Form **8937** (December 2017) Department of the Treasury Internal Revenue Service

Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

OMB No. 1545-0123

Part I Reporting Issuer

1 Issuer's name XAI OCTAGON FLOATING RATE & ALTERNATIVE INCOME TRUST			2 Issuer's employer identification number (EIN) 82-2305867
3 Name of contact for additional information PARALEL TECHNOLOGIES LLC	4 Telephone No. of contact 888-903-3358		5 Email address of contact
6 Number and street (or P.O. box if mail is not delivered to street address) of contact 1700 BROADWAY, SUITE 1850			7 City, town, or post office, state, and ZIP code of contact DENVER, CO 80290
8 Date of action 09/30/2025	9 Classification and description COMMON STOCK		
10 CUSIP number 98400T106	11 Serial number(s)	12 Ticker symbol XFLT	13 Account number(s)

Part II Organizational Action

Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ SEE ATTACHED STATEMENT

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ THE AMOUNT SHOWN AS RETURN OF CAPITAL IN THE ATTACHED STATEMENT REPRESENTS A REDUCTION OF THE SHAREHOLDER'S TAX BASIS IN THE SHARES HELD

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ EARNINGS AND PROFITS WERE CALCULATED AS OF SEPTEMBER 30, 2025. A PORTION OF THE CASH DISTRIBUTIONS PAID DURING THE FISCAL YEAR WERE DETERMINED TO BE IN EXCESS OF THE TAXABLE INCOME AND THEREFORE A RETURN OF CAPITAL.

Part II **Organizational Action** *(continued)*

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶

PURSUANT TO IRC SECTION 301(C)(1), THE PORTION OF A DISTRIBUTION WHICH IS A DIVIDEND (AS DEFINED UNDER IRS SECTION 316) IS INCLUDABLE IN GROSS INCOME. PURSUANT TO IRC SECTION 301(C)(2), THE PORTION OF THE DISTRIBUTION WHICH IS NOT A DIVIDEND SHALL BE APPLIED AGAINST AND REDUCE THE ADJUSTED BASIS OF THE STOCK

18 Can any resulting loss be recognized? ▶ NOT APPLICABLE TO THIS TRANSACTION AS NO LOSS WOULD BE RECOGNIZED ON THE RETURN OF CAPITAL DISTRIBUTION. THE SHAREHOLDER'S COST BASIS SHOULD BE ADJUSTED TO REFLECT THE RETURN OF CAPITAL WHICH MAY AFFECT THE GAIN OR LOSS REALIZED UPON THE DISPOSITION OF THE SHARES.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶

PURSUANT TO IRC SECTION 6045, AS AMENDED BY THE EMERGENCY ECONOMIC STABILIZATION ACT OF 2008, BROKERS ARE REQUIRED TO REFLECT THESE ADJUSTMENTS IN THE COST BASIS REPORTING FOR COVERED SECURITIES. IF A BROKER IS NOT REQUIRED TO PROVIDE COST BASIS TO A PARTICULAR SHAREHOLDER, THE COST BASIS OF THE SHAREHOLDER'S SHARES SHOULD BE ADJUSTED AS OF THE DIVIDEND DATE TO REFLECT THE RETURN OF CAPITAL DESCRIBED ABOVE.

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Signature ▶ A SIGNED COPY OF THIS FORM IS MAINTAINED AT THE OFFICES OF THE TAXPAYER

Print your name ▶

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
Firm's name ▶			Firm's EIN ▶	
Firm's address ▶			Phone no.	

Send Form 8937 (including accompanying statements) to: Department of the Treasury, Internal Revenue Service, Ogden, UT 84201-0054

XAI OCTAGON FLOATING RATE & ALTERNATIVE INCOME TRUST
SUPPLEMENTAL ATTACHMENT TO FORM 8937
EIN: 82-2305867

PART II, QUESTION 14:

THE CORPORATION DECLARED THE FOLLOWING DISTRIBUTIONS TO SHAREHOLDERS DURING THE FISCAL YEAR ENDED SEPTEMBER 30, 2025 THAT RETURN OF CAPITAL WAS APPLICABLE.

DETAIL OF EACH DISTRIBUTION MADE IS DESCRIBED BELOW:

CLASS	CUSIP NUMBER	TICKER SYMBOL	RECORD DATE	EX-DATE	PAYABLE DATE	AMOUNT	TAXABLE DIVIDEND AMOUNT	RETURN OF CAPITAL AMOUNT
Institutional	98400T106	XFLT	1/16/2025	1/16/2025	2/3/2025	$ 0.077000	$ 0.073181	$ 0.003819
Institutional	98400T106	XFLT	2/18/2025	2/18/2025	3/3/2025	$ 0.077000	$ 0.073181	$ 0.003819
Institutional	98400T106	XFLT	3/17/2025	3/17/2025	4/1/2025	$ 0.077000	$ 0.073181	$ 0.003819
Institutional	98400T106	XFLT	4/15/2025	4/15/2025	5/1/2025	$ 0.077000	$ 0.073181	$ 0.003819
Institutional	98400T106	XFLT	5/15/2025	5/15/2025	6/2/2025	$ 0.077000	$ 0.073181	$ 0.003819
Institutional	98400T106	XFLT	6/16/2025	6/16/2025	7/1/2025	$ 0.070000	$ 0.066528	$ 0.003472
Institutional	98400T106	XFLT	7/15/2025	7/15/2025	8/1/2025	$ 0.070000	$ 0.066528	$ 0.003472
Institutional	98400T106	XFLT	8/15/2025	8/15/2025	9/2/2025	$ 0.070000	$ 0.066528	$ 0.003472
Institutional	98400T106	XFLT	9/16/2025	9/16/2025	10/1/2025	$ 0.070000	$ 0.066528	$ 0.003472
Totals						$ 0.665000	$ 0.632017	$ 0.032983