

GSV Capital Corp.  
Form 10-Q  
May 09, 2013

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

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR  
15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2013**

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

**COMMISSION FILE NUMBER: 814-00852**

**GSV Capital Corp.**

(Exact name of registrant as specified in its charter)

Maryland  
(State of incorporation)

27-4443543  
(I.R.S. Employer Identification No.)

Edgar Filing: GSV Capital Corp. - Form 10-Q

2965 Woodside Road  
Woodside, CA  
(Address of principal executive offices)

94062  
(Zip Code)

**(650) 206-2965**

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post 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 definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(do not check if a smaller reporting company)

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

The number of shares of the issuer's Common Stock, \$0.01 par value, outstanding as of May 9, 2013 was 19,320,100.

---

# GSV CAPITAL CORP. AND SUBSIDIARY

## TABLE OF CONTENTS

	PAGE
PART I. FINANCIAL INFORMATION	
<u>Item 1.</u>	2
<u>Financial Statements</u>	
<u>Consolidated Statements of Assets and Liabilities as of March 31, 2013 (unaudited) and December 31, 2012</u>	2
<u>Consolidated Statements of Operations (unaudited) for the three months ended March 31, 2013, and March 31, 2012</u>	3
<u>Consolidated Statements of Changes in Net Assets (unaudited) for the three months ended March 31, 2013, and March 31, 2012</u>	4
<u>Consolidated Statements of Cash Flows (unaudited) for the three months ended March 31, 2013, and March 31, 2012</u>	5
<u>Consolidated Schedule of Investments as of March 31, 2013 (unaudited)</u>	6
<u>Consolidated Schedule of Investments as of December 31, 2012</u>	11
<u>Notes to the Consolidated Financial Statements as of March 31, 2013 (unaudited)</u>	16
<u>Item 2.</u>	
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	30
<u>Item 3.</u>	
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	38
<u>Item 4.</u>	
<u>Controls and Procedures</u>	38
PART II. OTHER INFORMATION	
<u>Item 1.</u>	
<u>Legal Proceedings</u>	
<u>Item 1A.</u>	39
<u>Risk Factors</u>	
<u>Item 2.</u>	39
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	
<u>Item 3.</u>	40
<u>Defaults Upon Senior Securities</u>	
<u>Item 4.</u>	40
<u>Mine Safety Disclosure</u>	40

<u>Item 5.</u>	<u>40</u>
<u>Other Information</u>	
<u>Item 6.</u>	<u>41</u>
<u>Exhibits</u>	
<u>Signatures</u>	<u>42</u>

i

---

## PART I: FINANCIAL INFORMATION

Item 1.

Financial Statements

### GSV CAPITAL CORP. AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

	March 31, 2013 (Unaudited)	December 31, 2012
<b>ASSETS</b>		
Investments at fair value:		
Investments in affiliated securities (cost of \$40,175,504 and \$38,210,753, respectively)	\$34,353,557	\$34,648,363
Investments in non-control/non-affiliated securities (cost of \$195,306,389 and \$198,936,982, respectively)	187,801,048	190,748,722
Investments in money market funds (cost of \$16,000,000 and \$16,000,000, respectively)	16,000,000	16,000,000
Total Investments (cost of \$251,481,893 and \$253,147,735, respectively)	238,154,605	241,397,085
Cash	6,818,379	11,318,525
Due from:		
GSV Asset Management	8,505	5,723
Portfolio companies	323,041	316,377
Prepaid expenses	65,741	63,953
Dividend receivable	1,477	1,920
Other assets	48,489	27,145
Total Assets	245,420,237	253,130,728
<b>LIABILITIES</b>		
Due to:		
GSV Asset Management	39,012	51,194
Accounts payable	236,359	204,093
Accrued expenses	53,320	292,640
Total Liabilities	328,691	547,927
<b>Commitments and contingencies (Note 6)</b>		
Net Assets	\$245,091,546	\$252,582,801
<b>NET ASSETS</b>		
Common stock, par value \$0.01 per share (100,000,000 authorized; 19,320,100 and 19,320,100 issued and outstanding, respectively)	\$193,201	\$193,201
Paid-in capital in excess of par	275,837,514	275,837,514
Accumulated net investment loss	(12,884,470 )	(10,316,745 )
Accumulated net realized loss on investments	(4,727,411 )	(1,380,519 )
Accumulated net unrealized depreciation on investments	(13,327,288 )	(11,750,650 )

Edgar Filing: GSV Capital Corp. - Form 10-Q

Net Assets	\$245,091,546	\$252,582,801
Net Asset Value Per Share	\$12.69	\$13.07

*See Notes to the Consolidated Financial Statements.*

# GSV CAPITAL CORP. AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three months ended March 31, 2013	Three months ended March 31, 2012
<b>INVESTMENT INCOME</b>		
Interest income from non-control/non-affiliated securities	\$	\$ 112,101
Dividend income	4,535	5,704
Total Investment Income	4,535	117,805
<b>OPERATING EXPENSES</b>		
Investment management fees	1,283,599	621,926
Costs incurred under administration agreement	887,984	345,594
Directors' fees	65,250	42,500
Professional fees	236,886	131,845
Insurance expense	53,013	46,669
Investor relations expense	43,562	14,250
Other expenses	1,966	9,023
Total Operating Expenses	2,572,260	1,211,807
Net Investment Loss	(2,567,725 )	(1,094,002 )
Net Realized Loss on Investments	(3,346,892 )	(256 )
Net Change in Unrealized Appreciation (Depreciation) on Investments	(1,576,638 )	1,011,195
Net Decrease in Net Assets Resulting From Operations	\$(7,491,255 )	\$(83,063 )
Net Decrease in Net Assets Resulting From Operations Per Common Share	\$(0.38 )	\$(0.01 )
Weighted Average Common Shares Outstanding	19,320,100	9,387,133

*See Notes to the Consolidated Financial Statements.*

# GSV CAPITAL CORP. AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (Unaudited)

	Three months ended March 31, 2013	Three months ended March 31, 2012
Decrease in Net Assets Resulting From Operations		
Net Investment Loss	\$(2,567,725 )	\$(1,094,002 )
Net Realized Loss on Investments	(3,346,892 )	(256 )
Net Change in Unrealized Appreciation (Depreciation) on Investments	(1,576,638 )	1,011,195
Net Decrease in Net Assets Resulting From Operations	(7,491,255 )	(83,063 )
Capital Share Transactions		
Net Proceeds from Common Shares Issued		96,255,000
Offering Costs		(326,077 )
Net Capital Share Transactions		95,928,923
Total Increase (Decrease) in Net Assets	(7,491,255 )	95,845,860
Net Assets at Beginning of Period	252,582,801	71,503,248
Net Assets at End of Period	\$245,091,546	\$167,349,108
Capital Share Activity		
Shares Issued		6,900,000
Shares Outstanding at Beginning of Period	19,320,100	5,520,100
Shares Outstanding at End of Period	19,320,100	12,420,100

*See Notes to the Consolidated Financial Statements.*



# GSV CAPITAL CORP. AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Three months ended March 31, 2013	Three months ended March 31, 2012
Cash Flows from Operating Activities		
Net decrease in net assets resulting from operations	\$(7,491,255 )	\$(83,063 )
Adjustments to reconcile net decrease in net assets resulting from operations to net cash used in operating activities:		
Net realized loss on investments	3,346,892	256
Net change in unrealized (appreciation) depreciation on investments	1,576,638	(1,011,195 )
Purchases of investments in:		
Portfolio investments	(3,466,394 )	(10,666,649 )
United States treasury bill		(19,999,128 )
Money market funds		(10,000,000 )
Proceeds from sales of investments in:		
Portfolio investments	1,785,344	
United States treasury bill		19,998,872
Money market funds		1,000,000
Change in operating assets and liabilities:		
Due from GSV Asset Management	(2,782 )	(750 )
Due from portfolio companies	(6,664 )	(60,896 )
Accrued interest		(100,350 )
Prepaid expenses	(1,788 )	74,538
Dividend receivable	443	(1,723 )
Other assets	(21,344 )	(56,721 )
Due to GSV Asset Management	(12,182 )	(61,903 )
Due to other affiliates		(5,113 )
Accounts payable	32,266	47,987
Accrued expenses	(239,320 )	2,264
Net Cash Used in Operating Activities	(4,500,146 )	(20,923,574 )
Cash Flows from Financing Activities		
Net proceeds from common shares issued		96,255,000
Offering costs		(326,077 )
Net Cash Provided by Financing Activities		95,928,923
Total Increase (Decrease) in Cash Balance	(4,500,146 )	75,005,349
Cash Balance at Beginning of Period	11,318,525	385,995
Cash Balance at End of Period	\$6,818,379	\$75,391,344
Non-Cash Operating Items		
Structured notes converted to preferred shares	\$	\$674,651
Warrants exercised for preferred shares	\$	\$53,665

Non-Cash Financing Items			
Increase in deferred offering costs	\$	\$ (62,536	)
Increase in accounts payable	\$	\$ 62,536	

*See Notes to the Consolidated Financial Statements.*

# GSV CAPITAL CORP. AND SUBSIDIARY CONSOLIDATED SCHEDULE OF INVESTMENTS March 31, 2013 (Unaudited)

Portfolio Investments*	Headquarters/Industry	Shares	Cost	Fair Value	% of Net Assets
<u>Twitter, Inc.</u>					
San Francisco, CA					
Common shares	Social Communication	1,835,600	\$31,755,821	\$34,013,669	13.88 %
Preferred shares, Series A		65,000	1,235,290	1,204,450	0.49 %
Total			32,991,111	35,218,119	14.37 %
<u>Palantir Technologies, Inc.</u>					
Palo Alto, CA					
Common shares, Class A	Cyber Security	7,145,690	20,051,479	19,650,648	8.02 %
Preferred shares, Series G		326,797	1,008,968	973,855	0.40 %
Total			21,060,447	20,624,503	8.42 %
<u>Dropbox, Inc.</u>					
San Francisco, CA					
Common share	Online Storage	760,000	8,641,153	8,674,133	3.54 %
Preferred shares, Series A-1		552,486	5,015,333	6,305,707	2.57 %
Total			13,656,486	14,979,840	6.11 %
<u>Chegg, Inc.</u>					
Santa Clara, CA					
Common shares	Textbook Rental	1,274,193	10,012,543	9,763,275	3.98 %
Preferred shares, Series F		500,000	4,008,654	4,431,600	1.81 %
Total			14,021,197	14,194,875	5.79 %
<u>Violin Memory, Inc.</u>					
Mountain View, CA					
Preferred shares, Series B	Flash Memory	800,000	4,800,798	4,189,312	1.71 %
Preferred shares, Series D		1,666,666	10,018,370	9,999,996	4.08 %
Total			14,819,168	14,189,308	5.79 %
<u>2U, Inc. (f/k/a 2tor, Inc.)</u>					
Landover, MD					
Common shares	Online Education	1,151,802	8,757,599	8,963,899	3.66 %
Preferred shares, Series A		167,431	1,273,125	1,303,032	0.53 %
Total			10,030,724	10,266,931	4.19 %
<u>Avenues World Holdings LLC<sup>(3)</sup></u>					
New York, NY					
Preferred shares, Class A-1	Globally-focused Private School	5,000,000	10,026,005	10,037,500	4.10 %
<u>Solexel, Inc.</u>					
Milpitas, CA					
Preferred shares, Series C	Solar Power	4,576,659	10,016,559	10,000,000	4.08 %
<u>Kno, Inc.</u>					
Santa Clara, CA					
Preferred shares, Series C	Digital Textbooks	440,313	2,262,006	2,249,999	0.92 %
Preferred shares, Series C-1		1	7,510,334	7,500,000	3.06 %

Edgar Filing: GSV Capital Corp. - Form 10-Q

Common shares		50,000	214,681	162,025	0.07 %
Total			9,987,021	9,912,024	4.05 %
<u>Facebook, Inc.</u> <sup>(8)</sup>	Menlo Park, CA				
Common shares, Class B	Social Networking	350,000	10,472,294	8,953,000	3.65 %
<u>Control4 Corporation</u>	Salt Lake City, UT				
Common shares	Home Automation	4,070,667	7,011,025	7,261,052	2.96 %
<u>SugarCRM, Inc.</u>	Cupertino, CA				
Common shares	Customer Relationship	1,086,047	3,813,378	3,801,165	1.55 %
	Manager				
Preferred shares, Series E		373,134	1,500,247	1,499,999	0.61 %
Total			5,313,625	5,301,164	2.16 %

*See Notes to the Consolidated Financial Statements.*

**GSV CAPITAL CORP. AND SUBSIDIARY  
CONSOLIDATED SCHEDULE OF INVESTMENTS  
(continued)  
March 31, 2013  
(Unaudited)**

Portfolio Investments*	Headquarters/Industry	Shares	Cost	Fair Value	% of Net Assets
<u>Totus Solutions, Inc.</u> <sup>(2)</sup>	Carrollton, TX				
Common shares	LED Lighting	20,000,000	\$5,023,748	\$3,960,000	1.62 %
<u>Grocket, Inc.</u> <sup>(2)</sup>	San Francisco, CA				
Preferred shares, Series D	Online Test Preparation	2,728,252	2,005,945	2,247,398	0.92 %
Preferred shares, Series E		1,731,501	1,503,670	1,499,999	0.61 %
Total			3,509,615	3,747,397	1.53 %
<u>StormWind, LLC</u> <sup>(2)(5)</sup>	Scottsdale, AZ				
Preferred shares, Series B	Interactive Learning Platform	3,279,629	2,019,687	3,552,931	1.45 %
<u>Bloom Energy Corporation</u>	Sunnyvale, CA				
Common shares	Fuel Cell Energy	201,589	3,855,601	3,408,870	1.39 %
<u>Fullbridge, Inc.</u> <sup>(2)</sup>	Cambridge, MA				
Preferred shares, Series C	Business Education	1,728,724	3,260,465	3,250,001	1.33 %
<u>Spotify Technology S.A.</u> <sup>(8)</sup>	Stockholm, Sweden				
Common shares	Music Streaming Service	3,658	3,598,472	3,164,575	1.29 %
<u>Gilt Groupe, Inc.</u>	New York, NY				
Common shares	e-Commerce Flash Sales	248,600	6,594,346	3,115,269	1.27 %
<u>ZocDoc Inc.</u>	New York, NY				
Preferred shares, Series A	Online Medical Scheduling	200,000	3,563,178	3,100,000	1.26 %
<u>Global Education Learning (Holdings) Ltd.</u> <sup>(2)(8)</sup>	Hong Kong				
Preferred shares, Series A	Education Technology	1,472,175	2,999,998	3,076,110	1.26 %
<u>Parchment, Inc.</u>	Scottsdale, AZ				
Preferred shares, Series D	E-Transcript Exchange	2,400,384	3,000,000	3,036,486	1.24 %
<u>Whittle Schools, LLC</u> <sup>(2)(4)</sup>	New York, NY				
Preferred shares, Series B	Globally-focused Private School	3,000,000	3,000,000	3,000,000	1.22 %
<u>CUX, Inc. (d/b/a CorpU)</u> <sup>(2)</sup>	San Francisco, CA				
Preferred shares, Series C	Corporate Education	246,305	2,006,077	1,999,997	0.82 %
Preferred shares, Series C-1		50,960	519,989	517,244	0.21 %

Edgar Filing: GSV Capital Corp. - Form 10-Q

Total			2,526,066	2,517,241	1.03%
<u>SharesPost, Inc.</u>	San Bruno, CA				
Preferred shares, Series B	Online Marketplace (Finance)	1,771,653	2,257,984	2,232,283	0.91%
Common warrants, \$0.13 strike price, expire 6/15/2018		770,934	23,128	146,477	0.06%
Total			2,281,112	2,378,760	0.97%
<u>TrueCar, Inc.</u>	Santa Monica, CA				
Common shares	Online Marketplace (Cars)	377,358	2,014,863	2,307,922	0.94%

*See Notes to the Consolidated Financial Statements.*

**GSV CAPITAL CORP. AND SUBSIDIARY  
CONSOLIDATED SCHEDULE OF INVESTMENTS  
(continued)  
March 31, 2013  
(Unaudited)**

Portfolio Investments*	Headquarters/ Industry	Shares	Cost	Fair Value	% of Net Assets
<u>Maven Research, Inc.</u> <sup>(2)</sup>	San Francisco, CA				
Preferred shares, Series B	Knowledge Networks	49,505	\$217,206	\$293,713	0.12%
Preferred shares, Series C		318,979	1,999,998	1,892,501	0.77%
Total			2,217,204	2,186,214	0.89%
<u>Dailybreak, Inc.</u> <sup>(2)</sup>	Boston, MA				
Preferred shares, Series A-1	Social Advertising	1,545,181	2,000,000	2,097,583	0.86%
<u>Dataminr, Inc.</u>	New York, NY				
Preferred shares, Series B	Social Media Analytics	904,977	2,060,791	2,036,198	0.83%
<u>The Echo System Corp.</u> <sup>(1)(2)</sup>	New York, NY				
Preferred shares, Series A	Social Analytics	512,365	1,436,404	1,607,545	0.66%
Preferred warrants, \$0.20 strike price, expire 11/14/2016		68,359	75,988	60,156	0.02%
Total			1,512,392	1,667,701	0.68%
<u>Silver Spring Networks, Inc.</u> <sup>(9)</sup>	Redwood City, CA				
Common shares	Smart Grid	102,028	5,145,271	1,591,331	0.65%
<u>AltEgo, LLC</u> <sup>(2)(6)</sup>	Santa Monica, CA				
Preferred shares, Series B-2	Social Media Customer Acquisition Platform	1,400,000	1,420,406	1,194,200	0.49%
<u>S3 Digital Corp. (d/b/a S3i)</u> <sup>(2)</sup>	New York, NY				
Preferred shares, Class A1	Sports Analytics	1,033,452	989,058	1,050,504	0.43%
Preferred warrants, \$1.00 strike price, expire 11/21/2017		500,000	31,354		%
Total			1,020,412	1,050,504	0.43%
<u>NestGSV, Inc.</u> <sup>(2)</sup>	Redwood City, CA				
Preferred shares, Series A	Incubator	1,000,000	1,021,778	976,000	0.40%
<u>The rSmart Group, Inc.</u>	Scottsdale, AZ				
Preferred shares, Series B	Higher Education Learning Platform	1,201,923	1,266,940	911,058	0.37%
<u>DreamBox Learning, Inc.</u>	Bellevue, WA				
Preferred shares, Series A		3,579,610	758,017	787,514	0.32%

Edgar Filing: GSV Capital Corp. - Form 10-Q

	Education				
	Technology				
<u>AlwaysOn, Inc.</u> <sup>(1)(2)</sup>	Woodside, CA				
Preferred shares, Series A	Social Media	1,066,626	1,027,391	203,011	0.08%
Preferred shares, Series A-1		2,101,612	416,706	400,000	0.16%
Total			1,444,097	603,011	0.24%
<u>Ozy Media, Inc.</u>	Mountain View, CA				
Preferred shares, Series Seed	Social Media	500,000	500,000	512,250	0.21%
<u>Starfish Holdings, Inc. (d/b/a YourOffers)</u> <sup>(2)</sup>	Beverly Hills, CA				
Preferred shares, Series A, and common warrants, \$0.00001 strike price, expire 11/13/2019	Marketing Platform	43,878,894	2,029,695	500,000	0.20%

*See Notes to the Consolidated Financial Statements.*



**GSV CAPITAL CORP. AND SUBSIDIARY  
CONSOLIDATED SCHEDULE OF INVESTMENTS  
(continued)  
March 31, 2013  
(Unaudited)**

Portfolio Investments*	Headquarters/ Industry	Shares/Capital Contribution	Cost	Fair Value	% of Net Assets
<u>NestGSV Silicon Valley, LLC</u> <sup>(2)(7)</sup>	Redwood City, CA				
Common membership interest	Incubator	\$ 500,000	\$500,000	\$500,000	0.20 %
<u>SinoLending Ltd.</u> <sup>(2)(8)</sup>	Shanghai, China				
Preferred shares, Class A	Chinese P2P Lending	6,414,368	501,998	474,663	0.19 %
<u>NewZoom, Inc.</u> (d/b/a ZoomSystems)	San Francisco, CA				
Preferred shares, Series A	Smart e-tail (Retail)	1,250,000	260,476	262,500	0.12 %
<u>Neuron Fuel, Inc.</u>	San Jose, CA				
Preferred shares, Series AAI	Computer Software	250,000	262,530	250,000	0.10 %
<u>Serious Energy, Inc.</u> <sup>(8)</sup>	Sunnyvale, CA				
Common shares	Green Materials	178,095	739,130		%
<u>Top Hat 430, Inc.</u> <sup>(2)(8)(10)</sup>	Shakopee, MN				
Preferred shares, Series A	Jewelry Retailing Technology	1,844,444	4,167,943		%
Preferred warrants, \$2.25 strike price, expire 11/2/2017		13,333			%
Total			4,167,943		%
Total Portfolio Investments			235,481,893	222,154,605	90.65 %
<u>Money Market Funds</u> <sup>(1)</sup>					
Fidelity Institutional Money Market Funds					
Money Market Portfolio		8,000,000	8,000,000	8,000,000	3.26 %
Prime Money Market Portfolio		8,000,000	8,000,000	8,000,000	3.26 %
Total Money Market Funds			16,000,000	16,000,000	6.52 %
Total Investments			\$251,481,893	\$238,154,605	97.17 %

\*

Edgar Filing: GSV Capital Corp. - Form 10-Q

All portfolio investments are non-control/non-affiliated and non-income producing, unless identified. Equity investments are subject to lock-up restrictions upon their initial public offering.

(1) Investment is income producing.

(2) Denotes an Affiliate Investment. Affiliate Investments are investments in those companies that are Affiliated Companies of GSV Capital Corp., as defined in the Investment Company Act of 1940. A company is deemed to be an Affiliate of GSV Capital Corp. if GSV Capital Corp. owns 5% or more of the voting securities of such company.

(3) GSV Capital Corp. s investment in Avenues World Holdings LLC is held through its wholly-owned subsidiary GSVC AV Holdings, Inc.

(4) GSV Capital Corp. s investment in Whittle Schools, LLC is held through its wholly-owned subsidiary GSVC WS Holdings, Inc.

(5) GSV Capital Corp. s investment in StormWind, LLC is held through its wholly-owned subsidiary GSVC SW Holdings, Inc.

(6) GSV Capital Corp. s investment in AltEgo, LLC is held through its wholly-owned subsidiary GSVC AE Holdings, Inc.

(7) GSV Capital Corp. s investment in NestGSV Silicon Valley, LLC is held through its wholly-owned subsidiary GSVC NG Holdings, Inc.

(8) Indicates assets that GSV Capital Corp. believes do not represent qualifying assets under Section 55(a)

*See Notes to the Consolidated Financial Statements.*

of the Investment Company Act of 1940, as amended. Qualifying assets must represent at least 70% of GSV Capital Corp. s total assets at the time of acquisition of any additional non-qualifying assets.

(9) On March 12, 2013, Silver Spring Networks, Inc. priced its initial public offering, selling 4,750,000 shares at a price of \$17 per share. GSV Capital Corp. s shares in Silver Spring Networks, Inc. are subject to a lock-up agreement that expires on September 8, 2013. At March 31, 2013, GSV Capital Corp. valued Silver Spring Networks, Inc. based on its March 31, 2013 closing price.

(10) On March 25, 2013, Top Hat 430, Inc. filed for Chapter 7 bankruptcy after filing for Chapter 11 bankruptcy in February 2013 and failing to reach a reorganization agreement.

*See Notes to the Consolidated Financial Statements.*

# GSV CAPITAL CORP. AND SUBSIDIARY CONSOLIDATED SCHEDULE OF INVESTMENTS December 31, 2012

Portfolio Investments*	Headquarters/Industry	Shares	Cost	Fair Value	% of Net Assets
<u>Twitter, Inc.</u>					
	San Francisco, CA				
Common shares	Social Communication	1,835,600	\$31,755,821	\$34,876,400	13.81 %
Preferred shares, Series A		65,000	1,235,290	1,235,000	0.49 %
Total			32,991,111	36,111,400	14.30 %
<u>Palantir Technologies, Inc.</u>					
	Palo Alto, CA				
Common shares, Class A	Cyber Security	7,145,690	20,051,479	20,150,846	7.98 %
Preferred shares, Series G		326,797	1,008,968	921,568	0.36 %
Total			21,060,447	21,072,414	8.34 %
<u>Violin Memory, Inc.</u>					
	Mountain View, CA				
Preferred shares, Series B	Flash Memory	800,000	4,800,798	4,800,000	1.90 %
Preferred shares, Series D		1,666,666	10,018,045	9,999,996	3.96 %
Total			14,818,843	14,799,996	5.86 %
<u>Dropbox, Inc.</u>					
	San Francisco, CA				
Common share	Online Storage	760,000	8,641,153	8,360,000	3.31 %
Preferred shares, Series A-1		552,486	5,015,333	6,077,346	2.41 %
Total			13,656,486	14,437,346	5.72 %
<u>Chegg, Inc.</u>					
	Santa Clara, CA				
Common shares	Textbook Rental	1,274,193	10,012,543	10,193,544	4.03 %
Preferred shares, Series F		500,000	4,008,654	4,000,000	1.58 %
Total			14,021,197	14,193,544	5.61 %
<u>Avenues World Holdings LLC<sup>(5)</sup></u>					
	New York, NY				
Preferred shares, Class A-1	Globally-focused Private School	5,000,000	10,025,123	10,000,000	3.96 %
<u>Solexel, Inc.</u>					
	Milpitas, CA				
Preferred shares, Series C	Solar Power	4,576,659	10,016,559	10,000,000	3.96 %
<u>2U, Inc. (f/k/a 2tor, Inc.)</u>					
	Landover, MD				
Common shares	Online Education	1,151,802	8,757,599	8,730,659	3.46 %
Preferred shares, Series A		167,431	1,273,125	1,269,127	0.50 %
Total			10,030,724	9,999,786	3.96 %
<u>Kno, Inc.</u>					
	Santa Clara, CA				
Preferred shares, Series C	Digital Textbooks	440,313	2,262,006	2,249,999	0.89 %
Preferred shares, Series C-1		1	7,510,334	7,500,000	2.97 %
Common shares		50,000	214,681	178,850	0.07 %

Edgar Filing: GSV Capital Corp. - Form 10-Q

Total			9,987,021	9,928,849	3.93 %
<u>Facebook, Inc.</u> <sup>(3)(10)</sup>	Menlo Park, CA				
Common shares, Class B	Social Networking	350,000	10,472,294	9,317,000	3.69 %
<u>Control4 Corporation</u>	Salt Lake City, UT				
Common shares	Home Automation	4,070,667	7,011,025	7,123,667	2.82 %
<u>Totus Solutions, Inc.</u> <sup>(2)</sup>	Carrollton, TX				
Common shares	LED Lighting	20,000,000	5,023,748	5,000,000	1.98 %

*See Notes to the Consolidated Financial Statements.*

# GSV CAPITAL CORP. AND SUBSIDIARY CONSOLIDATED SCHEDULE OF INVESTMENTS (continued) December 31, 2012

Portfolio Investments*	Headquarters/Industry	Shares	Cost	Fair Value	% of Net Assets
<u>Grokit, Inc.</u> <sup>(2)</sup>	San Francisco, CA				
Preferred shares, Series D	Online Test Preparation	2,728,252	\$ 2,005,945	\$ 2,373,579	0.94 %
Preferred shares, Series E		1,731,501	1,503,670	1,506,406	0.60 %
Total			3,509,615	3,879,985	1.54 %
<u>SugarCRM, Inc.</u>	Cupertino, CA				
Common shares	Customer Relationship Manager	1,086,047	3,813,378	3,801,165	1.50 %
<u>Gilt Groupe, Inc.</u>	New York, NY				
Common shares	e-Commerce Flash Sales	248,600	6,594,346	3,637,329	1.44 %
<u>Spotify Technology S.A.</u> <sup>(10)</sup>	Stockholm, Sweden				
Common shares	Music Streaming Service	3,658	3,598,472	3,589,669	1.42 %
<u>ZocDoc Inc.</u>	New York, NY				
Preferred shares, Series A	Online Medical Scheduling	200,000	3,563,178	3,500,000	1.38 %
<u>Bloom Energy Corporation</u>	Sunnyvale, CA				
Common shares	Fuel Cell Energy	201,589	3,855,601	3,225,424	1.28 %
<u>Global Education Learning (Holdings) Ltd.</u> <sup>(2)(10)</sup>	Hong Kong				
Preferred shares, Series A	Education Technology	1,472,175	2,999,998	3,003,237	1.19 %
<u>Parchment, Inc.</u>	Scottsdale, AZ				
Preferred shares, Series D	E-Transcript Exchange	2,400,384	3,000,000	3,000,480	1.19 %
<u>Whittle Schools, LLC</u> <sup>(2)(6)</sup>	New York, NY				
Preferred shares, Series B	Globally-focused Private School	3,000,000	3,000,000	3,000,000	1.19 %
<u>StormWind, LLC</u> <sup>(2)(7)</sup>	Scottsdale, AZ				
Preferred shares, Series B	Interactive Learning Platform	3,279,629	2,019,687	2,545,812	1.01 %
<u>SharesPost, Inc.</u>	San Bruno, CA				
Preferred shares, Series B	Online Marketplace (Finance)	1,771,653	2,257,984	2,249,999	0.89 %
Common warrants, \$0.13		770,934	23,128	123,349	0.05 %

Edgar Filing: GSV Capital Corp. - Form 10-Q

strike price, expire  
6/15/2018

Total			2,281,112	2,373,348	0.94%
<u>Maven Research, Inc.</u> <sup>(2)</sup>	San Francisco, CA				
Preferred shares, Series B	Knowledge Networks	49,505	217,206	310,396	0.12%
Preferred shares, Series C		318,979	1,999,998	1,999,998	0.79%
Total			2,217,204	2,310,394	0.91%

*See Notes to the Consolidated Financial Statements.*

**GSV CAPITAL CORP. AND SUBSIDIARY  
CONSOLIDATED SCHEDULE OF INVESTMENTS  
(continued)  
December 31, 2012**

Portfolio Investments*	Headquarters/Industry	Shares	Cost	Fair Value	% of Net Assets
<u>Fullbridge, Inc.</u> <sup>(2)</sup>	Cambridge, MA				
Preferred shares, Series C	Business Education	1,196,809	\$ 2,250,001	\$ 2,250,001	0.89%
<u>Starfish Holdings, Inc. (d/b/a YourOffers)</u> <sup>(2)</sup>	Beverly Hills, CA				
Preferred shares, Series A, and common warrants, \$0.00001 strike price, expire 11/13/2019	Marketing Platform	43,878,894	2,012,103	2,193,945	0.87%
<u>TrueCar, Inc.</u>	Santa Monica, CA				
Common shares	Online Marketplace (Cars)	377,358	2,014,863	2,011,318	0.79%
<u>Dataminr, Inc.</u>	New York, NY				
Preferred shares, Series B	Social Media Analytics	904,977	2,060,602	1,999,999	0.79%
<u>CUX, Inc. (d/b/a CorpU)</u> <sup>(2)</sup>	San Francisco, CA				
Preferred shares, Series C	Corporate Education	246,305	2,006,077	1,999,997	0.79%
<u>Dailybreak, Inc.</u> <sup>(2)</sup>	Boston, MA				
Preferred shares, Series A-1	Social Advertising	1,545,181	2,000,000	1,993,283	0.79%
<u>Silver Spring Networks, Inc.</u>	Redwood City, CA				
Common shares <sup>(11)</sup>	Smart Grid	510,143	5,145,271	1,976,804	0.78%
<u>The Echo System Corp.</u> <sup>(1)(2)</sup>	New York, NY				
Preferred shares, Series A	Social Analytics	512,365	1,436,404	1,639,568	0.65%
Preferred warrants, \$0.20 strike price, expire 11/14/2016		68,359	75,988	68,359	0.03%
Total			1,512,392	1,707,927	0.68%

*See Notes to the Consolidated Financial Statements.*



# GSV CAPITAL CORP. AND SUBSIDIARY CONSOLIDATED SCHEDULE OF INVESTMENTS (continued) December 31, 2012

Portfolio Investments*	Headquarters/Industry	Shares/Capital Contribution	Cost	Fair Value	% of Net Assets
<u>AltEgo, LLC</u> <sup>(2)(8)</sup>	Santa Monica, CA Social Media				
Preferred shares, Series B-2	Customer Acquisition Platform	1,400,000	\$ 1,420,406	\$ 1,400,000	0.55 %
<u>Zynga, Inc.</u> <sup>(10)</sup>	San Francisco, CA				
Common shares	Social Gaming	533,333	3,003,462	1,258,666	0.50 %
<u>The rSmart Group, Inc.</u>	Scottsdale, AZ				
Preferred shares, Series B	Higher Education Learning Platform	1,201,923	1,266,940	1,250,000	0.49 %
<u>S3 Digital Corp.</u> <u>(d/b/a S3i)</u> <sup>(2)</sup>	New York, NY				
Preferred shares, Class A1	Sports Analytics	1,033,452	989,058	1,033,452	0.41 %
Preferred warrants, \$1.00 strike price, expire 11/21/2017		500,000	31,354	31,354	0.01 %
Total			1,020,412	1,064,806	0.42 %
<u>NestGSV, Inc.</u> <sup>(2)</sup>	Redwood City, CA				
Preferred shares, Series A	Incubator	1,000,000	1,021,778	1,000,000	0.40 %
<u>DreamBox Learning, Inc.</u>	Bellevue, WA				
Preferred shares, Series A	Education Technology	3,579,610	758,017	751,718	0.30 %
<u>SinoLending Ltd.</u> <sup>(2)(10)</sup>	Shanghai, China				
Preferred shares, Class A	Chinese P2P Lending	6,414,368	501,998	500,321	0.20 %
<u>Ozy Media, Inc.</u>	Mountain View, CA				
Preferred shares, Series Seed	Social Media	500,000	500,000	500,000	0.20 %
<u>NestGSV Silicon Valley LLC</u> <sup>(2)(9)</sup>	Redwood City, CA				
Common membership interest	Incubator	\$ 500,000	500,000	500,000	0.20 %
<u>Groupon, Inc.</u> <sup>(4)(10)</sup>	Chicago, IL				
Common shares	Online Deals	80,000	2,128,774	388,800	0.15 %
<u>AlwaysOn, Inc.</u> <sup>(1)(2)</sup>	Woodside, CA				
Preferred shares, Series A	Social Media	1,066,626	1,027,391	298,655	0.12 %
<u>NewZoom, Inc.</u>	San Francisco, CA				

(d/b/a ZoomSystems)

Preferred shares, Series A	Smart e-tail (Retail)	1,250,000	260,476	250,000	0.10%
----------------------------	-----------------------	-----------	---------	---------	-------

*See Notes to the Consolidated Financial Statements.*

# GSV CAPITAL CORP. AND SUBSIDIARY CONSOLIDATED SCHEDULE OF INVESTMENTS (continued) December 31, 2012

Portfolio Investments*	Headquarters/Industry	Shares	Cost	Fair Value	% of Net Assets
<u>Neuron Fuel, Inc.</u>	San Jose, CA				
Preferred shares, Series AAI	Computer Software	250,000	\$262,530	\$250,000	0.10 %
<u>Serious Energy, Inc.</u> <sup>(10)</sup>	Sunnyvale, CA				
Common shares	Green Materials	178,095	739,130		%
<u>Top Hat 430, Inc.</u> <sup>(2)(10)</sup>	Shakopee, MN				
Preferred shares, Series A	Jewelry Retailing Technology	1,844,444	4,167,943		%
Preferred warrants, \$2.25 strike price, expire 11/2/2017		13,333			%
Total			4,167,943		%
Total Portfolio Investments			237,147,735	225,397,085	89.23 %
<u>Money Market Funds</u> <sup>(1)</sup>					
Fidelity Institutional Money Market Funds					
Money Market Portfolio		8,000,000	8,000,000	8,000,000	3.17 %
Prime Money Market Portfolio		8,000,000	8,000,000	8,000,000	3.17 %
Total Money Market Funds			16,000,000	16,000,000	6.34 %
Total Investments			\$253,147,735	\$241,397,085	95.57 %

\* All portfolio investments are non-control/non-affiliated and non-income producing, unless identified. Equity investments are subject to lock-up restrictions upon their initial public offering.

(1) Investment is income producing.

(2) Denotes an Affiliate Investment. Affiliate Investments are investments in those companies that are Affiliated Companies of GSV Capital Corp., as defined in the Investment Company Act of 1940. A company is deemed to be an Affiliate of GSV Capital Corp. if GSV Capital Corp. owns 5% or more of the voting securities of such company.

(3) On May 17, 2012, Facebook, Inc. priced its initial public offering, selling 421,233,615 shares at a price of \$38.00 per share. GSV Capital Corp. s shares in Facebook, Inc. are subject to a lock-up agreement that expired on November 14, 2012. At December 31, 2012, GSV Capital Corp. valued Facebook based on its December 31, 2012 closing price.

(4) On November 8, 2011, Groupon, Inc. priced its initial public offering, selling 35,000,000 shares at a price of \$20.00 per share. GSV Capital Corp. s shares in Groupon, Inc. are subject to a lock-up agreement that expired on June 1, 2012. At December 31, 2012, GSV Capital Corp. valued Groupon, Inc. based on its December 31, 2012

closing price.

- (5) GSV Capital Corp. s investment in Avenues World Holdings LLC is held through its wholly-owned subsidiary GSVC AV Holdings, Inc.
  - (6) GSV Capital Corp. s investment in Whittle Schools, LLC is held through its wholly-owned subsidiary GSVC WS Holdings, Inc.
  - (7) GSV Capital Corp. s investment in StormWind, LLC is held through its wholly-owned subsidiary GSVC SW Holdings, Inc.
  - (8) GSV Capital Corp. s investment in AltEgo, LLC is held through its wholly-owned subsidiary GSVC AE Holdings, Inc.
  - (9) GSV Capital Corp. s investment in NestGSV Silicon Valley, LLC is held through its wholly-owned subsidiary GSVC NG Holdings, Inc.
- Indicates assets that GSV Capital Corp. believes do not represent qualifying assets under Section 55(a) of the Investment Company Act of 1940, as amended. Qualifying assets must represent at least 70% of GSV Capital Corp. s total assets at the time of acquisition of any additional non-qualifying assets.
- (10)
  - (11) On February 11, 2013, Silver Spring Networks, Inc. conducted a five-for-one reverse stock split of its common stock, which has not been reflected above.

*See Notes to the Consolidated Financial Statements.*

# GSV CAPITAL CORP. AND SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS March 31, 2013 (Unaudited)

### NOTE 1 NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Operations

GSV Capital Corp. (the Company, we, our or GSV Capital) was formed in September 2010 as a Maryland corporation structured as an externally managed, non-diversified closed-end management investment company. The Company has elected to be treated as a business development company under the Investment Company Act of 1940, as amended (the 1940 Act). The Company is managed by GSV Asset Management, LLC (GSV Asset Management).

The Company's date of inception is January 6, 2011, which is the date it commenced its development stage activities. The Company's shares are currently listed on the NASDAQ Capital Market under the symbol GSVC. The Company began its investment operations during the second quarter.

On April 13, 2012, the Company formed a wholly-owned subsidiary, GSV Capital Lending, LLC (GCL), a Delaware limited liability company, which will originate portfolio loan investments within the state of California. An application for a California lender license was submitted by GCL to the California Department of Corporations and GCL is awaiting receipt of its license from the State.

On November 28, 2012, the Company formed wholly-owned subsidiaries, GSVC AE Holdings, Inc. (GAE), GSVC AV Holdings, Inc. (GAV), GSVC NG Holdings, Inc. (GNG), GSVC SW Holdings, Inc. (GSW) and GSVC WS Holdings, Inc. (GWS) (collectively the GSVC Holdings), all Delaware corporations, to hold portfolio investments.

The Company's investment objective is to maximize our portfolio's total return, principally by seeking capital gains on our equity investments. The Company invests principally in the equity securities of venture capital-backed and rapidly growing emerging companies. The Company may also invest on an opportunistic basis in select publicly-traded equity securities of rapidly growing companies that otherwise meet its investment criteria.

On February 10, 2012, the Company priced a subsequent follow-on equity offering, selling 6,900,000 of common shares at a price of \$15.00 per share, including an exercise in full by the underwriters of their option to purchase an additional 900,000 shares of common stock to cover overallotments. The follow-on equity offering resulted in net proceeds to the Company of approximately \$96.2 million.

On May 11, 2012, the Company priced an additional follow-on equity offering, selling 6,900,000 of common shares at a price of \$16.25 per share, including an exercise in full by the underwriters of their option to purchase an additional

900,000 shares of common stock to cover overallocments. The follow-on equity offering resulted in net proceeds to the Company of approximately \$105.4 million.

## **Summary of Significant Accounting Policies**

### **Basis of Presentation**

The interim consolidated financial statements of the Company are prepared in accordance with accounting principles generally accepted in the United States of America ( GAAP ) for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Regulation S-X. In the opinion of management, all adjustments, all of which were of a normal recurring nature, considered necessary for the fair presentation of financial statements for the interim period have been included. The results of operations for the current period are not necessarily indicative of results that ultimately may be achieved for any other interim period or for the year ending December 31, 2013. The interim unaudited consolidated financial statements and notes hereto should be read in conjunction with the audited financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

In accordance with Regulation S-X under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, the Company does not consolidate portfolio company investments. The Company has not consolidated the GSVC Holdings which hold portfolio investments.

## Basis of Consolidation

Under Article 6 of Regulation S-X and the American Institute of Certified Public Accountants Audit and Accounting Guide for Investment Companies, we are precluded from consolidating any entity other than another investment company or a controlled operating company which provides substantially all of its services and benefits to us. Accordingly, our financial statements include our accounts and the accounts of GCL, our wholly-owned subsidiary. All intercompany balances and transactions have been eliminated in consolidation.

## Use of Estimates

The preparation of consolidated financial statements requires the Company to make a number of significant estimates. These include estimates of fair value of certain assets and liabilities and other estimates that affect the reported amounts of certain assets and liabilities as of the date of the consolidated financial statements and the reported amounts of certain revenues and expenses during the reported period. It is likely that changes in these estimates will occur in the near term. Our estimates are inherently subjective in nature and actual results could differ from our estimates and the differences could be material.

## Investments

The Company applies fair value accounting in accordance with GAAP. The Company generally values its assets on a quarterly basis, or more frequently if required under the 1940 Act. Securities for which market quotations are readily available on an exchange are valued at the closing price of such security on the valuation date; however, if they remain subject to lock-up restrictions they are discounted accordingly. The Company may also obtain quotes with respect to certain of its investments from pricing services or brokers or dealers in order to value assets. When doing so, the Company determines whether the quote obtained is sufficient according to GAAP to determine the fair value of the security. If determined adequate, the Company uses the quote obtained.

Securities for which reliable market quotations are not readily available or for which the pricing source does not provide a valuation or methodology or provides a valuation or methodology that, in the judgment of GSV Asset Management, the Board or the Valuation Committee of the Board (the Valuation Committee), does not represent fair value, shall each be valued as follows:

1. The quarterly valuation process begins with each portfolio company or investment being initially valued by the investment professionals responsible for the portfolio investment;
2. Preliminary valuation conclusions are then documented and discussed with GSV Asset Management senior management;
3. An independent third-party valuation firm is engaged by, or on behalf of, the Valuation Committee to conduct independent appraisals and review management's preliminary valuations and make their own independent assessment, for all material investments;
4. The Valuation Committee discusses valuations and recommends the fair value of each investment in the portfolio in good faith based on the input of GSV Asset Management and the independent third-party valuation firm; and,
5. The Board then discusses the valuations and determines in good faith the fair value of each investment in the portfolio based upon input of GSV Asset Management, estimates from the independent valuation firm and the recommendations of the Valuation Committee.

In making our good faith determination of the fair value of investments, we consider valuation methodologies consistent with industry practice. Valuation methods, among other measures and as applicable, may include comparisons to prices from secondary market transactions and recent venture capital financings, analysis of financial ratios and valuation metrics of the portfolio companies that issued such private equity securities to peer companies that are public, analysis of the portfolio companies' most recent financial



statements and forecasts, and the markets in which the portfolio company does business, and other relevant factors. The Company assigns a weighting based upon the relevance of each factor to determine the fair value of each investment.

When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, the Company will consider the pricing indicated by the external event to corroborate the private equity valuation. 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 the investments may differ significantly from the values that would have been used had a readily available market value existed for such investments, and the differences could be material.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a framework for measuring fair value that includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The levels of the fair value hierarchy are as follows:

**Level 1.** Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Company has the ability to access (examples include active exchange-traded equity securities, exchange-traded derivatives, and most U.S. Government and agency securities).

**Level 2.** Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 2 inputs include the following:

- a) Quoted prices for similar assets or liabilities in active markets;
- b) Quoted prices for identical or similar assets or liabilities in non-active markets (examples include corporate and municipal bonds, which trade infrequently);
- c) Pricing models whose inputs are observable for substantially the full term of the asset or liability (examples include most over-the-counter derivatives, including foreign exchange forward contracts); and,
- d) Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

**Level 3.** Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability (examples include certain of our private equity investments).

When the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement in its entirety. For example, a Level 3 fair value measurement may include inputs that are observable (Levels 1 and 2) and unobservable (Level 3). Therefore gains and losses for such assets and liabilities categorized within the Level 3 table set forth in Note 3 may include changes in fair value that are attributable to both observable inputs (Levels 1 and 2) and unobservable inputs (Level 3).

A review of fair value hierarchy classifications is conducted on a quarterly basis. Changes in the observability of valuation inputs may result in a reclassification for certain financial assets or liabilities. Reclassifications impacting Level 3 of the fair value hierarchy are reported as transfers in/out of the Level 3 category as of the beginning of the quarter in which the reclassifications occur.



## Valuation of Financial Instruments

The carrying amounts of our financial instruments, consisting of cash, receivables, accounts payable, and accrued expenses, approximate fair value due to their short-term nature.

## Securities Transactions

Securities transactions are accounted for on the date the transaction for the purchase or sale of the securities is entered into by the Company (i.e., trade date). Securities transactions outside conventional channels, such as private transactions, are recorded as of the date the Company obtains the right to demand the securities purchased or to collect the proceeds from a sale, and incurs an obligation to pay for securities purchased or to deliver securities sold, respectively.

## Portfolio Company Investment Classification

We are a non-diversified company within the meaning of the 1940 Act. We classify our investments by level of control. As defined in the 1940 Act, control investments are those where there is the power to exercise a controlling influence over the management or policies of a company. Control is generally deemed to exist when a company or individual directly or indirectly owns beneficially more than 25% of the voting securities of an investee company. Affiliated investments and affiliated companies are defined by a lesser degree of influence and are deemed to exist when a company or individual directly or indirectly owns, controls or holds the power to vote 5% or more of the outstanding voting securities of another person.

## Cash

The Company places its cash with U.S. Bank, N.A. and First Republic Bank, N.A., and at times, cash held in these accounts may exceed the Federal Deposit Insurance Corporation insured limit. The Company may invest a portion of its cash in money market funds, within limitations of the 1940 Act.

## Revenue Recognition

The Company's revenue recognition policies are as follows:

*Sales:* Gains or losses on the sale of investments are determined using the specific identification method.

*Interest:* Interest income, adjusted for amortization of premium and accretion of discount, is recorded on an accrual basis.

*Dividends:* Dividend income is recognized on the ex-dividend date.

## Investment Transaction Costs and Escrow Deposits

Commissions and other costs associated with an investment transaction, including legal expenses not reimbursed by the issuer, are included in the cost basis of purchases and deducted from the proceeds of sales. The Company makes certain acquisitions on the secondary markets which may involve making deposits to escrow accounts until certain conditions are met including the underlying private company's right of first refusal. If the underlying private company does not exercise or assign its right of first refusal and all other conditions are met, then the funds in the escrow

account are delivered to the seller and the account is closed. These transactions are reflected on the Consolidated Statement of Assets and Liabilities as Escrow deposits. At March 31, 2013 and December 31, 2012, the Company had \$0 in Escrow deposits.

## **Unrealized Appreciation or Depreciation on Investments**

Unrealized appreciation or depreciation is calculated as the difference between the fair value of the investment and the cost basis of such investment.

## **U.S. Federal and State Income Taxes**

The Company was taxed as a regular corporation (a C corporation ) under subchapter C of the Internal Revenue Code of 1986, as amended, for its 2012 taxable year. The Company uses the liability method of accounting for income taxes. Deferred tax assets and liabilities are recorded for tax loss carryforwards and temporary differences between the tax basis of assets and liabilities and their reported amounts in the

consolidated financial statements, using statutory tax rates in effect for the year in which the temporary differences are expected to reverse. Certain tax attributes may be subject to limitations on timing and usage. A valuation allowance is provided against deferred tax assets when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Beginning with its 2013 taxable year, the Company may elect to be treated as a regulated investment company ( RIC ) under subchapter M of the Internal Revenue Code of 1986, as amended (the Code ), if management determines that it is in the best interests of the Company to do so and the Company is able to satisfy the requirements under subchapter M of the Code. In order to qualify as a RIC, among other things, the Company is required to distribute to its stockholders on a timely basis at least 90% of investment company taxable income, as defined by the Code, for each year, and meet certain asset diversification requirements on a quarterly basis. So long as the Company qualifies and maintains its status as a RIC, it generally will not pay corporate-level U.S. federal and state income taxes on any ordinary income or capital gains that it distributes at least annually to its stockholders as dividends. Rather, any tax liability related to income earned by the Company will represent obligations of the Company's investors and will not be reflected in the consolidated financial statements of the Company. Although it is currently its intention to do so, at the present time, the Company cannot assure you whether it will elect to be treated as a RIC for its 2013 taxable year. If it opts not to do so, the Company will continue to be taxed as a C corporation under the Code for its 2013 taxable year.

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 of being sustained by the applicable tax authority. The Company recognizes the tax benefits of uncertain tax positions only where the position has met the more-likely-than-not threshold. The Company classifies penalties and interest associated with income taxes, if any, as 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, ongoing analyses of tax laws, regulations and interpretations thereof.

## Offering Costs

Offering costs include legal fees and other costs pertaining to the public offerings. As of March 31, 2013 there were no deferred offering costs. As of December 31, 2012, \$738,697 of offering costs were offset against capital proceeds from the secondary offerings on May 11, 2012 and February 10, 2012.

## Per Share Information

Basic and diluted earnings (loss) per common share is calculated using the weighted average number of shares outstanding for the period presented.

## Capital Accounts

Certain capital accounts including undistributed net investment income, accumulated net realized gain or loss, net unrealized appreciation or depreciation, and paid-in capital in excess of par, are adjusted, at least annually, for permanent differences between book and tax. In addition, the character of income and gains to be distributed is determined in accordance with income tax regulations that may differ from GAAP. GAAP requires that certain components of net assets relating to permanent differences be reclassified between financial and tax reporting. These reclassifications have no effect on the net assets or net asset value per share and are intended to enable the Company's stockholders to determine the amount of accumulated and undistributed earnings they potentially could receive in the future and on which they could be taxed.

## Recently Adopted Accounting Standards

In May 2011, the Financial Accounting Standards Board ( FASB ) issued guidance clarifying how to measure and disclose fair value. This guidance amends the application of the highest and best use concept to be used only in the measurement of fair value of nonfinancial assets, clarifies that the measurement of the fair value of equity-classified financial instruments should be performed from the perspective of a market participant who holds the instrument as an asset, clarifies that an entity that manages a group of financial assets and liabilities on the basis of its net risk exposure can measure those financial instruments on the basis of its net exposure to those risks, and clarifies when premiums and discounts should be taken into account

when measuring fair value. The fair value disclosure requirements also were amended. The amended guidance is to be applied prospectively. For public entities, the guidance is effective during interim and annual periods beginning after December 15, 2011. The adoption of this guidance did not have a significant impact on our financial condition, results of operations or cash flows.

## **NOTE 2 RELATED PARTY ARRANGEMENTS**

### **Investment Advisory Agreement**

The Company entered into an investment advisory agreement with GSV Asset Management (the Advisory Agreement ) in connection with its initial public offering. Pursuant to the Advisory Agreement, GSV Asset Management will be paid a base annual fee of 2% of gross assets, and an annual incentive fee equal to the lesser of (i) 20% of the Company's realized capital gains during each calendar year, if any, calculated on an investment-by-investment basis, subject to a non-compounded preferred return, or hurdle, and a catch-up feature, and (ii) 20% of the Company's realized capital gains, if any, on a cumulative basis from inception through the end of each calendar year, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid incentive fees. For the three months ended March 31, 2013 and March 31, 2012, GSV Asset Management earned \$1,283,599 and \$621,926, respectively, in base management fees and \$0 and \$0 in incentive fees, respectively.

As of March 31, 2013, the Company was due \$8,505 from GSV Asset Management for reimbursement of expenses paid for by the Company that were the responsibility of GSV Asset Management, and is included in the Consolidated Statement of Assets and Liabilities.

As of March 31, 2013, the Company owed GSV Asset Management \$39,012 for reimbursements of travel-related and other expenses, and is included in the Consolidated Statement of Assets and Liabilities.

As of December 31, 2012, the Company was due \$5,723 from GSV Asset Management for reimbursement of expenses paid by the Company that were the responsibility of GSV Asset Management, and is included in the Consolidated Statement of Assets and Liabilities.

As of December 31, 2012, the Company owed GSV Asset Management \$51,194 for reimbursements of travel-related expenses. These are included in the Consolidated Statement of Assets and Liabilities.

### **Administration Agreement**

The Company entered into an administration agreement with GSV Capital Service Company (the Administration Agreement ) to provide administrative services, including furnishing the Company with office facilities, equipment, clerical, bookkeeping, record keeping services and other administrative services, in connection with its initial public offering and ongoing operations. The Company reimburses GSV Capital Service Company an allocable portion of overhead and other expenses in performing its obligations under the Administration Agreement. There were \$887,984 and \$345,594 in such costs incurred under the Administration Agreement for the three months ended March 31, 2013 and March 31, 2012, respectively.

## **License Agreement**

The Company entered into a license agreement with GSV Asset Management pursuant to which GSV Asset Management has agreed to grant the Company a non-exclusive, royalty-free license to use the name GSV. Under this agreement, the Company has the right to use the GSV name for so long as the Advisory Agreement with GSV Asset Management is in effect. Other than with respect to this limited license, the Company has no legal right to the GSV name.

21

---



## NOTE 3 PORTFOLIO INVESTMENTS AND FAIR VALUE

At March 31, 2013, the Company had 63 positions in 45 portfolio companies. The total cost and fair value of the 63 positions were \$235,481,893 and \$222,154,605, respectively. At December 31, 2012, the Company had 61 positions in 47 portfolio companies. The total cost and fair value of the 61 positions were \$237,147,735 and \$225,397,085, respectively. The composition of our investments as of March 31, 2013 and December 31, 2012 are as follows:

	March 31, 2013 (Unaudited)		December 31, 2012	
	Cost	Fair Value	Cost	Fair Value
Common Stock	\$ 127,701,404	\$ 118,790,833	\$ 132,833,640	\$ 123,820,141
Preferred Stock	107,150,019	102,657,139	103,683,625	100,853,882
Common Membership Interest	500,000	500,000	500,000	500,000
Warrants	130,470	206,633	130,470	223,062
Total Portfolio Investments	235,481,893	222,154,605	237,147,735	225,397,085
Non-Portfolio Investments	16,000,000	16,000,000	16,000,000	16,000,000
Total Investments	\$ 251,481,893	\$ 238,154,605	\$ 253,147,735	\$ 241,397,085

The table below presents the valuation techniques and the nature of significant inputs used to determine the fair values of our Level 3 investments as of March 31, 2013.

Asset	Fair Value	Valuation Techniques	Unobservable inputs	Range (Average)		
Common stock in private companies	\$108,246,502	Market approach	Precedent transactions	N/A		
			Revenue multiples	1.3x 9.4x (3.4x)		
		Income approach	Revenue growth rate (5 year)	20% 50% (38%)		
			EBIT multiples	9.3x 40.7x (23.8x)		
			EBIT margin (5 year)	15% 30% (24%)		
			Discount rate	35% 50% (38%)		
		Preferred stock in private companies	102,657,139	Scenario analysis	IPO/M&A probability	50/50% 80/20%
					Market approach	Precedent transactions
				Income approach	Revenue multiples	0.8x 9.4x (2.8x)
					Revenue growth rate (5 year)	15% 50% (44%)
EBIT multiples	6.9x 40.7x (16.8x)					
EBIT margin (5 year)	5% 50% (23%)					
Common membership interest	500,000	Scenario analysis	Discount rate	35% 50% (43%)		
			IPO/M&A probability	75/25% 25/75%		
		Market approach	Liquidity preference	N/A		
			Precedent transactions	N/A		
Warrants	206,633	Option pricing model	Term to expiration*	See below		
			Stock price*	See below		
			Volatility*	See below		

\*The Echo System Corp. warrants have an estimated term of 3.63 years, a stock price of \$3.20 and a volatility of 36%, and the SharesPost, Inc. warrants have an estimated term of 2.75 years, a stock price of \$0.31 and a volatility

of 47%.

22

---

The significant unobservable inputs used in determining the fair value of the warrants are the term to expiration, stock price and volatility. Volatility is based on a combination of implied and historical volatility indications. A higher stock price and a longer time to expiration result in higher values, all else equal.

The fair values of our investments disaggregated into the three levels of the fair value hierarchy based upon the lowest level of significant input used in the valuation as of March 31, 2013 and December 31, 2012 are as follows:

	As of March 31, 2013 (Unaudited)			Total
	Quoted Prices in Active Markets for Identical Securities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Common Stock	\$ 8,953,000	\$ 1,591,331	\$ 108,246,502	\$ 118,790,833
Preferred Stock			102,657,139	102,657,139
Money Market Funds	16,000,000			16,000,000
Common Membership Interest			500,000	500,000
Warrants			206,633	206,633
Total Investments	\$ 24,953,000	\$ 1,591,331	\$ 211,610,274	\$ 238,154,605

	As of December 31, 2012			Total
	Quoted Prices in Active Markets for Identical Securities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Common Stock	\$ 10,964,466	\$	\$ 112,855,675	\$ 123,820,141
Preferred Stock			100,853,882	100,853,882
Money Market Funds	16,000,000			16,000,000
Common Membership Interest			500,000	500,000
Warrants			223,062	223,062
Total Investments	\$ 26,964,466	\$	\$ 214,432,619	\$ 241,397,085

The aggregate values of Level 3 portfolio investments changed during the three months ended March 31, 2013 and the year ended December 31, 2012 as follows:

	Three months ended March 31, 2013 (Unaudited)				Total
	Common Stock	Preferred Stock	Common Membership Interest	Warrants	
Fair value as of December 31, 2012	\$ 112,855,675	\$ 100,853,882	\$ 500,000	\$ 223,062	\$ 214,432,619
Purchases of investments		3,466,394			3,466,394
Change in unrealized depreciation included in	(3,017,842 )	(1,663,137 )		(16,429 )	(4,697,408 )

Edgar Filing: GSV Capital Corp. - Form 10-Q

earnings					
Transfer to Level 2	(1,591,331 )				(1,591,331 )
Fair Value as of March 31, 2013	\$108,246,502	\$102,657,139	\$500,000	\$206,633	\$211,610,274
Change in unrealized depreciation on Level 3 investments still held as of March 31, 2013	\$(2,632,369 )	\$(1,663,137 )	\$	\$(16,429 )	\$(4,311,935 )

23

---

	Year ended December 31, 2012					Total
	Common Stock	Preferred Stock	Structured Note	Common Membership Interest	Warrants	
Fair value as of December 31, 2011	\$40,865,381	\$17,453,085	\$4,500,000	\$	\$71,396	\$62,889,862
Purchases of investments	86,378,395	85,104,161	854,236	500,000	31,354	172,868,146
Exercises, conversions and assignments <sup>(1)</sup>		984,067	(1,006,390)		22,323	
Sales and settlements			(3,002,665)			(3,002,665 )
Realized loss included in earnings			(1,380,263)			(1,380,263 )
Change in unrealized appreciation (depreciation) included in earnings	(5,027,001 )	(2,687,431 )	35,082		97,989	(7,581,361 )
Transfer to Level 2	(9,361,100 )					(9,361,100 )
Fair Value as of December 31, 2012	\$112,855,675	\$100,853,882	\$	\$500,000	\$223,062	\$214,432,619
Change in unrealized appreciation (depreciation) on Level 3 investments still held as of December 31, 2012	\$(3,919,288 )	\$(2,687,431 )	\$	\$	\$97,989	\$(6,508,730 )

During the year ended December 31, 2012, the Company converted its structured notes to preferred shares in AlwaysOn, Inc. and The Echo System Corp., and exercised its warrants for preferred shares in StormWind, LLC. (1) A portion of The Echo System Corp. structured notes attributable to the warrants was reclassified during the same period.

During the three months ended March 31, 2013, there was one transfer between levels related to our investment in Silver Spring Networks, Inc. Due to a public offering on March 12, 2013; observable inputs became available for our valuation at March 31, 2013. Our shares in Silver Spring Networks, Inc. are presently subject to a lock-up agreement that expires on September 8, 2013. The fair value for Silver Spring was estimated using the close price on a public exchange as of the valuation date, adjusted for a discount due to lack of marketability of 10% that was primarily based on the market price of publicly traded put options with a similar term as the lock-up as of March 31, 2013.

During the year ended December 31, 2012, there were three transfers between levels. Two of these transfers occurred as of June 30, 2012. Due to the expiration of the lock-up agreement on our shares in Groupon, Inc. on June 1, 2012, the closing price on a public exchange on June 29, 2012 was used for our valuation as of June 30, 2012. This resulted in a transfer of Groupon, Inc. from Level 2 to Level 1. At December 31, 2012, Groupon, Inc. was valued using the closing price on a public exchange on December 31, 2012. Due to the initial public offering of Facebook, Inc. on May 17, 2012, observable inputs became available for our valuation as of June 30, 2012. However, our shares in Facebook, Inc. were subject to a lock-up agreement that expired on November 14, 2012. As such, the fair value for Facebook, Inc. was estimated using the closing price on a public exchange as of June 29, 2012, adjusted for a discount due to a lack of marketability of 14% that was primarily based on the market price of publicly traded put options with a similar

term as our lock-up as of June 30, 2012. This resulted in a transfer of Facebook, Inc. from Level 3 to Level 2. Due to the expiration of the lock-up agreement on our shares in Facebook, Inc. on November 14, 2012, the closing price on a public exchange on December 31, 2012 was used for our valuation as of December 31, 2012. This resulted in a transfer of Facebook, Inc. from Level 2 to Level 1.

During the year ended December 31, 2012, the Company recorded a realized loss on our investment in PJB Fund LLC. The note matured and was repaid by transfer of shares of common stock of Zynga, Inc.

## NOTE 4 EQUITY OFFERINGS AND RELATED EXPENSES

We issued 13,800,000 shares of our common stock during the year ended December 31, 2012. No new shares of our common stock were issued during the three months ended March 31, 2013. The proceeds raised, the related underwriting fees, the offering expenses and the prices at which these shares were issued are as follows:

Issuances of Common Stock	Number of Shares	Gross Proceeds Raised	Underwriting Fees	Offering Expenses	Offering Price
February 28, 2011	100	\$1,500	\$	\$	\$ 15.00
April 28, 2011	3,335,000	50,025,000	3,501,750	527,166 <sup>(1)</sup>	15.00
September 27, 2011	2,185,000	30,917,750	1,267,300	531,122 <sup>(2)</sup>	14.15
February 10, 2012	6,900,000	103,500,000	7,245,000	326,077	15.00
May 11, 2012	6,900,000	112,125,000	6,727,500	412,620 <sup>(3)</sup>	16.25

(1) Includes \$3,585 of offering expenses that were accrued as of September 30, 2011.

(2) Amount was reduced by \$18,878 after actual expenses for the offering were determined as of December 31, 2011.

(3) Includes \$960 of offering expenses that were accrued as of September 30, 2012.

## NOTE 5 NET DECREASE IN NET ASSETS PER COMMON SHARE

The following information sets forth the computation of net decrease in net assets resulting from operations per common share for the three months ended March 31, 2013, and March 31, 2012, respectively.

	Three months ended March 31, 2013	Three months ended March 31, 2012
Net decrease in net assets resulting from operations	\$ (7,491,255 )	\$ (83,063 )
Weighted average common shares	19,320,100	9,387,133
Basic and diluted earnings per common share	\$ (0.38 )	\$ (0.01 )

## NOTE 6 LEGAL CONTINGENCIES

The Company is currently not 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 contracts with our portfolio companies. While the outcome of these legal proceedings cannot be predicted with certainty, we do not expect that these proceedings will have a material effect upon our business, financial condition or results of operations.

## NOTE 7 FINANCIAL HIGHLIGHTS

	Three months ended March 31, 2013	Three months ended March 31, 2012	
Per Share Data:			
Net asset value at beginning of period	\$ 13.07	\$ 12.95	
Issuance of common shares		1.14	(3)
Underwriters discount		(0.58)	(2)
Offering costs			