

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-Q**

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

**For the quarterly period ended September 30, 2020**

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

**Commission File Number: 000-56126**

**Palmer Square Capital BDC Inc.**

**Maryland**

**84-3665200**

(State or other jurisdiction of  
incorporation or organization)

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

**1900 Shawnee Mission Parkway, Suite 315,  
Mission Woods, KS**

**66205**

(Address of principal executive offices)

(Zip Code)

**(816) 994-3200**

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<b>Title of each class</b>	<b>Trading Symbol(s)</b>	<b>Name of each exchange on which registered</b>
None	None	None

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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input checked="" type="checkbox"/>		

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

As of November 10, 2020, the registrant had 12,423,949 shares of common stock, \$0.001 par value per share, outstanding.



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**PART I—FINANCIAL INFORMATION**

**Item 1. Consolidated Financial Statements.**

**Palmer Square Capital BDC Inc.  
Consolidated Statements of Assets and Liabilities  
(Unaudited)**

	<b>September 30, 2020 (Unaudited)</b>	<b>December 31, 2019</b>
<b>Assets:</b>		
Non-controlled, non-affiliated investments, at fair value (amortized cost of \$653,593,796)	\$ 660,186,362	\$ -
Cash and cash equivalents	1,249,214	1,500
Receivables:		
Receivable for sales of investments	32,530,708	-
Receivable for paydowns of investments	57,340	-
Due from investment adviser	146,385	-
Dividend receivable	1,272	-
Interest receivable	1,454,926	-
Prepaid expenses and other assets	134,601	500,246
<b>Total Assets</b>	<b><u>\$ 695,760,808</u></b>	<b><u>\$ 501,746</u></b>
<b>Liabilities:</b>		
Credit facility, net (Note 6)	\$ 374,154,997	\$ -
Payables:		
Payable to affiliate for organizational costs	-	28,635
Payable for investments purchased	73,864,582	-
Management fee payable	1,171,078	-
Accrued other general and administrative expenses	741,594	595,188
<b>Total Liabilities</b>	<b><u>\$ 449,932,251</u></b>	<b><u>\$ 623,823</u></b>
Commitments and contingencies (Note 8)		
<b>Net Assets:</b>		
Common Shares, \$0.001 par value; 450,000,000 shares authorized; 12,423,949 and 75 as of September 30, 2020 and December 31, 2019, respectively issued and outstanding	12,424	-
Additional paid-in capital	235,829,441	1,500
Total distributable earnings (accumulated deficit)	9,986,692	(123,577)
<b>Total Net Assets</b>	<b><u>\$ 245,828,557</u></b>	<b><u>\$ (122,077)</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 695,760,808</u></b>	<b><u>\$ 501,746</u></b>
<b>Net Asset Value Per Common Share</b>	<b><u>\$ 19.79</u></b>	<b><u>\$ (1,627.69)</u></b>

The accompanying notes are an integral part of these consolidated financial statements.

**Palmer Square Capital BDC Inc.**  
**Consolidated Statements of Operations**  
**(Unaudited)**

	<b>For the Three Months Ended September 30, 2020</b>	<b>For the Period January 23, 2020  (Commencement of Operations) through September 30, 2020</b>
<b>Income:</b>		
Investment income from non-controlled, non-affiliated investments:		
Interest income	\$ 7,780,219	\$ 15,406,831
Dividend income	5,952	226,431
Other income	139,832	154,961
Total investment income from non-controlled, non-affiliated investments	<u>7,926,003</u>	<u>15,788,223</u>
<b>Total Investment Income</b>	<u>7,926,003</u>	<u>15,788,223</u>
<b>Expenses:</b>		
Interest expense	1,535,483	3,049,936
Management fees	1,171,055	2,704,777
Professional fees	449,023	842,163
Offering costs	134,601	368,691
Directors fees	21,396	58,605
Initial organization	-	122,199
Other general and administrative expenses	335,380	681,515
<b>Total Expenses</b>	<u>3,646,938</u>	<u>7,827,886</u>
Less: Management fee waiver (Note 3)	(146,382)	(338,097)
Net expenses	<u>3,500,556</u>	<u>7,489,789</u>
<b>Net Investment Income (Loss)</b>	<u>4,425,447</u>	<u>8,298,434</u>
<b>Realized and unrealized gains (losses) on investments and foreign currency transactions</b>		
Net realized gains (losses):		
Non-controlled, non-affiliated investments	(1,692,439)	(1,089,875)
<b>Total net realized gains (losses)</b>	<u>(1,692,439)</u>	<u>(1,089,875)</u>
Net change in unrealized gains (losses):		
Non-controlled, non-affiliated investments	12,666,184	6,592,701
<b>Total net change in unrealized gains (losses)</b>	<u>12,666,184</u>	<u>6,592,701</u>
<b>Total realized and unrealized gains (losses)</b>	<u>10,973,745</u>	<u>5,502,826</u>
<b>Net Increase (Decrease) in Net Assets Resulting from Operations</b>	<u>\$ 15,399,192</u>	<u>\$ 13,801,260</u>
<b>Per Common Share Data:</b>		
<b>Basic and diluted net investment income per common share</b>	<u>\$ 0.36</u>	<u>\$ 0.78</u>
<b>Basic and diluted net increase in net assets resulting from operations</b>	<u>\$ 1.24</u>	<u>\$ 1.29</u>
<b>Weighted Average Common Shares Outstanding - Basic and Diluted</b>	<u>12,373,456</u>	<u>10,669,852</u>

The accompanying notes are an integral part of these consolidated financial statements.

**Palmer Square Capital BDC Inc.**  
**Consolidated Statements of Changes in Net Assets**  
**(Unaudited)**

	<b>For the Three Months Ended September 30, 2020</b>	<b>For the Period January 23, 2020 (Commencement of Operations) through September 30, 2020</b>
<b>Increase (Decrease) in Net Assets Resulting from Operations:</b>		
Net investment income (loss)	\$ 4,425,447	\$ 8,298,434
Net realized gains (losses) on investments and foreign currency transactions	(1,692,439)	(1,089,875)
Net change in unrealized gains (losses) on investments, foreign currency translations, and foreign currency exchange contracts	<u>12,666,184</u>	<u>6,592,701</u>
<b>Net Increase (Decrease) in Net Assets Resulting from Operations</b>	<u><u>15,399,192</u></u>	<u><u>13,801,260</u></u>
<b>Decrease in Net Assets Resulting from Stockholder Distributions</b>		
Dividends and distributions to stockholders	<u>(3,325,960)</u>	<u>(3,814,568)</u>
<b>Net Decrease in Net Assets Resulting from Stockholder Distributions</b>	<u><u>(3,325,960)</u></u>	<u><u>(3,814,568)</u></u>
<b>Increase in Net Assets Resulting from Capital Share Transactions</b>		
Issuance of common shares	97,867	233,567,867
Reinvestment of distributions	1,986,953	2,272,498
Repurchase of common shares	<u>-</u>	<u>-</u>
<b>Net Increase in Net Assets Resulting from Capital Share Transactions</b>	<u><u>2,084,820</u></u>	<u><u>235,840,365</u></u>
<b>Total Increase (Decrease) in Net Assets</b>	<u>14,158,052</u>	<u>245,827,057</u>
Net Assets, Beginning of Period	<u>231,670,505</u>	<u>1,500</u>
<b>Net Assets, End of Period</b>	<u><u>\$ 245,828,557</u></u>	<u><u>\$ 245,828,557</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

**Palmer Square Capital BDC Inc.**  
**Consolidated Statement of Cash Flows**  
**(Unaudited)**

	<b>For the Period</b> <b>January 23,</b> <b>2020</b> <b>(Commencement</b> <b>of Operations)</b> <b>through</b> <b>September 30,</b> <b>2020</b>
<b>Cash Flows from Operating Activities:</b>	
Net increase (decrease) in net assets resulting from operations	\$ 13,801,260
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash used in operating activities:	
Net realized (gains)/losses on investments	1,089,875
Net change in unrealized (gains)/losses on investments	(6,592,701)
Net accretion of discount on investments	(1,241,149)
Purchases of short-term investments	(548,089,893)
Purchases of portfolio investments	(785,864,108)
Proceeds from sale of short-term investments	511,328,612
Proceeds from sale of portfolio investments	169,183,002
Amortization of deferred financing cost	(258,707)
Increase/(decrease) in operating assets and liabilities:	
(Increase)/decrease in receivable for sales of investments	(32,530,708)
(Increase)/decrease in interest and dividends receivable	(1,456,198)
(Increase)/decrease in due from investment adviser	(146,385)
(Increase)/decrease in receivable for paydowns of investments	(57,340)
(Increase)/decrease in prepaid expenses and other assets	(134,601)
Increase/(decrease) in payable for investments purchased	73,864,582
Increase/(decrease) in management fees payable	1,171,078
Increase/(decrease) in accrued other general and administrative expenses	741,594
<b>Net cash used in operating activities</b>	<u>(605,191,787)</u>
<b>Cash Flows from Financing Activities:</b>	
Borrowings on credit facility	375,209,507
Payments of debt issuance costs	(795,803)
Distributions paid in cash	(1,542,070)
Proceeds from issuance of common shares, net of change in subscriptions receivable of \$0	233,567,867
<b>Net cash provided by financing activities</b>	<u>606,439,501</u>
<b>Net increase in cash and cash equivalents</b>	1,247,714
Cash and cash equivalents, beginning of period	1,500
<b>Cash and cash equivalents, end of period</b>	<u><u>\$ 1,249,214</u></u>
 <b>Supplemental and Non-Cash Information:</b>	
Interest paid during the period	\$ 2,842,223
Distributions declared during the period	\$ 3,814,568
Reinvestment of distributions during the period	\$ 2,272,498

The accompanying notes are an integral part of these consolidated financial statements.

**Palmer Square Capital BDC Inc.**  
**Consolidated Schedule of Investments**  
**As of September 30, 2020**  
**(Unaudited)**

<b>Portfolio Company<sup>(3)</sup></b>	<b>Industry</b>	<b>Interest Rate</b>	<b>Acquisition Date</b>	<b>Maturity Date</b>	<b>Principal / Par</b>	<b>Amortized Cost<sup>(1)(6)</sup></b>	<b>Fair Value</b>	<b>Percentage of Net Assets</b>
<b>Debt Investments</b>								
<b>First Lien Senior Secured<sup>(2)</sup></b>								
Acadia Healthcare Company, Inc. <sup>(4)(7)</sup>	Healthcare Providers and Services	2.65% (L + 2.50%)	4/24/2020	2/11/2022	4,471,235	\$ 4,277,122	\$ 4,443,289	1.8%
Achilles Acquisition, LLC <sup>(7)</sup>	Insurance	4.19% (L + 4.00%)	1/16/2020	10/3/2025	4,217,944	4,208,823	4,154,675	1.7%
Acrisure, LLC <sup>(7)</sup>	Insurance	3.65% (L + 3.50%)	1/31/2020	2/12/2027	4,975,000	4,964,179	4,818,636	2.0%
AI Convoy (Luxembourg) S.a.r.l. <sup>(7)</sup>	Aerospace and Defense	4.65% (L + 3.50%)	4/20/2020	1/29/2027	4,378,000	4,233,598	4,361,583	1.8%
Albany Molecular Research, Inc. <sup>(5)(7)</sup>	Healthcare Providers and Services	4.25% (L + 3.25%)	2/20/2020	8/28/2024	4,962,283	4,936,777	4,907,499	2.0%
Alera Group Intermediate Holdings, Inc. <sup>(5)(7)</sup>	Insurance	4.15% (L + 4.00%)	4/21/2020	8/1/2025	5,465,790	5,406,396	5,390,636	2.2%
AlixPartners, LLP <sup>(7)</sup>	Diversified Financial Services	2.66% (L + 2.50%)	4/28/2020	4/30/2024	2,481,972	2,417,534	2,426,910	1.0%
Alliant Holdings Intermediate, LLC <sup>(7)</sup>	Insurance	2.90% (L + 2.75%)	4/21/2020	5/9/2025	4,963,192	4,675,948	4,836,035	2.0%
Alphabet Holding Company, Inc. <sup>(7)</sup>	Food Products	3.65% (L + 3.50%)	4/21/2020	9/26/2024	2,979,527	2,840,999	2,905,575	1.2%
Alterra Mountain Company <sup>(7)</sup>	Hotels, Restaurants and Leisure	5.50% (L + 4.50%)	5/13/2020	8/31/2026	512,425	502,566	508,582	0.2%
Alterra Mountain Company <sup>(7)</sup>	Hotels, Restaurants and Leisure	2.90% (L + 2.75%)	4/21/2020	6/28/2024	2,984,655	2,822,464	2,890,131	1.2%
Altice France S.A. <sup>(7)</sup>	Media	4.15% (L + 4.00%)	4/22/2020	8/14/2026	3,982,272	3,817,921	3,883,054	1.6%
Amentum Government Services Holdings, LLC <sup>(7)</sup>	Construction and Engineering	3.65% (L + 3.50%)	4/21/2020	2/26/2027	4,488,750	4,215,359	4,445,748	1.8%
American Rock Salt Company, LLC <sup>(5)(7)</sup>	Metals and Mining	4.50% (L + 3.50%)	5/7/2020	3/21/2025	4,779,184	4,756,011	4,755,288	1.9%
AmWINS Group, Inc. <sup>(7)</sup>	Insurance	3.75% (L + 2.75%)	4/28/2020	2/28/2024	4,470,280	4,418,220	4,440,039	1.8%
Amynta Agency Borrower, Inc. <sup>(7)</sup>	Insurance	4.65% (L + 4.50%)	2/18/2020	2/28/2025	3,759,058	3,587,375	3,479,478	1.4%
Ancestry.com Operations, Inc. <sup>(7)</sup>	Leisure Products	4.40% (L + 4.25%)	4/22/2020	8/21/2026	2,984,853	2,803,763	2,985,376	1.2%
Ancestry.com Operations, Inc. <sup>(7)</sup>	Leisure Products	4.75% (L + 3.75%)	4/22/2020	10/19/2023	1,987,274	1,884,173	1,988,517	0.8%
APLP Holdings Limited Partnership <sup>(4)(7)</sup>	Independent Power and Renewable Electricity Producers	3.50% (L + 2.50%)	4/16/2020	4/13/2023	1,417,158	1,317,405	1,416,562	0.6%
Applovin Corporation <sup>(7)</sup>	Software	3.65% (L + 3.50%)	4/21/2020	8/15/2025	4,969,659	4,898,442	4,912,508	2.0%
Aristocrat International PTY, Ltd. <sup>(4)(7)</sup>	Hotels, Restaurants and Leisure	4.75% (L + 3.75%)	5/14/2020	10/31/2024	2,493,750	2,447,227	2,487,915	1.0%
Ascend Learning, LLC <sup>(7)</sup>	Diversified Consumer Services	4.00% (L + 3.00%)	4/27/2020	7/29/2024	3,929,744	3,755,558	3,887,990	1.6%



**Palmer Square Capital BDC Inc.**  
**Consolidated Schedule of Investments**  
**As of September 30, 2020**  
**(Unaudited)**

<b>Portfolio Company<sup>(3)</sup></b>	<b>Industry</b>	<b>Interest Rate</b>	<b>Acquisition Date</b>	<b>Maturity Date</b>	<b>Principal / Par</b>	<b>Amortized Cost<sup>(1)(6)</sup></b>	<b>Fair Value</b>	<b>Percentage of Net Assets</b>
AssuredPartners, Inc. <sup>(7)</sup>	Insurance	5.50% (L + 4.50%)	5/29/2020	2/12/2027	995,000	975,757	995,000	0.4%
AssuredPartners, Inc. <sup>(7)</sup>	Insurance	3.65% (L + 3.50%)	2/11/2020	2/12/2027	4,962,500	4,950,580	4,827,793	2.0%
Asurion, LLC <sup>(7)</sup>	Diversified Consumer Services	3.15% (L + 3.00%)	4/21/2020	8/4/2022	1,987,249	1,953,993	1,968,201	0.8%
athenahealth, Inc. <sup>(7)</sup>	Healthcare Providers and Services	4.75% (L + 4.50%)	4/21/2020	2/11/2026	3,972,279	3,936,768	3,927,591	1.6%
Avaya, Inc. <sup>(4)(7)</sup>	Diversified Telecommunication Services	4.40% (L + 4.25%)	4/20/2020	12/15/2024	1,560,941	1,486,170	1,555,337	0.6%
Avaya, Inc. <sup>(4)(7)</sup>	Diversified Telecommunication Services	4.40% (L + 4.25%)	7/28/2020	12/16/2024	1,939,059	1,759,315	1,897,253	0.8%
Azalea TopCo, Inc. <sup>(7)</sup>	Healthcare Providers and Services	3.76% (L + 3.50%)	4/21/2020	7/23/2026	3,972,418	3,925,761	3,835,886	1.6%
Barracuda Networks, Inc. <sup>(7)</sup>	IT Services	4.25% (L + 3.25%)	3/10/2020	1/10/2025	4,029,389	3,989,919	4,000,438	1.6%
Bass Pro Group, LLC <sup>(5)(7)</sup>	Specialty Retail	5.75% (L + 5.00%)	9/18/2020	9/25/2024	5,086,889	5,082,568	5,051,943	2.1%
Bausch Health Companies, Inc. <sup>(4)</sup>	Pharmaceuticals	3.15% (L + 3.00%)	4/21/2020	6/30/2025	4,142,303	3,956,787	4,068,094	1.7%
BCP Renaissance Parent L.L.C. <sup>(7)</sup>	Oil, Gas and Consumable Fuels	4.50% (L + 3.50%)	8/18/2020	10/31/2024	2,493,377	2,313,698	2,322,743	0.9%
Belfor Holdings, Inc. <sup>(7)</sup>	Commercial Services and Supplies	4.15% (L + 4.00%)	4/15/2020	3/31/2026	2,983,649	2,847,086	2,987,379	1.2%
Blackstone CQP Holdco LP <sup>(7)</sup>	Energy Equipment and Services	3.73% (L + 3.50%)	2/28/2020	6/7/2024	1,984,925	1,944,958	1,946,219	0.8%
Boxer Parent Company, Inc. <sup>(7)</sup>	Software	4.40% (L + 4.25%)	4/27/2020	9/1/2025	3,402,902	2,996,935	3,312,028	1.3%
Brookfield Property REIT, Inc. <sup>(7)</sup>	Real Estate Investment Trusts (REITs)	2.65% (L + 2.50%)	4/21/2020	5/4/2025	2,150,187	1,763,918	1,756,240	0.7%
Brookfield WEC Holdings, Inc. <sup>(7)</sup>	Commercial Services and Supplies	3.75% (L + 3.00%)	4/27/2020	8/1/2025	4,467,165	4,398,426	4,365,046	1.8%
Builders FirstSource, Inc. <sup>(4)(7)</sup>	Building Products	4.00% (L + 3.00%)	4/16/2020	2/29/2024	3,000,000	2,892,016	2,964,690	1.2%
Buzz Merger Sub, Ltd. <sup>(7)</sup>	Leisure Products	2.90% (L + 2.75%)	4/21/2020	1/22/2027	3,482,500	3,393,189	3,417,203	1.4%
Caesars Resort Collection, LLC <sup>(4)(7)</sup>	Hotels, Restaurants and Leisure	4.65% (L + 4.50%)	6/19/2020	7/31/2025	3,000,000	2,911,793	2,912,085	1.2%
Camelot U.S. Acquisition 1 Co. <sup>(4)(7)</sup>	Professional Services	3.15% (L + 3.00%)	4/21/2020	10/28/2026	3,979,950	3,908,504	3,912,171	1.6%
Change Healthcare Holdings, Inc. <sup>(4)(7)</sup>	Healthcare Providers and Services	3.50% (L + 2.50%)	4/27/2020	3/1/2024	2,467,177	2,352,895	2,419,190	1.0%

**Palmer Square Capital BDC Inc.**  
**Consolidated Schedule of Investments**  
**As of September 30, 2020**  
**(Unaudited)**

<b>Portfolio Company<sup>(3)</sup></b>	<b>Industry</b>	<b>Interest Rate</b>	<b>Acquisition Date</b>	<b>Maturity Date</b>	<b>Principal / Par</b>	<b>Amortized Cost<sup>(1)(6)</sup></b>	<b>Fair Value</b>	<b>Percentage of Net Assets</b>
CHG Healthcare Services, Inc. <sup>(7)</sup>	Healthcare Providers and Services	4.00% (L + 3.00%)	4/27/2020	6/7/2023	2,975,652	2,627,924	2,931,285	1.2%
Cincinnati Bell, Inc. <sup>(4)(5)(7)</sup>	Media	4.25% (L + 3.25%)	4/16/2020	10/2/2024	3,975,917	3,815,933	3,980,907	1.6%
Citadel Securities LP <sup>(7)</sup>	Diversified Financial Services	2.90% (L + 2.75%)	4/27/2020	2/6/2026	4,064,524	3,755,464	4,046,762	1.6%
Consolidated Communications, Inc. <sup>(4)(5)(7)</sup>	Diversified Telecommunication Services	5.75% (L + 4.75%)	9/18/2020	9/15/2027	2,000,000	1,970,000	1,983,750	0.8%
Creative Artists Agency, LLC <sup>(7)</sup>	Media	3.90% (L + 3.75%)	3/2/2020	11/20/2026	1,985,000	1,985,000	1,913,292	0.8%
Crestwood Holdings, LLC	Oil, Gas and Consumable Fuels	7.66% (L + 7.50%)	6/5/2020	2/28/2023	492,828	337,174	323,911	0.1%
CTOS, LLC <sup>(7)</sup>	Commercial Services and Supplies	4.40% (L + 4.25%)	3/2/2020	4/18/2025	4,604,651	4,595,794	4,572,994	1.9%
Datto, Inc. <sup>(7)</sup>	Software	4.40% (L + 4.25%)	5/8/2020	4/2/2026	3,979,849	3,830,626	3,987,311	1.6%
DCert Buyer, Inc. <sup>(5)(7)</sup>	Software	4.15% (L + 4.00%)	2/28/2020	8/7/2026	4,975,000	4,966,548	4,924,479	2.0%
Deerfield Dakota Holding, LLC <sup>(7)</sup>	Diversified Financial Services	4.75% (L + 3.75%)	4/22/2020	2/25/2027	4,987,500	4,911,539	4,968,797	2.0%
Delek US Holdings, Inc. <sup>(4)(7)</sup>	Oil, Gas and Consumable Fuels	6.50% (L + 5.50%)	5/18/2020	3/31/2025	2,388,000	2,230,226	2,341,733	1.0%
Dun & Bradstreet Corporation, The <sup>(7)</sup>	Professional Services	3.89% (L + 3.75%)	4/21/2020	3/31/2026	4,975,000	4,905,906	4,932,713	2.0%
EAB Global, Inc. <sup>(7)</sup>	Professional Services	4.75% (L + 3.75%)	5/1/2020	9/27/2024	2,982,162	2,895,345	2,862,876	1.2%
ECi Macola/MAX Holding, LLC <sup>(5)(7)</sup>	Software	4.00% (L + 3.75%)	9/17/2020	9/30/2027	6,000,000	5,970,000	5,960,640	2.4%
EFS Cogen Holdings I, LLC <sup>(7)</sup>	Independent Power and Renewable Electricity Producers	4.25% (L + 3.25%)	4/28/2020	6/22/2023	3,290,343	3,274,556	3,288,813	1.3%
EFS Cogen Holdings I, LLC <sup>(5)(7)</sup>	Independent Power and Renewable Electricity Producers	4.50% (L + 3.50%)	9/24/2020	9/24/2027	3,000,000	2,985,000	2,994,750	1.2%
Endo Luxembourg Finance Company I S.a.r.l. <sup>(4)(7)</sup>	Pharmaceuticals	5.00% (L + 4.25%)	5/20/2020	4/29/2024	2,487,147	2,321,150	2,378,782	1.0%
Ensemble RCM, LLC <sup>(7)</sup>	Healthcare Providers and Services	4.01% (L + 3.75%)	4/22/2020	7/24/2026	3,816,724	3,710,030	3,781,724	1.5%
Epicor Software Corporation <sup>(7)</sup>	Software	5.25% (L + 4.25%)	7/23/2020	7/30/2027	4,000,000	3,926,308	3,998,620	1.6%
Everi Payments, Inc. <sup>(4)</sup>	Professional Services	11.50% (L + 10.50%)	4/14/2020	5/9/2024	349,125	342,685	357,853	0.1%
Everi Payments, Inc. <sup>(4)(7)</sup>	Professional Services	3.75% (L + 2.75%)	4/9/2020	5/1/2024	1,000,000	872,166	969,285	0.4%
Evertec Group, LLC <sup>(4)(7)</sup>	Professional Services	3.65% (L + 3.50%)	4/23/2020	12/31/2024	2,436,883	2,342,971	2,433,837	1.0%
Exact Merger Sub, LLC <sup>(7)</sup>	Software	5.25% (L + 4.25%)	6/18/2020	9/27/2024	3,624,547	3,593,913	3,607,566	1.5%
Exgen Renewables IV, LLC <sup>(7)</sup>	Independent Power and Renewable Electricity Producers	4.00% (L + 3.00%)	4/21/2020	11/15/2024	4,455,738	4,391,979	4,457,141	1.8%
Flexera Software, LLC <sup>(7)</sup>	Software	4.25% (L + 3.25%)	4/21/2020	2/26/2025	4,523,617	4,447,616	4,501,700	1.8%

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Garda World Security Corporation <sup>(7)</sup>	Diversified Consumer Services	4.90% (L + 4.75%)	4/21/2020	10/23/2026	5,000,000	4,843,059	4,983,125	2.0%
Getty Images, Inc. <sup>(7)</sup>	Media	4.69% (L + 4.50%)	1/28/2020	2/13/2026	1,963,481	1,961,326	1,841,745	0.7%
GFL Environmental, Inc. <sup>(4)(7)</sup>	Commercial Services and Supplies	4.00% (L + 3.00%)	4/27/2020	5/9/2025	4,108,802	3,954,991	4,096,989	1.7%
Global Medical Response, Inc. (aka Air Medical) <sup>(5)(7)</sup>	Healthcare Providers and Services	4.25% (L + 3.25%)	8/27/2020	4/28/2022	4,500,000	4,410,000	4,407,188	1.8%
Global Medical Response, Inc. <sup>(7)</sup>	Healthcare Providers and Services	4.25% (L + 3.25%)	6/12/2020	4/28/2022	2,996,164	2,950,396	2,993,362	1.2%
Guggenheim Partners Investment Management Holdings, LLC <sup>(7)</sup>	Diversified Financial Services	3.50% (L + 2.75%)	2/28/2020	7/21/2023	1,487,139	1,478,644	1,480,328	0.6%
Guidehouse LLP <sup>(5)(7)</sup>	Professional Services	4.65% (L + 4.50%)	4/15/2020	3/14/2025	4,035,288	3,960,388	4,005,043	1.6%
Hamilton Projects Acquiror, LLC <sup>(7)</sup>	Electric Utilities	5.75% (L + 4.75%)	6/12/2020	6/11/2027	3,471,300	3,411,068	3,469,130	1.4%
Harbor Freight Tools USA, Inc. <sup>(7)</sup>	Specialty Retail	3.25% (L + 2.50%)	4/27/2020	8/18/2023	2,487,202	2,358,257	2,455,913	1.0%
Helix Gen Funding, LLC <sup>(5)(7)</sup>	Independent Power and Renewable Electricity Producers	4.75% (L + 3.75%)	3/4/2020	3/8/2024	4,419,559	4,363,798	4,386,699	1.8%
Help/Systems Holdings, Inc. <sup>(5)(7)</sup>	Software	5.75% (L + 4.75%)	9/15/2020	11/19/2026	4,987,469	4,937,594	4,956,322	2.0%
HIG Finance 2 Limited <sup>(7)</sup>	Insurance	4.50% (L + 3.50%)	4/22/2020	12/13/2024	3,973,195	3,919,049	3,956,924	1.6%
Hostess Brands, LLC <sup>(4)(7)</sup>	Food Products	3.00% (L + 2.25%)	4/20/2020	8/1/2025	1,441,848	1,324,196	1,422,023	0.6%
HUB International Limited <sup>(7)</sup>	Insurance	5.00% (L + 4.00%)	4/27/2020	4/25/2025	1,989,975	1,925,543	1,988,423	0.8%
Hyland Software, Inc. <sup>(5)(7)</sup>	Software	4.00% (L + 3.25%)	9/25/2020	7/1/2024	3,000,000	2,988,750	2,991,870	1.2%
ICH US Intermediate Holdings II, Inc. <sup>(7)</sup>	Healthcare Providers and Services	6.75% (L + 5.75%)	4/21/2020	10/30/2026	4,836,867	4,709,680	4,830,821	2.0%
Idera, Inc. <sup>(7)</sup>	Software	5.00% (L + 4.00%)	4/23/2020	6/28/2024	4,467,947	4,426,668	4,421,413	1.8%
Infoblox, Inc. <sup>(7)</sup>	IT Services	4.65% (L + 4.50%)	4/15/2020	11/7/2023	2,569,970	2,469,874	2,576,395	1.0%
Informatica, LLC <sup>(7)</sup>	Software	3.40% (L + 3.25%)	4/21/2020	2/15/2027	3,980,000	3,936,769	3,906,629	1.6%
Inmar, Inc. <sup>(7)</sup>	Professional Services	5.00% (L + 4.00%)	1/24/2020	5/1/2024	2,976,923	2,944,619	2,834,448	1.2%
Iridium Satellite, LLC <sup>(4)(7)</sup>	Diversified Telecommunication Services	4.75% (L + 3.75%)	4/27/2020	10/18/2026	4,728,744	4,701,500	4,726,214	1.9%
Ivanti Software, Inc. <sup>(7)</sup>	IT Services	5.25% (L + 4.25%)	2/26/2020	1/22/2024	3,980,558	3,929,916	3,964,795	1.6%
Jane Street Group, LLC <sup>(7)</sup>	Diversified Financial Services	3.15% (L + 3.00%)	4/22/2020	1/31/2025	1,473,781	1,449,899	1,465,956	0.6%
Kestrel Acquisition, LLC <sup>(7)</sup>	Independent Power and Renewable Electricity Producers	5.25% (L + 4.25%)	2/25/2020	5/2/2025	1,984,772	1,786,317	1,768,431	0.7%
Klockner-Pentaplast of America, Inc. <sup>(4)(5)(7)</sup>	Containers and Packaging	5.25% (L + 4.25%)	9/10/2020	6/30/2022	3,740,360	3,693,605	3,643,746	1.5%

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LCPR Loan Financing, LLC <sup>(7)</sup>	Diversified Telecommunication Services	5.15% (L + 5.00%)	4/27/2020	10/22/2026	4,000,000	3,939,010	4,001,680	1.6%
LifePoint Health, Inc. <sup>(7)</sup>	Healthcare Providers and Services	3.90% (L + 3.75%)	4/16/2020	11/14/2025	3,500,000	3,483,468	3,407,390	1.4%
Lighthouse Network, LLC <sup>(4)(7)</sup>	Professional Services	5.50% (L + 4.50%)	7/29/2020	12/2/2024	2,606,371	2,599,990	2,597,679	1.1%
Lightstone Holdco, LLC	Independent Power and Renewable Electricity Producers	4.75% (L + 3.75%)	4/24/2020	1/30/2024	1,609,237	1,267,760	1,397,099	0.6%
Lightstone Holdco, LLC	Independent Power and Renewable Electricity Producers	4.75% (L + 3.75%)	4/24/2020	1/30/2024	90,763	71,504	78,799	0.0%
Limetree Bay Terminals, LLC <sup>(5)(7)</sup>	Oil, Gas and Consumable Fuels	4.15% (L + 4.00%)	5/14/2020	2/15/2024	2,290,716	2,016,272	2,150,410	0.9%
Lions Gate Capital Holdings, LLC <sup>(4)(7)</sup>	Media	2.40% (L + 2.25%)	4/15/2020	3/19/2025	1,987,048	1,869,524	1,922,469	0.8%
LogMeIn, Inc. <sup>(7)</sup>	IT Services	4.91% (L + 4.75%)	8/14/2020	8/31/2027	3,500,000	3,413,465	3,389,540	1.4%
Mauser Packaging Solutions Holding Company <sup>(7)</sup>	Containers and Packaging	3.52% (L + 3.25%)	4/13/2020	4/3/2024	1,492,288	1,361,605	1,406,175	0.6%
McAfee, LLC <sup>(7)</sup>	IT Services	3.90% (L + 3.75%)	4/21/2020	9/30/2024	3,972,139	3,955,897	3,950,630	1.6%
Meredith Corporation <sup>(4)(7)</sup>	Media	5.25% (L + 4.25%)	6/25/2020	1/31/2025	3,491,250	3,357,539	3,450,525	1.4%
MH Sub I, LLC (Micro Holding Corp.) <sup>(7)</sup>	IT Services	3.65% (L + 3.50%)	4/3/2020	9/13/2024	1,982,110	1,977,424	1,934,044	0.8%
Michaels Stores, Inc. <sup>(4)(5)(7)</sup>	Specialty Retail	3.50% (L + 2.50%)	9/2/2020	1/30/2023	1,000,000	985,000	977,500	0.4%
Michaels Stores, Inc. <sup>(4)(5)(7)</sup>	Specialty Retail	3.50% (L + 2.50%)	6/3/2020	1/30/2023	1,997,140	1,879,897	1,995,642	0.8%
Milano Acquisition Corporation <sup>(5)(7)</sup>	Health Care Technology	4.75% (L + 4.00%)	8/17/2020	8/17/2027	3,500,000	3,465,000	3,471,563	1.4%
Minotaur Acquisition, Inc. <sup>(7)</sup>	Diversified Financial Services	5.15% (L + 5.00%)	2/13/2020	3/27/2026	5,138,485	5,136,832	4,915,834	2.0%
Mitchell International, Inc. <sup>(7)</sup>	Software	4.75% (L + 4.25%)	7/31/2020	11/29/2024	3,250,000	3,129,380	3,195,173	1.3%
Mohegan Tribal Gaming	Hotels, Restaurants and Leisure	7.38% (L + 6.38%)	1/24/2020	9/30/2023	1,480,174	1,473,694	1,327,220	0.5%
MPH Acquisition Holdings, LLC <sup>(7)</sup>	Healthcare Providers and Services	3.75% (L + 2.75%)	4/21/2020	5/25/2023	3,000,000	2,837,499	2,957,685	1.2%
National Mentor Holdings, Inc. <sup>(7)</sup>	Healthcare Providers and Services	4.41% (L + 4.25%)	4/27/2020	2/5/2026	3,800,023	3,766,290	3,754,100	1.5%
National Mentor Holdings, Inc. <sup>(7)</sup>	Healthcare Providers and Services	4.41% (L + 4.25%)	4/27/2020	2/5/2026	173,458	171,917	171,362	0.1%
Navicure, Inc. <sup>(7)</sup>	Health Care Technology	4.75% (L + 4.00%)	9/15/2020	10/22/2026	2,712,500	2,705,725	2,695,547	1.1%
New Arclin US Holding Corp. <sup>(7)</sup>	Chemicals	4.50% (L + 3.50%)	8/25/2020	2/14/2024	1,994,763	1,970,032	1,972,321	0.8%

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Newport Group Holdings II, Inc. <sup>(7)</sup>	Diversified Financial Services	3.72% (L + 3.50%)	8/25/2020	9/12/2025	2,992,366	2,903,605	2,883,893	1.2%
Nexus Buyer, LLC <sup>(7)</sup>	Professional Services	3.90% (L + 3.75%)	5/1/2020	10/30/2026	4,058,911	3,961,836	4,043,264	1.6%
Nielsen Finance, LLC <sup>(4)(7)</sup>	Media	4.75% (L + 3.75%)	5/7/2020	6/6/2025	1,496,250	1,480,210	1,498,494	0.6%
NorthRiver Midstream Finance LP <sup>(7)</sup>	Energy Equipment and Services	3.55% (L + 3.25%)	2/28/2020	10/31/2025	2,481,013	2,457,961	2,407,934	1.0%
Option Care Health, Inc. <sup>(7)</sup>	Healthcare Providers and Services	4.65% (L + 4.50%)	5/11/2020	5/29/2026	5,102,364	4,905,906	5,068,357	2.1%
Oregon Clean Energy, LLC <sup>(5)(7)</sup>	Independent Power and Renewable Electricity Producers	4.75% (L + 3.75%)	3/19/2020	3/2/2026	5,104,164	4,962,930	5,078,643	2.1%
Pathway Vet Alliance, LLC <sup>(7)</sup>	Healthcare Providers and Services	4.00%	6/23/2020	3/31/2027	193,895	(3,575)	(2,593)	0.0%
Pathway Vet Alliance, LLC <sup>(7)</sup>	Healthcare Providers and Services	4.15% (L + 4.00%)	6/23/2020	3/31/2027	3,225,007	3,160,627	3,181,873	1.3%
PCI Gaming Authority <sup>(7)</sup>	Hotels, Restaurants and Leisure	2.65% (L + 2.50%)	4/27/2020	5/15/2026	2,756,538	2,609,389	2,686,853	1.1%
Petco Animal Supplies, Inc.	Specialty Retail	4.25% (L + 3.25%)	6/17/2020	1/26/2023	1,496,084	1,213,391	1,382,007	0.6%
PetVet Care Centers, LLC <sup>(7)</sup>	Healthcare Providers and Services	5.25% (L + 4.25%)	8/14/2020	2/15/2025	3,491,184	3,482,632	3,495,548	1.4%
Phoenix Guarantor, Inc. <sup>(7)</sup>	Healthcare Providers and Services	3.40% (L + 3.25%)	4/24/2020	3/5/2026	4,969,962	4,856,898	4,858,138	2.0%
Pike Corporation <sup>(7)</sup>	Construction and Engineering	3.15% (L + 3.00%)	8/19/2020	7/24/2026	2,000,000	1,990,084	1,989,580	0.8%
Playtika Holding Corp. <sup>(5)(7)</sup>	Hotels, Restaurants and Leisure	7.00% (L + 6.00%)	4/22/2020	12/31/2024	8,773,401	8,814,690	8,797,562	3.6%
PODS, LLC <sup>(7)</sup>	Building Products	3.75% (L + 2.75%)	4/3/2020	12/6/2024	1,956,928	1,952,479	1,921,058	0.8%
PowerTeam Services, LLC <sup>(7)</sup>	Construction and Engineering	4.25% (L + 3.25%)	4/16/2020	3/6/2025	2,000,000	1,911,426	1,953,760	0.8%
Pre-Paid Legal Services, Inc. <sup>(5)(7)</sup>	Diversified Consumer Services	4.25% (L + 4.00%)	9/11/2020	5/1/2025	1,500,000	1,477,500	1,488,750	0.6%
Pre-Paid Legal Services, Inc. <sup>(7)</sup>	Diversified Consumer Services	3.40% (L + 3.25%)	4/8/2020	5/1/2025	1,638,513	1,589,936	1,587,989	0.6%
Presidio Holdings, Inc. <sup>(7)</sup>	Professional Services	3.77% (L + 3.50%)	4/21/2020	1/31/2027	2,394,000	2,356,993	2,368,576	1.0%
Prime Security Services Borrower, LLC <sup>(4)(7)</sup>	Diversified Consumer Services	4.25% (L + 3.25%)	4/20/2020	9/14/2026	1,989,950	1,942,496	1,975,025	0.8%
Project Alpha Intermediate Holding, Inc. <sup>(7)</sup>	Software	4.50% (L + 3.50%)	4/22/2020	4/19/2024	3,971,782	3,936,138	3,914,687	1.6%
ProQuest, LLC <sup>(7)</sup>	Internet and Direct Marketing	3.65% (L + 3.50%)	4/22/2020	10/16/2026	3,310,911	3,254,633	3,280,699	1.3%
Quest Software US Holdings, Inc. <sup>(7)</sup>	Retail Software	4.51% (L + 4.25%)	2/5/2020	5/16/2025	2,984,810	2,984,810	2,931,337	1.2%
Rackspace Hosting, Inc. <sup>(7)</sup>	Technology Hardware, Storage and Peripherals	4.00% (L + 3.00%)	4/21/2020	11/3/2023	2,984,576	2,865,879	2,936,091	1.2%
Radiate Holdco, LLC <sup>(5)(7)</sup>	Media	4.25% (L + 3.50%)	9/25/2020	9/11/2026	5,121,868	5,067,440	5,043,273	2.1%

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Radiology Partners, Inc. <sup>(7)</sup>	Healthcare Providers and Services	5.99% (L + 4.25%)	3/10/2020	7/9/2025	3,500,000	3,487,831	3,367,875	1.4%
Redstone Buyer, LLC <sup>(5)(7)</sup>	Software	6.00% (L + 5.00%)	7/1/2020	9/1/2027	4,999,000	4,967,140	4,986,503	2.0%
Renaissance Holding Corp. <sup>(7)</sup>	Diversified Consumer Services	3.40% (L + 3.25%)	3/4/2020	7/31/2025	1,984,772	1,947,512	1,919,443	0.8%
Reynolds Group Holdings, Inc. <sup>(7)</sup>	Industrial Conglomerates	2.91% (L + 2.75%)	4/17/2020	2/3/2023	2,023,275	1,976,398	2,003,427	0.8%
RP Crown Parent, LLC <sup>(7)</sup>	Software	4.00% (L + 3.00%)	7/30/2020	2/2/2026	3,395,366	3,358,723	3,363,535	1.4%
Ryan Specialty Group, LLC <sup>(7)</sup>	Insurance	4.00% (L + 3.25%)	7/23/2020	9/1/2027	2,000,000	1,985,155	1,985,010	0.8%
Sabert Corporation <sup>(7)</sup>	Containers and Packaging	5.50% (L + 4.50%)	4/21/2020	11/26/2026	4,982,494	4,971,104	4,916,077	2.0%
Samsonite International S.A. <sup>(4)(7)</sup>	Textiles, Apparel and Luxury Goods	5.50% (L + 4.50%)	5/1/2020	4/25/2025	1,795,500	1,745,548	1,757,346	0.7%
Scientific Games International, Inc. <sup>(4)(7)</sup>	Leisure Products	3.61% (L + 2.75%)	4/15/2020	8/14/2024	1,989,796	1,749,497	1,877,313	0.8%
SCIH Salt Holdings, Inc. <sup>(5)(7)</sup>	Metals and Mining	5.50% (L + 4.50%)	4/22/2020	3/3/2027	3,990,000	3,922,376	3,993,751	1.6%
Select Medical Corporation <sup>(4)(7)</sup>	Healthcare Providers and Services	2.78% (L + 2.50%)	4/20/2020	3/6/2025	3,500,000	3,350,878	3,419,063	1.4%
Shearer's Foods, LLC <sup>(7)</sup>	Food Products	4.75% (L + 4.00%)	9/15/2020	9/23/2027	1,712,500	1,699,685	1,703,946	0.7%
SolarWinds Holdings, Inc. <sup>(4)(7)</sup>	Software	2.90% (L + 2.75%)	4/28/2020	2/28/2024	2,980,848	2,755,714	2,931,902	1.2%
Sophia, L.P. <sup>(5)(7)</sup>	Software	4.00% (L + 3.75%)	9/23/2020	10/6/2027	5,000,000	4,962,500	4,975,000	2.0%
Sophia, L.P. <sup>(7)</sup>	Software	4.25% (L + 3.25%)	4/13/2020	9/30/2022	3,000,000	2,970,526	2,991,255	1.2%
Sotera Health Holdings, LLC <sup>(5)(7)</sup>	Healthcare Equipment and Supplies	5.50% (L + 4.50%)	4/22/2020	11/20/2026	4,981,234	4,962,849	4,966,714	2.0%
Stars Group Holdings B.V. <sup>(4)(7)</sup>	Leisure Products	3.72% (L + 3.50%)	4/21/2020	7/31/2025	3,335,203	3,314,483	3,333,236	1.4%
Surf Holdings, LLC <sup>(7)</sup>	Software	3.75% (L + 3.50%)	4/16/2020	1/15/2027	1,995,000	1,886,458	1,957,235	0.8%
Surgery Center Holdings, Inc. <sup>(4)</sup>	Healthcare Providers and Services	9.00% (L + 8.00%)	4/17/2020	8/16/2024	1,990,000	1,953,168	2,021,094	0.8%
Syncsort Incorporated <sup>(7)</sup>	Software	7.00% (L + 6.00%)	4/13/2020	8/16/2024	4,273,203	4,110,402	4,230,471	1.7%
Talen Energy Supply, LLC <sup>(7)</sup>	Independent Power and Renewable Electricity Producers	3.90% (L + 3.75%)	4/14/2020	6/26/2026	3,866,834	3,629,348	3,829,771	1.6%
Tecostar Holdings, Inc. <sup>(7)</sup>	Healthcare Equipment and Supplies	4.68% (L + 3.50%)	2/25/2020	5/1/2024	2,976,842	2,964,062	2,918,243	1.2%
The Edelman Financial Center, LLC <sup>(7)</sup>	Diversified Financial Services	3.14% (L + 3.00%)	4/14/2020	6/26/2025	1,989,873	1,879,584	1,926,605	0.8%
TIBCO Software, Inc. <sup>(7)</sup>	Software	3.90% (L + 3.75%)	3/5/2020	6/30/2026	2,992,500	2,983,805	2,928,909	1.2%

**Palmer Square Capital BDC Inc.**  
**Consolidated Schedule of Investments**  
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**(Unaudited)**

<b>Portfolio Company<sup>(3)</sup></b>	<b>Industry</b>	<b>Interest Rate</b>	<b>Acquisition Date</b>	<b>Maturity Date</b>	<b>Principal / Par</b>	<b>Amortized Cost<sup>(1)(6)</sup></b>	<b>Fair Value</b>	<b>Percentage of Net Assets</b>
T-Mobile USA, Inc. <sup>(4)(7)</sup>	Diversified Telecommunication Services	3.15% (L + 3.00%)	4/28/2020	4/1/2027	3,491,250	3,441,322	3,492,804	1.4%
Tosca Services, LLC <sup>(7)</sup>	Containers and Packaging	5.25% (L + 4.25%)	7/31/2020	8/18/2027	3,000,000	2,985,477	3,004,695	1.2%
Traverse Midstream Partners, LLC <sup>(7)</sup>	Oil, Gas and Consumable Fuels	5.00% (L + 4.00%)	8/20/2020	9/27/2024	2,969,697	2,707,473	2,748,826	1.1%
Tronox Finance, LLC <sup>(4)(7)</sup>	Chemicals	3.22% (L + 3.00%)	4/17/2020	9/14/2024	2,000,000	1,962,871	1,973,220	0.8%
U.S. Renal Care, Inc. <sup>(7)</sup>	Healthcare Providers and Services	5.15% (L + 5.00%)	4/24/2020	6/26/2026	3,979,900	3,778,672	3,888,859	1.6%
U.S.I., Inc. <sup>(7)</sup>	Insurance	4.22% (L + 4.00%)	4/23/2020	12/2/2026	4,984,937	4,912,937	4,949,096	2.0%
UGI Energy Services, LLC <sup>(7)</sup>	Oil, Gas and Consumable Fuels	3.90% (L + 3.75%)	4/27/2020	8/7/2026	994,962	918,338	992,475	0.4%
Ultimate Software Group, Inc., The <sup>(7)</sup>	Software	3.90% (L + 3.75%)	4/21/2020	4/8/2026	4,467,412	4,444,037	4,437,012	1.8%
Ultimate Software Group, The <sup>(7)</sup>	Software	4.75% (L + 4.00%)	6/18/2020	5/31/2026	1,000,000	985,495	999,005	0.4%
Univision Communications, Inc. <sup>(7)</sup>	Media	4.75% (L + 3.75%)	6/15/2020	3/13/2026	4,207,813	4,064,131	4,107,520	1.7%
USIC Holdings, Inc. <sup>(7)</sup>	Construction and Engineering	4.25% (L + 3.25%)	2/26/2020	12/8/2023	1,985,049	1,976,432	1,958,162	0.8%
Venator Materials, LLC <sup>(4)(7)</sup>	Chemicals	3.15% (L + 3.00%)	4/17/2020	6/28/2024	1,989,744	1,807,738	1,932,538	0.8%
VeriFone Systems, Inc. <sup>(7)</sup>	Commercial Services and Supplies	4.25% (L + 4.00%)	3/4/2020	8/20/2025	497,468	474,468	447,254	0.2%
Verscend Holding Corp. <sup>(7)</sup>	Health Care Technology	4.65% (L + 4.50%)	3/6/2020	8/27/2025	4,173,137	4,142,325	4,145,490	1.7%
Vertiv Group Corporation <sup>(4)(7)</sup>	Electrical Equipment	3.16% (L + 3.00%)	4/17/2020	3/31/2027	2,985,000	2,899,910	2,948,434	1.2%
VFH Parent, LLC <sup>(4)(7)</sup>	Capital Markets	3.15% (L + 3.00%)	4/21/2020	6/1/2026	2,532,966	2,356,579	2,519,124	1.0%
VM Consolidated, Inc. <sup>(4)(7)</sup>	Transportation Infrastructure	3.56% (L + 3.25%)	2/28/2020	2/28/2025	970,369	963,522	952,174	0.4%
VS Buyer, LLC <sup>(7)</sup>	Software	3.40% (L + 3.25%)	4/21/2020	3/31/2027	3,980,000	3,884,362	3,930,250	1.6%
WaterBridge Midstream Operating, LLC <sup>(7)</sup>	Energy Equipment and Services	6.75% (L + 5.75%)	2/20/2020	6/22/2026	987,481	968,574	828,077	0.3%
WebMD Health Corp. <sup>(7)</sup>	Interactive Media and Services	4.75% (L + 3.75%)	6/11/2020	9/13/2024	2,992,500	2,946,407	2,965,373	1.2%
Wellpath Holdings, Inc. <sup>(7)</sup>	Healthcare Providers and Services	5.76% (L + 5.50%)	2/21/2020	10/1/2025	3,969,697	3,906,761	3,712,302	1.5%
Wink Holdco, Inc. <sup>(7)</sup>	Healthcare Providers and Services	4.00% (L + 3.00%)	2/28/2020	11/1/2024	2,977,041	2,929,618	2,972,947	1.2%
Xplornet Communications, Inc. <sup>(7)</sup>	Wireless Telecommunication Services	4.90% (L + 4.75%)	5/29/2020	5/31/2027	3,491,250	3,322,496	3,438,899	1.4%
Zelis Cost Management Buyer, Inc. <sup>(7)</sup>	Health Care Technology	4.90% (L + 4.75%)	3/10/2020	10/30/2026	4,853,350	4,843,227	4,825,613	2.0%
<b>Total First Lien Senior Secured</b>					<b><u>596,983,620</u></b>	<b><u>\$580,899,611</u></b>	<b><u>\$587,209,067</u></b>	<b><u>239.1%</u></b>

**Palmer Square Capital BDC Inc.**  
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**(Unaudited)**

<b>Portfolio Company<sup>(3)</sup></b>	<b>Industry</b>	<b>Interest Rate</b>	<b>Acquisition Date</b>	<b>Maturity Date</b>	<b>Principal / Par</b>	<b>Amortized Cost<sup>(1)(6)</sup></b>	<b>Fair Value</b>	<b>Percentage of Net Assets</b>
<b>Second Lien Senior Secured<sup>(2)</sup></b>								
Alphabet Holding Company, Inc.	Food Products	7.90% (L + 7.75%)	6/23/2020	9/26/2025	2,050,000	1,914,713	1,988,500	0.8%
Aptean, Inc.	Software	8.65% (L + 8.50%)	8/20/2020	4/23/2027	1,400,000	1,332,861	1,319,500	0.5%
Asurion Corporation	Diversified Consumer Services	6.65% (L + 6.50%)	3/31/2020	7/14/2025	2,939,394	2,893,375	2,950,108	1.2%
ECi Macola/MAX Holding, LLC	Software	9.00% (L + 8.00%)	1/30/2020	9/19/2025	712,500	707,386	710,273	0.3%
Epicor Software Corporation <sup>(7)</sup>	Software	8.75% (L + 7.75%)	7/23/2020	7/31/2028	1,000,000	985,043	1,031,250	0.4%
Froneri International Limited	Food Products	5.90% (L + 5.75%)	1/30/2020	1/28/2028	1,000,000	1,013,025	997,500	0.4%
Informatica, LLC <sup>(7)</sup>	Software	7.13%	2/14/2020	2/14/2025	1,000,000	995,329	1,018,335	0.4%
Ivanti Software, Inc.	IT Services	10.00% (L + 9.00%)	6/3/2020	1/20/2025	1,235,578	1,202,206	1,200,574	0.5%
McAfee, LLC	IT Services	9.50% (L + 8.50%)	4/8/2020	10/31/2025	400,000	377,433	404,250	0.2%
Mitchell International, Inc.	Software	7.40% (L + 7.25%)	7/1/2020	12/1/2025	447,667	414,600	426,626	0.2%
New Arclin US Holding Corp. <sup>(5)</sup>	Chemicals	9.75% (L + 8.75%)	9/14/2020	2/14/2025	1,506,297	1,430,982	1,415,919	0.6%
PowerTeam Services, LLC <sup>(5)</sup>	Construction and Engineering	8.25% (L + 7.25%)	5/12/2020	3/6/2026	2,460,000	2,144,598	2,197,604	0.9%
Quest Software US Holdings, Inc.	Software	8.51% (L + 8.25%)	2/21/2020	5/18/2026	1,597,000	1,578,240	1,501,979	0.6%
Renaissance Holding Corp.	Diversified Consumer Services	7.15% (L + 7.00%)	1/30/2020	5/25/2026	1,567,652	1,544,984	1,508,081	0.6%
SK Invictus Intermediate II S.a.r.l. <sup>(5)(7)</sup>	Software	6.90% (L + 6.75%)	8/27/2020	3/30/2026	1,000,000	850,000	938,130	0.4%
TIBCO Software, Inc.	Software	7.40% (L + 7.25%)	5/27/2020	2/28/2028	1,500,000	1,488,982	1,476,563	0.6%
Ultimate Software Group, The	Software	7.50% (L + 6.75%)	6/18/2020	5/31/2027	250,000	247,579	255,418	0.1%
<b>Total Second Lien Senior Secured</b>					<b><u>22,066,088</u></b>	<b><u>21,121,336</u></b>	<b><u>21,340,610</u></b>	<b><u>8.7%</u></b>
<b>Corporate Bonds</b>								
At Home Holding III, Inc. <sup>(4)(5)</sup>	Specialty Retail	8.75%	9/30/2020	9/1/2025	1,863,000	1,912,216	1,937,520	0.8%
<b>Total Corporate Bonds</b>					<b><u>1,863,000</u></b>	<b><u>1,912,216</u></b>	<b><u>1,937,520</u></b>	<b><u>0.8%</u></b>



**Palmer Square Capital BDC Inc.**  
**Consolidated Schedule of Investments**  
**As of September 30, 2020**  
**(Unaudited)**

<u>Portfolio Company<sup>(3)</sup></u>	<u>Industry</u>	<u>Interest Rate</u>	<u>Acquisition Date</u>	<u>Maturity Date</u>	<u>Principal / Par</u>	<u>Amortized Cost<sup>(1)(6)</sup></u>	<u>Fair Value</u>	<u>Percentage of Net Assets</u>
<b>Collateralized Securities and Structured Products - Debt<sup>(2)</sup></b>								
Babson CLO, Ltd. 2019-3A <sup>(4)</sup>	Structured Note	7.92% (L + 6.78%)	8/11/2020	4/20/2031	1,500,000	1,370,365	1,405,493	0.6%
Barings CLO 2013-IA Class FR <sup>(4)</sup>	Structured Note	7.02% (L + 6.75%)	1/24/2020	1/20/2028	2,000,000	1,906,188	1,608,194	0.7%
Beechwood Park CLO, Ltd. <sup>(4)</sup>	Structured Note	7.77% (L + 7.50%)	7/27/2020	1/17/2033	1,750,000	1,698,238	1,701,917	0.7%
Eaton Vance CLO 2019-1, Ltd. <sup>(4)</sup>	Structured Note	7.03% (L + 6.75%)	9/1/2020	4/15/2031	1,500,000	1,470,217	1,488,900	0.6%
HPS Loan Management Series 15A-19 <sup>(4)</sup>	Structured Note	7.70% (L + 6.50%)	8/26/2020	7/22/2032	1,500,000	1,398,798	1,403,073	0.6%
MAGNE 2015-16A DR <sup>(4)</sup>	Structured Note	2.42% (L + 2.15%)	4/2/2020	1/18/2028	1,000,000	826,583	951,606	0.4%
Magnetite CLO, Ltd. 2015-16A <sup>(4)</sup>	Structured Note	6.77% (L + 6.50%)	8/11/2020	1/18/2028	1,000,000	771,698	769,731	0.3%
Magnetite 2014-14RA Class F <sup>(4)</sup>	Structured Note	8.20% (L + 7.93%)	1/24/2020	10/18/2031	1,500,000	1,446,995	1,163,599	0.5%
NBCLO 2016-1A CR <sup>(4)</sup>	Structured Note	3.24% (L + 3.00%)	4/6/2020	12/21/2029	500,000	378,832	481,669	0.2%
RSRVA 2016-3A DR <sup>(4)</sup>	Structured Note	5.85% (L + 3.45%)	4/2/2020	10/18/2028	1,000,000	824,386	978,680	0.4%
TFLAT 2018-1A D <sup>(4)</sup>	Structured Note	3.97% (L + 3.70%)	4/2/2020	1/29/2032	1,000,000	807,052	985,022	0.4%
<b>Total Collateralized Securities and Structured Products - Debt</b>					<b>14,250,000</b>	<b>12,899,352</b>	<b>12,937,884</b>	<b>5.4%</b>
<b>Total Debt Investments</b>					<b>635,162,708</b>	<b>\$ 616,832,515</b>	<b>\$ 623,425,081</b>	<b>254.0%</b>
					<b>Number of Shares</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Percentage of Net Assets</b>
<b>Short Term Investments</b>								
Fidelity Investments Money Market Government Portfolio - Institutional Class					36,761,281	36,761,281	36,761,281	1.0%
<b>Total Short Term Investments</b>					<b>36,761,281</b>	<b>\$ 36,761,281</b>	<b>\$ 36,761,281</b>	<b>15.0%</b>
<b>Total Investments</b>						<b>\$ 653,593,796</b>	<b>\$ 660,186,362</b>	<b>269.0%</b>
Liabilities in Excess of Other Assets							(414,357,805)	(169.0)%
<b>Net Assets</b>							<b>\$ 245,828,557</b>	<b>100.0%</b>

- (1) The amortized cost represents the original cost adjusted for the amortization of discounts and premiums, as applicable, on debt investments using the effective interest method.
- (2) Loan contains a variable rate structure, subject to an interest rate floor. Variable rate loans bear interest at a rate that may be determined by reference to either the London Interbank Offered Rate ("LIBOR" or "L") (which can include one-, two-, three- or six-month LIBOR) or an alternate base rate (which can include the Federal Funds Effective Rate or the Prime Rate), at the borrower's option, and which reset periodically based on the terms of the loan agreement.
- (3) As of September 30, 2020, all investments are non-controlled, non-affiliated investments. Non-controlled, non-affiliated investments are defined as investments in which the Company owns less than 5% of the portfolio company's outstanding voting securities and does not have the power to exercise control over the management or policies of such portfolio company.
- (4) Non-qualifying investment as defined by Section 55(a) of the Investment Company Act of 1940. The Company may not acquire any non-qualifying asset unless, at the time of acquisition, qualifying assets represent at least 70% of the Company's total assets. As of September 30, 2020, 16.5% of the Company's total assets were in non-qualifying investments.
- (5) Investments or a portion of investments are unsettled as of September 30, 2020.
- (6) As of September 30, 2020, the tax cost of the Company's investments approximates their amortized cost.
- (7) Security or portion thereof held within Palmer Square BDC Funding I, LLC ("PS BDC Funding") and is pledged as collateral supporting the amounts outstanding under a revolving credit facility with Bank of America, N.A. ("BoFA N.A.") (see Note 6 to the consolidated financial statements).

The accompanying notes are an integral part of these consolidated financial statements.

**Palmer Square Capital BDC Inc.**  
**Notes to Consolidated Financial Statements (Unaudited)**

**Note 1. Organization**

*Organization*

Palmer Square Capital BDC Inc. (the “Company”) is a financial services company that primarily lends to and invests in corporate debt securities of privately held companies, including small to large private U.S. companies. The Company was organized as a Maryland corporation on August 26, 2019 and is structured as an externally managed, non-diversified closed-end management 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”) and, beginning with its taxable year ending December 31, 2020, the Company intends to elect to be treated as a regulated investment company (“RIC”) under Subchapter M of the Internal Revenue Code of 1985, as amended (the “Code”). The Company commenced operations on January 23, 2020. Palmer Square BDC Funding I, LLC (“PS BDC Funding”) was formed on January 21, 2020 and entered into a senior, secured revolving credit facility with BofA N.A.

The Company’s investment objective is to maximize total return, comprised of current income and capital appreciation. The Company’s current investment focus is guided by two strategies that facilitate its investment opportunities and core competencies: (1) investing in corporate debt securities and, to a lesser extent, (2) investing in collateralized loan obligation (“CLO”) structured credit that typically owns corporate debt securities, including the equity and junior debt tranches of CLOs. To a limited extent, the Company may enter into derivatives transactions, which may utilize instruments such as forward contracts, currency options and interest rate swaps, caps, collars and floors to seek to hedge against fluctuations in the relative values of the Company’s portfolio positions from changes in currency exchange rates and market interest rates or to earn income and enhance the Company’s total returns. The Company may receive or purchase warrants or rights to acquire equity or other securities in connection with making a debt investment in a company. During the period January 23, 2020 (Commencement of Operations) through September 30, 2020, the Company did not invest in any derivative contracts.

The Company is externally managed by Palmer Square BDC Advisor LLC (the “Investment Advisor”), an investment adviser that is registered with the Securities and Exchange Commission (the “SEC”) under the Investment Advisers Act of 1940, pursuant to an investment advisory agreement between the Company and the Investment Advisor (the “Advisory Agreement”). The Investment Advisor, in its capacity as administrator (the “Administrator”), provides the administrative services necessary for the Company to operate pursuant to an administration agreement between the Company and the Administrator (the “Administration Agreement”). The Company’s fiscal year ends on December 31.

**Palmer Square Capital BDC Inc.**  
**Notes to Consolidated Financial Statements (Unaudited)**

**Note 2. Significant Accounting Policies**

The following is a summary of significant accounting policies consistently followed by the Company in the preparation of its financial statements. The Company is an investment company and applies specific accounting and financial reporting requirements under Financial Accounting Standards Board (“FASB”) Accounting Standards Topic 946, *Financial Services-Investment Companies*. The Company’s functional currency is U.S. dollars (“USD”) and these financial statements have been prepared in that currency. The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and pursuant to Regulation S-X. This requires the Company to make certain estimates and assumptions that may affect the amounts reported in the financial statements and accompanying notes. These financial statements reflect normal and recurring adjustments that in the opinion of the Company are necessary for the fair statement of the results for the periods presented. Actual results may differ from the estimates and assumptions included in the financial statements. The results for the period from January 23, 2020 (commencement of operations) to September 30, 2020 are not necessarily indicative of the results to be expected for the full fiscal year, any other interim period or any future year or period.

*Use of Estimates*

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

*Indemnifications*

In the normal course of business, the Company enters into contracts that contain a variety of representations which provide general indemnifications. The Company’s maximum exposure under these arrangements cannot be known; however, the Company expects any risk of loss to be remote.

*Cash*

Cash is comprised of cash on deposit with major financial institutions. Cash equivalents consist of highly liquid investments, such as money market funds, with original maturities of three months or less. The Company places its cash with high credit quality institutions to minimize credit risk exposure.

*Debt Issuance Costs*

The Company records origination and other expenses related to its debt obligations as deferred financing costs. These expenses are deferred and amortized over the life of the related debt instrument. Debt issuance costs are presented on the consolidated statement of assets and liabilities as a direct deduction from the debt liability. In circumstances in which there is not an associated debt liability amount recorded in the financial statements when the debt issuance costs are incurred, such debt issuance costs will be reported on the consolidated statement of assets and liabilities as an asset until the debt liability is recorded. As of September 30, 2020, the balance of deferred financing costs was \$1.1 million, included in Credit Facility (as defined below), net of \$374.2 million on the consolidated statement of assets and liabilities.

*Income Taxes*

The Company intends to elect to be treated as a RIC under Subchapter M of the Code, for the taxable year ending December 31, 2020. So long as the Company maintains its status as a RIC, it generally will not pay corporate-level U.S. federal income taxes on any ordinary income or capital gains that it distributes at least annually to its stockholders as dividends.

To qualify as a RIC, the Company must, among other things, meet certain source-of-income and asset diversification requirements. In addition, to qualify for RIC tax treatment, the Company must distribute to its stockholders, for each taxable year, at least 90% of its “investment company taxable income” for that year, which is generally its ordinary income plus the excess of its realized net short-term capital gains over its realized net long-term capital losses. In order for the Company not to be subject to U.S. federal excise taxes, it must distribute annually an amount at least equal to the sum of (i) 98% of its net ordinary income (taking into account certain deferrals and elections) for the calendar year, (ii) 98.2% of its capital gains in excess of capital losses for the one year

period ending October 31 in such calendar year and (iii) any net ordinary income and capital gains in excess of capital losses for preceding years that were not distributed during such years. The Company, at its discretion, may carry forward taxable income in excess of calendar year dividends and pay a 4% nondeductible U.S. federal excise tax on this income.

**Palmer Square Capital BDC Inc.**  
**Notes to Consolidated Financial Statements (Unaudited)**

The Company evaluates tax positions taken or expected to be taken in the course of preparing its consolidated financial statements to determine whether the tax positions are “more-likely-than-not” to be sustained by the applicable tax authority. Tax positions not deemed to meet the “more-likely-than-not” threshold are reserved and recorded as a tax benefit or expense in the current year. All penalties and interest associated with income taxes are included in income tax expense. Conclusions regarding tax positions are subject to review and may be adjusted at a later date based on factors including, but not limited to, on-going analyses of tax laws, regulations and interpretations thereof.

*Interest and Dividend Income Recognition*

Interest income is recorded on the accrual basis and includes amortization of premiums or accretion of discounts. Discounts and premiums to par value on securities purchased are accreted and amortized, respectively, into interest income over the contractual life of the respective security using the effective interest method. The amortized cost of investments represents the original cost adjusted for the amortization of premiums or accretion of discounts, if any. Upon prepayment of a loan or debt security, any prepayment premiums, unamortized upfront loan origination fees, paydown gains/losses and unamortized discounts are recorded as interest income in the current period.

Loans are generally placed on non-accrual status when there is reasonable doubt that principal or interest will be collected in full. Accrued interest is generally reversed when a loan is placed on non-accrual status. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management’s judgment regarding collectability. Non-accrual loans are restored to accrual status when past due principal and interest is paid current and, in management’s judgment, are likely to remain current. Management may make exceptions to this treatment and determine to not place a loan on non-accrual status if the loan has sufficient collateral value and is in the process of collection.

Dividend income on preferred equity securities is recorded on the accrual basis to the extent that such amounts are payable by the portfolio company and are expected to be collected. Dividend income on common equity securities and money market funds is recorded on the record date for private portfolio companies or on the ex-dividend date for publicly-traded portfolio companies.

*Other Income*

From time to time, the Company may receive fees for services provided to portfolio companies. These fees are generally only available to the Company as a result of closing investments, are normally paid at the closing of the investments, are generally non-recurring and are recognized as revenue when earned upon closing of the investment. The services that the Investment Advisor provides vary by investment, but can include closing, work, diligence or other similar fees and fees for providing managerial assistance to the Company’s portfolio companies. In addition, the Company may generate revenue in the form of commitment, origination, structuring or diligence fees, monitoring fees and possibly consulting and performance-based fees.

*Offering Costs*

Offering costs in connection with the offering of common stock of the Company are capitalized as a deferred charge and amortized to expense on a straight-line basis over 12 months from the commencement of operations, January 23, 2020. These expenses consist primarily of legal fees and other costs incurred with Company’s share offerings, the preparation of the Company’s registration statement, and registration fees.

**Palmer Square Capital BDC Inc.**  
**Notes to Consolidated Financial Statements (Unaudited)**

*Net Realized Gains or Losses and Net Change in Unrealized Appreciation or Depreciation*

The Company measures realized gains or losses by the difference between the net proceeds from the repayment or sale and the amortized cost basis of the investment, without regard to unrealized appreciation or depreciation previously recognized, but considering unamortized upfront fees and prepayment penalties. Net change in unrealized appreciation or depreciation reflects the change in portfolio investment values during the reporting period, including any reversal of previously recorded unrealized appreciation or depreciation, when gains or losses are realized.

*New Accounting Pronouncements*

In March 2020, the FASB issued Accounting Standards Update 2020-04, Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting (“ASU 2020-04”). The guidance provides optional expedients and exceptions for applying generally accepted accounting principles to contracts, hedging relationships, and other transactions, subject to meeting certain criteria, that reference LIBOR or another reference rate expected to be discontinued. ASU 2020-04 is effective for all entities as of March 12, 2020 through December 31, 2022. The Company expects that the adoption of this guidance will not have a material impact on the Company’s financial position, results of operations or cash flows.

**Note 3. Agreements and Related Party Transactions**

*Administration Agreement*

The Company has entered into the Administration Agreement with the Administrator. Pursuant to the Administration Agreement, the Administrator furnishes office facilities and equipment and provides clerical, bookkeeping, recordkeeping and other administrative services at such facilities. Under the Administration Agreement, the Administrator performs, or oversees the performance of, required administrative services, which include being responsible for the financial and other records that the Company is required to maintain and preparing reports to stockholders and reports and other materials filed with the SEC. In addition, the Administrator assists the Company in determining and publishing the Company’s net asset value, overseeing the preparation and filing of tax returns and the printing and dissemination of reports and other materials to stockholders, and generally overseeing the payment of expenses and the performance of administrative and professional services rendered to the Company by others. Under the Administration Agreement, the Administrator also provides managerial assistance on the Company’s behalf to those portfolio companies that have accepted the offer to provide such assistance.

Under the Administration Agreement, the Company reimburses the Administrator based upon its allocable portion of the Administrator’s overhead (including rent) in performing its obligations under the Administration Agreement, including rent, the fees and expenses associated with performing compliance functions and the Company’s allocable portion of the cost of its officers (including the Company’s Chief Financial Officer and Chief Compliance Officer), and any of their respective staff who provide services to the Company, operations staff who provide services to the Company, and internal audit staff, if any, to the extent internal audit performs a role in the Company’s Sarbanes-Oxley internal control assessment. In addition, if requested to provide managerial assistance to portfolio companies, the Administrator is reimbursed based on the services provided. The Administration Agreement has an initial term of two years and may be renewed with the approval of the Company’s board of directors (the “Board”). The Administration Agreement may be terminated by either party without penalty upon 60 days’ written notice to the other party. To the extent that the Administrator outsources any of its functions, the Company pays the fees associated with such functions on a direct basis without any incremental profit to the Administrator.

In addition, the Administrator has, pursuant to a sub-administration agreement, engaged U.S. Bancorp Fund Services, LLC to act on behalf of the Company’s Administrator in the performance of certain other administrative services. The Company pays fees to U.S. Bancorp Fund Services, LLC pursuant to the sub-administration agreement. The Company has also engaged U.S. Bank, National Association or its affiliates (“US Bank”) directly to serve as custodian, transfer agent, distribution paying agent and registrar.

**Palmer Square Capital BDC Inc.**  
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*Investment Advisory Agreement*

The Investment Advisor serves as the investment adviser of the Company and is registered as an investment adviser with the SEC. The Investment Advisor's primary business is to provide a variety of investment management services, including an investment program for the Company. The Investment Advisor is responsible for all business activities and oversight of the investment decisions made for the Company.

In return for providing management services to the Company, the Company pays the Investment Advisor a base management fee, calculated and paid quarterly in arrears at an annual rate of 2.00% of the average value of the weighted average (based on the number of shares outstanding each day in the quarter) of the Company's total net assets at the end of the two most recently completed calendar quarters. For the Company's first quarter, the base management fee is calculated based on the weighted average of total net assets as of such quarter-end. The base management fee for any partial quarter will be pro-rated based on the number of days actually elapsed in that quarter relative to the total number of days in such quarter.

The Investment Advisor, however, has agreed to waive its right to receive management fees in excess of 1.75% of the total net assets during any period prior to the listing of the Company's common stock on a national securities exchange (a "Listing"). If a Listing does not occur, such fee waiver will remain in place through liquidation of the Company. The Investment Advisor will not be permitted to recoup any waived amounts at any time and the waiver may only be modified or terminated prior to a Listing with the approval of the Board.

Additionally, pursuant to the Advisory Agreement, the Investment Advisor is not entitled to an incentive fee prior to a Listing. Following a Listing, the Investment Advisor will be entitled to an incentive fee (the "Income Incentive Fee") based on the Company's pre-incentive fee net investment income for the then most recently completed calendar quarter, as adjusted downward (but not upward) if over the most recently completed and three preceding calendar quarters aggregate net realized losses on the Company's investments exceed the Company's aggregate net investment income over the same period, excluding the most recently completed quarter, as described in more detail below. In this regard, if the Company's net realized losses over the most recently completed and three preceding calendar quarters are greater than the Company's net investment income over the same period, excluding the most recently completed quarter, then the pre-incentive fee net income used in the calculation of the Income Incentive Fee would be subject to a downward adjustment. The amount of the adjustment would be equal to the amount by which such net realized losses exceed such net investment income. On the other hand, if the Company's net investment income over the most recently completed and three preceding calendar quarters is equal to or greater than the Company's net realized losses over the same period, excluding the most recently completed quarter, then no adjustment to pre-incentive fee net investment income would be made. The Income Incentive Fee will be calculated and payable quarterly in arrears commencing with the first calendar quarter following a Listing. The Company will pay the Investment Advisor an Income Incentive Fee with respect to its "adjusted net investment income" in each calendar quarter as follows:

- no Income Incentive Fee in any calendar quarter in which the Company's "adjusted net investment income" does not exceed an amount equal to a "hurdle rate" of 1.5% per quarter (6% annualized) of the Company's total net assets at the end of that quarter (the "Hurdle Amount");
- 100% of the Company's "adjusted net investment income" with respect to that portion of such "adjusted net investment income," if any, that exceeds the Hurdle Amount but is less than or equal to an amount (the "Catch-Up Amount") determined on a quarterly basis by multiplying 1.6875% by the Company's total net asset value for the immediately preceding calendar quarter. The Catch-Up Amount is intended to provide the Investment Advisor with an incentive fee of 12.5% on all of the Company's "adjusted net investment income" when the Company's "adjusted net investment income" reaches the Catch-Up Amount in any calendar quarter; and
- for any calendar quarter in which the Company's "adjusted net investment income" exceeds the Catch-Up Amount, the Income Incentive Fee shall equal 12.5% of the amount of the Company's "adjusted net investment income" for the calendar quarter.

**Palmer Square Capital BDC Inc.**  
**Notes to Consolidated Financial Statements (Unaudited)**

“Adjusted net investment income” means the Company’s “pre-incentive fee net investment income” during the then most recently completed calendar quarter minus the difference, if positive, between (i) the Company’s “net realized losses” over the then most recently completed and three preceding calendar quarters (or if shorter, the number of calendar quarters that have occurred since the Listing) and (ii) the Company’s “net investment income” over the three preceding calendar quarters (or if shorter, the number of calendar quarters that have occurred since the Listing). No adjustment (downward or upward) will be made to “pre-incentive fee net investment income” if the difference between clause (i) minus clause (ii) is zero or negative.

“Pre-incentive fee net investment income” means interest income, dividend income and any other income (including any other fees such as commitment, origination, structuring, diligence and consulting fees or other fees that the Company receives from portfolio companies but excluding fees for providing managerial assistance) accrued during the calendar quarter, minus operating expenses for the quarter (including the base management fee, any expenses payable under the Administration Agreement, and any interest expense and dividends paid on any outstanding preferred stock, but excluding the Income Incentive Fee). “Pre-incentive fee net investment income” includes, in the case of investments with a deferred interest feature such as market discount, original issue discount (“OID”), debt instruments with payment-in-kind (“PIK”) interest, preferred stock with PIK dividends and zero-coupon securities, accrued income that the Company has not yet received in cash.

“Net realized losses” in respect of a particular period means the difference, if positive, between (i) the aggregate realized capital losses on the Company’s investments in such period and (ii) the aggregate realized capital gains on the Company’s investments in such period. “Net investment income” in respect of the particular period means interest income, dividend income and any other income (including any other fees such as commitment, origination, structuring, diligence and consulting fees or other fees that the Company receives from portfolio companies but excluding fees for providing managerial assistance) accrued during the particular period, minus operating expenses for the particular (including the base management fee, the Income Incentive Fee, any expenses payable under the Administration Agreement, and any interest expense and dividends paid on any outstanding preferred stock). “Net investment income” includes, in the case of investments with a deferred interest feature such as market discount, OID, debt instruments with PIK interest, preferred stock with PIK dividends and zero-coupon securities, accrued income that the Company has not yet received in cash.

The Income Incentive Fee amount, or the calculations pertaining thereto, as appropriate, will be pro-rated for any period less than a full calendar quarter.

**Note 4. Investments**

The following table presents the composition of the Company’s investment portfolio at amortized cost and fair value as of September 30, 2020:

	<b>September 30, 2020</b>	
	<b>Amortized Cost</b>	<b>Fair Value</b>
First-lien senior secured debt	\$ 580,899,611	\$ 587,209,067
Second-lien senior secured debt	21,121,336	21,340,610
Corporate bonds	1,912,216	1,937,520
Collateralized securities and structured products - debt	12,899,352	12,937,884
Short-term investments	36,761,281	36,761,281
<b>Total Investments</b>	<b>\$ 653,593,796</b>	<b>\$ 660,186,362</b>



**Palmer Square Capital BDC Inc.**  
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As of September 30, 2020, approximately 18.2% of the investment portfolio at amortized cost and 18.4% of the investment portfolio measured at fair value, respectively, were invested in portfolio companies with foreign domiciles or non-controlled investment companies. With respect to the Company's total assets, 16.5% of the Company's total assets were in non-qualifying assets as defined by Section 55(a) of the 1940 Act as of September 30, 2020.

The industry composition of investments based on fair value, as a percentage of total investments at fair value, as of September 30, 2020 was as follows:

	<b>September 30, 2020</b>
Software	16.4%
Healthcare Providers and Services	12.8%
Insurance	6.9%
Cash and cash equivalents	5.6%
Professional Services	4.7%
Independent Power and Renewable Electricity Producers	4.3%
Media	4.2%
Diversified Financial Services	3.7%
Diversified Consumer Services	3.4%
Hotels, Restaurants and Leisure	3.3%
IT Services	3.2%
Diversified Telecommunication Services	2.7%
Commercial Services and Supplies	2.5%
Health Care Technology	2.3%
Specialty Retail	2.1%
Leisure Products	2.1%
Containers and Packaging	2.0%
Structured Note	2.0%
Construction and Engineering	1.9%
Oil, Gas and Consumable Fuels	1.6%
Food Products	1.4%
Metals and Mining	1.3%
Healthcare Equipment and Supplies	1.2%
Chemicals	1.1%
Pharmaceuticals	1.0%
Energy Equipment and Services	0.8%
Building Products	0.7%
Aerospace and Defense	0.7%
Electric Utilities	0.5%
Wireless Telecommunication Services	0.5%
Internet and Direct Marketing Retail	0.5%
Interactive Media and Services	0.4%
Electrical Equipment	0.4%
Technology Hardware, Storage and Peripherals	0.4%
Capital Markets	0.4%
Industrial Conglomerates	0.3%
Real Estate Investment Trusts (REITs)	0.3%
Textiles, Apparel and Luxury Goods	0.3%
Transportation Infrastructure	0.1%
<b>Total</b>	<b>100.0%</b>

**Palmer Square Capital BDC Inc.**  
**Notes to Consolidated Financial Statements (Unaudited)**

**Note 5. Fair Value of Investments**

Fair value is defined as the price that the Company would receive upon selling an investment or paying to transfer a liability in an orderly transaction to a market participant in the principal or most advantageous market for the investment. Accounting guidance emphasizes that valuation techniques maximize the use of observable market inputs and minimize the use of unobservable inputs.

Inputs refer broadly to the assumptions that market participants would use in pricing an asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances. The valuation hierarchical levels are based upon the transparency of the inputs to the valuation of the investment as of the measurement date. The three levels are defined as follows:

Level 1 — Valuations based on quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 — Valuations based on inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable at the measurement date. This category includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in non-active markets including actionable bids from third parties for privately held assets or liabilities, and observable inputs other than quoted prices such as yield curves and forward currency rates that are entered directly into valuation models to determine the value of derivatives or other assets or liabilities.

Level 3 — Valuations based on inputs that are unobservable and where there is little, if any, market activity at the measurement date.

Investments in private investment companies measured based upon net asset value as a practical expedient to determine fair value are not required to be categorized in the fair value hierarchy. As of September 30, 2020, there were no investments accounted for using the practical expedient.

The inputs for the determination of fair value may require significant management judgment or estimation and are based upon management's assessment of the assumptions that market participants would use in pricing the assets or liabilities. These investments include debt and equity investments in private companies or assets valued using the market or income approach and may involve pricing models whose inputs require significant judgment or estimation because of the absence of any meaningful current market data for identical or similar investments. The inputs in these valuations may include, but are not limited to, capitalization and discount rates, beta and earnings before interest, taxes, depreciation, and amortization ("EBITDA") multiples. The information may also include pricing information or broker quotes, which include a disclaimer that the broker would not be held to such a price in an actual transaction. The non-binding nature of consensus pricing and/or quotes accompanied by disclaimer would result in classification as Level 3 information, assuming no additional corroborating evidence.

Pricing inputs and weightings applied to determine fair value require subjective determination. Accordingly, valuations do not necessarily represent the amounts that may eventually be realized from sales or other dispositions of investments.

**Palmer Square Capital BDC Inc.**  
**Notes to Consolidated Financial Statements (Unaudited)**

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following table presents the fair value hierarchy of investments as of September 30, 2020:

<b>Investments:</b>	<b>Fair Value Hierarchy as of September 30, 2020</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
First-lien senior secured debt	\$ -	\$ 587,209,067	\$ -	\$ 587,209,067
Second-lien senior secured debt	-	21,340,610	-	21,340,610
Corporate bonds	-	1,937,520	-	1,937,520
Collateralized securities and structured products - debt	-	12,937,884	-	12,937,884
Short Term Investments	36,761,281	-	-	36,761,281
<b>Total Investments</b>	<b>\$ 36,761,281</b>	<b>\$ 623,425,081</b>	<b>\$ -</b>	<b>\$ 660,186,362</b>

For the period from January 23, 2020 (Commencement of Operations) to September 30, 2020, the Company did not recognize any transfers to or from Level 3.

*Debt Not Carried at Fair Value*

The fair value of the Credit Facility, which would be categorized as Level 3 within the fair value hierarchy as of September 30, 2020, approximates its carrying value because the Credit Facility has variable interest based on selected short term rates.

**Note 6. Borrowings**

In accordance with the 1940 Act, with certain limitations, BDCs are permitted to borrow amounts such that their asset coverage ratios, as defined in the 1940 Act, are at least 150% after such borrowing. As of September 30, 2020, the Company's asset coverage ratio was 166%.

On February 18, 2020, the Company, through a special purpose wholly-owned subsidiary, PS BDC Funding (together with the Company, the "Borrowers") entered into a Credit Agreement (the "Credit Agreement") with certain financial institutions as lenders ("Lenders"), BofA N.A. as the Administrative Agent and BofA Securities, Inc. ("BofA Securities"), as Lead Arranger and Sole Book Manager, pursuant to which the Lenders agreed to provide the Company with a revolving line of credit (the "Credit Facility").

Under the Credit Facility, which matures on February 18, 2023, the Lenders have agreed to extend credit to PS BDC Funding in an aggregate amount up to the Commitment (as defined in the Credit Agreement) amount. The Commitment amount for the Credit Facility was \$200.0 million as of the closing date of the Credit Agreement and increased to \$400.0 million on the one-month anniversary of the closing date. The Borrowers' ability to draw under the Credit Facility is scheduled to terminate on February 11, 2023. All amounts outstanding under the Credit Facility are required to be repaid by February 18, 2023. As the Company raises additional capital, we may enter into additional credit agreements to expand our borrowing capacity.

Debt obligations consisted of the following as of September 30, 2020:

	<b>September 30, 2020</b>			<b>Net Carrying Value<sup>(2)</sup></b>
	<b>Aggregate Principal Committed</b>	<b>Outstanding Principal</b>	<b>Amount Available<sup>(1)</sup></b>	
Credit Facility	\$ 400,000,000	\$ 375,000,000	\$ 25,000,000	\$ 374,154,997
<b>Total debt</b>	<b>\$ 400,000,000</b>	<b>\$ 375,000,000</b>	<b>\$ 25,000,000</b>	<b>\$ 374,154,997</b>

- (1) The amount available reflects any limitations related to the Credit Facility's borrowing base.
- (2) The carrying value of the Credit Facility is presented net of deferred financing costs of \$1.055 million.

Average debt outstanding during the period January 23, 2020 (Commencement of Operations) through September 30, 2020, was \$198.6 million.

**Palmer Square Capital BDC Inc.**  
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The loans under the Credit Facility may be base rate loans or eurocurrency rate loans. The base rate loans will bear interest at the base rate plus 1.30%, and the eurocurrency rate loans will bear interest at 1-month or 3-month LIBOR plus 1.30%. The “base rate” will be equal to the highest of (a) the federal funds rate plus ½ of 1%, (b) the prime rate, and (c) 1-month or 3-month LIBOR. Interest pursuant to base rate loans is payable quarterly in arrears, and interest pursuant to eurocurrency loans is payable either quarterly or monthly, as specified by the Borrowers in a loan notice pertaining thereto. The Credit Agreement requires the payment of a commitment fee of 0.50% for unused Commitments during the first five months following the closing of the Credit Facility, and, thereafter, 1.80% for any unused Commitments above 70% of the total Commitments. Such fee is payable quarterly in arrears. The advance rate for PS BDC Funding’s Eligible Collateral Assets ranges from 40% for Second Lien Bank Loans to 70% for First Lien Bank Loans that are B Assets to 100% for Cash (excluding Excluded Amounts) (as each such term is defined in the Credit Agreement).

For the three months ended September 30, 2020 and the period January 23, 2020 (Commencement of Operations) through September 30, 2020, the components of interest expense were as follows:

	<b>For the Three Months Ended September 30, 2020</b>	<b>For the Period January 23, 2020 (Commencement of Operations) through September 30, 2020</b>
Interest expense	\$ 1,424,100	\$ 2,791,229
Amortization of debt issuance costs	111,383	258,707
<b>Total interest expense</b>	<b>\$ 1,535,483</b>	<b>\$ 3,049,936</b>
Average interest rate	1.47%	1.53%

PS BDC Funding has pledged all of its assets to BofA N.A., in its capacity as Administrative Agent, to secure its obligations under the Credit Facility. Both the Company and PS BDC Funding have made customary representations and warranties and are required to comply with various covenants, reporting requirements and other customary requirements for similar credit facilities. Borrowing under the Credit Facility is subject to the leverage restrictions contained in the 1940 Act. The obligations under the Credit Agreement may be accelerated upon the occurrence of an event of default under the Credit Agreement, including in the event of a change of control of PS BDC Funding or if the Investment Advisor ceases to serve as investment adviser to the Company.

**Note 7. Share Transactions**

*Offering Proceeds*

During the three months ended September 30, 2020 and the period January 23, 2020 (Commencement of Operations) through September 30, 2020, the Company issued and sold 110,890 shares at an aggregate purchase price of \$2,084,820 and 12,423,874 shares at an aggregate purchase price of \$235.8 million, respectively. These amounts include shares issued in reinvestment.

**Palmer Square Capital BDC Inc.**  
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*Distribution Reinvestment Plan*

The Company has adopted a dividend reinvestment plan that will provide for reinvestment of its dividends and other distributions on behalf of the Company's stockholders, unless a stockholder elects to receive cash. As a result, if the Company's Board authorizes, and the Company declares, a cash dividend or other distribution, then stockholders who do not "opt out" of the Company's dividend reinvestment plan will have their cash dividends and distributions automatically reinvested in additional shares of the Company's common stock, rather than receiving cash dividends and distributions.

Prior to a Listing, the Board will use newly-issued shares of the Company's common stock to implement the dividend reinvestment plan. The number of shares of common stock to be issued to a participant prior to a Listing would be equal to the quotient determined by dividing the cash value of the dividend payable to such stockholder by the net asset value per share as of the date such dividend was declared.

After a Listing, the Board intends to primarily use newly-issued shares to implement the dividend reinvestment plan, whether or not the shares are trading at a price per share at, below or above net asset value. However, the Board reserves the right to purchase shares in the open market in connection with the implementation of the dividend reinvestment plan. The number of newly issued shares to be issued to a participant would be determined by dividing the total dollar amount of the dividend payable to such stockholder by the market price per share of the Company's common stock at the close of regular trading on a national securities exchange on the dividend payment date. Shares purchased in open market transactions by US Bank, the plan administrator and the Company's transfer agent, registrar and dividend disbursing agent, will be allocated to a participant based upon the average purchase price, excluding any brokerage charges or other charges, of all shares of the Company's common stock purchased with respect to the dividend.

A registered stockholder may elect to receive an entire distribution in cash by notifying US Bank in writing so that such notice is received by the plan administrator no later than the record date for distributions to stockholders. The plan administrator will set up an account for shares acquired through the plan for each stockholder who has not elected to receive dividends or other distributions in cash and hold such shares in non-certificated form.

There will be no brokerage charges or other charges to stockholders who participate in the plan. The plan administrator's fees will be paid by the Company.

Stockholders who receive dividends and other distributions in the form of stock are generally subject to the same U.S. federal, state and local tax consequences as are stockholders who elect to receive their distributions in cash. However, since a participating stockholder's cash dividends will be reinvested, such stockholder will not receive cash with which to pay any applicable taxes on reinvested dividends. A stockholder's basis for determining gain or loss upon the sale of stock received in a dividend or other distribution from the Company will generally be equal to the total dollar amount of the distribution payable to the stockholder. Any stock received in a dividend or other distribution will have a new holding period for tax purposes commencing on the day following the day on which the shares are credited to the U.S. stockholder's account.

**Palmer Square Capital BDC Inc.**  
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Participants may terminate their accounts under the plan by so notifying the plan administrator by submitting a letter of instruction terminating the participant’s account under the plan to US Bank. The plan may be terminated by the Company upon notice in writing mailed to each participant at least 30 days prior to any record date for the payment of any dividend by the Company.

If participants withdraw from the plan or the plan is terminated, the plan administrator will cause the shares held for the participant under the plan to be delivered to the participant. If an investor holds common stock with a brokerage firm that does not participate in the plan, such investor will not be able to participate in the plan and any dividend reinvestment may be affected on different terms than those described above.

**Note 8. Commitments and Contingencies**

The Company did not have any unfunded commitments to provide debt financing to its portfolio companies or to fund limited partnership interests as of September 30, 2020. Such commitments are generally up to the Company’s discretion to approve or are subject to the satisfaction of certain financial and nonfinancial covenants and involve, to varying degrees, elements of credit risk in excess of the amount recognized in the Company’s consolidated statement of assets and liabilities and are not reflected in the Company’s consolidated statement of assets and liabilities.

From time to time, the Company may become a party to certain legal proceedings incidental to the normal course of its business. As of September 30, 2020, management is not aware of any pending or threatened litigation.

**Note 9. Earnings Per Share**

In accordance with the provisions of ASC Topic 260, *Earnings per Share* (“ASC 260”), basic earnings per share is computed by dividing earnings available to common stockholders by the weighted average number of shares outstanding during the period. Other potentially dilutive common shares, and the related impact to earnings, are considered when calculating earnings per share on a diluted basis. As of September 30, 2020, there were no dilutive shares.

The following table sets forth the computation of basic and diluted earnings per share of common stock for the three months ended September 30, 2020 and the period January 23, 2020 (Commencement of Operations) through September 30, 2020:

	<b>For the Three Months Ended September 30, 2020</b>	<b>For the Period January 23, 2020 (Commencement of Operations) through September 30, 2020</b>
Net increase (decrease) in net assets resulting from operations	\$ 15,399,192	\$ 13,801,260
Weighted average shares of common stock outstanding - basic and diluted	12,373,456	10,669,852
Earnings (loss) per share of common stock - basic and diluted	\$ 1.24	\$ 1.29

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**Note 10. Financial Highlights**

The following per share of common stock data has been derived from information provided in the unaudited financial statements. The following is a schedule of financial highlights for the period January 23, 2020 (Commencement of Operations) through September 30, 2020:

	<b>For the Period January 23, 2020 (Commencement of Operations) through September 30, 2020</b>
<b><u>Per Common Share Operating Performance</u></b>	
Net Asset Value, Beginning of Period	\$ 20.00
Results of Operations:	
Net Investment Income <sup>(1)</sup>	0.78
Net Realized and Unrealized Gain (Loss) on Investments <sup>(1)(4)</sup>	(0.68)
Net Increase (Decrease) in Net Assets Resulting from Operations	<u>0.10</u>
Distributions to Common Stockholders	
Distributions from Net Investment Income	(0.31)
Net Decrease in Net Assets Resulting from Distributions	<u>(0.31)</u>
Net Asset Value, End of Period	<u>\$ 19.79</u>
Shares Outstanding, End of Period	12,423,949
<b><u>Ratio/Supplemental Data</u></b>	
Net assets, end of period	\$ 245,828,557
Weighted-average shares outstanding	10,669,852
Total Return <sup>(3)</sup>	0.60%
Portfolio turnover	44%
Ratio of operating expenses to average net assets without waiver <sup>(2)</sup>	5.77%
Ratio of operating expenses to average net assets with waiver <sup>(2)</sup>	5.52%
Ratio of net investment income (loss) to average net assets without waiver <sup>(2)</sup>	5.87%
Ratio of net investment income (loss) to average net assets with waiver <sup>(2)</sup>	6.12%

(1) The per common share data was derived by using weighted average shares outstanding.

(2) The ratios reflect an annualized amount.

(3) Total return is calculated as the change in net asset value (“NAV”) per share during the period, plus distributions per share (if any), divided by the beginning NAV per share. Total return is not annualized. Assumes reinvestment of distributions.

(4) Realized and unrealized gains and losses per share in this caption are balancing amounts necessary to reconcile the change in net asset value per share for the period, and may not reconcile with the aggregate gains and losses in the Consolidated Statement of Operations due to share transactions during the period.

**Note 11. Subsequent Events**

The Company’s management has evaluated subsequent events through the date of issuance of the financial statements included herein. There have been no subsequent events that require recognition or disclosure in these financial statements except for the following:

On October 12, 2020, the Lender’s Commitment amount for the Credit Facility increased to \$475.0 million from \$400.0 million.

On November 10, 2020, the Company declared a distribution of \$0.36 per share, or \$4,472,622, for holders of record as of November 16, 2020, which is payable on November 17, 2020.





## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

The following discussion and analysis should be read in conjunction with our financial statements and related notes and other financial information appearing elsewhere in this Quarterly Report on Form 10-Q. Except as otherwise specified, references to "we," "us," "our," or the "Company" refer to Palmer Square Capital BDC Inc.

### ***Forward-Looking Statements***

This quarterly report on Form 10-Q contains forward-looking statements that involve substantial known and unknown risks, uncertainties and other factors. Undue reliance should not be placed on such statements. These forward-looking statements are not historical facts, but rather are based on current expectations, estimates and projections about our company, 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. 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:

- our future operating results;
- our business prospects and the prospects of our portfolio companies;
- changes in political, economic or industry conditions, the interest rate environment or conditions affecting the financial and capital markets, including changes from the impact of the novel coronavirus (SARS-CoV-2) and related respiratory disease ("COVID-19") pandemic;
- the ability of Palmer Square BDC Advisor LLC (our "Investment Advisor") to locate suitable investments for us and to monitor and administer our investments;
- the ability of the Investment Advisor and its affiliates to attract and retain highly talented professionals;
- risk associated with possible disruptions in our operations or the economy generally;
- the timing of cash flows, if any, from the operations of the companies in which we invest;
- the ability of the companies in which we invest to achieve their objectives, including as a result of the current COVID-19 pandemic;
- our ability to continue to effectively manage our business due to the disruptions caused by the current COVID-19 pandemic;
- the dependence of our future success on the general economy and its effect on the industries in which we invest;
- our ability to qualify and maintain our qualification as a business development company ("BDC") and as a regulated investment company ("RIC") under the Internal Revenue Code of 1986, as amended (the "Code");
- the use of borrowed money to finance a portion of our investments;
- the adequacy, availability and pricing of our financing sources and working capital;
- actual or potential conflicts of interest with the Investment Advisor and its affiliates;
- our contractual arrangements and relationships with third parties;
- the current economic downturn, interest rate volatility, loss of key personnel, and the illiquid nature of our investments;  
and
- the risks, uncertainties and other factors we identify under "Item 1A. Risk Factors" and elsewhere in this quarterly report



Although we believe that the assumptions on which these forward-looking statements are based are reasonable, any of the assumptions could prove to be inaccurate, and as a result, the forward-looking statements based on those assumptions also could be inaccurate. 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 the section entitled “Item 1A. Risk Factors” 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. Moreover, we assume no duty and do not undertake to update the forward-looking statements.

## ***Overview***

We are a financial services company that primarily lends to and invests in corporate debt securities of privately held companies, including small to large private U.S. companies. We were organized as a Maryland corporation on August 26, 2019 and are structured as an externally managed, non-diversified closed-end management investment company. We have elected to be regulated as a BDC under the Investment Company Act of 1940, as amended (the “1940 Act”) and, beginning with our taxable year ending December 31, 2020, we intend to elect to be treated as a RIC under Subchapter M of the Code, and we expect to qualify as a RIC annually thereafter.

We are externally managed by the Investment Advisor, an investment adviser that is registered with the Securities and Exchange Commission (“SEC”) under the Investment Advisers Act of 1940 (the “Advisers Act”), pursuant to an investment advisory agreement between us and the Investment Advisor (the “Advisory Agreement”). Subject to the supervision of our Board of Directors (the “Board”), a majority of which is made up of directors that are not “interested persons” as defined in Section 2(a)(19) of the 1940 Act (“Independent Directors”), our Investment Advisor manages our day-to-day operations and provides us with investment advisory and management services and certain administrative services. The Investment Advisor, in its capacity as Administrator, provides the administrative services necessary for us to operate pursuant to an administration agreement between us and the Administrator (the “Administration Agreement”). The Administrator has entered into a sub-administration agreement to delegate certain administrative functions to U.S. Bancorp Fund Services, LLC. Our Investment Advisor is a majority-owned subsidiary of Palmer Square Capital Management LLC (“Palmer Square”), which is a privately-held firm specializing in global alternative (non-traditional) investments with a total return orientation.

Our investment objective is to maximize total return, comprised of current income and capital appreciation. The Company’s current investment focus is guided by two strategies that facilitate our investment opportunities and core competencies: (1) investing in corporate debt securities and, to a lesser extent, (2) investing in collateralized loan obligation (“CLO”) structured credit that typically owns corporate debt securities, including the equity and junior debt tranches of CLOs. To a limited extent, we may enter into derivatives transactions, which may utilize instruments such as forward contracts, currency options and interest rate swaps, caps, collars and floors to seek to hedge against fluctuations in the relative values of our portfolio positions from changes in currency exchange rates and market interest rates or to earn income and enhance our total returns. We may also receive or purchase warrants or rights to acquire equity or other securities in connection with making a debt investment in a company. We may also invest in other strategies and opportunities from time to time that we view as attractive. We will continue to evaluate other investment strategies in the ordinary course of business with no specific top-down allocation to any single investment strategy.

## ***Revenues***

We generate revenue primarily in the form of interest and fee income on debt investments we hold and capital gains, if any, on investments. Our debt investments generally bear interest at a floating rate usually determined on the basis of a benchmark such as LIBOR. Interest on debt securities is generally payable quarterly or semi-annually. In some instances, we receive payments on our debt investments based on scheduled amortization of the outstanding balances. In addition, we receive repayments of some of our debt investments prior to their scheduled maturity date. The frequency or volume of these repayments is expected to fluctuate significantly from period to period. Our portfolio activity also reflects the proceeds of sales of securities. We may also generate revenue in the form of commitment, origination, amendment, structuring or due diligence fees, fees for providing managerial assistance and consulting fees.

## *Expenses*

Our primary operating expenses include the payment of fees to the Investment Advisor under the Advisory Agreement, our allocable portion of overhead and rental expenses under the Administration Agreement and other operating costs described below. We bear all other out-of-pocket costs and expenses of our operations and transactions, including:

- operating costs incurred prior to the commencement of our operations;
- the cost of calculating our net asset value, including the cost of any third-party valuation services;
- the cost of effecting sales and repurchases of shares of our common stock and other securities;
- fees payable to third parties relating to making investments, including our Investment Advisor's or its affiliates' travel expenses, research costs and out-of-pocket fees and expenses associated with performing due diligence and reviews of prospective investments;
- interest expense and other costs associated with our indebtedness;
- transfer agent and custodial fees;
- out-of-pocket fees and expenses associated with marketing efforts;
- federal and state registration fees and any stock exchange listing fees;
- U.S. federal, state and local taxes;
- Independent Directors' fees and expenses;
- brokerage commissions and markups;
- fidelity bond, directors' and officers' liability insurance and other insurance premiums;
- direct costs, such as printing, mailing, long distance telephone and staff;
- fees and expenses associated with independent audits and outside legal costs;
- costs associated with our reporting and compliance obligations under the 1940 Act and other applicable U.S. federal and state securities laws; and
- other expenses incurred by the Administrator or us in connection with administering our business, including payments under the Administration Agreement that will be based upon our allocable portion (subject to the review and approval of our Board) of overhead, including rental expenses.

## Portfolio and Investment Activity

As of September 30, 2020, our weighted average total yield to maturity of debt and income producing securities at fair value was 5.43%, and our weighted average total yield to maturity of debt and income producing securities at amortized cost was 6.30%.

As of September 30, 2020, we had 219 debt and private investments in 192 portfolio companies with an aggregate fair value of approximately \$660.1 million.

Our investment activity for the three months ended September 30, 2020 and the period January 23, 2020 (Commencement of Operations) through September 30, 2020 is presented below (information presented herein is at amortized cost unless otherwise indicated).

	<b>For the Three Months Ended September 30, 2020</b>	<b>For the Period January 23, 2020 (Commencement of Operations) through September 30, 2020</b>
<b>New investments:</b>		
Gross investments	\$ 159,880,713	\$ 785,864,238
Less: sold investments	(133,737,660)	(169,031,728)
Total new investments	<u>26,143,053</u>	<u>616,832,510</u>
<b>Principal amount of investments funded:</b>		
First-lien senior secured debt investments	\$ 141,805,516	\$ 738,944,840
Second-lien senior secured debt investments	9,460,697	23,666,625
Corporate Bonds	1,912,750	6,494,148
Collateralized securities and structured products - debt	<u>6,701,750</u>	<u>16,758,625</u>
Total principal amount of investments funded	159,880,713	785,864,238
<b>Principal amount of investments sold:</b>		
First-lien senior secured debt investments	125,100,532	158,045,234
Second-lien senior secured debt investments	2,546,840	2,545,289
Corporate Bonds	2,198,950	4,581,931
Collateralized securities and structured products - debt	<u>3,891,338</u>	<u>3,859,274</u>
Total principal amount of investments sold or repaid	133,737,660	169,031,728
Number of new investment commitments	40	228
Average new investment commitment amount	\$ 2,750,517	\$ 2,902,590
Weighted average maturity for new investment commitments	5.75 years	5.03 years
Percentage of new debt investment commitments at floating rates	98.31%	99.54%
Percentage of new debt investment commitments at fixed rates	1.69%	0.46%
Weighted average interest rate of new investment commitments	5.18%	4.52%
Weighted average spread LIBOR of new floating rate investment commitments	4.38%	3.94%
Weighted average interest rate on investment sold or paid down	3.65%	3.62%

As of September 30, 2020, our investments consisted of the following:

	<b>September 30, 2020</b>	
	<b>Amortized Cost</b>	<b>Fair Value</b>
<b>Investments:</b>		
First-lien senior secured debt	\$ 580,899,611	\$ 587,209,067
Second-lien senior secured debt	21,121,336	21,340,610
Corporate bonds	1,912,216	1,937,520
Collateralized securities and structured products - debt	12,899,352	12,937,884
Short-term investments	<u>36,761,281</u>	<u>36,761,281</u>
<b>Total Investments</b>	<u>\$ 653,593,796</u>	<u>\$ 660,186,362</u>

The table below describes investments by industry composition based on fair value as of September 30, 2020:

	<b>September 30, 2020</b>
Software	16.4%
Healthcare Providers and Services	12.8%
Insurance	6.9%
Cash and cash equivalents	5.6%
Professional Services	4.7%
Independent Power and Renewable Electricity Producers	4.3%
Media	4.2%
Diversified Financial Services	3.7%
Diversified Consumer Services	3.4%
Hotels, Restaurants and Leisure	3.3%
IT Services	3.2%
Diversified Telecommunication Services	2.7%
Commercial Services and Supplies	2.5%
Health Care Technology	2.3%
Specialty Retail	2.1%
Leisure Products	2.1%
Containers and Packaging	2.0%
Structured Note	2.0%
Construction and Engineering	1.9%
Oil, Gas and Consumable Fuels	1.6%
Food Products	1.4%
Metals and Mining	1.3%
Healthcare Equipment and Supplies	1.2%
Chemicals	1.1%
Pharmaceuticals	1.0%
Energy Equipment and Services	0.8%
Building Products	0.7%
Aerospace and Defense	0.7%
Electric Utilities	0.5%
Wireless Telecommunication Services	0.5%
Internet and Direct Marketing Retail	0.5%
Interactive Media and Services	0.4%
Electrical Equipment	0.4%
Technology Hardware, Storage and Peripherals	0.4%
Capital Markets	0.4%
Industrial Conglomerates	0.3%
Real Estate Investment Trusts (REITs)	0.3%
Textiles, Apparel and Luxury Goods	0.3%
Transportation Infrastructure	0.1%
<b>Total</b>	<b>100.0%</b>

The table below shows the weighted average yields and interest rate of our debt investments at fair value as of September 30, 2020:

	<b>September 30, 2020</b>
Weighted average total yield of debt and income producing securities	5.43%
Weighted average interest rate of debt and income producing securities	4.56%
Weighted average spread over LIBOR of all floating rate investments	3.98%

## Results of Operations

The following table represents the operating results for the three months ended September 30, 2020 and the period January 23, 2020 (Commencement of Operations) through September 30, 2020:

	<b>For the Three Months Ended September 30, 2020</b>	<b>For the Period January 23, 2020 (Commencement of Operations) through September 30, 2020</b>
Total investment income	\$ 7,926,003	\$ 15,788,223
Less: Net expenses	3,500,556	7,489,789
Net investment income	4,425,447	8,298,434
Net realized gains (losses) on investments	(1,692,439)	(1,089,875)
Net change in unrealized gains (losses) on investments	12,666,184	6,592,701
<b>Net increase (decrease) in net assets resulting from operations</b>	<b>\$ 15,399,192</b>	<b>\$ 13,801,260</b>

## Investment Income

Investment income for the three months ended September 30, 2020 and the period January 23, 2020 (Commencement of Operations) through September 30, 2020, was as follows:

	<b>For the Three Months Ended September 30, 2020</b>	<b>For the Period January 23, 2020 (Commencement of Operations) through September 30, 2020</b>
Interest from investments	\$ 7,780,219	\$ 15,406,831
Dividend income	5,952	226,431
Other income	139,832	154,961
Total investment income	<b>\$ 7,926,003</b>	<b>\$ 15,788,223</b>

Comparative financial statements are not presented as the Company commenced operations on January 23, 2020. For the three months ended September 30, 2020, total investment income was driven by interest income from our investments. For the period January 23, 2020 (Commencement of Operations) through September 30, 2020, total investment income was driven by our deployment of capital and interest income from our investments. The size of our investment portfolio at fair value increased from \$0.00 as of January 23, 2020 to \$660.2 million as of September 30, 2020. All investments were income producing, and there were no loans on non-accrual status as of September 30, 2020.

## Expenses

Operating expenses for the three months ended September 30, 2020 and the period January 23, 2020 (Commencement of Operations) through September 30, 2020, was as follows:

	<b>For the Three Months Ended September 30, 2020</b>	<b>For the Period January 23, 2020 (Commencement of Operations) through September 30, 2020</b>
Management fees	\$ 1,171,055	\$ 2,704,777

Directors fees	21,396	58,605
Initial organization	-	122,199
Other operating expenses	919,004	1,892,369
Interest and debt financing expenses	1,535,483	3,049,936
Management fee waiver	(146,382)	(338,097)
Net expenses	<u>\$ 3,500,556</u>	<u>\$ 7,489,789</u>



Net expenses for the three months ended September 30, 2020 were \$3.5 million, which consisted of \$1.2 million in management fees, \$940.4 thousand in other operating expenses, and \$1.5 million in interest and debt financing offset by \$146.4 thousand in management fee waiver from the Investment Advisor.

Net expenses for the period from January 23, 2020 (Commencement of Operations) through September 30, 2020 were \$7.5 million which consisted of \$2.7 million in management fees, \$122 thousand in initial organization expenses, \$2.0 million in other operating expense, and \$3.0 million in interest and debt financing offset by \$338 thousand in management fee waiver from the Investment Advisor.

*Net Unrealized Gains (Losses) on Investments*

We fair value our portfolio investments quarterly and any changes in fair value are recorded as unrealized gains or losses. During the three months ended September 30, 2020 and the period January 23, 2020 (Commencement of Operations) through September 30, 2020, net unrealized gains (losses) on our investment portfolio were comprised of the following:

	<b>For the Three Months Ended September 30, 2020</b>	<b>For the Period January 23, 2020 (Commencement of Operations) through September 30, 2020</b>
Unrealized gains on investments	\$ 14,811,860	\$ 10,030,332
Unrealized (losses) on investments	(2,145,676)	(3,437,631)
Net change in unrealized gains (losses) on investments	<u>\$ 12,666,184</u>	<u>\$ 6,592,701</u>

The change in unrealized appreciation (depreciation) for the three months ended September 30, 2020 and the period from January 23, 2020 (Commencement of Operations) through September 30, 2020 totaled \$12.7 million and \$6.6 million, respectively. For the three months ended September 30, 2020, this consisted of net unrealized appreciation of \$9.3 million related to existing portfolio investments and unrealized appreciation of \$0.8 million related to new portfolio investments, and net unrealized appreciation of \$2.6 million related to exited portfolio investments (a portion of which has been reclassified to realized gains). The change in net unrealized appreciation for the period from January 23, 2020 (Commencement of Operations) through September 30, 2020 was related to the appreciation of our investments in APID 2016-24A ER 10/20/2030, Mohegan Tribal T/L, and Prairie ECI Acquiror LP among other existing portfolio investments.

## ***Financial Condition, Liquidity and Capital Resources***

We anticipate cash to be generated from the private offering of our common stock and other future offerings of securities (including an initial public offering), and cash flows from operations, including interest earned from the temporary investment of cash in cash equivalents, U.S. government securities and other high-quality debt investments that mature in one year or less. Additionally, we are permitted, under specified conditions, to issue multiple classes of indebtedness and one class of stock senior to our common stock if our asset coverage, as defined in the 1940 Act, is at least equal to 150% immediately after each such issuance. If we are unable to obtain leverage or raise equity capital on terms that are acceptable to us, our ability to grow our portfolio could be substantially impacted. Furthermore, while any indebtedness and senior securities remain outstanding, we may be required to prohibit any distribution to our stockholders or the repurchase of shares unless we meet the applicable asset coverage ratios at the time of the distribution or repurchase. In connection with borrowings, our lenders, including under the Credit Facility, may require us to pledge assets, investor commitments to fund capital calls and/or the proceeds of those capital calls. In addition, such lenders may ask us to comply with positive or negative covenants that could have an effect on our operations.

During the period January 23, 2020 (Commencement of Operations) through September 30, 2020, we experienced a net increase in cash and cash equivalents of \$1.2 million. During the period, net cash used in operating activities was \$605.2 million, primarily as a result of fundings of portfolio investments (excluding investments in short-term money market funds) of \$785.9 million, partially offset by proceeds received from sale of investments of \$511.3 million. We invested in short-term money market funds during the period, and as of the end of the period we held \$36.8 million in face value of short-term money market funds. During the same period, net cash provided by financing activities was \$606.4 million, primarily consisting of \$375.2 million of net borrowing under the Credit Facility and proceeds from the issuance of common stock of \$235.6 million.

As of September 30, 2020, we had cash and cash equivalents of \$1.2 million. As of September 30, 2020, we had \$375 million principal outstanding under the Credit Facility.

As of September 30, 2020, we had aggregate capital commitments and undrawn capital commitments from investors as follows:

	<b>September 30, 2020</b>		
	<b>Capital Commitments</b>	<b>Unfunded Capital Commitments</b>	<b>% of Capital Commitments Funded</b>
Common stock	\$ 235,554,820	\$ -	100%

As a BDC, we generally are required to meet a coverage ratio of total assets to total borrowings and other senior securities, which include all of our borrowings and any preferred stock that we may issue in the future, of at least 150%. If this ratio declines below 150%, we cannot incur additional debt and could be required to sell a portion of our investments to repay some debt when it is disadvantageous to do so. As of September 30, 2020, our asset coverage ratio was 166%.

### ***Capital Contributions***

During the three months ended September 30, 2020 and the period January 23, 2020 (Commencement of Operations) through September 30, 2020, the Company issued and sold 110,890 shares at an aggregate purchase price of \$2,084,820 and 12,423,874 shares at an aggregate purchase price of \$235.8 million, respectively. These amounts include shares issued in reinvestment.

### ***Financing Arrangements***

On February 18, 2020, the Company, through a special purpose wholly-owned subsidiary, Palmer Square BDC Funding I LLC (“PS BDC Funding”) and together with the Company, the “Borrowers”) entered into a Credit Agreement (the “Credit Agreement”) with certain financial institutions as lenders (“Lenders”), Bank of America, N.A. as the administrative agent (“BoFA N.A.”) and BoFA Securities, Inc. (“BoFA Securities”), as Lead Arranger and Sole Book Manager, pursuant to which the Lenders agreed to provide the Company with a revolving line of credit (the “Credit Facility”).

Under the Credit Facility, which matures on February 18, 2023, the Lenders have agreed to extend credit to PS BDC Funding in an aggregate amount up to the Commitment (as defined in the Credit Agreement) amount. The Commitment amount for the Credit Facility was \$200.0 million as of the closing date of the Credit Agreement and increased to \$400.0 million on the one-month anniversary of the closing date. The Borrowers' ability to draw under the Credit Facility is scheduled to terminate on February 11, 2023. All amounts outstanding under the Credit Facility are required to be repaid by February 18, 2023.

The loans under the Credit Facility may be base rate loans or eurocurrency rate loans. The base rate loans will bear interest at the base rate plus 1.30%, and the eurocurrency rate loans will bear interest at the London Interbank Offered Rate ("LIBOR") plus 1.30%. The "base rate" will be equal to the highest of (a) the federal funds rate plus 1/2 of 1%, (b) the prime rate and (c) LIBOR. Interest pursuant to base rate loans is payable quarterly in arrears, and interest pursuant to eurocurrency loans is payable either quarterly or monthly, as specified by the Borrowers in a loan notice pertaining thereto. The Credit Agreement requires the payment of a commitment fee of 0.50% for unused Commitments during the first five months following the closing of the Credit Facility, and, thereafter, 1.80% for any unused Commitments above 70% of the total Commitments. Such fee is payable quarterly in arrears. The advance rate for PS BDC Funding's Eligible Collateral Assets ranges from 40% for Second Lien Bank Loans to 70% for First Lien Bank Loans that are B Assets to 100% for Cash (excluding Excluded Amounts) (as each such term is defined in the Credit Agreement).

PS BDC Funding has pledged all of its assets to BofA N.A., in its capacity as Administrative Agent, to secure its obligations under the Credit Facility. Both the Company and PS BDC Funding have made customary representations and warranties and are required to comply with various covenants, reporting requirements, and other customary requirements for similar credit facilities. Borrowing under the Credit Facility is subject to the leverage restrictions contained in the 1940 Act. The obligations under the Credit Agreement may be accelerated upon the occurrence of an event of default under the Credit Agreement, including in the event of a change of control of PS BDC Funding or if the Investment Advisor ceases to serve as investment adviser to the Company.

As of September 30, 2020, we had approximately \$375 million principal outstanding and \$25 million of available Commitments under the Credit Facility, and PS BDC Funding was in compliance with the applicable covenants in the Credit Facility on such date.

### ***Distribution Policy***

To the extent that we have income available, we intend to distribute quarterly dividends to our stockholders. Our quarterly dividends, if any, will be determined by our Board. Any dividends to our stockholders will be declared out of assets legally available for distribution.

Beginning with our taxable year ending December 31, 2020 we intend to elect to be treated as a RIC under the Code, and we expect to qualify as a RIC annually thereafter. To obtain and maintain RIC tax treatment, among other things, we must distribute dividends to our stockholders in respect of each taxable year of an amount at least equal to 90% of the sum of our net ordinary income and net short-term capital gains in excess of our net long-term capital losses ("investment company taxable income"), determined without regard to any deduction for dividends paid. In order to avoid certain excise taxes imposed on RICs, we currently intend to distribute dividends to our stockholders in respect of each calendar year of an amount at least equal to the sum of: (1) 98% of our net ordinary income (taking into account certain deferrals and elections) for such calendar year; (2) 98.2% of our capital gains in excess of capital losses ("capital gain net income"), adjusted for certain ordinary losses, generally for the one-year period ending on October 31 of such calendar year; and (3) any net ordinary income and capital gain net income for preceding years that were not distributed during such years and on which we previously paid no U.S. federal income tax. Under certain applicable provisions of the Code and U.S. Treasury regulations, distributions payable in cash or in shares of stock at the election of the stockholders are treated as taxable dividends. The Internal Revenue Service has published guidance indicating that this rule will apply even where the total amount of cash that may be distributed is limited to no more than 10% of the total distribution, for distributions declared on or before December 31, 2020, and after that, to no more than 20% of the total distribution. Under this guidance if too many stockholders elect to receive their distributions in cash, the cash available for distribution must be allocated among the stockholders electing to receive cash (with the balance of the distribution paid in stock). If we decide to make any distributions consistent with this guidance that are payable in part in its stock, taxable stockholders receiving such dividends will be required to include the full amount of the dividend (whether received in cash, shares of our stock, or a combination thereof) as ordinary income (or as long-term capital gain to the extent such distribution is properly reported as a capital gain dividend) to the extent of our current and accumulated earnings and profits for U.S. federal income tax purposes. As a result, a U.S. stockholder may be required to pay tax with respect to such dividends in excess of any cash received. If a U.S. stockholder sells the stock it receives in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the value of our stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, the Company may be required to withhold U.S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock.

We currently intend to distribute net capital gains (i.e., net long-term capital gains in excess of net short-term capital losses), if any, at least annually out of the assets legally available for such distributions. However, we may decide in the future to retain such capital gains for investment, incur a corporate-level tax on such capital gains, and elect to treat such capital gains as deemed distributions to our stockholders. If this happens, our stockholders will be treated for U.S. federal income tax purposes as if they had received an actual distribution of the capital gains that we retain and reinvested the net after tax proceeds in us. In this situation, our stockholders would be eligible to claim a tax credit equal to their allocable share of the tax we paid on the capital gains deemed distributed to them. We may not be able to achieve operating results that will permit us to pay any cash distributions, and if we issue senior securities, we will be prohibited from making distributions if doing so would cause us to fail to maintain the asset coverage ratios stipulated by the 1940 Act or if such distributions are limited by the terms of any of our borrowings.

We have adopted a dividend reinvestment plan that will provide for reinvestment of our dividends and other distributions on behalf of our stockholders, unless a stockholder elects to receive cash. As a result, if our Board authorizes, and we declare, a cash dividend or other distribution, then stockholders who do not “opt out” of the Company’s dividend reinvestment plan will have their cash dividends and distributions automatically reinvested in additional shares of our common stock, rather than receiving cash dividends and distributions.

Prior to a Listing, the Board will use newly-issued shares of the Company's common stock to implement the dividend reinvestment plan. The number of shares of common stock to be issued to a participant prior to a Listing would be equal to the quotient determined by dividing the cash value of the dividend payable to such stockholder by the net asset value per share as of the date such dividend was declared.

After a Listing, the Board intends to primarily use newly-issued shares to implement the dividend reinvestment plan, whether or not the shares are trading at a price per share at, below or above net asset value. However, the Board reserves the right to purchase shares in the open market in connection with the implementation of the dividend reinvestment plan. The number of newly issued shares to be issued to a participant would be determined by dividing the total dollar amount of the dividend payable to such stockholder by the market price per share of our common stock at the close of regular trading on a national securities exchange on the dividend payment date. Shares purchased in open market transactions by U.S. Bank, National Association or its affiliates ("US Bank"), the plan administrator and our transfer agent, registrar, and dividend disbursing agent, will be allocated to a participant based upon the average purchase price, excluding any brokerage charges or other charges, of all shares of the our common stock purchased with respect to the dividend.

A registered stockholder may elect to receive an entire distribution in cash by notifying US Bank in writing so that such notice is received by the plan administrator no later than the record date for distributions to stockholders. The plan administrator will set up an account for shares acquired through the plan for each stockholder who has not elected to receive dividends or other distributions in cash and hold such shares in non-certificated form.

### ***Critical Accounting Policies***

Our financial statements are prepared in conformity with accounting principles generally accepted in the United States of America, which requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods.

Critical accounting policies are those that require the application of management's most difficult, subjective, or complex judgments, often because of the need to make estimates about the effect of matters that are inherently uncertain and that may change in subsequent periods. The preparation of these financial statements will require management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Changes in the economic environment, financial markets and any other parameters used in determining such estimates could cause actual results to differ. In addition to the discussion below, we have described our critical accounting policies in the notes to our financial statements.

### **Valuation of Portfolio Investments**

Under procedures established by our Board, we value investments for which market quotations are readily available at such market quotations. Assets listed on an exchange will be valued at their last sales prices as reported to the consolidated quotation service at 4:00 P.M. eastern time on the date of determination. If no such sales of such securities occurred, such securities will be valued at the mean between the last available bid and ask prices as reported by an independent, third party pricing service on the date of determination. Debt and equity securities that are not publicly traded or whose market prices are not readily available are valued at fair value, subject at all times to the oversight and approval of our Board. Such determination of fair values may involve subjective judgments and estimates, although we will also engage independent valuation providers to review the valuation of each portfolio investment that constitutes a material portion of our portfolio and that does not have a readily available market quotation at least once annually. With respect to unquoted securities, our Investment Advisor, together with our independent valuation advisors, and subject at all times to the oversight and approval of our Board, will value each investment considering, among other measures, discounted cash flow models, comparisons of financial ratios of peer companies that are public and other factors. With respect to Level 3 assets, we intend to retain one or more independent providers of financial advisory services to assist the Investment Advisor and the Board by performing certain limited third-party valuation services. We may appoint additional or different third-party valuation firms in the future.

When an external event such as a purchase transaction, public offering or subsequent equity sale occurs with respect to a fair-valued portfolio company or comparable company, our Board will use the pricing indicated by the external event to corroborate and/or assist us in our valuation. Because we expect that there will not be a readily available market for many of the investments in our portfolio, we expect to value many of our portfolio investments at fair value as determined in good faith by our Board using a documented valuation policy and a consistently applied valuation process. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may differ significantly from the

values that would have been used had readily available market quotations existed for such investments, and the differences could be material.

With respect to investments for which market quotations are not readily available, our Investment Advisor will undertake a multi-step valuation process each quarter, as described below:

- Securities for which no such market prices are available or reliable will be preliminarily valued at such value as the Investment Advisor may reasonably determine, which may include third party valuations;
- The audit committee of our Board (the “Audit Committee”) will then review these preliminary valuations;
- At least once annually, the valuation for each portfolio investment that constitutes a material portion of our portfolio and that does not have a readily available market quotation will be reviewed by an independent valuation firm; and
- Our Board will then discuss valuations and determine the fair value of each investment in our portfolio in good faith, based on the input of our Investment Advisor, the respective independent valuation firms and the Audit Committee.

All values assigned to securities and other assets by the Board will be binding on all stockholders.

### ***Contractual Obligations***

We have certain contracts under which we have material future commitments. We have entered into the Advisory Agreement with the Investment Advisor in accordance with the 1940 Act. Payments for investment advisory services under the Advisory Agreement are equal to (a) a base management fee calculated at an annual rate of 2.0% of the average value of the weighted average of our total net assets at the end of the two most recently completed quarters and (b) an incentive fee based on our performance. The Investment Advisor has agreed to waive its right to receive management fees in excess of 1.75% of the total net assets during any period prior to a Listing. We have entered into an Administration Agreement with the Administrator to serve as our administrator. Pursuant to the Administration Agreement, the Administrator furnishes us with office facilities and equipment, provides us with clerical, bookkeeping and recordkeeping services at such facilities, and provides us with other services necessary for us to operate or has engaged a third-party firm to perform some or all of these functions.

A summary of our significant contractual payment obligations related to the repayment of our outstanding indebtedness at September 30, 2020 is as follows:

	<b>Payments Due by Period</b>				
	<b>Total</b>	<b>Less than 1 year</b>	<b>1-3 years</b>	<b>3-5 years</b>	<b>After 5 years</b>
Credit Facility, Net	\$ 374,154,997	\$ -	\$ 374,154,997	\$ -	\$ -
<b>Total contractual obligations</b>	<b>\$ 374,154,997</b>	<b>\$ -</b>	<b>\$ 374,154,997</b>	<b>\$ -</b>	<b>\$ -</b>

### ***Off-Balance Sheet Arrangements***

Other than contractual commitments and other legal contingencies incurred in the normal course of our business, we do not have any off-balance sheet financings or liabilities.

### ***Net Realized Gains or Losses and Net Change in Unrealized Appreciation or Depreciation***

We measure realized gains or losses by the difference between the net proceeds from the repayment or sale and the amortized cost basis of the investment, without regard to unrealized appreciation or depreciation previously recognized, but considering unamortized upfront fees and prepayment penalties. Net change in unrealized appreciation or depreciation reflects the change in portfolio investment values during the reporting period, including any reversal of previously recorded unrealized appreciation or depreciation, when gains or losses are realized. Realized gains and losses from securities transactions and unrealized appreciation and depreciation of securities are determined using the identified cost basis method for financial reporting.

### ***Related Party Transactions***

We have entered into the Advisory Agreement with the Investment Advisor and the Administration Agreement with the Investment Advisor (in such capacity, the Administrator). Mr. Christopher D. Long and Jeffrey D. Fox, each an interested member of our Board, have an indirect pecuniary interest in the Investment Advisor. The Investment Advisor is a registered investment adviser under the Advisers Act that is wholly owned by Palmer Square. See “*Note 3. Agreements and Related Party Transactions – Administration Agreement*” and “*– Investment Advisory Agreement*” in the notes to the accompanying consolidated financial statements.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

We are subject to financial market risks, including changes in interest rates. Interest rate sensitivity refers to the change in our earnings that may result from changes in the level of interest rates. Because we fund a portion of our investments with borrowings, our net investment income will be affected by the difference between the rate at which we invest and the rate at which we borrow. As a result, there can be no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income.

Assuming that the consolidated statement of assets and liabilities as of September 30, 2020 were to remain constant and that we took no actions to alter our existing interest rate sensitivity, the following table shows the annualized impact of hypothetical base rate changes in interest rate.

<b>Change in Interest Rates</b>	<b>Increase (Decrease) in Interest Income</b>	<b>Increase (Decrease) in Interest Expense</b>	<b>Net Increase (Decrease) in Net Investment Income</b>
Down 25 basis points	\$ (1,587,907)	\$ (937,500)	\$ (650,407)
Up 100 basis points	6,351,627	3,750,000	2,601,627
Up 200 basis points	12,703,254	7,500,000	5,203,254
Up 300 basis points	19,054,881	11,250,000	7,804,881

The data in the table is based on the Company’s current statement of assets and liabilities. As of September 30, 2020, the Company had \$41.3 million in net purchases that had not yet settled. After settlement of these purchases, the change in interest expense will be larger as a result of the increase in the amount borrowed under the credit facility. The table does not include any change in interest income from the Company’s money market investments.



In addition, any investments we make that are denominated in a foreign currency will be subject to risks associated with changes in currency exchange rates. These risks include the possibility of significant fluctuations in the foreign currency markets, the imposition or modification of foreign exchange controls, and potential illiquidity in the secondary market. These risks will vary depending upon the currency or currencies involved.

We measure exposure to interest rate and currency exchange rate fluctuations on an ongoing basis and may hedge against interest rate and currency exchange rate fluctuations by using standard hedging instruments such as futures, options, swaps and forward contracts and credit hedging contracts, such as credit default swaps, in each case, subject to the requirements of the 1940 Act. While hedging activities may insulate us against adverse changes in interest rates, they may also limit our ability to participate in benefits of lower interest rates with respect to our portfolio of investments with fixed interest rates.

#### **Item 4. Controls and Procedures.**

##### ***Evaluation of Disclosure Controls and Procedures***

Our disclosure controls and procedures include internal controls and other procedures designed to ensure that information required to be disclosed in this and other reports filed under the Securities Exchange Act of 1934 (the “Exchange Act”), as amended, is recorded, processed, summarized, and reported within the required time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures. It should be noted that no system of controls can provide complete assurance of achieving a company’s objectives and that future events may impact the effectiveness of a system of controls.

Our Chief Executive Officer and Chief Financial Officer, after conducting an evaluation, together with members of our management, of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2020, have concluded that our disclosure controls and procedures, as defined in Rule 13a-15(e) or 15d-15(e) under the Exchange Act, were effective as of September 30, 2020 at a reasonable level of assurance.

##### ***Changes in Internal Control over Financial Reporting***

There have been no changes in our internal control over financial reporting during our fiscal quarter ended September 30, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II—OTHER INFORMATION

### Item 1. Legal Proceedings.

We are not currently subject to any material legal proceedings, nor, to our knowledge, is any material legal proceeding threatened against us. 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 loans to or other contracts with our portfolio companies.

### Item 1A. Risk Factors.

Investing in our common stock involves a number of significant risks. In addition to other information set forth in this report, you should carefully consider the risk factors discussed in *Item 1A. Risk Factors* of Amendment No. 2 to our Registration Statement on Form 10 which was filed with the SEC on January 23, 2020. The risks described in our registration statement on Form 10 are not the only risks we face. Additional risks and uncertainties not presently known to us or not presently deemed material by us may also materially and adversely affect our business, financial condition and/or operating results. Other than as set forth below, there have been no material changes during the period from January 23, 2020 (Commencement of Operations) to September 30, 2020 to the risk factors discussed in *Item 1A. Risk Factors* of Amendment No. 2 to our Registration Statement on Form 10.

#### *Potential Material and Adverse Effect of Events Outside of Our Control, such as the COVID-19 Pandemic*

Periods of market volatility have occurred and could continue to occur in response to pandemics or other events outside of our control. These types of events have adversely affected and could continue to adversely affect operating results for us and for our portfolio companies. For example, in December 2019, COVID-19, a novel strain of coronavirus, surfaced in China and has since spread to other countries, including the United States. This pandemic has led, and for an unknown period of time will continue to lead, to disruptions in local, regional, national and global markets and economies affected thereby, including the United States. With respect to U.S. credit markets, this outbreak has resulted in, and until fully resolved is likely to continue to result in, the following (among other things): (i) restrictions on travel and the temporary closure of many corporate offices, retail stores, and manufacturing facilities and factories, resulting in significant disruption to the business of many companies, including supply chains and demand, as well as layoffs of employees; (ii) increased draws by borrowers on revolving lines of credit; (iii) increased requests by borrowers for amendments or waivers of their credit agreements to avoid default, increased defaults by borrowers and/or increased difficulty in obtaining refinancing; (iv) volatility in credit markets including greater volatility in pricing and spreads; and (v) rapidly evolving proposals and actions by state and federal governments to address the problems being experienced by markets, businesses and the economy in general, which may not adequately address the problems being facing such persons. The pandemic is having, and any future continuation of the pandemic could have, an adverse impact on the markets and the economy in general.

We continue to assess the impact of COVID-19 on portfolio companies. Although it is impossible to predict the precise nature and consequences of these events, or of any political or policy decisions and regulatory changes caused by emerging events or uncertainty on applicable laws or regulations that impact the Company, and our portfolio companies and investments, it is clear that these types of events are impacting and will, for at least some time, continue to impact the Company and our portfolio companies and investments and in many instances the impact will be adverse and profound. We have focused our portfolio on industries that are generally expected to be more resilient to the impact of COVID-19. As of September 30, 2020, our largest industry exposures are to Software, Healthcare Providers and Services, Insurance, Professional Services and Independent Power and Renewable Electricity Producers. We have smaller industry exposures to Hotels, Restaurants and Leisure, Leisure Products, Oil, Gas and Consumable Fuels, Specialty Retail, and Textiles, Apparel and Luxury Goods, which are industries that are expected to be more adversely impacted by COVID-19. Any potential impact to our results of operations will depend to a large extent on future developments and new information that could emerge regarding the duration and severity of the coronavirus and the actions taken by authorities and other entities to contain the coronavirus or treat its impact, all of which are beyond our control. These potential impacts, while uncertain, could adversely affect our Company and our portfolio companies' operating results.

### ***Volatility in Capital Markets and Economic Uncertainty***

The U.S. capital markets have experienced extreme volatility and disruption following the global outbreak of COVID-19 that began in December 2019. Some economists and major investment banks have expressed concern that the continued spread of the virus globally could lead to a world-wide economic downturn. Disruptions in the capital markets have increased the spread between the yields realized on risk-free and higher risk securities, resulting in illiquidity in parts of the capital markets. These and future market disruptions and/or illiquidity would be expected to have an adverse effect on our business, financial condition, results of operations and cash flows. Unfavorable economic conditions also would be expected to increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events have limited and could continue to limit our investment originations, limit our ability to grow and have a material negative impact on our operating results and the fair values of our debt and equity investments.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

During the three months ended September 30, 2020, the Company issued and sold 110,890 shares of its common stock at an aggregate purchase price of \$2,084,820. These amounts include shares issued in reinvestment. The issuance of the shares of common stock was exempt from the registration requirements of the Securities Act of 1933, as amended (the “Securities Act”), pursuant to Section 4 (a)(2) and Rule 506(b) of Regulation D thereof. The Company relied, in part, upon representations from the investors in the subscription agreements that each investor was an accredited investor as defined in Regulation D under the Securities Act. We did not engage in general solicitation or advertising, and did not offer securities to the public, in connection with such issuances and sales.

### **Item 3. Default Upon Senior Securities.**

None.

### **Item 4. Mine Safety Disclosures.**

Not applicable.

### **Item 5. Other Information.**

None.

## Item 6. Exhibits.

The exhibits required by this item are set forth in the Exhibit Index attached hereto and are filed or incorporated as part of this Report.

### Exhibit Index

- 3.1 [Form of Articles of Amendment and Restatement \(Incorporated by reference to Exhibit 3.1 to Registrant's Amendment No. 1 to Registration Statement on Form 10 \(File No. 000-56126\) filed on January 16, 2020\)](#)
- 3.2 [Bylaws \(Incorporated by reference to Exhibit 3.2 to Registrant's Registration Statement on Form 10 \(File No. 000-56126\) filed on November 27, 2019\)](#)
- 31.1\* [Certification of Chief Executive Officer pursuant to Securities Exchange Act Rule 13a-14\(a\), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 31.2\* [Certification of Chief Financial Officer pursuant to Securities Exchange Act Rule 13a-14\(a\), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 32.1\* [Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 32.2\* [Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)

\* Filed herewith

## SIGNATURES

Pursuant to the requirements 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.

### **Palmer Square Capital BDC Inc.**

Date: November 13, 2020

/s/ Christopher D. Long

Name: Christopher D. Long

Title: Chief Executive Officer and President  
(Principal Executive Officer)

Date: November 13, 2020

/s/ Jeffrey D. Fox

Name: Jeffrey D. Fox

Title: Chief Financial Officer and Treasurer  
(Principal Financial and Accounting Officer)