,860,000	
<b>Symphony CLO XVIII, Ltd.</b>				
CLO subordinated notes, estimated yield 19.36% due January 23, 2028 <sup>(9)(11)</sup> (12)(17)	4,500,000	3,313,831	3,240,000	
<b>Telos CLO 2013-3, Ltd.</b>				
CLO subordinated notes, estimated yield 8.61% due July 17, 2026 <sup>(9)(11)(12)</sup> (17)	14,447,790	9,418,511	7,801,807	
<b>Telos CLO 2013-4, Ltd.</b>				
CLO subordinated notes, estimated yield 18.72% due January 17, 2030 <sup>(9)(11)</sup> (12)(17)	11,350,000	7,566,352	7,142,674	
<b>Telos CLO 2014-5, Ltd.</b>				
CLO subordinated notes, estimated yield 24.94% due April 17, 2028 <sup>(9)(11)(12)</sup> (14)(17)	28,500,000	19,364,262	18,289,695	
<b>Venture XIV, Ltd.</b>				
CLO subordinated notes, estimated yield 15.64% due August 28, 2029 <sup>(9)(11)</sup> (12)(17)	2,500,000	1,552,569	1,350,000	
<b>Venture XVII, Ltd.</b>				
CLO subordinated notes, estimated yield 18.29% due April 15, 2027 <sup>(9)(11)(12)</sup> (17)	6,200,000	4,252,978	4,085,907	
<b>Venture XX, Ltd.</b>				
CLO subordinated notes, estimated yield 12.06% due April 15, 2027 <sup>(9)(11)(12)</sup> (17)	3,000,000	2,272,253	2,190,000	
<b>Vibrant CLO V, Ltd.</b>				

CLO subordinated notes, estimated yield 16.19% due January 20, 2029 <sup>(9)(11)</sup> (12)(17)	13,475,000	11,946,280	10,780,000	
<b>West CLO 2014-1, Ltd.</b>				
CLO subordinated notes, estimated yield 12.31% due July 18, 2026 <sup>(9)(11)(12)</sup> (17)	9,250,000	6,448,382	5,550,000	
<b>Windriver 2012-1 CLO, Ltd.</b>				
CLO subordinated notes, estimated yield 10.23% due January 15, 2024 <sup>(9)(11)</sup> (12)(17)	7,500,000	4,730,636	3,997,284	
<b>Zais CLO 6, Ltd.</b>				
CLO subordinated notes, estimated yield 21.23% due July 15, 2029 <sup>(9)(11)(12)</sup> (17)	10,500,000	8,090,453	8,190,000	
CLO Equity Side Letter Related Investments <sup>(11)(12)(13)</sup>		125,000	903,986	
<b>Total Structured Finance</b>		<b>\$209,345,013</b>	<b>\$ 191,190,709</b>	<b>51.9%</b>
<b>Total Collateralized Loan Obligation - Equity Investments</b>		<b>\$209,345,013</b>	<b>\$ 191,190,709</b>	<b>51.9%</b>
<b>Common Stock</b>				
<b>IT Consulting</b>				
<b>Unitek Global Services, Inc.</b>				
common equity <sup>(7)(14)</sup>	1,244,188	\$ 684,960	\$ 3,919,192	
<b>Total IT Consulting</b>		<b>\$ 684,960</b>	<b>\$ 3,919,192</b>	<b>1.1%</b>
<b>Total Common Stock</b>		<b>\$ 684,960</b>	<b>\$ 3,919,192</b>	<b>1.1%</b>
<b>Preferred Equity</b>				
<b>IT Consulting</b>				
<b>Unitek Global Services, Inc.</b>				
Series A Super Senior Preferred Stock <sup>(7)(14)</sup>	2,001,636	\$ 2,001,636	\$ 2,041,669	
Series A Senior Preferred Equity <sup>(7)(14)</sup>	3,002,455	2,762,421	3,783,093	
Series A Preferred Equity <sup>(7)(14)</sup>	5,706,866	3,677,000	9,359,260	
<b>Total IT Consulting</b>		<b>\$ 8,441,057</b>	<b>\$ 15,184,022</b>	<b>4.1%</b>
<b>Total Preferred Equity</b>		<b>\$ 8,441,057</b>	<b>\$ 15,184,022</b>	<b>4.1%</b>
<b>Warrants</b>				
<b>IT Consulting</b>				
<b>Unitek Global Services, Inc.</b>				
Warrants to purchase common stock <sup>(7)(14)</sup>	159,795	\$ -	\$ -	
<b>Total IT Consulting</b>		<b>\$ -</b>	<b>\$ -</b>	<b>0.0%</b>
<b>Total Warrants</b>		<b>\$ -</b>	<b>\$ -</b>	<b>0.0%</b>

(Continued on next page)

See Accompanying Notes.

**OXFORD SQUARE CAPITAL CORP.**  
**CONSOLIDATED SCHEDULE OF INVESTMENTS**  
**September 30, 2018**

COMPANY/INVESTMENT <sup>(1)</sup>	PRINCIPAL AMOUNT	COST	FAIR VALUE <sup>(2)</sup>	% of Net Assets
<b>Other Investments</b>				
<b>Software</b>				
Algorithmic Implementations, Inc. (d/b/a "Ai Squared")				
Earnout payments <sup>(7)(18)</sup>		500,000	-	
<b>Total Software</b>		<b>\$ 500,000</b>	<b>\$ -</b>	<b>0.0%</b>
<b>Total Other Investments</b>		<b>\$ 500,000</b>	<b>\$ -</b>	<b>0.0%</b>
<b>Total Investments in Securities<sup>(8)</sup></b>		<b>\$516,024,673</b>	<b>\$ 505,416,008</b>	<b>137.3%</b>
<b>Cash Equivalents</b>				
First American Government Obligations Fund <sup>(19)</sup>		\$ 8,636,939	\$ 8,636,939	
<b>Total Cash Equivalents</b>		<b>\$ 8,636,939</b>	<b>\$ 8,636,939</b>	<b>2.3%</b>
<b>Total Investments in Securities and Cash Equivalents</b>		<b>\$524,661,612</b>	<b>\$ 514,052,947</b>	<b>139.6%</b>

- (1) Other than Unitek Global Services, Inc., of which we are deemed to be an "affiliate," we do not "control" and are not an "affiliate" of any of our portfolio companies, each as defined in the Investment Company Act of 1940 (the "1940 Act"). In general, under the 1940 Act, we would be presumed to "control" a portfolio company if we owned 25% or more of its voting securities and would be an "affiliate" of a portfolio company if we owned 5% or more of its voting securities.
- (2) Fair value is determined in good faith by the Board of Directors of the Company.
- (3) Portfolio includes \$5,861,343 of principal amount of debt investments which contain a PIK provision at September 30, 2018.
- (4) Notes bear interest at variable rates.
- (5) Cost value reflects accretion of original issue discount or market discount.
- (6) Cost value reflects repayment of principal.
- (7) Non-income producing at the relevant period end.
- (8) Aggregate gross unrealized appreciation for federal income tax purposes is \$22,515,473; aggregate gross unrealized depreciation for federal income tax purposes is \$64,535,609. Net unrealized depreciation is \$42,020,136 based upon a tax cost basis of \$547,436,144
- (9) Cost value reflects accretion of effective yield less any cash distributions received or entitled to be received from CLO equity investments.
- (10) The CLO equity investment was optionally redeemed. Refer to "Note 3. Summary of Significant Accounting Policies."
- (11) Indicates assets that the Company believes do not represent "qualifying assets" under Section 55(a) of the 1940 Act. 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, the Company held qualifying assets that represented 63% of its total assets.
- (12) Investment not domiciled in the United States.
- (13) Fair value represents discounted cash flows associated with fees earned from CLO equity investments.
- (14) Aggregate investments represent greater than 5% of net assets.
- (15) The principal balance outstanding for this debt investment, in whole or in part, is indexed to 90-day LIBOR.
- (16) The principal balance outstanding for this debt investment, in whole or in part, is indexed to 30-day LIBOR.
- (17) The CLO subordinated notes and income notes are considered equity positions in the CLO funds. Equity investments are entitled to recurring distributions which are generally equal to the remaining cash flow of the payments made by the underlying fund's securities less contractual payments to debt holders and fund expenses. The estimated yield indicated is based upon a current projection of the amount and timing of these recurring distributions and the estimated amount of repayment of principal upon expected redemption. Such projections are periodically reviewed and adjusted, and the estimated yield may not ultimately be realized.
- (18) Represents the earnout payments related to the sale of Algorithmic Implementations, Inc. (d/b/a "Ai Squared").
- (19) Represents cash equivalents held in money market accounts as of September 30, 2018.
- (20) The fair value of the investment was determined using significant unobservable inputs. See "Note 4. Fair Value."
- (21) All or a portion of this investment represents collateral under the Credit Facility.
- (22) The principal balance outstanding for this debt investment, in whole or in part, is indexed to 60-day LIBOR.

See Accompanying Notes.

**OXFORD SQUARE CAPITAL CORP.**

**CONSOLIDATED SCHEDULE OF INVESTMENTS**  
December 31, 2017

COMPANY/INVESTMENT <sup>(1)(20)</sup>	PRINCIPAL AMOUNT	COST	FAIR VALUE <sup>(2)</sup>	% of Net Assets
<b>Senior Secured Notes</b>				
<b>Aerospace and Defense</b>				
<b>Novetta, LLC</b>				
first lien senior secured notes, 6.70% (LIBOR + 5.00%), (1.00% floor) due October 16, 2022 <sup>(4)(5)(6)(15)</sup>	\$ 5,586,000	\$ 5,534,900	\$ 5,399,819	
<b>Total Aerospace and Defense</b>		<b>\$ 5,534,900</b>	<b>\$ 5,399,819</b>	<b>1.4%</b>
<b>Business Services</b>				
<b>Imagine! Print Solutions, LLC</b>				
second lien senior secured notes, 10.45% (LIBOR + 8.75%), (1.00% floor) due June 21, 2023 <sup>(4)(5)(15)</sup>	\$ 15,000,000	\$ 14,815,027	\$ 14,400,000	
<b>Intralinks, Inc.</b>				
first lien senior secured notes, 5.70% (LIBOR + 4.00%), (1.00% floor) due November 14, 2024 <sup>(4)(5)(15)</sup>	5,000,000	4,975,253	4,968,750	
second lien senior secured notes, 9.70% (LIBOR + 8.00%), (1.00% floor) due November 14, 2025 <sup>(4)(5)(6)(15)</sup>	10,560,000	10,492,764	10,494,000	
<b>Polycom, Inc.</b>				
second lien senior secured notes, 11.52% (LIBOR + 10.00%), (1.00% floor) due September 27, 2024 <sup>(4)(5)(16)</sup>	13,000,000	12,759,617	12,983,750	
<b>Premiere Global Services, Inc.</b>				
senior secured notes, 7.90% (LIBOR + 6.50%), (1.00% floor) due December 8, 2021 <sup>(4)(5)(6)(14)(15)</sup>	15,605,055	14,450,063	15,312,460	
second lien senior secured notes, 10.85% (LIBOR + 9.50%), (1.00% floor) due June 6, 2022 <sup>(4)(5)(14)(16)</sup>	10,000,000	9,739,241	9,341,700	
<b>Total Business Services</b>		<b>\$67,231,965</b>	<b>\$67,500,660</b>	<b>17.4%</b>
<b>Consumer Services</b>				
<b>Jackson Hewitt Tax Service, Inc.</b>				
first lien senior secured notes, 8.38% (LIBOR + 7.00%), (1.00% floor) due July 30, 2020 <sup>(4)(5)(6)(15)</sup>	\$ 19,601,471	\$ 19,318,775	\$ 19,282,947	
<b>Total Consumer Services</b>		<b>\$19,318,775</b>	<b>\$19,282,947</b>	<b>4.9%</b>
<b>Diversified Insurance</b>				
<b>AmeriLife Group LLC</b>				
first lien senior secured notes, 6.32% (LIBOR + 4.75%), (1.00% floor) due July 10, 2022 <sup>(4)(5)(6)(16)</sup>	\$ 15,408,145	\$ 15,294,886	\$ 15,177,023	
<b>Total Diversified Insurance</b>		<b>\$15,294,886</b>	<b>\$15,177,023</b>	<b>3.9%</b>
<b>Education</b>				
<b>Edmentum, Inc. (f/k/a Plato, Inc.)</b>				
first lien senior secured notes, 7.88% (LIBOR + 4.50%), (1.00% floor) Cash, 2.00% PIK due June 10, 2019 <sup>(3)(4)(5)(6)(15)</sup>	\$ 5,765,441	\$ 5,745,684	\$ 4,473,002	
<b>Total Education</b>		<b>\$ 5,745,684</b>	<b>\$ 4,473,002</b>	<b>1.2%</b>

(continued on next page)

See Accompanying Notes.

**OXFORD SQUARE CAPITAL CORP.**

**CONSOLIDATED SCHEDULE OF INVESTMENTS — (continued)**  
**December 31, 2017**

COMPANY/INVESTMENT <sup>(1)(20)</sup>	PRINCIPAL AMOUNT	COST	FAIR VALUE <sup>(2)</sup>	% of Net Assets
<b>Senior Secured Notes – (continued)</b>				
<b>Financial Intermediaries</b>				
<b>First American Payment Systems</b>				
second lien senior secured notes, 11.89% (LIBOR + 10.50%), (1.00% floor) due July 5, 2024 <sup>(4)(5)(16)</sup>	\$ 1,500,000	\$ 1,458,866	\$ 1,492,515	
<b>Lighthouse Network</b>				
senior secured notes, 6.07% (LIBOR + 4.50%), (1.00% floor) due November 30, 2024 <sup>(4)(5)(16)</sup>	3,500,000	3,482,683	3,506,580	
second lien senior secured notes, 10.07% (LIBOR + 8.50%), (1.00% floor) due November 30, 2025 <sup>(4)(5)(16)</sup>	12,000,000	11,880,523	11,940,000	
<b>Total Financial Intermediaries</b>		<b>\$16,822,072</b>	<b>\$16,939,095</b>	<b>4.4%</b>
<b>Healthcare</b>				
<b>Keystone Acquisition Corp.</b>				
first lien senior secured notes, 6.94% (LIBOR + 5.25%), (1.00% floor) due May 1, 2024 <sup>(4)(5)(6)(15)</sup>	\$ 2,992,500	\$ 2,935,933	\$ 3,003,722	
second lien senior secured notes, 10.94% (LIBOR + 9.25%), (1.00% floor) due May 1, 2025 <sup>(4)(5)(6)(15)</sup>	10,000,000	9,805,957	9,950,000	
<b>Total Healthcare</b>		<b>\$12,741,890</b>	<b>\$12,953,722</b>	<b>3.3%</b>
<b>IT Consulting</b>				
<b>Unitek Global Services, Inc.</b>				
first lien senior secured tranche B term loan, 10.20% (LIBOR + 8.50%), (1.00% floor) due January 13, 2019 <sup>(4)(5)(15)</sup>	\$ 2,638,748	\$ 2,627,442	\$ 2,665,135	
<b>Total IT Consulting</b>		<b>\$ 2,627,442</b>	<b>\$ 2,665,135</b>	<b>0.7%</b>
<b>Logistics</b>				
<b>Capstone Logistics Acquisition, Inc.</b>				
first lien senior secured notes, 6.07% (LIBOR + 4.50%), (1.00% floor) due October 7, 2021 <sup>(4)(5)(6)(16)</sup>	\$ 10,573,496	\$ 10,555,951	\$ 10,406,118	
<b>Total Logistics</b>		<b>\$10,555,951</b>	<b>\$10,406,118</b>	<b>2.7%</b>
<b>Printing and Publishing</b>				
<b>Merrill Communications, LLC</b>				
first lien senior secured notes, 6.63% (LIBOR + 5.25%), (1.00% floor) due June 01, 2022 <sup>(4)(5)(6)(15)</sup>	\$ 11,374,901	\$ 11,300,971	\$ 11,431,776	
<b>Total Printing and Publishing</b>		<b>\$11,300,971</b>	<b>\$11,431,776</b>	<b>2.9%</b>
<b>Software</b>				
<b>ECI Software Solutions, Inc.</b>				
second lien senior secured notes, 9.69% (LIBOR + 8.00%), (1.00% floor) due September 29, 2025 <sup>(4)(5)(15)</sup>	\$ 15,000,000	\$ 14,898,256	\$ 14,925,000	
<b>Help/Systems Holdings, Inc.</b>				
second lien senior secured notes, 11.19% (LIBOR + 9.50%), (1.00% floor) due October 8, 2022 <sup>(4)(5)(15)</sup>	10,000,000	9,719,036	9,841,700	
<b>Total Software</b>		<b>\$24,617,292</b>	<b>\$24,766,700</b>	<b>6.4%</b>

(continued on next page)

See Accompanying Notes.

**OXFORD SQUARE CAPITAL CORP.**

**CONSOLIDATED SCHEDULE OF INVESTMENTS — (continued)**  
**December 31, 2017**

COMPANY/INVESTMENT <sup>(1)(20)</sup>	PRINCIPAL AMOUNT	COST	FAIR VALUE <sup>(2)</sup>	% of Net Assets
<b>Senior Secured Notes – (continued)</b>				
<b>Telecommunications Services</b>				
<b>Aricent Technologies, Inc.</b>				
second lien senior secured notes, 9.97% (LIBOR + 8.50%), (1.00% floor) due April 14, 2022 <sup>(4)(5)(16)</sup>	\$ 14,000,000	\$ 14,007,813	\$ 14,077,000	
<b>Birch Communications, Inc.</b>				
first lien senior secured notes, 8.60% (LIBOR + 7.25%), (1.00% floor) due July 17, 2020 <sup>(4)(5)(6)(14)(15)</sup>	21,171,285	20,571,906	20,112,721	
<b>Global Tel Link Corp</b>				
second lien senior secured notes, 9.94% (LIBOR + 8.25%), (1.25% floor) due November 23, 2020 <sup>(4)(5)(15)</sup>	17,000,000	16,906,033	16,978,750	
<b>Total Telecommunication Services</b>		<b>\$ 51,485,752</b>	<b>\$ 51,168,471</b>	<b>13.2%</b>
<b>Total Senior Secured Notes</b>		<b>\$243,277,580</b>	<b>\$ 242,164,468</b>	<b>62.4%</b>
<b>Subordinated Debt</b>				
<b>IT Consulting</b>				
<b>Unitek Global Services, Inc.</b>				
Holdco PIK Debt Cash 0.00%, 15.00% PIK, due July 13, 2019 <sup>(3)(5)</sup>	\$ 778,766	\$ 776,917	\$ 786,554	
<b>Total IT Consulting</b>		<b>\$ 776,917</b>	<b>\$ 786,554</b>	<b>0.2%</b>
<b>Total Subordinated Debt</b>		<b>\$ 776,917</b>	<b>\$ 786,554</b>	<b>0.2%</b>
<b>Collateralized Loan Obligation – Debt Investments</b>				
<b>Structured Finance</b>				
<b>Catamaran CLO 2012-1 Ltd.</b>				
CLO secured class F notes, 7.88% (LIBOR + 6.25%), due December 20, 2023 <sup>(4)(5)</sup> <sup>(11)(12)(15)</sup>	\$ 1,250,000	\$ 1,185,390	\$ 1,250,000	
<b>Jamestown CLO V Ltd.</b>				
CLO secured class F notes, 7.20% (LIBOR + 5.85%), due January 17, 2027 <sup>(4)(5)(11)</sup> <sup>(12)(15)</sup>	4,000,000	3,308,060	3,470,000	
<b>Total Structured Finance</b>		<b>\$ 4,493,450</b>	<b>\$ 4,720,000</b>	<b>1.2%</b>
<b>Total Collateralized Loan Obligation – Debt Investments</b>		<b>\$ 4,493,450</b>	<b>\$ 4,720,000</b>	<b>1.2%</b>
<b>Collateralized Loan Obligation – Equity Investments</b>				
<b>Structured Finance</b>				
<b>AMMC CLO XI, Ltd.</b>				
CLO subordinated notes, estimated yield 5.02% due October 30, 2023 <sup>(9)(11)(12)(17)</sup>	\$ 6,000,000	\$ 3,677,571	\$ 3,180,000	
<b>AMMC CLO XII, Ltd.</b>				
CLO subordinated notes, estimated yield 15.85% due November 10, 2030 <sup>(9)(11)(12)</sup> <sup>(17)</sup>	12,921,429	6,771,090	6,848,357	
<b>Ares XXV CLO Ltd.</b>				
CLO subordinated notes, estimated yield 0.00% due January 17, 2024 <sup>(9)(10)(11)(12)</sup> <sup>(17)</sup>	15,500,000	317,125	—	

(continued on next page)

See Accompanying Notes.

**OXFORD SQUARE CAPITAL CORP.**

**CONSOLIDATED SCHEDULE OF INVESTMENTS — (continued)  
December 31, 2017**

COMPANY/INVESTMENT <sup>(1)(20)</sup>	PRINCIPAL AMOUNT	COST	FAIR VALUE <sup>(2)</sup>	% of Net Assets
<b>Collateralized Loan Obligation – Equity Investments – (continued)</b>				
<b>Structured Finance – (continued)</b>				
<b>Ares XXVI CLO Ltd.</b>				
CLO subordinated notes, estimated yield 0.60% due April 15, 2025 <sup>(9)(11)(12)(17)</sup>	\$ 17,630,000	\$ 3,939,835	\$ 1,969,952	
<b>Carlyle Global Market Strategies CLO 2013-2, Ltd.</b>				
CLO subordinated notes, estimated yield 21.86% due January 18, 2029 <sup>(9)(11)(12)(17)</sup>	9,250,000	5,714,900	6,485,378	
<b>Catamaran CLO 2012-1 Ltd.</b>				
CLO subordinated notes, estimated yield -3.04% due December 20, 2023 <sup>(9)(11)(12)(17)</sup>	23,000,000	9,100,628	4,140,000	
<b>Cedar Funding II CLO, Ltd.</b>				
CLO subordinated notes, estimated yield 14.01% due March 09, 2025 <sup>(9)(11)(12)(17)</sup>	18,000,000	13,720,760	13,320,000	
<b>Cedar Funding VI CLO, Ltd.</b>				
CLO subordinated notes, estimated yield 13.91% due October 20, 2028 <sup>(9)(11)(12)(17)</sup>	7,700,000	6,979,156	6,776,000	
<b>CIFC Funding 2012-1, Ltd.</b>				
CLO subordinated notes, estimated yield 0.00% due August 14, 2024 <sup>(9)(10)(11)(12)(17)</sup>	12,750,000	213,307	223,125	
<b>CIFC Funding 2014-3, Ltd.</b>				
CLO subordinated notes, estimated yield 11.67% due July 22, 2026 <sup>(9)(11)(12)(17)</sup>	10,000,000	6,865,057	6,200,000	
<b>Galaxy XVII CLO, Ltd.</b>				
CLO subordinated notes, estimated yield 35.05% due July 15, 2026 <sup>(9)(11)(12)(17)</sup>	2,000,000	887,235	815,304	
<b>GoldenTree Loan Opportunities VII, Ltd.</b>				
CLO subordinated notes, estimated yield 12.95% due April 25, 2025 <sup>(9)(11)(12)(17)</sup>	4,670,000	2,567,366	2,521,800	
<b>Hull Street CLO Ltd.</b>				
CLO subordinated notes, estimated yield -4.73% due October 18, 2026 <sup>(9)(11)(12)(17)</sup>	5,000,000	2,710,747	1,500,000	
<b>Ivy Hill Middle Market Credit Fund VII, Ltd.</b>				
CLO subordinated notes, estimated yield 17.49% due October 20, 2029 <sup>(9)(11)(12)(17)</sup>	10,800,000	8,973,086	8,053,212	
<b>Jamestown CLO V Ltd.</b>				
CLO subordinated notes, estimated yield 9.42% due January 17, 2027 <sup>(9)(11)(12)(17)</sup>	8,000,000	4,841,345	2,880,000	
<b>KVK CLO 2013-2, Ltd.</b>				
CLO subordinated notes, estimated yield 19.78% due January 15, 2026 <sup>(9)(11)(12)(17)</sup>	14,200,000	6,731,819	5,254,000	

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See Accompanying Notes.

**OXFORD SQUARE CAPITAL CORP.**

**CONSOLIDATED SCHEDULE OF INVESTMENTS — (continued)**  
**December 31, 2017**

COMPANY/INVESTMENT <sup>(1)(20)</sup>	PRINCIPAL AMOUNT	COST	FAIR VALUE <sup>(2)</sup>	% of Net Assets
<b>Collateralized Loan Obligation – Equity Investments – (continued)</b>				
<b>Structured Finance – (continued)</b>				
<b>Madison Park Funding XIX, Ltd.</b>				
CLO subordinated notes, estimated yield 13.35% due January 22, 2028 <sup>(9)(11)(12)(17)</sup>	\$ 5,422,500	\$ 5,300,799	\$ 6,127,425	
<b>Mountain Hawk III CLO, Ltd.</b>				
CLO M notes due April 18, 2025 <sup>(11)(12)(13)</sup>	2,389,676	—	73,526	
<b>Regatta V Funding, Ltd.</b>				
CLO subordinated notes, estimated yield 20.45% due October 25, 2026 <sup>(9)(11)(12)(17)</sup>	3,000,000	1,834,823	1,920,000	
<b>Steele Creek CLO 2014-1, Ltd.</b>				
CLO subordinated notes, estimated yield 21.88% due August 21, 2026 <sup>(9)(11)(12)(17)</sup>	6,000,000	4,309,580	4,320,000	
<b>Telos CLO 2013-3, Ltd.</b>				
CLO subordinated notes, estimated yield 17.45% due July 17, 2026 <sup>(9)(11)(12)(17)</sup>	14,447,790	9,548,557	8,090,762	
<b>Telos CLO 2013-4, Ltd.</b>				
CLO subordinated notes, estimated yield 30.14% due July 17, 2024 <sup>(9)(11)(12)(17)</sup>	11,350,000	7,468,980	6,810,000	
<b>Telos CLO 2014-5, Ltd.</b>				
CLO subordinated notes, estimated yield 19.95% due April 17, 2025 <sup>(9)(11)(12)(17)</sup>	28,500,000	18,258,468	16,267,667	
<b>Venture XIV, Ltd.</b>				
CLO subordinated notes, estimated yield 17.23% due August 28, 2029 <sup>(9)(11)(12)(17)</sup>	5,250,000	3,324,796	2,835,000	
<b>Venture XVII, Ltd.</b>				
CLO subordinated notes, estimated yield 19.92% due July 15, 2026 <sup>(9)(11)(12)(17)</sup>	6,200,000	4,196,382	3,919,298	
<b>Venture XXIV CLO, Ltd.</b>				
CLO subordinated notes, estimated yield 15.98% due October 20, 2028 <sup>(9)(11)(12)(17)</sup>	3,750,000	3,331,706	3,375,000	
<b>Vibrant CLO V, Ltd.</b>				
CLO subordinated notes, estimated yield 17.01% due January 20, 2029 <sup>(9)(11)(12)(17)</sup>	13,475,000	11,931,713	11,319,000	
<b>West CLO 2014-1, Ltd.</b>				
CLO subordinated notes, estimated yield 27.80% due July 18, 2026 <sup>(9)(11)(12)(17)</sup>	9,250,000	6,472,541	6,290,000	
<b>Windriver 2012-1 CLO, Ltd.</b>				
CLO subordinated notes, estimated yield 13.19% due January 15, 2024 <sup>(9)(11)(12)(17)</sup>	7,500,000	4,823,259	4,105,937	

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See Accompanying Notes.



**OXFORD SQUARE CAPITAL CORP.**

**CONSOLIDATED SCHEDULE OF INVESTMENTS — (continued)**  
December 31, 2017

COMPANY/INVESTMENT <sup>(1)(20)</sup>	PRINCIPAL AMOUNT/ SHARES	COST	FAIR VALUE <sup>(2)</sup>	% of Net Assets
<b>Collateralized Loan Obligation – Equity Investments – (continued)</b>				
<b>Structured Finance – (continued)</b>				
<b>Zais CLO 6, Ltd.</b>				
CLO subordinated notes, estimated yield 21.30% due July 15, 2029 <sup>(9)(11)(12)(17)</sup>	\$ 10,500,000	\$ 8,408,861	\$ 9,030,000	
<b>CLO Equity Side Letter Related Investments<sup>(11)(12)(13)</sup></b>		125,000	1,353,363	
<b>Total Structured Finance</b>		<b>\$173,346,492</b>	<b>\$156,004,106</b>	<b>40.2%</b>
<b>Total Collateralized Loan Obligation – Equity Investments</b>		<b>\$173,346,492</b>	<b>\$156,004,106</b>	<b>40.2%</b>
<b>Common Stock</b>				
<b>IT Consulting</b>				
<b>Unitek Global Services, Inc.</b>				
common equity <sup>(7)</sup>	1,244,188	\$ 684,960	\$ 3,048,261	
<b>Total IT Consulting</b>		<b>\$ 684,960</b>	<b>\$ 3,048,261</b>	<b>0.8%</b>
<b>Total Common Stock</b>		<b>\$ 684,960</b>	<b>\$ 3,048,261</b>	<b>0.8%</b>
<b>Preferred Equity</b>				
<b>IT Consulting</b>				
<b>Unitek Global Services, Inc.</b>				
Series A Senior Preferred Equity <sup>(7)</sup>	3,002,455	\$ 2,762,421	\$ 3,272,675	
Series A Preferred Equity <sup>(7)</sup>	5,706,866	3,677,000	8,446,162	
<b>Total IT Consulting</b>		<b>\$ 6,439,421</b>	<b>\$ 11,718,837</b>	<b>3.0%</b>
<b>Total Preferred Equity</b>		<b>\$ 6,439,421</b>	<b>\$ 11,718,837</b>	<b>3.0%</b>
<b>Warrants</b>				
<b>IT Consulting</b>				
<b>Unitek Global Services, Inc.</b>				
Warrants to purchase common stock <sup>(7)</sup>	159,795	\$ —	\$ —	
<b>Total IT Consulting</b>		<b>\$ —</b>	<b>\$ —</b>	<b>0.0%</b>
<b>Total Warrants</b>		<b>\$ —</b>	<b>\$ —</b>	<b>0.0%</b>
<b>Other Investments</b>				
<b>Software</b>				
Algorithmic Implementations, Inc. (d/b/a “Ai Squared”)				
Earnout payments <sup>(7)(18)</sup>		500,000	—	
<b>Total Software</b>		<b>\$ 500,000</b>	<b>\$ —</b>	<b>0.0%</b>
<b>Total Other Investments</b>		<b>\$ 500,000</b>	<b>\$ —</b>	<b>0.0%</b>
<b>Total Investments in Securities<sup>(8)</sup></b>		<b>\$429,518,820</b>	<b>\$418,442,226</b>	<b>107.8%</b>
<b>Cash Equivalents</b>				
First American Government Obligations Fund <sup>(19)</sup>		\$ 30,013,842	\$ 30,013,842	
<b>Total Cash Equivalents</b>		<b>\$ 30,013,842</b>	<b>\$ 30,013,842</b>	<b>7.7%</b>
<b>Total Investments in Securities and Cash Equivalents</b>		<b>\$459,532,662</b>	<b>\$448,456,068</b>	<b>115.5%</b>

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

See Accompanying Notes.

**OXFORD SQUARE CAPITAL CORP.**

**CONSOLIDATED SCHEDULE OF INVESTMENTS — (continued)  
December 31, 2017**

- (2) Fair value is determined in good faith by the Board of Directors of the Company.
- (3) Portfolio includes \$6,544,207 of principal amount of debt investments which contain a PIK provision at December 31, 2017.
- (4) Notes bear interest at variable rates.
- (5) Cost value reflects accretion of original issue discount or market discount.
- (6) Cost value reflects repayment of principal.
- (7) Non-income producing at the relevant period end.
- (8) Aggregate gross unrealized appreciation for federal income tax purposes is \$19,352,263; aggregate gross unrealized depreciation for federal income tax purposes is \$55,593,978. Net unrealized depreciation is \$36,247,715 based upon a tax cost basis of \$454,683,941.
- (9) Cost value reflects accretion of effective yield less any cash distributions received or entitled to be received from CLO equity investments.
- (10) The CLO equity investment was optionally redeemed. Refer to “Note 3. Summary of Significant Accounting Policies.”
- (11) Indicates assets that the Company believes do not represent “qualifying assets” under Section 55(a) of the 1940 Act. 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 December 31, 2017, the Company held qualifying assets that represented 64.6% of its total assets.
- (12) Investment not domiciled in the United States.
- (13) Fair value represents discounted cash flows associated with fees earned from CLO equity investments.
- (14) Aggregate investments represent greater than 5% of net assets.
- (15) The principal balance outstanding for this debt investment, in whole or in part, is indexed to 90-day LIBOR.
- (16) The principal balance outstanding for this debt investment, in whole or in part, is indexed to 30-day LIBOR.
- (17) The CLO subordinated notes and income notes are considered equity positions in the CLO funds. Equity investments are entitled to recurring distributions which are generally equal to the remaining cash flow of the payments made by the underlying fund’s securities less contractual payments to debt holders and fund expenses. The estimated yield indicated is based upon a current projection of the amount and timing of these recurring distributions and the estimated amount of repayment of principal upon expected redemption. Such projections are periodically reviewed and adjusted, and the estimated yield may not ultimately be realized.
- (18) Represents the earnout payments related to the sale of Algorithmic Implementations, Inc. (d/b/a “Ai Squared”).
- (19) Represents cash equivalents held in money market accounts as of December 31, 2017.
- (20) The fair value of the investment was determined using significant unobservable inputs. See “Note 4. Fair Value.”

See Accompanying Notes.

**OXFORD SQUARE CAPITAL CORP.**

**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(unaudited)

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
<b>INVESTMENT INCOME</b>				
From non-affiliated investments:				
Interest income – debt investments	\$ 6,461,737	\$ 5,306,698	\$ 18,134,829	\$ 19,096,102
Income from securitization vehicles and investments	7,217,804	8,086,059	20,121,432	26,081,676
Other income	1,468,611	1,007,230	2,555,797	2,517,401
Total investment income from non-affiliated investments	15,148,152	14,399,987	40,812,058	47,695,179
From affiliated investments:				
Interest income – debt investments	70,300	97,710	271,916	280,151
Total investment income from affiliated investments	70,300	97,710	271,916	280,151
Total investment income	15,218,452	14,497,697	41,083,974	47,975,330
<b>EXPENSES</b>				
Base management fee	1,834,856	2,004,391	5,257,061	6,456,566
Interest expense	2,258,403	3,701,533	4,635,177	11,135,451
Professional fees	366,399	720,500	871,476	2,062,734
Compensation expense	210,262	237,686	686,484	676,059
General and administrative	365,902	501,464	1,200,097	1,718,627
Total expenses before incentive fee	5,035,822	7,165,574	12,650,295	22,049,437
Net investment income incentive fee	1,570,126	564,370	3,410,068	2,827,991
Total expenses	6,605,948	7,729,944	16,060,363	24,877,428
Net investment income	8,612,504	6,767,753	25,023,611	23,097,902
Net change in unrealized appreciation/(depreciation) on investments				
Non-Affiliated investments	(2,693,363)	1,884,023	(1,819,221)	12,643,254
Affiliated investments	423,621	666,278	2,287,150	588,167
Total net change in unrealized appreciation/(depreciation) on investments	(2,269,742)	2,550,301	467,929	13,231,421
Net realized gains/(losses)				
Non-Affiliated investments	178,914	(1,066,399)	(577,890)	(5,992,111)
Affiliated investments	5,241	—	5,241	—
Extinguishment of debt	(14,608)	(2,235,636)	(14,608)	(3,149,338)
Total net realized gains/(losses)	169,547	(3,302,035)	(587,257)	(9,141,449)
Net increase in net assets resulting from operations	\$ 6,512,309	\$ 6,016,019	\$ 24,904,283	\$ 27,187,874
Net increase in net assets resulting from net investment income per common share:				
(Basic and Diluted)	\$ 0.18	\$ 0.13	\$ 0.50	\$ 0.45
Net increase in net assets resulting from operations per common share:				
(Basic and Diluted)	\$ 0.13	\$ 0.12	\$ 0.50	\$ 0.53
Weighted average shares of common stock outstanding:				
Basic	49,195,368	51,479,409	50,153,321	51,479,409
Diluted	49,195,368	59,727,707	50,153,321	59,727,707
Distributions per share	\$ 0.20	\$ 0.20	\$ 0.60	\$ 0.60

See Accompanying Notes.

**OXFORD SQUARE CAPITAL CORP.**

**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**

	<b>Nine Months Ended September 30, 2018 (unaudited)</b>	<b>Year Ended December 31, 2017</b>
<b>Increase in net assets from operations:</b>		
Net investment income	\$ 25,023,611	\$ 30,726,730
Net change in unrealized appreciation/depreciation on investments	467,929	23,040,171
Net realized gains/(losses)	(587,257)	(10,157,230)
Net increase in net assets resulting from operations	<u>24,904,283</u>	<u>43,609,671</u>
<b>Distributions to stockholders</b>		
Distributions of net investment income	(18,658,403)	(33,752,176)
Distributions of return of capital	(11,292,430)	(7,431,351)
<b>Total distributions to stockholders</b>	<u>(29,950,833)</u>	<u>(41,183,527)</u>
<b>Capital share transactions:</b>		
Repurchase of common stock	(15,104,677)	—
Net decrease in net assets from capital share transactions	<u>(15,104,677)</u>	<u>—</u>
<b>Total (decrease)/increase in net assets</b>	<u>(20,151,227)</u>	<u>2,426,144</u>
<b>Net assets at beginning of period</b>	<u>388,418,642</u>	<u>385,992,498</u>
<b>Net assets at end of period (including over distributed net investment income of \$29,999,484 and \$25,072,262, respectively)</b>	<u>\$ 368,267,415</u>	<u>\$ 388,418,642</u>
<b>Capital share activity:</b>		
Shares repurchased	(2,333,143)	—
Net decrease in capital share activity	<u>(2,333,143)</u>	<u>—</u>

See Accompanying Notes.

**OXFORD SQUARE CAPITAL CORP.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(unaudited)

	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
<b>CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES</b>		
Net increase in net assets resulting from operations	\$ 24,904,283	\$ 27,187,874
Adjustments to reconcile net increase in net assets resulting from operations to net cash (used in) provided by operating activities:		
Accretion of discounts on investments	(488,734)	(827,744)
Accretion of discount on notes payable and deferred debt issuance costs	271,996	811,412
Increase in investments due to PIK	(230,689)	(169,989)
Payment of original discount on TICC CLO 2012-1 LLC	—	(3,575,888)
Purchases of investments	(205,311,330)	(163,032,724)
Repayments of principal	92,682,109	158,996,792
Proceeds from the sale of investments	15,374,205	151,193,037
Net realized losses on investments	572,649	5,992,111
Reductions to CLO equity cost value	10,891,646	31,344,870
Net change in unrealized appreciation/depreciation on investments	(467,929)	(13,231,421)
Decrease in interest and distributions receivable	378,512	5,120,576
Decrease (increase) in other assets	75,846	(386,014)
Increase in accrued interest payable	353,117	1,234,949
Increase (decrease) in base management fee and net investment income incentive fee payable	698,883	(1,101,887)
Decrease in accrued expenses	(81,091)	(329,849)
Net cash (used in) provided by operating activities	<u>(60,376,527)</u>	<u>199,226,105</u>
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>		
Distributions paid	(29,950,833)	(30,887,645)
Repurchase of common stock	(15,104,677)	—
Proceeds from credit facility	95,193,113	—
Deferred debt issuance costs on credit facility	(212,387)	(2,263,933)
Repayment of original proceeds of notes payable – TICC CLO 2012-1 LLC	—	(125,705,930)
Partial repayment of credit facility	(7,489,875)	—
Net realized losses on extinguishment of debt	14,608	3,149,338
Proceeds from issuance of 6.50% unsecured notes	—	64,370,225
Net cash provided by (used in) financing activities	<u>42,449,949</u>	<u>(91,337,945)</u>
Net increase in cash, cash equivalents and restricted cash	(17,926,578)	107,888,160
Cash equivalents and restricted cash, beginning of period	<u>30,013,842</u>	<u>11,713,334</u>
Cash equivalents and restricted cash, end of period	<u>\$ 12,087,264</u>	<u>\$ 119,601,494</u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Cash paid for interest for the period	\$ 4,010,065	\$ 9,089,091
<b>NON-CASH ACTIVITIES</b>		
Securities sold not settled at the end of the period	\$ —	\$ 2,950,000
Securities purchased not settled at the end of the period	\$ —	\$ 5,015,000

See Accompanying Notes.

## OXFORD SQUARE CAPITAL CORP.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2018

(unaudited)

#### NOTE 1. UNAUDITED INTERIM FINANCIAL STATEMENTS

Interim consolidated financial statements of Oxford Square Capital Corp. (“OXSQ” and, together with its subsidiaries, the “Company”), formerly TICC Capital Corp., are prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Article 10 of Regulation S-X. Accordingly, certain disclosures accompanying annual financial statements prepared in accordance with GAAP are omitted. In the opinion of management, the unaudited financial results included herein contain all adjustments, consisting solely of normal accruals, considered necessary for the fair statement of financial statements for the interim period included herein. The current period’s consolidated results of operations are not necessarily indicative of results that may be achieved for the year. The interim consolidated financial statements and notes thereto should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s Form 10-K for the year ended December 31, 2017, as filed with the Securities and Exchange Commission (“SEC”).

#### NOTE 2. ORGANIZATION

Effective March 19, 2018, TICC Capital Corp. changed its name to Oxford Square Capital Corp. The Company made this change in order to more closely align the branding of the Company with its affiliated funds. OXSQ was incorporated under the General Corporation Laws of the State of Maryland on July 21, 2003 and is a non-diversified, closed-end investment company. The Company has elected to be regulated as a business development company (“BDC”) under the Investment Company Act of 1940, as amended (the “1940 Act”). In addition, the Company has elected to be treated for tax purposes as a regulated investment company (“RIC”), under Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”). The Company’s investment objective is to maximize its total return, by investing primarily in corporate debt securities.

The Company’s investment activities are managed by Oxford Square Management, LLC (“Oxford Square Management”), formerly TICC Management, LLC. Oxford Square Management is an investment adviser registered under the Investment Advisers Act of 1940, as amended. Oxford Square Management is owned by Oxford Funds, LLC (“Oxford Funds”), formerly BDC Partners, LLC, its managing member and a related party, and Charles M. Royce, a member of the Company’s Board of Directors (the “Board”) who holds a minority, non-controlling interest in Oxford Square Management. Under the investment advisory agreement with Oxford Square Management (the “Investment Advisory Agreement”), the Company has agreed to pay Oxford Square Management an annual base management fee based on its gross assets as well as an incentive fee based on its performance. For further details please refer to “Note 7. Related Party Transactions.”

The Company’s consolidated operations include the activities of its wholly-owned subsidiaries, Oxford Square Funding 2018 LLC (“OXSQ Funding”) and TICC CLO 2012-1 LLC (“2012 Securitization Issuer” or “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 a credit facility (the “Credit Facility”) with Citibank, N.A. TICC CLO 2012-1 was formed for the purpose of enabling the Company to obtain debt financing and is operated solely for the investment activities of the Company. TICC CLO 2012-1 ceased operations on August 25, 2017. During the quarter ended December 31, 2017, the Company, 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. Refer to “Note 6. Borrowings” for additional information on the Company’s borrowings.

#### NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### BASIS OF PRESENTATION

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, OXSQ Funding and TICC CLO 2012-1, for the periods during which they are held. All inter-company accounts and transactions have been eliminated in consolidation.

The Company follows the accounting and reporting guidance in Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 946, *Financial Services — Investment Companies*. Certain prior period figures have been reclassified from those originally published in quarterly and annual reports to conform to the current period presentation for comparative purposes.

**OXFORD SQUARE CAPITAL CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**September 30, 2018**

**(unaudited)**

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

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

**USE OF ESTIMATES**

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

**CONSOLIDATION**

As provided under Regulation S-X and ASC Topic 946-810, *Consolidation*, the Company will generally not consolidate its investment in a company other than a wholly-owned investment company or a controlled operating company whose business consists of providing services to the Company for the periods during which it was held. TICC CLO 2012-1 would have been considered an investment company but for the exceptions under Sections 3(c)(1) and 3(c)(7) under the 1940 Act, and was established solely for the purpose of allowing the Company to borrow funds for the purpose of making investments. The Company owned all of the equity in this entity and controlled the decision making power that drove its economic performance. Accordingly, the Company consolidated TICC CLO 2012-1 in its financial statements for the periods which it was held, and follows the accounting and reporting guidance in ASC 946-810. The Company also consolidated OXSQ Funding in its financial statements, for the periods which it is held in accordance with ASC 946-810.

**CASH, CASH EQUIVALENTS AND RESTRICTED CASH**

Cash and cash equivalents consist of demand deposits and cash held in a money market fund which contain investments with original maturities of three months or less. The Company places its cash and cash equivalents with financial institutions and, at times, cash held in bank accounts may exceed the Federal Deposit Insurance Corporation insured limit. Cash equivalents are classified as Level 1 assets and are included on the Company's Consolidated Schedule of Investments. Cash equivalents are carried at cost or amortized cost which approximates fair value.

Restricted cash represents the cash held by the trustee of OXSQ Funding. The amount is held by the trustee for payment of interest expense and operating expenses of the entity, principal repayments on borrowings, or new investments, based upon the terms of the indenture, and are not available for general corporate purposes. There was approximately \$3.5 million of restricted cash held by the trustee of OXSQ Funding as of September 30, 2018. There was no restricted cash as of December 31, 2017.

**INVESTMENT VALUATION**

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

**OXFORD SQUARE CAPITAL CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**September 30, 2018**

**(unaudited)**

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

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. The Company considers the attributes of current market conditions on an on-going basis and has determined that due to the general illiquidity of the market for its investment portfolio, whereby little or no market data exists, all of OXSQ's investments are based upon "Level 3" inputs as of September 30, 2018.

The Board determines the value of its 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. The Company may engage third-party valuation firms to provide assistance in valuing certain of its syndicated loans and bilateral investments, including related equity investments, although the Board ultimately determines the appropriate valuation of each such investment. Changes in fair value, as described above, are recorded in the consolidated statements of operations as net change in unrealized appreciation/depreciation on investments.

***Syndicated Loans***

In accordance with ASC 820-10, the Company's 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 the Company obtains 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 the Company believes that the non-binding indicative bids received from agent banks for certain syndicated loan investments that we own may not be determinative of their fair value or when no market indicative quote is available, the Company may engage third-party valuation firms to provide assistance in valuing certain syndicated investments that OXSQ owns. In addition, Oxford Square Management prepares an analysis of each syndicated loan, including a financial summary, debt 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***

The Company has acquired a number of debt and equity positions in collateralized loan obligation ("CLO") investment vehicles and CLO warehouse investments. These investments are special purpose financing vehicles. In valuing such investments, the Company considers the indicative prices provided by a recognized industry pricing service as a primary source, and the implied yield of such prices, supplemented by actual trades executed in the market at or around period-end, as well as the indicative prices provided by the broker who arranges transactions in such investment vehicles. The Company also considers those instances in which the record date for an equity distribution payment falls on or before 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 information resulting from bids-wanted-in-competition. In addition, the Company considers 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 the Board for its determination of fair value of these investments.



**OXFORD SQUARE CAPITAL CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**September 30, 2018**

**(unaudited)**

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

***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 the Board, upon the recommendation of the Valuation Committee, a third-party valuation firm will prepare valuations for each of OXSQ's 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 the Company's behalf, additional third-party valuations with respect to the Company's bilateral portfolio securities, syndicated loan investments, and CLO investment vehicles. All information is presented to the Board for its determination of fair value of these investments.

**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 the Company otherwise does not expect the borrower to be able to service its debt and other obligations, the Company will place the loan on non-accrual status and will cease recognizing interest income on that loan for financial reporting purposes until all principal and interest have been brought current through payment or due to restructuring such that the interest income is deemed to be collectible. The Company generally restores non-accrual loans to accrual status when past due principal and interest is paid and, in the Company's judgment, is likely to remain current. As of September 30, 2018 and as of December 31, 2017, the Company had no debt investments that were on non-accrual status.

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

**OXFORD SQUARE CAPITAL CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**September 30, 2018**

**(unaudited)**

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

***Payment-In-Kind***

The Company has debt investments in its 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 the Company believes 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. The Company monitors the expected residual payments, and effective yield is determined and updated periodically, as needed. Accordingly, investment income recognized on CLO equity securities in the GAAP statement of operations differs from both the tax-basis investment income and from the cash distributions actually received by the Company during the period.

***Other Income***

Other income includes prepayment, amendment, and other fees earned by the Company's 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. The Company may also earn success fees associated with its 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.

**DEFERRED DEBT ISSUANCE COSTS**

Deferred debt issuance costs consist of fees and expenses incurred in connection with the closing or amending of credit facilities and debt offerings, and are capitalized at the time of payment. These costs are amortized using the straight line method over the terms of the respective credit facilities and debt securities. The amortized expenses are included in interest expense in the Company's consolidated financial statements. The unamortized deferred debt issuance costs are included on the Company's statement of assets and liabilities as a direct deduction from the related debt liability. Upon early termination or partial principal pay down of debt, or a credit facility, the unamortized costs related to such debt are accelerated into realized losses on extinguishment of debt on the Company's statement of operations.

**EQUITY OFFERING COSTS**

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

**OXFORD SQUARE CAPITAL CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**September 30, 2018**

**(unaudited)**

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

**SHARE REPURCHASES**

From time to time, the Board may authorize a share repurchase program under which shares are purchased in open market transactions. Since the Company is incorporated in the State of Maryland, state law requires share repurchases to be accounted for as a share retirement. The cost of repurchased shares is charged against capital on the settlement date.

**SECURITIES TRANSACTIONS**

Securities transactions are recorded on trade date. Realized gains and losses on investments sold are recorded on the basis of specific identification. Distributions received on CLO equity investments which were optionally redeemed for which the cost basis has been reduced to zero are recorded as realized gains. An optional redemption feature of a CLO allows a majority of the holders of the equity securities issued by the CLO issuer, after the end of a specified non-call period, to cause the redemption of the secured notes issued by the CLO with proceeds of either the liquidation of the CLO's assets or through a refinancing with new debt. The optional redemption is effectively a voluntary prepayment of the secured debt issued by the CLO prior to the stated maturity of such debt.

**U.S. FEDERAL INCOME TAXES**

The Company intends to operate so as to qualify to be taxed as a RIC under Subchapter M of the Code and, as such, to not be subject to U.S. federal income tax on the portion of its taxable income and gains distributed to stockholders. To qualify for RIC tax treatment, the Company is required to distribute at least 90% of its investment company taxable income annually, meet diversification requirements quarterly and file Form 1120-RIC, as defined by the Code.

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

The Company recognizes the tax benefits of uncertain tax positions only when the position is more likely than not to be sustained, assuming examination by tax authorities. Through September 30, 2018, management has analyzed the Company's tax positions and concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions expected to be taken in the Company's 2018 tax returns. The Company identifies its major tax jurisdictions as U.S. Federal and Connecticut State; however, the Company is not aware of any tax position for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next 12 months.

For tax purposes, the cost basis of the portfolio investments at September 30, 2018 and December 31, 2017, was approximately \$547,436,144 and \$454,683,941, respectively.

**RECENT ACCOUNTING PRONOUNCEMENTS**

In August 2018, the FASB issued Accounting Standards Update ("ASU") 2018-13, *Fair Value Measurement (Topic 820) – Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU 2018-13") to improve the effectiveness of fair value measurement disclosures. This amendment modifies the disclosure requirements of fair value measurements based on the concepts in FASB Concepts Statement, *Conceptual Framework for Financial Reporting- Chapter 8: Notes to Financial Statements*. ASU 2018-13 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, and early adoption is permitted. Management has adopted the amendments in ASU 2018-13 as of September 30, 2018. The adoption did not have a material impact on the Company's consolidated financial statements and disclosures.

**OXFORD SQUARE CAPITAL CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

In March 2017, the FASB issued ASU 2017-08, *Receivables— Nonrefundable Fees and Other Costs (Subtopic 310-20), Premium Amortization on Purchased Callable Debt Securities* (“ASU 2017-08”) which amends the amortization period for certain purchased callable debt securities held at a premium, shortening such period to the earliest call date. ASU 2017-08 does not require any accounting change for debt securities held at a discount; the discount continues to be amortized to maturity. ASU 2017-08 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Management has assessed these changes and does not believe they will have a material impact on the Company’s consolidated financial statements and disclosures.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a Consensus of the Emerging Issues Task Force)* (“ASU 2016-18”), which requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. ASU 2016-18 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within those fiscal years, with early adoption permitted. Management adopted the new guidance as of January 1, 2018 and upon adoption of the standard, restricted cash was included as part of beginning and ending cash and cash equivalents on the consolidated statement of cash flows for the nine months ended September 30, 2018 and 2017.

In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments (a Consensus of the Emerging Issues Task Force)* (“ASU 2016-15”), which is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. ASU 2016-15 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within those fiscal years, with early adoption permitted. Management adopted the new guidance as of January 1, 2018 and the adoption did not have a material impact on the Company’s consolidated financial statements.

**NOTE 4. FAIR VALUE**

The Company’s assets measured at fair value on a recurring basis as of September 30, 2018 were as follows:

<b>Assets (\$ in millions)</b>	<b>Fair Value Measurements at Reporting Date Using</b>			<b>Total</b>
	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	
Senior Secured Notes	\$ —	\$ —	\$ 290.6	290.6
CLO Debt	—	—	4.5	4.5
CLO Equity	—	—	191.2	191.2
Equity and Other Investments	—	—	19.1	19.1
<b>Total Investments at fair value</b>	<b>—</b>	<b>—</b>	<b>\$ 505.4</b>	<b>505.4</b>
Cash equivalents	8.6	—	—	8.6
<b>Total assets at fair value</b>	<b>\$ 8.6</b>	<b>\$ —</b>	<b>\$ 505.4</b>	<b>514.0</b>

**OXFORD SQUARE CAPITAL CORP.**

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

The Company's assets measured at fair value on a recurring basis at December 31, 2017 were as follows:

<b>Assets (\$ in millions)</b>	<b>Fair Value Measurements at Reporting Date Using</b>			<b>Total</b>
	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	
Senior Secured Notes	\$ —	\$ —	\$ 242.2	\$ 242.2
Subordinated Debt	—	—	0.8	0.8
CLO Debt	—	—	4.7	4.7
CLO Equity	—	—	156.0	156.0
Equity and Other Investments	—	—	14.7	14.7
Total Investments at fair value	—	—	418.4	418.4
Cash equivalents	30.0	—	—	30.0
Total assets at fair value	<u>\$ 30.0</u>	<u>\$ —</u>	<u>\$ 418.4</u>	<u>\$ 448.4</u>

*Significant Unobservable Inputs for Level 3 Investments*

The following tables provide quantitative information about the Company's Level 3 fair value measurements as of September 30, 2018 and December 31, 2017, respectively. The Company's valuation policy, as described above, establishes parameters for the sources and types of valuation analysis, as well as the methodologies and inputs that the Company uses in determining fair value. If the Valuation Committee or Oxford Square Management determines that additional techniques, sources or inputs are appropriate or necessary in a given situation, such additional work will be undertaken. The tables, therefore, are not all-inclusive, but provide information on the significant Level 3 inputs that are pertinent to the Company's fair value measurements. The weighted average calculations in the table below are based on principal balances for all debt related calculations and CLO equity.

<b>Quantitative Information about Level 3 Fair Value Measurements</b>					
<b>Assets (\$ in millions)</b>	<b>Fair Value as of September 30, 2018</b>	<b>Valuation Techniques/ Methodologies</b>	<b>Unobservable Input</b>	<b>Range/Weighted Average<sup>(1)</sup></b>	<b>Impact to Fair Value from an Increase in Input<sup>(2)</sup></b>
Senior Secured Notes	\$ 257.9	Market quotes	NBIB <sup>(3)</sup>	81.5% – 101.3%/98.2%	NA
	29.7	Recent transactions	Actual trade/payoff <sup>(4)</sup>	100.4% – 100.8%/100.5%	NA
	3.0	Yield analysis	Discount Margin	6.79% – 10.66%/8.73%	Decrease
CLO Debt	4.5	Market quotes	NBIB <sup>(3)</sup>	88.1% – 99.8%/90.5%	NA
CLO Equity	179.7	Market quotes	NBIB <sup>(3)</sup>	1.5% – 109.0%/62.4%	NA
	6.5	Liquidation net asset value <sup>(5)</sup>	NBIB <sup>(3)</sup>	33.0% – 61.0%/37.9%	Increase
	4.1	Yield analysis	Discount Margin	16.0%/ncm <sup>(6)</sup>	Decrease
	0.9	Discounted cash flow <sup>(7)</sup>	Discount rate <sup>(8)</sup>	14.5% – 15.6%/14.6%	Decrease
Equity and Other Investments	19.1	Enterprise value <sup>(9)</sup>	EBITDA <sup>(10)</sup> /	\$43.9/ncm <sup>(6)</sup>	Increase
			Market multiples <sup>(10)</sup>	6.5x – 7.0x/ncm <sup>(6)</sup>	Increase
Total Fair Value for Level 3 Investments	<u>\$ 505.4</u>				

**OXFORD SQUARE CAPITAL CORP.**

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

- (1) Weighted averages are calculated based on fair value of investments.
- (2) The impact on the fair value measurement of an increase in each unobservable input is in isolation. The discount rate is the rate used to discount future cash flows in a discounted cash flow calculation. An increase in the discount rate, in isolation, would result in a decrease in a fair value measurement. Market/EBITDA multiples refer to the input (often derived from the value of a comparable company) that is multiplied by the historic and/or expected EBITDA of a company in order to estimate the company's value. An increase in the Market/EBITDA multiple, in isolation, net of adjustments, would result in an increase in a fair value measurement.
- (3) The Company generally uses prices provided by an independent pricing service, or broker or agent bank non-binding indicative bid prices ("NBIB"), on or near the valuation date as the primary basis for the fair value determinations for syndicated notes, and CLO debt and equity investments, which may be adjusted for pending equity distributions as of valuation date. These bid prices are non-binding, and may not be determinative of fair value. Each bid price is evaluated by the Valuation Committee in conjunction with additional information compiled by Oxford Square Management, including financial performance, recent business developments, and, in the case of CLO debt and equity investments, performance and covenant compliance information as provided by the independent trustee.
- (4) Prices provided by independent pricing services are evaluated in conjunction with actual trades and payoffs and, in certain cases, the value represented by actual trades or payoffs may be more representative of fair value as determined by the Valuation Committee.
- (5) The fair value of those CLO equity positions which have been optionally redeemed are generally valued using a liquidation net asset value basis which represents the estimated expected residual value of the CLO as of the end of the period.
- (6) The calculation of weighted average for a range of values, for a single investment within a given asset category, is not considered to provide a meaningful representation ("ncm").
- (7) The Company will calculate the fair value of certain CLO equity investments based upon the net present value of expected contractual payment streams discounted using estimated market yields for the equity tranche of the respective CLO vehicle. The Company will also consider those investments in which the record date for an equity distribution payment falls on or before the last day of the period, and the likelihood that a prospective purchaser would require an adjustment to the transaction price representing substantially all of the pending distribution.
- (8) Discount rate represents the rate at which future cash flows are discounted to calculate a present value, reflecting market assumptions for risk.
- (9) For the corporate debt investments and equity investments, third-party valuation firms evaluate the financial and operational information of the portfolio companies that the Company provides to them, as well as independent market and industry information that they consider appropriate in forming an opinion as to the fair value of the Company's securities. In those instances where the carrying value and/or internal credit rating of the investment does not require the use of a third-party valuation firm, a valuation is prepared by Oxford Square Management, which may include liquidation analysis or which may utilize a subsequent transaction to provide an indication of fair value.
- (10) EBITDA, or earnings before interest expense, taxes, depreciation and amortization, is an unobservable input which is generally based on the most recently available twelve month financial statements provided by the portfolio company. Market multiples, also an unobservable input, represent an estimation of where market participants might value an enterprise based upon information available for comparable companies in the market.

**Quantitative Information about Level 3 Fair Value Measurements**

<b>Assets (\$ in millions)</b>	<b>Fair Value as of December 31, 2017</b>	<b>Valuation Techniques/ Methodologies</b>	<b>Unobservable Input</b>	<b>Range/Weighted Average<sup>(1)</sup></b>	<b>Impact to Fair Value from an Increase in Input<sup>(2)</sup></b>
Senior Secured Notes	\$ 214.9	Market quotes	NBIB <sup>(3)</sup>	77.6% – 100.6%/98.1%	NA
	1.5	Yield Analysis	Discount Margin	10.8%/ncm <sup>(4)</sup>	Decrease
	23.1	Recent transactions	Actual trade/payoff <sup>(5)</sup>	95.0% – 100.4%/95.7%	NA
	2.7	Enterprise value <sup>(6)</sup> / Discounted cash flow	Market multiples <sup>(7)</sup> / Discount rate <sup>(8)</sup>	5.5x – 6.0x/ncm <sup>(4)</sup> / 6.4% – 8.0%/ncm <sup>(4)</sup>	Increase Decrease
Subordinated Debt	0.8	Enterprise value <sup>(6)</sup> / Discounted cash flow	Market multiples <sup>(7)</sup> / Discount rate <sup>(8)</sup>	5.5x – 6.0x/ncm <sup>(4)</sup> / 6.4% – 8.0%/ncm <sup>(4)</sup>	Increase Decrease
CLO Debt	4.7	Market quotes	NBIB <sup>(3)</sup>	86.8% – 100.0%/89.9%	NA
CLO Equity	154.6	Market quotes	NBIB <sup>(3)</sup>	1.8% – 113.0%/51.3%	NA
	1.4	Discounted cash flow <sup>(9)</sup>	Discount rate <sup>(8)</sup>	11.5% – 27.6%/15.4%	Decrease
Equity and Other Investments	14.7	Enterprise value <sup>(6)</sup>	EBITDA <sup>(7)</sup> / Market multiple <sup>(7)</sup>	\$41.6/ncm <sup>(4)</sup> / 5.5x – 6.0x/ncm <sup>(4)</sup>	Increase Increase
Total Fair Value for Level 3 Investments	<u>\$ 418.4</u>				



**OXFORD SQUARE CAPITAL CORP.**

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

- (1) Weighted averages are calculated based on fair value of investments.
- (2) The impact on the fair value measurement of an increase in each unobservable input is in isolation. The discount rate is the rate used to discount future cash flows in a discounted cash flow calculation. An increase in the discount rate, in isolation, would result in a decrease in a fair value measurement. Market/EBITDA multiples refer to the input (often derived from the value of a comparable company) that is multiplied by the historic and/or expected EBITDA of a company in order to estimate the company's value. An increase in the Market/EBITDA multiple, in isolation, net of adjustments, would result in an increase in a fair value measurement.
- (3) The Company generally uses prices provided by an independent pricing service, or broker or agent bank non-binding indicative bid prices ("NBIB"), on or near the valuation date as the primary basis for the fair value determinations for syndicated notes, and CLO debt and equity investments, which may be adjusted for pending equity distributions as of valuation date. These bid prices are non-binding, and may not be determinative of fair value. Each bid price is evaluated by the Valuation Committee in conjunction with additional information compiled by Oxford Square Management, including financial performance, recent business developments, and, in the case of CLO debt and equity investments, performance and covenant compliance information as provided by the independent trustee.
- (4) The calculation of weighted average for a range of values, for a single investment within a given asset category, is not considered to provide a meaningful representation ("ncm").
- (5) Prices provided by independent pricing services are evaluated in conjunction with actual trades and payoffs and, in certain cases, the value represented by actual trades or payoffs may be more representative of fair value as determined by the Valuation Committee.
- (6) For the corporate debt investments and equity investments, third-party valuation firms evaluate the financial and operational information of the portfolio companies that the Company provides to them, as well as independent market and industry information that they consider appropriate in forming an opinion as to the fair value of the Company's securities. In those instances where the carrying value and/or internal credit rating of the investment does not require the use of a third-party valuation firm, a valuation is prepared by Oxford Square Management, which may include liquidation analysis or which may utilize a subsequent transaction to provide an indication of fair value.
- (7) EBITDA, or earnings before interest expense, taxes, depreciation and amortization, is an unobservable input which is generally based on the most recently available twelve month financial statements provided by the portfolio company. Market multiples, also an unobservable input, represent an estimation of where market participants might value an enterprise based upon information available for comparable companies in the market.
- (8) Discount rate represents the rate at which future cash flows are discounted to calculate a present value, reflecting market assumptions for risk.
- (9) The Company will calculate the fair value of certain CLO equity investments based upon the net present value of expected contractual payment streams discounted using estimated market yields for the equity tranche of the respective CLO vehicle. The Company will also consider those investments in which the record date for an equity distribution payment falls on the last day of the period, and the likelihood that a prospective purchaser would require an adjustment to the transaction price representing substantially all of the pending distribution.

**Financial Instruments Disclosed, But Not Carried, At Fair Value**

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

(\$ in millions)	Carrying Value <sup>(1)</sup>	Fair Value	Level 1	Level 2	Level 3
6.50% Unsecured Notes <sup>(2)</sup>	\$ 62.6	\$ 64.6	\$ —	\$ 64.6	\$ —
Credit Facility <sup>(3)</sup>	87.5	87.7	—	—	87.7
<b>Total</b>	<b>\$ 150.1</b>	<b>\$ 152.3</b>	<b>\$ —</b>	<b>\$ 64.6</b>	<b>\$ 87.7</b>

- (1) Carrying value is net of deferred debt issuance costs. As of September 30, 2018 the unamortized debt issuance costs were approximately \$1.8 million for the 6.50% unsecured notes due 2024 (the "6.50% Unsecured Notes") and approximately \$0.2 million for the OXSQ Funding Credit Facility.
- (2) Fair value is based upon the closing price on the last day of the period. The 6.50% Unsecured Notes are listed on the NASDAQ Global Select Market (trading symbol OXSQ).
- (3) Fair value represents the par amount of the Credit Facility.



**OXFORD SQUARE CAPITAL CORP.**

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**NOTE 4. FAIR VALUE (cont.)**

The following table presents the carrying value and fair value of the Company's financial liabilities disclosed, but not carried, at fair value as of December 31, 2017 and the level of each financial liability within the fair value hierarchy:

(\$ in millions)	Carrying Value <sup>(1)</sup>	Fair Value	Level 1	Level 2	Level 3
6.50% Unsecured Notes <sup>(2)</sup>	\$ 62.3	\$ 66.5	\$ —	\$ 66.5	\$ —
Total	<u>\$ 62.3</u>	<u>\$ 66.5</u>	<u>\$ —</u>	<u>\$ 66.5</u>	<u>\$ —</u>

- (1) Carrying value is net of deferred debt issuance costs, which totaled approximately \$2.0 million as of December 31, 2017.  
(2) Fair value is based upon the closing price on the last day of the period. The 6.50% Unsecured Notes are listed on the NASDAQ Global Select Market (trading symbol OXSQL).

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

(\$ in millions)	Senior Secured Notes	Subordinated Debt	CLO Debt	CLO Equity	Equity/Other Investments	Total <sup>(2)</sup>
Balance at June 30, 2018	\$ 285.3	\$ 0.8	\$ 4.4	\$ 145.8	\$ 16.6	\$ 452.9
Realized gains/(losses) included in earnings	0.2	—	—	(0.1)	—	0.2
Unrealized (depreciation)/appreciation included in earnings	(0.3)	—	—	(2.6)	0.5	(2.3)
Accretion of discount	0.1	—	—	—	—	0.1
Purchases	35.6	—	—	54.2	2.0	91.8
Repayments and Sales	(30.4)	(0.8)	—	(5.0)	—	(36.3)
Reductions to CLO Equity Cost Value <sup>(1)</sup>	—	—	—	(1.2)	—	(1.2)
Payment in Kind income	0.1	—	—	—	—	0.1
Transfers in and/or (out) of level 3	—	—	—	—	—	—
Balance at September 30, 2018 <sup>(2)</sup>	<u>\$ 290.6</u>	<u>\$ —</u>	<u>\$ 4.5</u>	<u>\$ 191.2</u>	<u>\$ 19.1</u>	<u>\$ 505.4</u>
The amount of total gains or losses for the period included in earnings attributable to the change in unrealized gains or losses relating to our Level 3 assets still held at the reporting date and reported within the net change in unrealized gains or losses on investments in our Statement of Operations	<u>\$ 0.6</u>	<u>\$ —</u>	<u>\$ 0.1</u>	<u>\$ (2.8)</u>	<u>\$ 0.5</u>	<u>\$ (1.6)</u>

- (1) Reduction to cost value on the Company's CLO equity investments represents the difference between distributions received, or entitled to be received, of approximately \$8.4 million and the effective yield interest income of approximately \$7.2 million.  
(2) Totals may not sum due to rounding.

**OXFORD SQUARE CAPITAL CORP.**

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**NOTE 4. FAIR VALUE (cont.)**

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

(\$ in millions)	Senior Secured Notes	Subordinated Debt	CLO Debt	CLO Equity	Equity/ Other Investments	Total <sup>(2)</sup>
Balance at December 31, 2017	\$ 242.2	\$ 0.8	\$ 4.7	\$ 156.0	\$ 14.7	\$ 418.4
Realized (losses) gains included in earnings	1.2	—	0.1	(2.0)	0.1	(0.6)
Unrealized (depreciation)/appreciation included in earnings	(1.1)	—	—	(0.8)	2.4	0.5
Accretion of discount	0.5	—	—	—	—	0.5
Purchases	148.2	—	0.9	54.2	2.0	205.3
Repayments and Sales	(100.6)	(0.8)	(1.3)	(5.3)	—	(108.1)
Reductions to CLO Equity Cost Value <sup>(1)</sup>	—	—	—	(10.9)	—	(10.9)
Payment in Kind income	0.2	—	—	—	—	0.2
Transfers in and/or (out) of level 3	—	—	—	—	—	—
Balance at September 30, 2018 <sup>(2)</sup>	<u>\$ 290.6</u>	<u>\$ —</u>	<u>\$ 4.5</u>	<u>\$ 191.2</u>	<u>\$ 19.1</u>	<u>\$ 505.4</u>
The amount of total gains or losses for the period included in earnings attributable to the change in unrealized gains or losses relating to our Level 3 assets still held at the reporting date and reported within the net change in unrealized gains or losses on investments in our Statement of Operations	<u>\$ (1.1)</u>	<u>\$ —</u>	<u>\$ 0.1</u>	<u>\$ (3.2)</u>	<u>\$ 2.3</u>	<u>\$ (1.9)</u>

(1) Reduction to cost value on the Company's 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.

(2) Totals may not sum due to rounding.

**OXFORD SQUARE CAPITAL CORP.**

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**NOTE 4. FAIR VALUE (cont.)**

A reconciliation of the fair value of investments for the year ended December 31, 2017, utilizing significant unobservable inputs, is as follows:

(\$ in millions)	Senior Secured Notes	Subordinated Debt	CLO Debt	CLO Equity	Equity/ Other Investments	Total
Balance at December 31, 2016	\$ 368.3	\$ 0.7	\$ 2.7	\$ 200.8	\$ 12.7	\$ 585.2
Realized (losses) gains included in earnings	2.4	—	0.2	(12.1)	2.5	(7.0)
Unrealized appreciation included in earnings	11.3	0.1	0.3	10.5	0.8	23.0
Accretion of discount	1.0	—	—	—	—	1.0
Purchases	94.3	—	4.5	107.0	3.0	208.8
Repayments and Sales	(235.4)	—	(3.0)	(113.1)	(4.2)	(355.7)
Reductions to CLO equity cost value <sup>(1)</sup>	—	—	—	(37.1)	—	(37.1)
Payment-in-Kind income	0.2	—	—	—	—	0.2
Transfers in and/or (out) of level 3	—	—	—	—	—	—
Balance at December 31, 2017 <sup>(2)</sup>	<u>\$ 242.2</u>	<u>\$ 0.8</u>	<u>\$ 4.7</u>	<u>\$ 156.0</u>	<u>\$ 14.7</u>	<u>\$ 418.4</u>
The amount of total gains or losses for the period included in earnings attributable to the change in unrealized gains or losses relating to our Level 3 assets still held at the reporting date and reported within the net change in unrealized gains or losses on investments in our consolidated statement of operations <sup>(2)</sup>	<u>\$ 4.5</u>	<u>\$ —</u>	<u>\$ 0.3</u>	<u>\$ (4.1)</u>	<u>\$ 3.2</u>	<u>\$ 4.0</u>

(1) Reduction to cost value on the Company's 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.

(2) Totals may not sum due to rounding.

The following table shows the fair value of the Company's 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 <sup>(1)</sup>	<u>\$ 505.4</u>	<u>100.0%</u>	<u>\$ 418.4</u>	<u>100.0%</u>

(1) Totals may not sum due to rounding.

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**NOTE 5. CASH, CASH EQUIVALENTS AND RESTRICTED CASH**

As of September 30, 2018 and December 31, 2017, respectively, cash, cash equivalents and restricted cash were as follows:

(\$ in millions)	September 30, 2018	December 31, 2017
Cash	\$ —	\$ —
Cash Equivalents	8.6	30.0
Restricted Cash	3.5	—
Total Cash, Cash Equivalents and Restricted Cash	<u>\$ 12.1</u>	<u>\$ 30.0</u>

For further details regarding the composition of cash, cash equivalents and restricted cash refer to “Note 3 — Summary of Significant Accounting Policies.”

**NOTE 6. BORROWINGS**

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

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.

The following are the Company’s outstanding principal amounts, carrying values and fair values of the Company’s borrowings as of September 30, 2018 and December 31, 2017. Fair values of the Company’s notes payable are based upon the closing price on the last day of the period. The 6.50% Unsecured Notes are listed on the NASDAQ Global Select Market (trading symbol OXSQL). The Credit Facility fair value represents the par amount of the debt obligation as of September 30, 2018.

(\$ in millions)	As of					
	September 30, 2018			December 31, 2017		
	Principal Amount	Carrying Value	Fair Value	Principal Amount	Carrying Value	Fair Value
6.50% Unsecured Notes <sup>(1)</sup>	\$ 64.4	\$ 62.6	\$ 64.6	\$ 64.4	\$ 62.3	\$ 66.5
Credit Facility <sup>(2)</sup>	87.7	87.5	87.7	—	—	—
Total	<u>\$ 152.1</u>	<u>\$ 150.1</u>	<u>\$ 152.3</u>	<u>\$ 64.4</u>	<u>\$ 62.3</u>	<u>\$ 66.5</u>

(1) The carrying value represents the aggregate principal amount outstanding less the unamortized deferred issuance costs. As of September 30, 2018 and December 31, 2017, the total unamortized deferred issuance costs for the 6.50% Unsecured Notes was approximately \$1.8 million and \$2.0 million, respectively.

(2) As of September 30, 2018, the total unamortized deferred issuance costs for the Credit Facility was approximately \$0.2 million. The Credit Facility fair value represents the par amount of the debt obligation.

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.

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**NOTE 6. BORROWINGS (cont.)**

The table below summarizes the components of interest expense for the three and nine months ended September 30, 2018:

<b>Three Months Ended September 30, 2018</b>				
(\$ in thousands)	Stated Interest Expense	Note Discount	Amortization of Deferred Debt Issuance Costs	Total
6.50% Unsecured Notes	\$ 1,046.1	\$ —	\$ 81.8	\$ 1,127.9
Credit Facility	1,104.0	—	26.5	1,130.5
Total	\$ 2,150.1	\$ —	\$ 108.3	\$ 2,258.4

<b>Nine Months Ended September 30, 2018</b>				
(\$ in thousands)	Stated Interest Expense	Note Discount	Amortization of Deferred Debt Issuance Costs	Total
6.50% Unsecured Notes	\$ 3,138.1	\$ —	\$ 242.9	\$ 3,381.0
Credit Facility	1,225.1	—	29.1	1,254.2
Total	\$ 4,363.2	\$ —	\$ 272.0	\$ 4,635.2

<b>Three Months Ended September 30, 2017</b>				
(\$ in thousands)	Stated Interest Expense	Note Discount	Amortization of Deferred Debt Issuance Costs	Total
TICC CLO 2012-1 LLC Class A-1 Notes	\$ 42.1	\$ 1.6	\$ —	\$ 43.7
TICC CLO 2012-1 LLC Class B-1 Notes	143.3	8.4	—	151.7
TICC CLO 2012-1 LLC Class C-1 Notes	208.7	14.1	—	222.8
TICC CLO 2012-1 LLC Class D-1 Notes	222.6	15.9	—	238.5
TICC CLO 2012-1 amortization of deferred debt	—	—	16.1	16.1
Convertible Notes	1,772.7	—	128.2	1,900.9
6.50% Unsecured Notes	1,046.0	—	81.8	1,127.8
Total	\$ 3,435.4	\$ 40.0	\$ 226.1	\$ 3,701.5

<b>Nine Months Ended September 30, 2017</b>				
(\$ in thousands)	Stated Interest Expense	Note Discount	Amortization of Deferred Debt Issuance Costs	Total
TICC CLO 2012-1 LLC Class A-1 Notes	\$ 623.8	\$ 25.4	\$ —	\$ 649.2
TICC CLO 2012-1 LLC Class B-1 Notes	600.0	35.4	—	635.4
TICC CLO 2012-1 LLC Class C-1 Notes	878.4	59.4	—	937.8
TICC CLO 2012-1 LLC Class D-1 Notes	939.7	67.0	—	1,006.7
TICC CLO 2012-1 amortization of deferred debt	—	—	91.7	91.7
Convertible Notes	5,318.0	—	380.5	5,698.5
6.50% Unsecured Notes	1,964.2	—	152.0	2,116.2
Total	\$ 10,324.1	\$ 187.2	\$ 624.2	\$ 11,135.5

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**NOTE 6. BORROWINGS (cont.)**

***Notes Payable — Credit Facility***

On June 21, 2018, OXSQ Funding, a special purpose vehicle and wholly-owned subsidiary of OXSQ, entered into a Credit Facility with Citibank, N.A. Subject to certain exceptions, pricing under the Credit 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. Pursuant to the terms of the credit agreement governing the Credit Facility, OXSQ Funding has borrowed approximately \$95.2 million. The Credit 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.

The Credit Facility is collateralized by a pool of loans initially consisting of loans sold by OXSQ to OXSQ Funding. OXSQ may sell and contribute additional loans to OXSQ Funding from time to time. OXSQ will act as the collateral manager of the loans owned by OXSQ Funding, and has retained a residual interest through its ownership of OXSQ Funding.

As of September 30, 2018, there were 24 investments in portfolio companies with a total fair value of approximately \$213.8 million, collateralizing the Credit Facility. The pool of loans in OXSQ Funding must meet certain requirements, including asset mix and concentration, collateral coverage, term, agency rating, minimum coupon, minimum spread and sector diversity requirements.

On September 21, 2018, approximately \$7.5 million of principal outstanding under the Credit Facility was repaid by the Company. The Company recognized a net extinguishment loss of approximately \$15,000, which consisted of unamortized deferred debt issuance costs. These costs are recorded within realized losses on extinguishment of debt in the consolidated statements of operations.

The aggregate accrued interest payable on the Credit Facility as of September 30, 2018 was approximately \$0.4 million. Deferred debt issuance costs consisted of fees and expenses incurred in connection with the Credit Facility. As of September 30, 2018, the unamortized deferred debt issuance costs relating to the Credit Facility was approximately \$0.2 million. This amount is being amortized and included in interest expense in the consolidated statements of operations over the term of the Credit Facility. The cash paid and effective annualized interest rate for the three months ended September 30, 2018 was approximately \$0.9 million and 4.69%, respectively.

***Notes Payable — 6.50% Unsecured Notes Due 2024***

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 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 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, which commenced June 30, 2017.

The aggregate accrued interest payable on the 6.50% Unsecured Notes as of September 30, 2018 was approximately \$12,000. As of September 30, 2018, the Company had unamortized deferred debt issuance costs relating to the 6.50% Unsecured Notes of approximately \$1.8 million. The deferred debt issuance costs are being amortized over the term of the 6.50% Unsecured Notes and are included in interest expense in the consolidated statements of operations. The cash paid and the effective annualized interest rate for the three months ended September 30, 2018 were approximately \$1.0 million and 6.95%, respectively. The cash paid and the effective annualized interest rate for the three months ended September 30, 2017 were approximately \$1.0 million and 6.95%, respectively.

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**NOTE 6. BORROWINGS** (cont.)

*Notes Payable — Convertible Notes*

On September 26, 2012, the Company issued \$105.0 million aggregate principal amount of convertible notes (the “Convertible Notes”), and an additional \$10.0 million aggregate principal amount of the Convertible Notes was issued on October 22, 2012 pursuant to the exercise of the initial purchasers’ option to purchase additional Convertible Notes. The Convertible Notes bore interest at a rate of 7.50% per year, payable semi-annually in arrears on May 1 and November 1 of each year, commencing on May 1, 2013. The Convertible Notes were convertible into shares of OXSQ’s common stock based on an initial conversion rate of 87.2448 shares of its common stock per \$1,000 principal amount of the Convertible Notes, which would have been equivalent to an initial conversion price of approximately \$11.46 per share of common stock. The conversion price for the Convertible Notes would have been reduced for quarterly cash distributions paid to common shares to the extent that the quarterly distribution exceeded \$0.29 cents per share, subject to adjustment. Deferred debt issuance costs represent fees and other direct incremental costs incurred in connection with the Convertible Notes. On December 2, 2016 and December 16, 2016, the Company repurchased \$12.0 million and approximately \$8.5 million of the Convertible Notes, respectively. On November 1, 2017, the Convertible Notes matured and were repaid in full (approximately \$94.5 million) in accordance with their terms.

In connection with the repurchase of approximately \$20.5 million of the Convertible Notes in December 2016, the Company recognized a net extinguishment loss of approximately \$815,000, which consisted of approximately \$716,000 from repurchasing the Convertible Notes at a premium to par and approximately \$99,000 in previously unamortized deferred debt issuance costs. These costs are recorded within realized losses on extinguishment of debt in the consolidated statements of operations. The realized loss on extinguishment of debt incurred in prior periods was reclassified from interest expense in the consolidated statements of operations to conform with the current period presentation for comparative purposes. The effective annualized interest rate for the three months ended September 30, 2017 was approximately 7.98%. No cash was paid for interest for the three months ended September 30, 2017.

*Notes Payable — TICC CLO 2012-1 LLC*

On August 23, 2012, the Company completed a \$160 million debt securitization financing transaction, consisting of \$120 million in secured notes and \$40.0 million of subordinated notes (the “2012 Subordinated Notes”). On February 25, 2013 and May 28, 2013, TICC CLO 2012-1 issued additional secured notes totaling an aggregate of \$120 million and 2012 Subordinated Notes totaling an aggregate of \$40.0 million, which 2012 Subordinated Notes were purchased by the Company under the “accordion” feature of the debt securitization which allowed, under certain circumstances and subject to the satisfaction of certain conditions, for an increase in the amount of secured and subordinated notes. It is not necessary that the Company own all or any of the notes permitted by this feature, which may affect the accounting treatment of the debt securitization financing transaction. On August 25, 2016, November 25, 2016, February 27, 2017, and May 25, 2017, the Securitization Issuer repaid approximately \$36.0 million, approximately \$74.7 million, approximately \$24.5 million, and approximately \$31.4 million of the class A-1 notes, respectively. On August 25, 2017, the Securitization Issuer repaid, in full, the remaining secured notes (classes A-1, B-1, C-1 and D-1) outstanding of approximately \$73.4 million. During the quarter ended December 31, 2017, the Company, 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.

In connection with the August 25, 2016 repayment of approximately \$36.0 million of the Class A-1 notes, the Company incurred debt extinguishment costs of approximately \$0.6 million, which consisted of approximately \$0.3 million in accelerated note discount expense and approximately \$0.3 million in accelerated deferred debt issuance costs.

In connection with the November 25, 2016 repayment of approximately \$74.7 million of the Class A-1 notes, the Company incurred debt extinguishment costs of approximately \$1.3 million, which consisted of approximately \$0.6 million in accelerated note discount expense and approximately \$0.7 million in accelerated deferred debt issuance costs.

In connection with the February 27, 2017 repayment of approximately \$24.5 million of the Class A-1 notes, the Company incurred debt extinguishment costs of approximately \$0.4 million, which consisted of approximately \$0.2 million in accelerated note discount expense and approximately \$0.2 million in accelerated deferred debt issuance costs.

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**NOTE 6. BORROWINGS (cont.)**

In connection with the May 25, 2017 repayment of approximately \$31.4 million of the Class A-1 notes, the Company incurred debt extinguishment costs of approximately \$0.5 million, which consisted of approximately \$0.2 million in accelerated note discount expense and approximately \$0.3 million in accelerated deferred debt issuance costs.

In connection with the August 25, 2017 repayment of approximately \$73.4 million of the 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 accelerated note discount expense and accelerated deferred debt issuance costs are recorded within realized losses on extinguishment of debt in the consolidated statements of operations. The realized loss on extinguishment of debt incurred in prior periods was reclassified from interest expense in consolidated statements of operations to conform with the current period presentation for comparative purposes. The cash paid and the effective annualized interest rate for the three months ended September 30, 2017 were \$1.0 million and 5.98%, respectively.

**NOTE 7. RELATED PARTY TRANSACTIONS**

The Company pays Oxford Square Management a fee for its services under the Investment Advisory Agreement consisting of two components — a base management fee (the “Base Fee”) based on its gross assets, as described below, and an incentive fee based on its performance. 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 the Company’s common stockholders.

***Base Management Fee***

Through March 31, 2016, the Base Fee was calculated at an annual rate of 2.00%. Effective April 1, 2016, the Base Fee is 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 the Company’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 the Company in connection with any share or debt issuances until such proceeds have been invested in accordance with the Company’s investment objective). Accordingly, the Base Fee will be payable regardless of whether the value of the Company’s gross assets has decreased during the quarter. The Base Fee for any partial quarter will be appropriately prorated.

The following table represents the Base Fee for the three and nine months ended September 30, 2018 and 2017, respectively:

<b>(\$ in millions)</b>	<b>Three Months Ended September 30, 2018</b>	<b>Three Months Ended September 30, 2017</b>	<b>Nine Months Ended September 30, 2018</b>	<b>Nine Months Ended September 30, 2017</b>
Base Fee	<u>\$ 1.8</u>	<u>\$ 2.0</u>	<u>\$ 5.3</u>	<u>\$ 6.5</u>

The Base Fee payable to Oxford Square Management as of September 30, 2018 and December 31, 2017 was approximately \$1.8 million and \$1.7 million, respectively.



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NOTE 7. RELATED PARTY TRANSACTIONS (cont.)

*Incentive Fee*

The incentive fee has two parts: the “Net Investment Income Incentive Fee” and the “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 the current 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 we have not yet received in cash and any other fees such as commitment, origination, structuring, diligence and consulting fees or other fees that we receive from portfolio companies) accrued during the calendar quarter, minus the Company’s operating expenses accrued during the calendar quarter (including the Base Fee, expenses payable under a separate agreement with Oxford Funds (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 OID, debt instruments with PIK interest and zero coupon securities), accrued income that the Company has not yet received in cash. Oxford Square Management is not under any obligation to reimburse the Company for any part of the incentive fee it received that was based on accrued income that it never received 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.

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 the Company’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 claw back 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 on investments) 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.

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 our 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 31<sup>st</sup> 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%. The annual hurdle used to calculate the Pre-Incentive Fee Net Investment Income for the quarters ended September 30, 2018 and September 30, 2017 were 7.20% and 6.93%, respectively.

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**NOTE 7. RELATED PARTY TRANSACTIONS (cont.)**

The following table represents the Net Investment Income Incentive Fees for the three and nine months ended September 30, 2018 and 2017, respectively:

(\$ in millions)	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Net Investment Income Incentive Fee	\$ 1.6	\$ 0.6	\$ 3.4	\$ 2.8

The Net Investment Income Incentive Fee payable to Oxford Square Management as September 30, 2018 and December 31, 2017 was approximately \$1.6 million and \$1.0 million, respectively.

The Capital Gains 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 the Company's "Incentive Fee Capital Gains," which consists of its realized gains on investments for each calendar year, computed net of all realized losses on investments and unrealized capital depreciation on investments for that calendar year. However, 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 on investments were realized, the Company will accrue a Capital Gains Incentive Fee based upon net realized gains/losses on investments and unrealized depreciation on investments 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 for accounting purposes 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.

The amount of Capital Gains Incentive Fee expense related to the hypothetical liquidation of the portfolio (and assuming no other changes in realized or unrealized gains and losses on investments) would only become payable to Oxford Square Management in the event of a complete liquidation of the Company's portfolio as of period end and the termination of the Investment Advisory Agreement on such date. Also, the Capital Gains Incentive Fee expense fluctuates with the Company's overall investment results.

There were no Capital Gains Incentive Fees incurred during the three months ended September 30, 2018 and 2017. There were no accrued Capital Gains Incentive Fees payable to Oxford Square Management as of September 30, 2018 and December 31, 2017.

***Administration Agreement***

The Company has also entered into the Administration Agreement with Oxford Funds under which Oxford Funds provides administrative services to the Company. The Company pays Oxford Funds an allocable portion of overhead and other expenses incurred by Oxford Funds in performing its obligations under the Administration Agreement, including a portion of the rent and the compensation of the Chief Financial Officer, accounting staff and other administrative support personnel, which creates potential conflicts of interest that the Board must monitor. The Company also reimburses Oxford Funds for the costs associated with the functions performed by the Company's Chief Compliance Officer that Oxford Funds pays on the Company's behalf pursuant to the terms of an agreement between the Company and Alaric Compliance Services, LLC.

Oxford Square Management is controlled by Oxford Funds, its managing member. Charles M. Royce, a member of the Board, holds a minority, non-controlling interest in Oxford Square Management. Oxford Funds manages the business and internal affairs of Oxford Square Management. Jonathan H. Cohen, the Company's Chief Executive Officer, as well as a Director, is the managing member of Oxford Funds. Saul B. Rosenthal, the Company's President and Chief Operating Officer, is also the President of Oxford Square Management and a member of Oxford Funds.

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**(unaudited)**

**NOTE 7. RELATED PARTY TRANSACTIONS (cont.)**

For the three months ended September 30, 2018 and 2017, the Company incurred approximately \$210,000 and \$238,000, respectively, in compensation expenses for the services of employees allocated to the administrative activities of the Company, pursuant to the Administration Agreement with Oxford Funds. For the nine months ended September 30, 2018 and 2017, the Company incurred approximately \$686,000 and \$676,000, respectively, in compensation expenses. Further, the Company incurred approximately \$19,000 and \$24,000 for facility costs allocated under the Administration Agreement for the three months ended September 30, 2018 and 2017, respectively. For the nine months ended September 30, 2018 and 2017, the Company incurred approximately \$45,000 and \$57,000, respectively for facility costs. As of September 30, 2018 and December 31, 2017, there were no amounts payable under the Administration Agreement.

***Co-Investment Exemptive Relief***

On June 14, 2017, the SEC 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, the Company is permitted to co-invest in such investment opportunities with its affiliates if a “required majority” (as defined in Section 57(o) of the 1940 Act) of its independent directors make certain conclusions in connection with a co-investment transaction, including, but not limited to, that (1) the terms of the potential co-investment transaction, including the consideration to be paid, are reasonable and fair to the Company and its stockholders and do not involve overreaching in respect of the Company or its stockholders on the part of any person concerned, and (2) the potential co-investment transaction is consistent with the interests of the Company’s stockholders and is consistent with the Company’s then-current investment objective and strategies.

**OXFORD SQUARE CAPITAL CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**(unaudited)**

**NOTE 8. EARNINGS PER SHARE**

The following table sets forth the computation of basic and diluted net increase in net assets resulting from investment income per share for the three and nine months ended September 30, 2018 and 2017, respectively:

	<b>Three Months Ended September 30, 2018</b>	<b>Three Months Ended September 30, 2017</b>	<b>Nine Months Ended September 30, 2018</b>	<b>Nine Months Ended September 30, 2017</b>
<b>Net increase in net assets resulting from net investment income per common share – basic:</b>				
Net investment income	\$ 8,612,504	\$ 6,767,753	\$ 25,023,611	\$ 23,097,902
Weighted average common shares outstanding – basic	49,195,368	51,479,409	50,153,321	51,479,409
<b>Net increase in net assets resulting from net investment income per common share – basic</b>	<b>\$ 0.18</b>	<b>\$ 0.13</b>	<b>\$ 0.50</b>	<b>\$ 0.45</b>
<b>Net increase in net assets resulting from net investment income per common share – diluted:</b>				
Net investment income, before adjustments	\$ 8,612,504	\$ 6,767,753	\$ 25,023,611	\$ 23,097,902
Adjustments for interest and deferred issuance costs on the Convertible Notes, and related impact on the Base Fees and Net Investment Income Incentive Fees <sup>(1)(2)</sup>	—	—	—	—
Net investment income, as adjusted	<u>\$ 8,612,504</u>	<u>\$ 6,767,753</u>	<u>\$ 25,023,611</u>	<u>\$ 23,097,902</u>
Weighted average common shares outstanding – basic	49,195,368	51,479,409	50,153,321	51,479,409
Share adjustments for dilutive effect of Convertible Notes <sup>(1)(2)</sup>	—	—	—	—
Weighted average common shares outstanding – diluted	<u>49,195,368</u>	<u>51,479,409</u>	<u>50,153,321</u>	<u>51,479,409</u>
<b>Net increase in net assets resulting from net investment income per common share – diluted</b>	<b>\$ 0.18</b>	<b>\$ 0.13</b>	<b>\$ 0.50</b>	<b>\$ 0.45</b>

The following table sets forth the computation of basic and diluted net increase in net assets resulting from operations per share for the three and nine months ended September 30, 2018 and 2017, respectively:

	<b>Three Months Ended September 30, 2018</b>	<b>Three Months Ended September 30, 2017</b>	<b>Nine Months Ended September 30, 2018</b>	<b>Nine Months Ended September 30, 2017</b>
<b>Net increase in net assets resulting from operations per common share – basic:</b>				
Net increase in net assets resulting from operations	\$ 6,512,309	\$ 6,016,019	\$ 24,904,283	\$ 27,187,874
Weighted average common shares outstanding – basic	49,195,368	51,479,409	50,153,321	51,479,409
<b>Net increase in net assets resulting from operations per common share – basic</b>	<b>\$ 0.13</b>	<b>\$ 0.12</b>	<b>\$ 0.50</b>	<b>\$ 0.53</b>
<b>Net increase in net assets resulting from operations per common share – diluted:</b>				
Net increase in net assets resulting from operations, before adjustments	\$ 6,512,309	\$ 6,016,019	\$ 24,904,283	\$ 27,187,874
Adjustments for interest and deferred issuance costs on the Convertible Notes, and related impact on the Base Fees and Net Investment Income Incentive Fees <sup>(1)(2)</sup>	—	—	—	4,215,831
Net increase in net assets resulting from operations, as adjusted	<u>\$ 6,512,309</u>	<u>\$ 6,016,019</u>	<u>\$ 24,904,283</u>	<u>\$ 31,403,705</u>
Weighted average common shares outstanding – basic	49,195,368	51,479,409	50,153,321	51,479,409
Share adjustments for dilutive effect of Convertible Notes <sup>(1)(2)</sup>	—	—	—	8,248,298
Weighted average common shares outstanding – diluted	<u>49,195,368</u>	<u>51,479,409</u>	<u>50,153,321</u>	<u>59,727,707</u>
<b>Net increase in net assets resulting from operations per common share – diluted<sup>(3)</sup></b>	<b>\$ 0.13</b>	<b>\$ 0.12</b>	<b>\$ 0.50</b>	<b>\$ 0.53</b>

**OXFORD SQUARE CAPITAL CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 8. EARNINGS PER SHARE (cont.)**

- (1) Subsequent to the maturity and full repayment of the Convertible Notes on November 1, 2017, there are no dilutive potential common shares or adjustments for purposes of the computation of diluted earnings per share.
- (2) Due to the anti-dilutive effect on the computation of diluted earnings per share for the three and nine months ended September 30, 2017, 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 periods' diluted earnings per share computation. The following table represents the respective adjustments which were not made due to the anti-dilutive effect on the computation of diluted net increase in net assets resulting from net investment income per common share for the three and nine months ended September 30, 2017 and diluted net increase in net assets resulting from operations per common share for the three months ended September 30, 2017:

	<b>Three Months Ended September 30, 2017</b>	<b>Nine Months Ended September 30, 2017</b>
<b>Net increase in net assets resulting from net investment income per common share – diluted:</b>		
Adjustments for interest and deferred issuance costs on the Convertible Notes, and related impact on the		
Base Fees and net investment income incentive fees	\$ 1,177,683	\$ 4,215,831
Share adjustments for dilutive effect of the Convertible Notes	8,248,298	8,248,298
<b>Net increase in net assets resulting from operations per common share – diluted:</b>		
Adjustments for interest and deferred issuance costs on the Convertible Notes, and related impact on the		
Base Fees and net investment income incentive fees	\$ 1,177,683	\$ —
Share adjustments for dilutive effect of the Convertible Notes	8,248,298	—

- (3) Net increase in net assets resulting from operations per common share – diluted for the nine months ended September 30, 2017 is dilutive on a rounded basis.

**NOTE 9. DISTRIBUTIONS**

The Company intends to continue to operate so as to qualify to be taxed as a RIC under the Code and, as such, the Company would not be subject to federal income tax on the portion of its taxable income and gains distributed to stockholders. To qualify to be taxed as a RIC, the Company is required, among other requirements, to distribute at least 90% of its annual investment company taxable income, as defined by the Code. The amount to be paid out as a distribution each quarter is determined by the Board and is based upon the annual taxable income estimated by the management of the Company. Income calculated in accordance with U.S. federal income tax regulations differs substantially from GAAP income. To the extent that the Company's taxable earnings fall below the amount of distributions declared, however, a portion of the total amount of the Company's distributions for the fiscal year may be deemed a return of capital for tax purposes to the Company's stockholders. For the nine months ended September 30, 2018, the Company has paid cumulative distributions of approximately \$30.0 million from net investment income.

The Company intends to comply with the applicable provisions of the Code pertaining to RICs to make distributions of taxable income sufficient to relieve it of substantially all federal income taxes. The Company, at its discretion, may carry forward taxable income in excess of calendar year distributions and pay a 4% excise tax on such income. The Company will accrue excise tax on estimated excess taxable income, if any, as required.

The Company has adopted an "opt out" distribution reinvestment plan for our common stockholders. As a result, if the Company makes a cash distribution, then stockholders' cash distributions will be automatically reinvested in additional shares of our common stock, unless they specifically "opt out" of the distribution reinvestment plan so as to receive cash distributions. During the three months ended September 30, 2018 and 2017, the Company did not issue any new shares of common stock to stockholders in connection with the distribution reinvestment plan. During the three months ended September 30, 2018 and 2017, as part of our dividend reinvestment plan for our common stockholders, our dividend reinvestment administrator purchased 21,728 shares and 45,183 shares, respectively, of our common stock for approximately \$0.2 million and \$0.3 million, respectively, in the open market to satisfy the reinvestment portion of our dividends. On September 28, 2018, the Company paid a distribution of \$0.20 per share.

**OXFORD SQUARE CAPITAL CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 9. DISTRIBUTIONS (cont.)**

On December 22, 2010, the Regulated Investment Company Modernization Act of 2010 (the “Act”) was enacted which changed various technical rules governing the tax treatment of RICs. The changes are generally effective for taxable years beginning after the date of enactment. Under the Act, the Company will be permitted to carry forward capital losses incurred in taxable years beginning after the date of enactment for an unlimited period. However, any losses incurred during those future taxable years will be required to be utilized prior to the losses incurred in pre-enactment taxable years, which carry an expiration date. As a result of this ordering rule, pre-enactment capital loss carryforwards may be more likely to expire unused. Additionally, post-enactment capital losses that are carried forward will retain their character as either short-term or long-term losses rather than being considered all short-term as under previous law.

The tax character of distributions for the three months ended 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.

**NOTE 10. NET ASSET VALUE PER SHARE**

The Company’s net asset value per share as of September 30, 2018 and December 31, 2017 was \$7.49 and \$7.55, respectively. In determining the Company’s net asset value per share, the Board determined in good faith the fair value of the Company’s portfolio investments for which reliable market quotations are not readily available.

**NOTE 11. SHARE REPURCHASE PROGRAM**

On February 5, 2018, the Board authorized a program for the purpose of repurchasing up to \$25.0 million worth of the Company’s common stock. Under that repurchase program, the Company was authorized, but was not obligated, to repurchase outstanding common stock in the open market from time to time through December 31, 2018, provided that repurchases comply with the prohibitions under the Company’s Insider Trading Policies and Procedures and the guidelines specified in Rule 10b-18 of the Securities Exchange Act of 1934, as amended, including certain price, market volume and timing constraints. Further, any repurchases were to be conducted in accordance with the 1940 Act. During the three months ended September 30, 2018, under that repurchase program, the Company repurchased 261,343 shares of outstanding common stock for approximately \$1.8 million, while complying with the prohibitions under the Company’s Insider Trading Policies and Procedures and the guidelines specified in Rule 10b-18 of the Securities Exchange Act of 1934, as amended, including certain price, market volume and timing constraints. The remaining cost of shares that may be repurchased under the program was \$9.9 million as of September 30, 2018. In addition, repurchases were conducted in accordance with the 1940 Act.

The following table summarizes the Company’s share repurchases under its stock repurchase program for the three and nine months ended September 30, 2018 and September 30, 2017:

	<b>Three Months Ended September 30, 2018</b>	<b>Three Months Ended September 30, 2017</b>	<b>Nine Months Ended September 30, 2018</b>	<b>Nine Months Ended September 30, 2017</b>
Shares repurchased	261,343	—	2,333,143	—
Dollar amount repurchased	\$ 1,823,366	—	\$ 15,104,677	—
Average price per share (including commission)	\$ 6.98	—	\$ 6.47	—
Weighted average discount to net asset value	6.9%	—	13.7%	—
Remaining cost of shares that may be repurchased	\$ 9,895,323	—	\$ 9,895,323	—

**OXFORD SQUARE CAPITAL CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 12. INVESTMENT INCOME**

The following table sets forth the components of investment income for the three and nine months ended September 30, 2018 and 2017, respectively:

	<b>Three Months Ended September 30, 2018</b>	<b>Three Months Ended September 30, 2017</b>	<b>Nine Months Ended September 30, 2018</b>	<b>Nine Months Ended September 30, 2017</b>
<b>Interest income</b>				
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	<u>\$ 6,532,037</u>	<u>\$ 5,404,408</u>	<u>\$ 18,406,745</u>	<u>\$ 19,376,253</u>
<b>Income from securitization vehicles</b>	<u>\$ 7,217,804</u>	<u>\$ 8,086,059</u>	<u>\$ 20,121,432</u>	<u>\$ 26,081,676</u>
<b>Other income</b>				
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 other income	<u>\$ 1,468,611</u>	<u>\$ 1,007,230</u>	<u>\$ 2,555,797</u>	<u>\$ 2,517,401</u>
<b>Total investment income</b>	<u>\$ 15,218,452</u>	<u>\$ 14,497,697</u>	<u>\$ 41,083,974</u>	<u>\$ 47,975,330</u>

The 1940 Act requires that a BDC offer significant managerial assistance to its portfolio companies. The Company may receive fee income for managerial assistance it renders to portfolio companies in connection with its investments. For the three and nine months ended September 30, 2018 and September 30, 2017, respectively, the Company received no fee income for managerial assistance.

**NOTE 13. COMMITMENTS AND CONTINGENCIES**

In the normal course of business, the Company enters into a variety of undertakings containing a variety of warranties and indemnifications that may expose the Company to some risk of loss. The risk of future loss arising from such undertakings, while not quantifiable, is expected to be remote. As of September 30, 2018, the Company had approximately \$1.5 million of commitments to purchase additional investments.

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



**OXFORD SQUARE CAPITAL CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 14. FINANCIAL HIGHLIGHTS**

Financial highlights for the three and nine months ended September 30, 2018 and 2017 are as follows:

	<b>Three Months Ended September 30, 2018</b>	<b>Three Months Ended September 30, 2017</b>	<b>Nine Months Ended September 30, 2018</b>	<b>Nine Months Ended September 30, 2017</b>
<b>Per Share Data</b>				
Net asset value as of beginning of period	\$ 7.56	\$ 7.51	\$ 7.55	\$ 7.50
Net investment income <sup>(1)</sup>	0.18	0.13	0.50	0.45
Net realized and unrealized (losses)/gains <sup>(2)</sup>	(0.05)	(0.01)	(0.01)	0.08
Net change in net asset value from operations	0.13	0.12	0.49	0.53
Distributions of net investment income	(0.12)	(0.20)	(0.37)	(0.60)
Distributions of return of capital	(0.08)	—	(0.23)	—
Total distributions <sup>(3)</sup>	(0.20)	(0.20)	(0.60)	(0.60)
Effect of shares repurchased, gross	—	—	0.05	—
Net asset value at end of period	\$ 7.49	\$ 7.43	\$ 7.49	\$ 7.43
Per share market value at beginning of period	\$ 6.90	\$ 6.34	\$ 5.74	\$ 6.61
Per share market value at end of period	\$ 7.12	\$ 6.85	\$ 7.12	\$ 6.85
Total return based on market value <sup>(4)</sup>	6.09%	11.20%	35.52%	13.00%
Total return based on net asset value <sup>(5)</sup>	1.76%	1.60%	7.20%	7.07%
Shares outstanding at end of period	49,146,266	51,479,409	49,146,266	51,479,409
<b>Ratios/Supplemental Data<sup>(8)</sup></b>				
Net assets at end of period (000's)	368,267	382,293	368,267	382,293
Average net assets (000's)	370,269	384,433	379,045	386,146
Ratio of operating expenses to average net assets <sup>(6)</sup>	7.14%	8.04%	5.65%	8.59%
Ratio of net investment income to average net assets <sup>(6)</sup>	9.30%	7.04%	8.80%	7.98%
Portfolio turnover rate <sup>(7)</sup>	7.78%	6.52%	24.77%	32.3%

- (1) Represents per share net investment income for the period, based upon average shares outstanding.
- (2) Net realized and unrealized gains include rounding adjustments to reconcile change in net asset value per share.
- (3) Management monitors available taxable earnings, including net investment income and realized capital gains, to determine if a return of capital may occur for the year. To the extent the Company's taxable earnings fall below the total amount of the Company's distributions for that fiscal year, a portion of those distributions may be deemed a return of capital to the Company's stockholders. The ultimate tax character of the Company's earnings cannot be determined until tax returns are prepared after the end of the fiscal year. Refer to "Note 9. Distributions".
- (4) 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.
- (5) 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.
- (6) Annualized.
- (7) Portfolio turnover rate is calculated using the lesser of the year-to-date cash investment sales and debt repayments or year-to-date cash investment purchases over the average of the total investments at fair value.
- (8) The following table provides supplemental performance ratios (annualized) measured for the three and nine months ended September 30, 2018 and September 30, 2017:

	<b>Three Months Ended September 30, 2018</b>	<b>Three Months Ended September 30, 2017</b>	<b>Nine Months Ended September 30, 2018</b>	<b>Nine Months Ended September 30, 2017</b>
<b>Ratio of expenses to average net assets:</b>				
Operating expenses before incentive fees	5.44%	7.46%	4.45%	7.61%
Net investment income incentive fees	1.70%	0.59%	1.20%	0.98%
Ratio of expenses, excluding interest expense	4.70%	4.19%	4.02%	4.74%



**OXFORD SQUARE CAPITAL CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 15. RISKS AND UNCERTAINTIES**

The U.S. capital markets have experienced periods of extreme volatility and disruption. Disruptions in the capital markets tend to increase the spread between the yields realized on risk-free and higher risk securities, resulting in illiquidity in parts of the capital markets. The Company believes these conditions may reoccur in the future. A prolonged period of market illiquidity may have an adverse effect on the Company's business, financial condition and results of operations. Adverse economic conditions could also increase the Company's funding costs, limit the Company's access to the capital markets or result in a decision by lenders not to extend credit to the Company. These events could limit the Company's investment originations, limit the Company's ability to grow and negatively impact the Company's operating results.

Many of the companies in which the Company has made or will make investments may be susceptible to adverse economic conditions, which may affect the ability of such companies to repay the Company's loans or engage in a liquidity event such as a sale, recapitalization, or initial public offering. Therefore, the Company's nonperforming assets may increase, and the value of the Company's portfolio may decrease during this period.

Adverse economic conditions also may decrease the value of any collateral securing some of the Company's loans and the value of its equity investments. Adverse economic conditions could lead to financial losses in the Company's portfolio and a decrease in its revenues, net income, and the value of the Company's assets.

A portfolio company's failure to satisfy financial or operating covenants imposed by the Company or other lenders could lead to defaults and, potentially, termination of the portfolio company's loans 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 securities that the Company holds. The Company 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 the Company may have structured its investment as senior debt or secured debt, depending on the facts and circumstances, including the extent to which the Company actually provided significant managerial assistance, if any, to that portfolio company, a bankruptcy court might re-characterize the Company's debt holding and subordinate all or a portion of the Company's claim to that of other creditors. These events could harm the Company's financial condition and operating results.

As a BDC, the Company is required to carry its investments at fair value as determined in good faith by or under the direction of its Board. Decreases in fair values of the Company's investments are recorded as unrealized depreciation. Depending on market conditions, the Company could incur substantial losses in future periods, which could have a material adverse impact on its business, financial condition and results of operations.

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

**NOTE 16. SUBSEQUENT EVENTS**

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 Credit Facility with Citibank, N.A. Under the amended Credit 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 Credit Facility remain unchanged.

On October 26, 2018, the Board declared quarterly distributions to stockholders as follows:

<b>Per Share Distribution Amount Declared</b>	<b>2018 Record Dates</b>	<b>2018 Payable Dates</b>
\$0.20	December 17, 2018	December 31, 2018

The Company's management evaluated subsequent events through the date of issuance of these consolidated financial statements and noted no other events that necessitate adjustments to or disclosure in the financial statements.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q 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 Capital Corp., 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 Quarterly Report on Form 10-Q 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 *Part I Item 1A. — Risk Factors* contained in our Annual Report on Form 10-K for the year ended December 31, 2017, elsewhere in this Quarterly Report on Form 10-Q and in our other 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 Quarterly Report on Form 10-Q 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 *Item 1A. — Risk Factors* contained in our Annual Report on Form 10-K for the year ended December 31, 2017, and elsewhere in this Quarterly Report on Form 10-Q.

You should not place undue reliance on these forward-looking statements, which apply only as of the date of this Quarterly Report on Form 10-Q.

*Except where the context requires otherwise, the terms “OXSQ,” “Company,” “we,” “us” and “our” refer to Oxford Square Capital Corp. together with its subsidiaries, Oxford Square Funding 2018 LLC (“OXSQ Funding”) and TICC CLO 2012-1 LLC (“2012 Securitization Issuer” or “TICC CLO 2012-1”); “Oxford Square Management” refers to Oxford Square Management, LLC; and “Oxford Funds” refers to Oxford Funds, LLC.*

The following analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes thereto contained elsewhere in this Quarterly Report on Form 10-Q.

## 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 business development company (“BDC”) under the Investment Company Act of 1940, as amended (the “1940 Act”). We have elected to be treated for tax purposes as a regulated investment company (“RIC”), under the Internal Revenue Code of 1986, as amended (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, LLC (“Oxford Square Management”), a registered investment adviser under the Investment Advisers Act of 1940, as amended. Oxford Square Management is owned by Oxford Funds, LLC (“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 <sup>(1)</sup>	(10.9)	(37.1)
Payment-in-kind	0.2	0.2
Accretion of discounts on investments <sup>(2)</sup>	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 to CLO Equity Cost <sup>(1)</sup>	Sales of Investments
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	<u>\$ 205.3</u>	<u>\$ 92.7</u>	<u>\$ 10.9</u>	<u>\$ 15.4</u>
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	<u>\$ 208.8</u>	<u>\$ 189.2</u>	<u>\$ 37.1</u>	<u>\$ 171.4</u>

(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 <sup>(1)</sup>	<u>\$ 505.4</u>	<u>100.0%</u>	<u>\$ 418.4</u>	<u>100.0%</u>

(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:

(\$ in millions)	September 30, 2018		December 31, 2017	
	Investments at Fair Value	Percentage of Fair Value	Investments at Fair Value	Percentage of Fair Value
Structured finance <sup>(1)</sup>	\$ 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	<u>\$ 505.4</u>	<u>100.0%</u>	<u>\$ 418.4</u>	<u>100.0%</u>

(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:

		<b>September 30, 2018</b>			
<b>Grade</b>	<b>Summary Description</b>	<b>Principal Value</b>	<b>Percentage of Total Portfolio</b>	<b>Portfolio at Fair Value</b>	<b>Percentage of Total Portfolio</b>
		(\$ 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>
		<b>December 31, 2017</b>			
<b>Grade</b>	<b>Summary Description</b>	<b>Principal Value</b>	<b>Percentage of Total Portfolio</b>	<b>Portfolio at Fair Value</b>	<b>Percentage of Total Portfolio</b>
		(\$ 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
<b>Interest income</b>				
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	<u>\$ 6,532,037</u>	<u>\$ 5,404,408</u>	<u>\$ 18,406,745</u>	<u>\$ 19,376,253</u>
<b>Income from securitization vehicles</b>	<u>\$ 7,217,804</u>	<u>\$ 8,086,059</u>	<u>\$ 20,121,432</u>	<u>\$ 26,081,676</u>
<b>Commitment, amendment and other fee income</b>				
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	<u>\$ 1,468,611</u>	<u>\$ 1,007,230</u>	<u>\$ 2,555,797</u>	<u>\$ 2,517,401</u>
<b>Total investment income</b>	<u>\$ 15,218,452</u>	<u>\$ 14,497,697</u>	<u>\$ 41,083,974</u>	<u>\$ 47,975,330</u>

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 our 6.50% unsecured notes due 2024 (the “6.50% Unsecured Notes”) and OXSQ Funding’s credit facility with Citibank, N.A. (the “Credit 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):

<b>Portfolio Company</b>	<b>Change in Unrealized Appreciation (Depreciation)</b>
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):

<b>Portfolio Company</b>	<b>Change in Unrealized Appreciation (Depreciation)</b>
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.

### **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 Credit 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
Credit 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 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.

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 Credit Facility with Citibank, N.A. Subject to certain exceptions, pricing under the Credit 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 Credit Facility, OXSQ Funding has borrowed approximately \$95.2 million. The Credit 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:

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

(1) We have not yet reported earnings for this period.

(2) The tax character of distributions for the three months ended 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.

(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) Cash distributions for the year ended December 31, 2016 includes a tax return of capital of approximately \$0.59 per share for tax purposes.

(5) 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 Oxford Bridge, LLC and Oxford Bridge II, LLC, private funds that invest principally in the equity of CLOs. Oxford Funds is the managing member of Oxford Bridge 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 Oxford Bridge 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., Oxford Bridge, LLC and Oxford Bridge II, LLC, respectively, on the other hand.

Oxford Square Management, Oxford Lane Management, LLC and Oxford Bridge Management, LLC are subject to a written policy with respect to the allocation of investment opportunities among the Company, Oxford Lane Capital Corp., Oxford Bridge, LLC and Oxford Bridge II, LLC. 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 quarterly report on Form 10-Q.

## **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 Credit Facility with Citibank, N.A. Under the amended Credit 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 Credit 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.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We are subject to financial market risks, including changes in interest rates. As of September 30, 2018, all of our debt investments were at variable rates, representing approximately \$300.2 million in principal debt. As of September 30, 2018, all of our variable rate investments were income producing. The variable rates are based upon the five-year Treasury note, the Prime rate or LIBOR, and, in the case of our bilateral investments, are generally reset annually, whereas our non-bilateral investments generally reset quarterly. We expect that future debt investments will generally be made at variable rates. Many of the variable rate investments contain floors.

Based on our consolidated statements of assets and liabilities as of September 30, 2018, the following table shows the annualized impact on investment income of hypothetical base rate changes in interest rates for our settled investments (considering interest rate floors for floating rate instruments), excluding CLO equity investments. The base interest rate case assumes the rates on our portfolio investments remain unchanged from the actual effective interest rates as of September 30, 2018. These hypothetical calculations are based on a model of the investments in our portfolio, held as of September 30, 2018, and are only adjusted for assumed changes in the underlying base interest rates. As of September 30, 2018, we did not hold any floating rate debt. Although management believes that this analysis is indicative of our existing interest rate sensitivity, it does not adjust for changes in the credit quality, size and composition of our portfolio, and other business developments, including a change in the level of our borrowings, that could affect the net increase (or decrease) in net assets resulting from operations. Accordingly, no assurances can be given that actual results would not differ materially from the results under this hypothetical analysis.

<b>Hypothetical Change in Interest Rates</b>	<b>Estimated Percentage change in Investment Income</b>
Up 100 basis points	4.9%
Up 200 basis points	9.9%
Up 300 basis points	14.8%
Down 25 basis points	(1.2)%

We may in the future hedge against interest rate fluctuations by using standard hedging instruments such as futures, options and forward contracts. While hedging activities may insulate us against adverse changes in interest rates, they may also limit our ability to participate in the benefits of lower interest rates with respect to the investments in our portfolio with fixed interest rates.

### ITEM 4. CONTROLS AND PROCEDURES.

#### *(a) Evaluation of Disclosure Controls and Procedures*

As of September 30, 2018 (the end of the period covered by this report), our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended). Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective and provided reasonable assurance that information required to be disclosed in our periodic SEC filings is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. However, in evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of such possible controls and procedures.

*(b) Changes in Internal Control Over Financial Reporting*

There have been no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended) that occurred during the quarter ended September 30, 2018 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**PART II — OTHER INFORMATION**

**ITEM 1. 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, if any, 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.

**ITEM 1A. RISK FACTORS.**

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Item 1A. Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, which could materially affect our business, financial condition and/or operating results. The risks described in our Annual Report on Form 10-K are not the only risks facing our company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and/or operating results. Other than the risks described below, there have been no material changes during the three months ended September 30, 2018 to the risk factors discussed in Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2017.

**After 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 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.

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

The Credit 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 Credit 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 Credit 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 Credit 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 Credit 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 Credit Facility if for any reason we are unable to comply with it, and we may not be able to refinance the Credit Facility on terms acceptable to us, or at all.

**The terms of the Credit 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 Credit 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 Credit 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.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**

**Sales of Unregistered Equity Securities**

We did not engage in unregistered sales of equity securities during the three months ended September 30, 2018, and we did not issue shares of common stock under our distribution reinvestment plan. During the three months ended September 30, 2018, as part of our dividend reinvestment plan for our common stockholders, our dividend reinvestment administrator purchased 21,728 shares of our common stock for approximately \$0.2 million in the open market to satisfy the reinvestment portion of our dividends.

**Issuer Purchases of Equity Securities**

On February 5, 2018, our board of directors authorized a program for the purpose of repurchasing up to \$25.0 million worth of our common stock. Under the repurchase program, we may, but we are not obligated to, repurchase our outstanding common stock in the open market from time to time provided that we comply with the prohibitions under our Insider Trading Policies and Procedures and the guidelines specified in Rule 10b-18 of the Securities Exchange Act of 1934, as amended, including certain price, market volume and timing constraints. In addition, any repurchases will be conducted in accordance with the Investment Company Act of 1940, as amended. During the three months ended September 30, 2018, we repurchased 261,343 shares at a weighted average price of approximately \$6.98 per share, inclusive of commissions. This represents a discount of approximately 7.5% of the net asset value per share as of September 30, 2018. The total dollar amount of shares repurchased this period was approximately \$1.8 million, leaving a maximum of approximately \$9.9 million available for future program purchases. The following table discloses on a monthly basis for the quarter ended September 30, 2018, the total number of shares repurchased (including the total number of shares repurchased under this program), the weighted average price paid per share, and the maximum number of shares (or approximate dollar value) of shares that may yet be repurchased under the program.

<b>Period</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid per Share</b>	<b>Cumulative Number of Shares Purchased as Part of Publicly Announced Program</b>	<b>Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Program</b>
January 1, 2018 – January 31, 2018	—	\$ —	—	\$ —
February 1, 2018 – February 28, 2018	336,921	\$ 5.66	336,921	\$ 23.1 million
March 1, 2018 – March 31, 2018	653,339	\$ 6.18	990,260	\$ 19.1 million
April 1, 2018 – April 30, 2018	100,456	\$ 6.11	1,090,716	\$ 18.5 million
May 1, 2018 – May 31, 2018	540,031	\$ 6.73	1,630,747	\$ 14.8 million
June 1, 2018 – June 30, 2018	441,053	\$ 6.92	2,071,800	\$ 11.7 million
July 1, 2018 – July 31, 2018	152,437	\$ 6.98	2,224,237	\$ 10.7 million
August 1, 2018 – August 31, 2018	108,906	\$ 6.98	2,333,143	\$ 9.9 million
September 1, 2018 – September 30, 2018	—	\$ —	—	\$ 9.9 million

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

None.

**ITEM 4. MINE SAFETY DISCLOSURES.**

Not applicable.

**ITEM 5. OTHER INFORMATION.**

None.

## ITEM 6. EXHIBITS.

The following exhibits are filed as part of this report or hereby incorporated by reference to exhibits previously filed with the SEC:

- 3.1 Articles of Incorporation (Incorporated by reference to Exhibit a. to the Registrant's Registration Statement on Form N-2 (File No. 333-109055), filed on September 23, 2003).
- 3.2 Articles of Amendment (Incorporated by reference to Exhibit 3.1 to the Registrant's current report on Form 8-K filed December 3, 2007).
- 3.3 Third Amended and Restated Bylaws (Incorporated by reference to Exhibit 3.3 to the Registrant's report on Form 10-Q filed on November 7, 2016).
- 3.4 Articles of Amendment (Incorporated by reference to Exhibit 3.1 to the Registrant's current report on Form 8-K filed March 20, 2018).
- 3.5 Articles of Amendment (Incorporated by reference to Exhibit 3.2 to the Registrant's current report on Form 8-K filed March 20, 2018).
- 4.1 Form of Share Certificate (Incorporated by reference to Exhibit d. to the Registrant's Registration Statement on Form N-2 (File No. 333-109055), filed on September 23, 2003).
- 10.1 First Amendment to the Credit and Security Agreement among Oxford Square Funding 2018, LLC, as borrower, Oxford Square Capital Corp., as equityholder and collateral manager, and Citibank, N.A., as lender and administrative agent, dated October 12, 2018 (incorporated by reference to Exhibit 10.1 to the Registrant's current report on Form 8-K filed on October 12, 2018).
- 10.2 Sale, Contribution and Master Participation Agreement by and between Oxford Square Funding 2018, LLC, as the buyer and Oxford Square Capital Corp., as the seller, dated October 12, 2018 (incorporated by reference to Exhibit 10.2 to the Registrant's current report on Form 8-K filed on October 12, 2018).
- 11 Computation of Per Share Earnings (included in the notes to the financial statements contained in this report).
- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended.\*
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended.\*
- 32.1 Certification of Chief Executive Officer pursuant to section 906 of The Sarbanes-Oxley Act of 2002.\*
- 32.2 Certification of Chief Financial Officer pursuant to section 906 of The Sarbanes-Oxley Act of 2002.\*

\* Filed herewith

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

OXFORD SQUARE CAPITAL CORP.

Date: October 31, 2018

By: /s/ JONATHAN H. COHEN

**Jonathan H. Cohen**  
**Chief Executive Officer**  
**(Principal Executive Officer)**

Date: October 31, 2018

By: /s/ BRUCE L. RUBIN

**Bruce L. Rubin**  
**Chief Financial Officer**  
**(Principal Accounting Officer)**

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## Section 2: EX-31.1 (EXHIBIT 31.1)

**Exhibit 31.1**

### CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Jonathan H. Cohen, Chief Executive Officer of Oxford Square Capital Corp., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Oxford Square Capital Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are

reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated this 31<sup>st</sup> day of October, 2018

/s/ JONATHAN H. COHEN

**Jonathan H. Cohen**  
**Chief Executive Officer**

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## **Section 3: EX-31.2 (EXHIBIT 31.2)**

**Exhibit 31.2**

### **CERTIFICATION OF CHIEF FINANCIAL OFFICER**

I, Bruce L. Rubin, Chief Financial Officer of Oxford Square Capital Corp., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Oxford Square Capital Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated this 31<sup>st</sup> day of October, 2018

/s/ BRUCE L. RUBIN

**Bruce L. Rubin**



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## Section 4: EX-32.1 (EXHIBIT 32.1)

Exhibit 32.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. 1350)**

In connection with the Quarterly Report on Form 10-Q for the period ended September 30, 2018 (the “Report”) of Oxford Square Capital Corp. (the “Registrant”), as filed with the Securities and Exchange Commission on the date hereof, I, Jonathan H. Cohen, the Chief Executive Officer of the Registrant, hereby certify, to the best of my knowledge, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ JONATHAN H. COHEN

**Name: Jonathan H. Cohen**

**Date: October 31, 2018**

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## Section 5: EX-32.2 (EXHIBIT 32.2)

Exhibit 32.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. 1350)**

In connection with the Quarterly Report on Form 10-Q for the period ended September 30, 2018 (the “Report”) of Oxford Square Capital Corp. (the “Registrant”), as filed with the Securities and Exchange Commission on the date hereof, I, Bruce L. Rubin, the Chief Financial Officer of the Registrant, hereby certify, to the best of my knowledge, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ BRUCE L. RUBIN

**Name: Bruce L. Rubin**

**Date: October 31, 2018**

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