



FOR IMMEDIATE RELEASE

May 15, 2003

Oxford Finance Announces First Quarter 2003 Financial Results

ALEXANDRIA, Virginia. /PRNEWSWIRE - Oxford Finance Corporation today announced financial results for the first quarter of 2003.

Financial Highlights for the first quarter of 2003:

- Net increase in stockholders' equity resulting from net income totaled approximately \$1,007,000 or \$0.19 per share.
- Earnings include an approximately \$552,000 fee collected in connection with the negotiated prepayment of a \$5.9 million loan to 3-Dimensional Pharmaceuticals, Inc. (3DP) as a result of 3DP's acquisition by Johnson & Johnson.
- Excluding the impact of the fee from 3DP, net increase in stockholders' equity resulting from net income totaled approximately \$485,000 or \$.09 per share compared to approximately \$101,000 or \$.02 per share in the fourth quarter of 2002.
- First quarter new fundings totaled \$12.2 million.
- Investments in equity securities in the form of warrants totaled \$1.2 million at March 31, 2003.
- On May 2, 2003 Oxford Finance entered into a new \$10,000,000 loan agreement with National City Bank.

J. Alden Philbrick, Chief Executive Officer, remarked, "We saw continued progress in our goal of building a quality portfolio and resulting growth in core earnings in the first quarter of 2003. We are also particularly pleased with the income from the prepayment of the 3DP loan and believe that this transaction is indicative of our participation in the incremental value created in our portfolio of growing life-science companies."

Portfolio Activity for First Quarter 2003:

For the first quarter, new fundings totaled \$12.2 million which represented 41 loans to 23 customers. The fundings for the quarter also included loans totaling \$5.5 million to 9 new customers. As of March 31, 2003, we had outstanding 129 different loans to 36 portfolio companies for a total of \$41.5 million with a weighted average yield of 12.5%. As of March 31, 2003, we held warrants in 29 customers with a fair value of \$1.2 million.

Total investments in portfolio companies increased from \$40,030,582 to \$42,721,910 during the first quarter of 2003. Repayments during the first quarter of 2003 included a prepayment in full of a loan to 3DP with a balance of \$5.9 million. This portfolio company was acquired by Johnson & Johnson during the first quarter of 2003, and was permitted by Oxford to prepay the loan subject to fee of \$551,759. During the first quarter of 2003, other portfolio companies made regularly scheduled principal repayments of \$3.5 million.

Total investment activity as of, and for, the three months ended March 31, 2003 was:

| | |
|--|---------------------|
| Beginning Portfolio: January 1, 2003 | \$40,030,582 |
| Originations/Net Draws | 12,187,879 |
| Repayments | (9,482,041) |
| (Depreciation) on Loans and Warrants..... | (14,510) |
| | ----- |
| Ending Portfolio March 31, 2003 | <u>\$42,721,910</u> |

Portfolio Quality:

In addition to various risk management and monitoring tools, we also use a rating system to characterize and monitor our expected level of returns on each loan and warrant in our portfolio. We use the following 1 to 5 rating scale. Below is a description of the conditions associated with each rating:

| Rating | Summary Description |
|--------|--|
| 1 | Capital gain expected |
| 2 | Full return of principal and interest expected with customer performing in accordance with plan |
| 3 | Full return of principal and interest expected but customer requires closer monitoring |
| 4 | Some loss of interest expected but still expecting an overall positive internal rate of return |
| 5 | Loss of interest and some loss of principal expected which would result in an overall negative internal rate of return |

The following table shows the distribution of our loans and warrants on the 1 to 5 rating scale at fair value as of March 31, 2003 and December 31, 2002:

| Investment Rating | March 31, 2003 | | December 31, 2002 | |
|-------------------|---------------------------|----------------------------|---------------------------|----------------------------|
| | Investments at Fair Value | Percent of Total Portfolio | Investments at Fair Value | Percent of Total Portfolio |
| 1 | \$ 11,852,577 | 28% | \$ 13,100,432 | 33% |
| 2 | 29,825,465 | 70% | 25,413,193 | 64% |
| 3 | 510,723 | 1% | 983,813 | 2% |
| 4 | 533,144 | 1% | 533,144 | 1% |
| 5 | - | - | - | - |
| | <u>\$ 42,721,910</u> | <u>100%</u> | <u>\$ 40,030,582</u> | <u>100%</u> |

At March 31, 2003, there was one customer loan with a fair value of approximately \$533,000, or approximately 1.2% of the investment portfolio on non-accrual status as compared to 1.3% of the investment portfolio at December 31, 2002. This customer filed for Chapter 7 bankruptcy protection on December 3, 2002. During 2002, the Company recorded a bad debt expense of \$315,000 related to this loan. We currently believe that the value of the collateral approximates the remaining unpaid loan balance and that we will not incur any loss on its liquidation. However, there can be no assurance that the collateral value will be sufficient to repay the loan balance or that the loan balance will be paid in full. We had no other delinquent loans or loans on non-accrual status at March 31, 2003.

Liquidity and Capital Resources:

As of March 31, 2003, the Company had \$9.9 million in cash. Cash on hand represents a prepayment in full on March 31, 2003 of an investment in a portfolio company with a balance of \$5.9 million, funds from operations and the proceeds of loans under a Master Loan and Security Agreement with a local bank dated November 27, 2002. Pursuant to the agreement, the bank agreed to provide \$7.5 million in term loans that are available to be drawn down by April 30, 2004. The obligations to the bank to repay the loans are secured by certain eligible loans. At March 31, 2003 the Company had drawn down \$7.5 million and pledged 25 loans as collateral. The average interest rate on our bank borrowings was a fixed rate of 6.57% at March 31, 2003. The Company continually assesses the capital markets and conditions that influence these markets as we plan the Company's growth.

On May 2, 2003, the Company entered into a Master Loan and Security Agreement with National City Bank. Pursuant to the agreement, National City Bank agreed to provide us \$10,000,000 in revolving loans that must be drawn down by September 30, 2003. If we draw on the line of credit, we have the option of selecting an interest rate equal to the 30-Day LIBOR plus 325 basis points or National City Bank's base rate which is the prime rate plus 150 basis points. The obligations to National City Bank to repay the loans are secured by certain eligible loans.

Quarterly Dividends:

Oxford paid a quarterly dividend \$.07 a share on March 31, 2003 to shareholders of record on March 15, 2003. This dividend was declared on February 28, 2003 based on projected earnings for the first quarter of 2003. Subsequently, on March 31, 2003, Oxford received a \$522,000 fee related to the early prepayment of a customer loan.

The next quarterly dividend announcement is scheduled for early June for payment to shareholders on June 30, 2003.

Additional Information:

Please see the attached financial information. Complete financial statements for the year ending December 31, 2002 and quarter ending March 31, 2003 are available on file with the SEC.

About Oxford:

Oxford is a financial services company that provides senior secured equipment financing to emerging-growth life science companies. Such financings are generally in the form of loans with equity features, typically warrants. Our investment objective is to achieve a high level of current income from interest payments and transaction fees from the loans we make to portfolio companies and to achieve capital gains through an increase in the value of the warrants we expect to receive from our portfolio companies in connection with these loans. We are headquartered in Alexandria, Virginia with representatives in California and Massachusetts.

Contact:

For additional information please contact J. Alden Philbrick, Chief Executive Officer at 703-519-4900, x103.

SELECTED FINANCIAL DATA

The selected financial data should be read with the financial statements and notes thereto in the Company's registration statement. We commenced operations on March 20, 2002, and we made our first loans in portfolio companies at the end of the first quarter of 2002. These results are not indicative of future results.

BALANCE SHEETS

| | March 31, 2003 (Unaudited) | December 31, 2002 |
|--|-------------------------------|----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 9,911,949 | \$ 11,831,439 |
| Investments: | | |
| Loans at fair value (cost of \$42,570,925 and \$39,963,137) | 42,570,925 | 39,963,137 |
| Less: unearned income | (1,053,721) | (932,503) |
| Investment in equity securities at fair value (cost of \$1,247,547 and \$1,028,279, respectively) | 1,204,706 | 999,948 |
| Total Investments | 42,721,910 | 40,030,582 |
| Principal and interest receivable | 877,540 | 663,911 |
| Interest receivable - cash and cash equivalents | 5,000 | 15,336 |
| Intangible assets, net | 218,670 | 224,580 |
| Prepaid & other assets | 535,447 | 498,363 |
| TOTAL ASSETS | \$ 54,270,516 | \$ 53,264,211 |
| LIABILITIES & STOCKHOLDERS' EQUITY | | |
| LIABILITIES | | |
| Notes payable | \$ 7,499,940 | \$ 7,131,205 |
| Accounts payable | 34,745 | 17,578 |
| Accrued expenses and other liabilities | 143,274 | 171,747 |
| Customer deposits | 130,327 | 124,253 |
| Total Liabilities | \$ 7,808,286 | \$ 7,444,783 |
| STOCKHOLDERS' EQUITY | | |
| Preferred stock, 10,000,000 shares authorized, no shares issued or outstanding | \$ - | \$ - |
| Common stock, \$0.01 par value, 40,000,000 shares authorized and 5,200,000 shares issued and outstanding | 52,000 | 52,000 |
| Capital in excess of par value | 45,849,434 | 45,849,434 |
| Earnings (loss) in excess of distributions | 603,637 | (53,675) |
| Net unrealized depreciation on investments | (42,841) | (28,331) |
| Total stockholders' equity | 46,462,230 | 45,819,428 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 54,270,516 | \$ 53,264,211 |

OXFORD FINANCE CORPORATION

STATEMENTS OF OPERATIONS

(UNAUDITED)

| | As a Business Development Company Three Months Ended March 31, 2003 | (1) Prior to becoming a Business Development Company Three Months Ended March 31, 2002 |
|---|--|---|
| Interest and fee income | | |
| Interest and fee income - loans | \$ 1,824,740 | \$ 32,458 |
| Interest income - cash and cash equivalents | 29,946 | 7,346 |
| | <hr/> | <hr/> |
| Total interest and fee income | 1,854,686 | 39,804 |
| Operating expenses | | |
| Salaries, payroll taxes and benefits | 445,872 | 50,000 |
| Interest and financing fees | 134,638 | 226,357 |
| General and administrative | 252,864 | 5,626 |
| | <hr/> | <hr/> |
| Total operating expense | 833,374 | 281,983 |
| Net operating income (loss) before provision for loan losses | | |
| | 1,021,312 | (242,179) |
| Provision for loan losses | - | (25,000) |
| | <hr/> | <hr/> |
| Net operating income (loss), before income taxes and net unrealized depreciation on investments | 1,021,312 | (267,179) |
| Income tax benefit | - | 106,872 |
| | <hr/> | <hr/> |
| Income before net unrealized depreciation on investments | 1,021,312 | (160,307) |
| Net unrealized depreciation on investments | (14,510) | - |
| Net increase (decrease) in stockholders' equity resulting from net income (loss) | <hr/> <u>\$ 1,006,802</u> | <hr/> <u>\$ (160,307)</u> |
| Per common share data: | | |
| Earnings per common share - basic and diluted | \$ 0.19 | \$ (0.05) |
| Dividends paid per common share | \$ 0.07 | \$ - |
| Weighted average common shares outstanding - basic and diluted | 5,200,000 | 3,533,333 |

(1) The Company commenced operations on March 20, 2002.