

Firsthand Technology Value Fund, Inc.
Form 10-Q
November 08, 2016

U.S. 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 of September 30, 2016 or

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

Commission File Number 333-168195

FIRSTHAND TECHNOLOGY VALUE FUND, INC.
(Exact Name of Registrant as Specified in Charter)

MARYLAND 27-3008946
(State or Other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification No)

150 Almaden Boulevard, Suite 1250
San Jose, California 95113
(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, Including Area Code: (408) 886-7096

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 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," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer
 Non-accelerated Filer Smaller Reporting Company
(Do not check if 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

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

Class	Outstanding at October 31, 2016
Common Stock, \$0.001 par value per share	7,430,697

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

See accompanying notes to financial statements

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Firsthand Technology Value Fund, Inc.
Consolidated Statements of Assets and Liabilities

	AS OF SEPTEMBER 30, 2016 (UNAUDITED)	AS OF DECEMBER 31, 2015
ASSETS		
Investment securities:		
Unaffiliated investments at acquisition cost	\$ 73,856,147	\$93,589,422
Affiliated investments at acquisition cost	11,898,906	11,034,882
Controlled investments at acquisition cost	90,309,586	78,652,059
Total acquisition cost	\$ 176,064,639	\$ 183,276,363
Unaffiliated investments at market value	\$ 58,074,704	\$80,268,986
Affiliated investments at market value	11,231,084	12,928,943
Controlled investments at market value	80,268,872	77,480,846
Total market value* (Note 6)	149,574,660	170,678,775
Cash**	9,694,433	767,286
Escrow cash	—	1,000,000
Receivable from dividends and interest	649,561	3,436,726
Other assets	10,328	786,468
Total Assets	159,928,982	176,669,255
LIABILITIES		
Payable for securities purchased	3,056,390	—
Payable to affiliates (Note 4)	1,649,625	895,372
Consulting fee payable	52,000	29,000
Accrued expenses and other payables	93,961	165,504
Total Liabilities	4,851,976	1,089,876
NET ASSETS	\$ 155,077,006	\$ 175,579,379
Net Assets consist of:		
Common Stock, par value \$0.001 per share 100,000,000 shares authorized	\$ 7,431	\$7,703
Paid-in-capital	188,533,815	190,538,978
Accumulated net investment loss	(2,824,486) —
Accumulated net realized losses from security transactions and written options	(4,149,775) (2,369,714)
Net unrealized depreciation on investments and warrants transactions	(26,489,979) (12,597,588)
NET ASSETS	\$ 155,077,006	\$ 175,579,379
Shares of Common Stock outstanding	7,430,697	7,702,705
Net asset value per share (Note 2)	\$ 20.87	\$22.79

*Includes warrants and purchased options whose primary risk exposure is equity contracts.

Cash composed primarily of the Fidelity Institutional Money Market Treasury Portfolio which invests primarily in

**U.S. Treasury securities. The yield as of 09/30/16 and 12/31/2015 was 0.20% and 0.01%, respectively. Please see <https://fundresearch.fidelity.com/mutual-funds/summary/316175504> for additional information.

See accompanying notes to financial statements

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Firsthand Technology Value Fund, Inc.
Consolidated Statements of Operations (Unaudited)

	FOR THE THREE MONTHS ENDED		FOR THE NINE MONTHS ENDED	
	SEPT 30, 2016	SEPT 30, 2015	SEPT 30, 2016	SEPT 30, 2015
INVESTMENT INCOME				
Unaffiliated dividend income	\$9,205	\$—	\$13,547	\$148,000
Unaffiliated interest	2,931	32,723	14,398	47,826
Affiliated/controlled interest	227,875	490,928	588,861	1,438,391
Royalty income	—	—	—	14,261
TOTAL INVESTMENT INCOME	240,011	523,651	616,806	1,648,478
EXPENSES				
Investment advisory fees (Note 4)	813,334	936,770	2,510,446	2,931,531
Administration fees	45,326	43,900	120,581	107,239
Custody fees	2,377	2,251	9,454	10,426
Transfer agent fees	6,842	8,384	20,261	26,399
Registration and filing fees	5,806	5,798	17,293	17,203
Professional fees	194,218	110,614	456,623	957,049
Printing fees	(2,913)	50,136	35,004	149,946
Trustees fees	25,000	25,000	75,000	75,000
Compliance fees	47,407	—	141,192	—
Miscellaneous fees	24,639	29,664	55,438	56,495
TOTAL GROSS EXPENSES	1,162,036	1,212,517	3,441,292	4,331,288
Incentive fee adjustments (Note 4)	—	(2,753,010)	—	(2,399,314)
TOTAL NET EXPENSES	1,162,036	(1,540,493)	3,441,292	1,931,974
NET INVESTMENT INCOME (LOSS)	(922,025)	2,064,144	(2,824,486)	(283,496)
Net Realized and Unrealized Loss on Investments:				
Net realized gains (losses) from security transactions				
Affiliated/controlled	(3,538,500)	—	(3,035,229)	—
Non-affiliated and other assets	(5,769,095)	(3,725,521)	1,255,168	(2,434,689)
Net realized gains from written options transactions (1)	—	—	—	624,994
Net change in unrealized appreciation (depreciation) on investments	2,412,019	(10,093,234)	(18,413,782)	(10,388,120)
Net change in unrealized appreciation (depreciation) on warrants transactions (1)	(1,686,853)	53,706	4,521,391	47,934
Net Realized and Unrealized Gains (Losses) on Investments	(8,582,429)	(13,765,049)	(15,672,452)	(12,149,881)
Net Decrease In Net Assets Resulting From Operations	\$(9,504,454)	\$(11,700,905)	\$(18,496,938)	\$(12,433,377)
Net Decrease In Net Assets Per Share Resulting From Operations (2)	\$(1.26)	\$(1.49)	\$(2.43)	\$(1.59)

(1) Primary risk exposure is equity contracts.

(2) Per share results are calculated based on weighted average shares outstanding for each period.

See accompanying notes to financial statements

Edgar Filing: Firsthand Technology Value Fund, Inc. - Form 10-Q

Firsthand Technology Value Fund, Inc.
Consolidated Statements of Cash Flows (Unaudited)

	FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016	FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net decrease in Net Assets resulting from operations	\$(18,496,938)	\$(12,433,377)
Adjustments to reconcile net increase (decrease) in Net Assets derived from operations to net cash provided by (used in) operating activities:		
Purchases of investments	(62,754,261)	(38,491,828)
Proceeds from disposition of investments	69,315,924	47,408,157
Net purchases from short-term investments	(1,130,000)	(1,500,000)
Net proceeds from written options	—	624,994
Proceeds from litigation claim	—	7,783
Increase in receivable for investment sold	—	(2,657,611)
Decrease (increase) in dividends and interest receivable	2,787,165	(315,664)
Increase (decrease) in payable for investment purchased	3,056,390	(38,253,718)
Increase (decrease) in payable to affiliates	754,253	(357,711)
Decrease in incentive fees payable	—	(13,637,768)
Decrease (increase) in other assets	776,140	(231,225)
Decrease in accrued expenses and other payables	(48,543)	(196,656)
Decrease in restricted cash	1,000,000	—
Net realized loss from investments	1,780,061	2,434,689
Net realized gain from written options	—	(624,994)
Net unrealized depreciation from investments, other assets, and warrants transactions	13,892,391	10,340,186
Net cash provided by (used in) operating activities	10,932,582	(47,884,743)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from shares redeemed	—	(19,999,992)
Cost of shares repurchased	(2,005,435)	—
Net cash used by financing activities	(2,005,435)	(19,999,992)
Net increase (decrease) in cash	8,927,147	(67,884,735)
Cash - beginning of period	767,286	69,014,110
Cash - end of period	\$ 9,694,433	\$ 1,129,375

See accompanying notes to financial statements

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Firsthand Technology Value Fund, Inc.
Consolidated Statements of Changes in Net Assets

	FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 (UNAUDITED)	FOR THE YEAR ENDED DECEMBER 31, 2015
FROM OPERATIONS:		
Net investment loss	\$ (2,824,486)	\$ (448,549)
Net realized losses from security transactions and written options	(1,780,061)	(2,197,728)
Net change in unrealized depreciation on investments and warrants transactions	(13,892,391)	(11,504,423)
Net decrease in net assets from operations	(18,496,938)	(14,150,700)
FROM CAPITAL SHARE TRANSACTIONS:		
Proceeds for shares redeemed	—	(19,999,992)
Cost of shares repurchased	(2,005,435)	—
Net decrease in net assets from capital share transactions	(2,005,435)	(19,999,992)
TOTAL DECREASE IN NET ASSETS	(20,502,373)	(34,150,692)
NET ASSETS:		
Beginning of period	175,579,379	209,730,071
End of period	\$ 155,077,006	\$ 175,579,379
Accumulated Net Investment Loss	(2,824,486)	—
COMMON STOCK ACTIVITY:		
Shares repurchased	(272,008)	(859,468)
Net decrease in shares outstanding	(272,008)	(859,468)
Shares outstanding, beginning of period	7,702,705	8,562,173
Shares outstanding, end of period	7,430,697	7,702,705

See accompanying notes to financial statements

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Firsthand Technology Value Fund, Inc.

Financial Highlights

Selected per share data and ratios for a share outstanding throughout each period

	FOR THE NINE MONTHS ENDED SEPT 30, 2016* (UNAUDITED)	FOR THE YEAR ENDED DECEMBER 31, 2015*	FOR THE YEAR ENDED DECEMBER 31, 2014	FOR THE YEAR ENDED DECEMBER 31, 2013	FOR THE YEAR ENDED DECEMBER 31, 2012	FOR THE PERIOD ENDED DECEMBER 31, 2011 ⁽¹⁾
Net asset value at beginning of period	\$ 22.79	\$ 24.49	\$ 28.32	\$ 22.90	\$ 23.92	\$ 27.01
Income from investment operations:						
Net investment loss	(0.37) ⁽²⁾	(0.06) ⁽²⁾	(1.26)	(1.42)	(0.39)	(0.41)
Net realized and unrealized gains (losses) on investments	(2.08)	(1.78)	3.04	7.16	(1.01)	(2.68)
Total from investment operations	(2.45)	(1.84)	1.78	5.74	(1.40)	(3.09)
Distributions from:						
Realized capital gains	—	—	(5.86)	(0.32)	—	—
Premiums from shares sold in offerings	—	—	—	— ⁽³⁾	0.38	—
Anti-dilutive effect from capital share transactions	0.53	0.14	0.25	—	—	—
Net asset value at end of period	\$ 20.87	\$ 22.79	\$ 24.49	\$ 28.32	\$ 22.90	\$ 23.92
Market value at end of period	\$ 7.85	\$ 8.17	\$ 18.65	\$ 23.17	\$ 17.44	\$ 14.33
Total return						
Based on Net Asset Value	(8.42)% ^(A)	(6.94)%	12.54 %	25.30 %	(4.26)%	(11.44)% ^(A)
Based on Market Value	(3.92)% ^(A)	(56.19)%	4.76 %	34.61 %	21.70 %	(46.95)% ^(A)
Net assets at end of period (millions)	\$ 155.0	\$ 175.6	\$ 209.7	\$ 256.9	\$ 195.9	\$ 83.63
Ratio of total expenses to average net assets	2.77 % ^(B)	1.36 % ⁽⁴⁾	5.29 % ⁽⁴⁾	6.52 % ⁽⁴⁾	2.56 %	2.76 % ^(B)
Ratio of total expenses to average net assets, excluding incentive fees	2.77 % ^(B)	2.68 %	3.12 %	2.67 %	2.56 %	2.76 % ^(B)
Ratio of net investment loss to	(2.27)% ^(B)	(0.24)%	(4.31)%	(5.96)%	(2.12)%	(2.28)% ^(B)

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average net assets

Portfolio turnover rate 39 %^(A) 22 % 95 % 17 % 10 % 18 %^(A)

* Consolidated.

(1) For the period April 18, 2011 (inception) through December 31, 2011.

(2) Calculated using average shares outstanding.

(3) Less than \$0.005 per share.

Amount includes the incentive fee. For the year ended December 31, 2015, the year ended December 31, 2014 and (4) the year December 31, 2013, the ratio of the incentive fee to average net assets was (1.32)%, 2.17% and 3.85%, respectively.

(A) Not Annualized.

(B) Annualized.

See accompanying notes to financial statements

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Firsthand Technology Value Fund, Inc.
Consolidated Schedule of Investments
SEPTEMBER 30, 2016 (UNAUDITED)

PORTFOLIO COMPANY (% OF NET ASSETS) AND INDUSTRY	TYPE OF INVESTMENT	SHARES/PAR VALUE (\$)	COST BASIS	VALUE
ALIPHCOM, INC. (0.8%) Consumer Electronics	Common Stock *(1)	2,128,005	\$ 10,108,024	\$ 1,285,528
CLOUDERA, INC. (0.4%) Software	Common Stock *(1)	20,000	580,000	612,278
EQX CAPITAL, INC. (1.3%) Equipment Leasing	Common Stock *(1)(2) Preferred Stock - Series A *(1)(2)	100,000 2,000,000	20,000 2,000,000	42,630 1,977,400 2,020,030
HERA SYSTEMS, INC. (0.4%) Aerospace	Preferred Stock - Series A (1)(2) Convertible Note (1)(2) Matures August 2017 Interest Rate 6%	3,642,324 30,000	2,000,000 30,000	593,699 30,000 623,699
HIGHTAIL, INC. (5.5%) Cloud Computing	Preferred Stock - Series E *(1)(4)	2,268,602	9,620,188	8,576,450
HIKU LABS, INC. (0.9%) Consumer Electronics	Preferred Stock - Series A (1) Convertible Note (1) Matures August 2017 Interest Rate 6%	3,280,191 100,000	2,124,074 100,000	1,337,333 100,000 1,437,333
INTEVAC, INC. (0.9%) Other Electronics	Common Stock *	243,883	2,721,734	1,438,910
INTRAOP MEDICAL CORP. (17.5%) Medical Devices	Preferred Stock - Series C *(1)(2) Term Note (1)(2) Matures February 2017 Interest Rate 8%	26,856,187 3,000,000	26,299,938 3,000,000	23,070,270 3,000,000
	Convertible Note (1)(2) Matures July 2017 Interest Rate 15%	1,000,000	1,000,000	1,000,000 27,070,270
INVENSENSE, INC. (1.0%) Semiconductors	Common Stock *	200,000	3,138,624	1,484,000
NUTANIX, INC. (9.3%) Networking	Common Stock *(1)	459,772	7,376,112	14,459,829

See accompanying notes to financial statements

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Firsthand Technology Value Fund, Inc.
 Consolidated Schedule of Investments - continued
 SEPTEMBER 30, 2016 (UNAUDITED)

PORTFOLIO COMPANY (% OF NET ASSETS) AND INDUSTRY	TYPE OF INVESTMENT	SHARES/PAR VALUE (\$)	COST BASIS	VALUE
PHUNWARE, INC. (4.5%) Mobile Computing	Preferred Stock - Series E *(1)	3,257,328	\$9,999,997	\$7,014,330
	Preferred Stock - Series D *(1)(2)	6,237,978	3,975,801	4,067,786
PIVOTAL SYSTEMS CORP. (15.9%) Semiconductor Equipment	Preferred Stock - Series C *(1)(2)	2,291,260	2,657,862	2,282,324
	Preferred Stock - Series B *(1)(2)	13,065,236	6,321,482	6,982,062
	Preferred Stock - Series A *(1)(2)	11,914,217	6,000,048	6,366,958
	Common Stock Warrants *(1)(2)	4,158,654	0	276,966
	Common Stock Warrants *(1)(2)	18,180,475	0	4,674,200
				24,650,296
				189,700
PURE STORAGE, INC. (0.1%) Computer Storage	Common Stock*	14,000	336,000	189,700
QMAT, INC. (5.6%) Advanced Materials	Preferred Stock - Series A *(1)(2)	16,000,240	16,000,240	7,923,319
	Preferred Stock Warrants - Series A *(1)(2)	2,000,000	0	190,800
	Preferred Stock - Series B *(1)(2)	500,000	500,000	500,000
ROKU, INC. (1.1%) Consumer Electronics	Common Stock *(1)	1,500,000	2,312,500	1,697,700
SILICON GENESIS CORP. (4.8%) Intellectual Property	Preferred Stock - Series 1-E *(1)(2)	5,704,480	2,946,535	2,486,012
	Preferred Stock - Series 1-C *(1)(2)	82,914	109,518	89,804
	Preferred Stock - Series 1-G *(1)(2)(5)	48,370,793	5,042,479	3,686,822
	Preferred Stock - Series 1-H *(1)(2)	837,942	1,000,000	280,627
	Preferred Stock - Series 1-D *(1)(2)	850,830	431,901	250,229
	Common Stock *(1)(2)	921,892	169,045	19,175
	Common Stock Warrants *(1)(2)	37,982	6,678	422
	Preferred Stock -Series 1-F *(1)(2)	912,453	583,060	539,351
	Common Stock Warrants *(1)(2)	5,000,000	0	13,500
		3,000,000	0	8,100

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Common Stock Warrants

*(1)(2)

SUNRUN, INC. (2.7%) Renewable Energy	Common Stock *	674,820	6,417,495	7,374,042 4,251,366
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See accompanying notes to financial statements

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Firsthand Technology Value Fund, Inc.
 Consolidated Schedule of Investments - continued
 SEPTEMBER 30, 2016 (UNAUDITED)

PORTFOLIO COMPANY (% OF NET ASSETS) AND INDUSTRY	TYPE OF INVESTMENT	SHARES/PAR VALUE (\$)	COST BASIS	VALUE	
TELEPATHY INVESTORS, INC. (4.3%) Consumer Electronics	Convertible Note (1)(2) Matures January 2018 Interest Rate 10%	150,000	\$150,000	\$150,000	
	Convertible Note (1)(2) Matures January 2018 Interest Rate 10%	500,000	500,000	500,000	
	Convertible Note (1)(2) Matures January 2018 Interest Rate 10%	300,000	300,000	300,000	
	Preferred Stock - Series A *(1)(2)	15,238,000	3,999,999	3,693,691	
	Convertible Note (1)(2) Matures June 2017 Interest Rate 10%	2,000,000	2,000,000	2,000,000	
				6,643,691	
	TURN INC. (5.6%) Advertising Technology	Convertible Note (1) Matures March 2023 Interest Rate 1.48%	559,360	559,360	559,360
		Preferred Stock - Series E *(1)(5)	1,798,562	11,339,911	8,183,817
					8,743,177
	UCT COATINGS, INC. (0.3%) Advanced Materials	Common Stock Warrants *(1)	2,283	67	3
Common Stock *(1)		1,500,000	662,235	427,500	
				427,503	
VUFINE, INC. (2.1%) Consumer Electronics	Common Stock *(1)(2)	750,000	15,000	22,725	
	Preferred Stock - Series A *(1)(2)	22,500,000	2,250,000	2,250,000	
	Convertible Note (1)(2) Matures March 2023 Interest Rate 1.48%	1,000,000	1,000,000	1,000,000	
				3,272,725	
WRIGHTSPEED, INC. (7.2%) Automotive	Preferred Stock - Series C *(1)(3)(4)	2,267,659	6,864,023	6,295,021	
	Preferred Stock - Series D *(1)(3)	1,100,978	3,375,887	3,460,594	
	Preferred Stock - Series E *(1)(3)	450,814	1,658,996	1,475,469	
			11,231,084		
EXCHANGE-TRADED FUNDS — 4.2% (\$6,456,600)					
iShares Short Treasury Bond ETF		40,000	3,403,436	3,401,600	
SPDR Barclays 1-3 Month T-Bill ETF*		100,000	3,056,390	3,055,000	
				6,456,600	

See accompanying notes to financial statements

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Firsthand Technology Value Fund, Inc.
 Consolidated Schedule of Investments - continued
 SEPTEMBER 30, 2016 (UNAUDITED)

PORTFOLIO COMPANY (% OF NET ASSETS) AND INDUSTRY	TYPE OF INVESTMENT	SHARES/PAR VALUE (\$)	COST BASIS	VALUE
TOTAL INVESTMENTS (Cost \$176,064,639) — 96.4%				\$ 149,574,660
OTHER ASSETS IN EXCESS OF LIABILITIES — 3.6%				5,502,346
NET ASSETS — 100.0%				\$ 155,077,006

*Non-income producing security.

(1) Restricted security. Fair Value is determined by or under the direction of the Company's Board of Directors (See note 3).

(2) Controlled investments.

(3) Affiliated issuer.

(4) A portion represents position held in Firsthand Holdings, Ltd. (See Note 1).

(5) A portion represents position held in Firsthand Development, Ltd. (See Note 1).

ETF Exchange-traded fund.

SPDR Standard & Poor's Depository Receipt

See accompanying notes to financial statements

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Firsthand Technology Value Fund, Inc.
Consolidated Notes to Financial Statements
SEPTEMBER 30, 2016 (UNAUDITED)

NOTE 1. THE COMPANY

Firsthand Technology Value Fund, Inc. (the “Company,” “us,” “our,” and “we”), is a Maryland corporation and an externally managed, non-diversified, closed-end management investment company that has elected to be treated as a business development company (“BDC”) under the Investment Company Act of 1940, as amended (the “1940 Act”). The Company acquired its initial portfolio of securities through the reorganization of Firsthand Technology Value Fund, a series of Firsthand Funds, into the Company. The reorganization was completed on April 15, 2011. The Company commenced operations on April 18th, 2011. Under normal circumstances, the Company will invest at least 80% of its assets for investment purposes in technology companies, which are considered to be those companies that derive at least 50% of their revenues from products and/ or services within the information technology sector or the “cleantech” sector. Information technology companies include, but are not limited to, those focused on computer hardware, software, telecommunications, networking, Internet, and consumer electronics. While there is no standard definition of cleantech, it is generally regarded as including goods and services designed to harness renewable energy and materials, eliminate emissions and waste, and reduce the use of natural resources. In addition, under normal circumstances we will invest at least 70% of our assets in privately held companies and in public companies with market capitalizations less than \$250 million. Our portfolio is primarily composed of equity and equity derivative securities of technology and cleantech companies (as defined above). These investments generally range between \$1 million and \$10 million each, although the investment size will vary proportionately with the size of the Company’s capital base. The Company’s shares are listed on the NASDAQ Global Market under the symbol “SVVC.”

The Company is an investment company and follows accounting and reporting guidance in the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification Topic 946.

CONSOLIDATION OF SUBSIDIARIES. On May 8, 2015, the Board of Directors of the Company approved the formation of a fully owned and controlled subsidiary (as defined by the 1940 Act) of the Company named Firsthand Venture Investors (“FVI”), a California general partnership formed on March 30, 2015. After the closing of business on June 30, 2015, the Company contributed substantially all of its assets to FVI in return for a controlling general partner ownership interest in FVI. The transaction was completed July 1, 2015. Under this new structure, we will have all or substantially all of our investment activities conducted through our fully owned subsidiary, FVI.

On June 10, 2016, the Board of Directors of the Company approved the formation of a fully owned and controlled subsidiary (as defined by the 1940 Act) of FVI named Firsthand Holdings, Ltd. (“FHL”), a Cayman Islands corporation formed on May 4, 2016. Under this structure, we may from time to time transfer investments in the Company held in the Company or FVI to FHL in return for ownership interests in FHL. The net assets of FHL at September 30, 2016, were \$6,376,780 or 4.1% of the Company’s consolidated net assets. On September 27, 2016, the Board of Directors of the Company approved the formation of a fully owned and controlled subsidiary (as defined by the 1940 Act) of FVI named Firsthand Development, Ltd (“FDL”), a Cayman Islands corporation formed on September 22, 2016. Under this structure, we may from time to time transfer investments in the Company held in the Company or FVI to FDL in return for ownership interests in FDL. The net assets of FDL at September 30, 2016, were \$7,035,892 or 4.5% of the Company’s consolidated net assets. The financial statements of the Company, FVI and FHL and FDL are presented in the report on a consolidated basis.

FHL and FDL are both treated as a controlled foreign corporation under the Internal Revenue Code and are not expected to be subject to U.S. federal income tax. FVI is treated as a U.S. shareholder of each of FHL and FDL. As a result, FVI is required to include in gross income for U.S. federal tax purposes all of FHL and FDL’s income, whether or not such income is distributed by FHL or FDL. If a net loss is realized by FHL or FDL, such loss is not generally available to offset the income earned by FVI.

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SEPTEMBER 30, 2016 (UNAUDITED)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed in the preparation of the Company's financial statements included in this report:

USE OF ESTIMATES. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management 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 income and expenses during the reporting period. Actual results could differ from those estimates.

INTERIM FINANCIAL STATEMENTS. Interim financial statements are condensed and should be read in conjunction with the Company's latest annual financial statements. Interim disclosures generally do not repeat those of the annual statements. It is Management's opinion that all adjustments necessary for a fair statement of the periods presented have been made and all adjustments are of a normal recurring nature.

PORTFOLIO INVESTMENT VALUATIONS. Investments are stated at "value" as defined in the 1940 Act and in the applicable regulations of the Securities and Exchange Commission and in accordance with GAAP. Value, as defined in Section 2(a)(41) of the 1940 Act, is (i) the market value of those securities for which a market quotation is readily available and (ii) the fair value as determined in good faith by, or under the direction of, the board of directors for all other securities and assets. On September 30, 2016, our financial statements include venture capital investments valued at approximately \$121.3 million. The fair values of our venture capital investments were determined in good faith by, or under the direction of, the Board. Upon sale of these investments, the values that are ultimately realized may be different from what is presently estimated. The difference could be material. Also see note 6 regarding the fair value of the company's investments.

CASH AND CASH EQUIVALENTS. The Company considers liquid assets deposited with a bank, investments in money market funds, and certain short-term debt instruments with maturities of three months or less to be cash equivalents. These investments represent amounts held with financial institutions that are readily accessible to pay our expenses or purchase investments. Cash and cash equivalents are valued at cost plus accrued interest, which approximates market value.

RESTRICTED SECURITIES. At September 30, 2016, we held \$135.8 million in restricted securities.

INCOME RECOGNITION. Dividend income is recorded on the ex-dividend date. Interest income is accrued as earned. Discounts and premiums on securities purchased are amortized over the lives of the respective securities. Other non-cash dividends are recognized as investment income at the fair value of the property received. When debt securities are determined to be non-income producing, the Company ceases accruing interest and writes off any previously accrued interest. These write-offs are recorded as a debit to interest income.

SHARE VALUATION. The net asset value ("NAV") per share of the Fund is calculated by dividing the sum of the value of the securities held by the Fund, plus cash or other assets, minus all liabilities (including estimated accrued expenses) by the total number of shares outstanding of the Fund, rounded to the nearest cent.

REALIZED GAIN OR LOSS AND UNREALIZED APPRECIATION OR DEPRECIATION OF PORTFOLIO INVESTMENTS. A realized gain or loss is recognized when an investment is disposed of and is computed as the difference between the Company's cost basis in the investment at the disposition date and the net proceeds received from such disposition. Unrealized appreciation or depreciation is computed as the difference between the fair value of

the investment and the cost basis of such investment.

INCOME TAXES. As we intend to continue to qualify as a regulated investment company (“RIC”) under Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”), the Company does not provide for income taxes. The Company recognizes interest and penalties in income tax expense.

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FOREIGN CURRENCY TRANSLATION. The accounting records of the Company are maintained in U.S. dollars. All assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the rate of exchange of such currencies against U.S. dollars on the date of valuation.

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).

CONCENTRATION OF CREDIT RISK. The Company places its cash and cash equivalents with financial institutions and, at times, cash held in checking accounts may exceed the Federal Deposit Insurance Corporation insured limit.

OPTIONS. The Company is subject to equity price risk in the normal course of pursuing its investment objectives and may enter into options written to hedge against changes in the value of equities. The Company may purchase put and call options to attempt to provide protection against adverse price effects from anticipated changes in prevailing prices of securities or stock indices. The Company may also write put and call options. When the Company writes an option, an amount equal to the premium received by the Company is recorded as a liability and is subsequently adjusted to the current fair value of the option written.

Premiums received from writing options that expire unexercised are treated by the Company on the expiration date as realized gains from investments. The difference between the premium and the amount paid on effecting a closing purchase transaction, including brokerage commissions, is also treated as a realized gain, or, if the premium is less than the amount paid for the closing purchase transaction, as a realized loss. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security or currency in determining whether the Company has realized a gain or loss. The Company as writer of an option bears the market risk of an unfavorable change in the price of the security underlying the written option.

The market value of the Company's purchased options as of September 30, 2016 can be found on the Schedule of Investments. The net realized gains/(loss) from purchased and written options and the net change in unrealized appreciation (depreciation) on purchased and written options for the period ended September 30, 2016 can be found on the Statement of Operations.

The average volume of the Fund's derivatives during the nine months ended September 30, 2016 is as follows:

	Purchased Options (Contracts)	Warrants (Shares)	Written Options (Contracts)
Firsthand Technology Value Fund, Inc.	—	23,284,455	—

NOTE 3. BUSINESS RISKS AND UNCERTAINTIES

We plan to invest a substantial portion of our assets in privately-held companies, the securities of which are inherently illiquid. We also seek to invest in small publicly-traded companies that we believe have exceptional growth potential and to make opportunistic investments in publicly-traded companies, both large and small. In the case of investments in small publicly-traded companies, although these companies are publicly traded, their stock may not trade at high volumes, and prices can be volatile, which may restrict our ability to sell our positions. These privately held and publicly traded businesses tend to lack management depth, have limited or no history of operations and typically have

not attained profitability. Because of the speculative nature of our investments and the lack of public markets for privately held investments, there is greater risk of loss than is the case with traditional investment securities.

We do not choose investments based on a strategy of diversification. We also do not rebalance the portfolio should one of our portfolio companies increase in value substantially relative to the rest of the portfolio. Therefore, the value of our portfolio may be more vulnerable to events affecting a single sector, industry or portfolio company and, therefore, may be subject to greater volatility than a company that follows a diversification strategy.

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Firsthand Technology Value Fund, Inc.
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Because there is typically no public or readily-ascertainable market for our interests in the small privately-held companies in which we invest, the valuation of those securities is determined in good faith by the Valuation Committee, comprised of all members of the Board who are not “interested persons” of the Company, as such term is defined in Section 2(a)(19) of the 1940 Act, in accordance with our Valuation Procedures and is subject to significant estimates and judgments. The determined value of the securities in our portfolio may differ significantly from the values that would be placed on these securities if a ready market for the securities existed. Any changes in valuation are recorded in our Statement of Operations as “Net increase (decrease) in unrealized appreciation on investments.” Changes in valuation of any of our investments in privately-held companies from one period to another may be volatile.

The Board may, from time to time, engage an independent valuation firm to provide it with valuation assistance with respect to certain of our portfolio investments. The Company intends to continue to engage an independent valuation firm to provide us with assistance regarding our determination of the fair value of select portfolio investments each quarter unless directed by the Board to cancel such valuation services. The scope of the services rendered by an independent valuation firm is at the discretion of the Board. The Board is ultimately and solely responsible for determining the fair value of the Company’s investments in good faith.

With respect to investments for which market quotations are not readily available or when such market quotations are deemed not to represent fair value, the Board has approved a multi-step valuation process to be followed each quarter, as described below:

each quarter the valuation process begins with each portfolio company or investment being initially valued by the (1) Valuation Committee of the Advisor (as defined below) (the “Advisor Valuation Committee”) or the independent valuation firm;

the Valuation Committee of the Board on a quarterly basis reviews the preliminary valuation of the Advisor Valuation Committee and that of the independent valuation firms and makes the fair value determination, in good (2) faith, based on the valuation recommendations of the Advisor Valuation Committee and the independent valuation firms; and

at each quarterly Board meeting, the Board considers the valuations recommended by the Advisor Valuation (3) Committee and the independent valuation firms that were previously submitted to the Valuation Committee of the Board and ratifies the fair value determinations made by the Valuation Committee of the Board.

NOTE 4. INVESTMENT MANAGEMENT FEE

The Company has entered into an investment management agreement (the “Investment Management Agreement”) with Firsthand Capital Management, Inc., which was previously known as SiVest Group, Inc. (“FCM” or the “Advisor”), pursuant to which the Company will pay FCM a fee for providing investment management services consisting of two components—a base management fee and an incentive fee.

The base management fee will be calculated at an annual rate of 2.00% of our gross assets. For services rendered under the Investment Management Agreement, the base management fee will be payable quarterly in arrears. The base management fee will be calculated based on the average of (1) the value of our gross assets at the end of the current calendar quarter and (2) the value of our gross assets at the end of the preceding calendar quarter; and will be appropriately adjusted for any share issuances or repurchases during the current calendar quarter. Base management fees for any partial quarter will be pro-rated.

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The incentive fee is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Management Agreement, as of the termination date), commencing on April 15, 2011, and equals 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, provided that the incentive fee determined as of December 31, 2015, will be calculated for a period of shorter than twelve calendar months to take into account any realized gains computed net of all realized capital losses and unrealized capital depreciation from inception. As of September 30, 2016, there were no accrued incentive fees.

NOTE 5. DEBT

The Company does not currently have any significant outstanding debt obligations (other than normal operating expense accruals).

NOTE 6. FAIR VALUE

Securities traded on, or quoted by, the NASDAQ Stock Market, Inc. ("NASDAQ") are valued according to the NASDAQ official closing price. Securities traded on other stock exchanges, including the New York Stock Exchange ("NYSE"), are valued at their last reported sale price as of the close of trading of that exchange (normally 4:00 P.M. Eastern Time for the NYSE). If a security is not traded that day, the security will be valued at its most recent bid price.

Securities traded in the over-the-counter market, but not quoted by NASDAQ, are valued at the last sale price (or, if the last sale price is not readily available, at the most recent closing bid price as quoted by brokers that make markets in the securities) at the close of trading on the NYSE.

Securities traded both in the over-the-counter market and on a stock exchange are valued according to the broadest and most representative market.

Securities and other assets that do not have market quotations readily available are valued at their fair value as determined in good faith by the Board in accordance with the Valuation Procedures adopted by the Valuation Committee of the Board.

In pricing illiquid, privately placed securities, the Board of Directors is responsible for (1) determining overall valuation guidelines and (2) ensuring that the investments of the Company are valued within the prescribed guidelines.

The Valuation Committee of the Board is responsible for determining the valuation of the Company's assets within the guidelines established by the Board of Directors. The Valuation Committee of the Board receives information and recommendations from the Adviser and an independent valuation firm.

The values assigned to these investments are based on available information and do not necessarily represent amounts that might ultimately be realized when that investment is sold, as such amounts depend on future circumstances and cannot reasonably be determined until the individual investments are actually liquidated or become readily marketable.

APPROACHES TO DETERMINING FAIR VALUE. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). In effect, GAAP applies fair value terminology to all valuations whereas the 1940 Act applies market

value terminology to readily marketable assets and fair value terminology to other assets.

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Firsthand Technology Value Fund, Inc.
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The main approaches to measuring fair value utilized are the market approach, the income approach, and the asset-based approach. The choice of which approach to use in a particular situation depends on the specific facts and circumstances associated with the Company, as well as the purpose for which the valuation analysis is being conducted. FCM and the independent valuation firm rely primarily on the market and income approaches. We also considered the asset-based approach in our analysis because certain of the portfolio companies do not have substantial operating earnings relative to the value of their underlying assets.

Market Approach (M): The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. For example, the market approach often uses -market multiples derived from a set of comparables. Multiples might lie in ranges with a different multiple for each comparable. The selection of where within the range each appropriate multiple falls requires the use of judgment in considering factors specific to the measurement (qualitative and quantitative).

Income Approach (I): The income approach uses valuation techniques to convert future amounts (for example, cash flows or earnings) to a single present value amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts. Those valuation techniques include present value techniques and the multi-period excess earnings method, which is used to measure the fair value of certain assets.

Asset-Based Approach (A): The asset-based approach examines the value of a company's assets net of its liabilities to derive a value for the equity holders.

FAIR VALUE MEASUREMENT. In accordance with the guidance from the Financial Accounting Standards Board on fair value measurements and disclosures under GAAP, the Company discloses the fair value of its investments in a hierarchy that prioritizes the inputs to valuation techniques used to measure the fair value. The hierarchy gives the highest priority to valuations based upon unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to valuations based upon unobservable inputs that are significant to the valuation (Level 3 measurements).

The guidance establishes three levels of the fair value hierarchy as follows:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the date of measurement.

Level 2 - Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument in an inactive market, prices for similar instruments in an active or inactive market, interest rates, prepayment speeds, credit risks, yield curves, default rates, and similar data.

Level 3 - Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Company's own assumptions about the assumptions a market participant would use in valuing the asset or liability based on the best information available.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is

determined based on the lowest level input that is significant to the fair value measurement in its entirety.

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The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following is a summary of the inputs used to value the Company's net assets as of September 30, 2016:

	LEVEL 1 QUOTED PRICES	LEVEL 2 OTHER SIGNIFICANT OBSERVABLE INPUTS	LEVEL 3 SIGNIFICANT UNOBSERVABLE INPUTS
Assets			
Common Stocks			
Advanced Materials	\$—	\$ —	\$ 427,500
Computer Storage	189,700	—	—
Consumer Electronics	—	—	3,005,953
Equipment Leasing	—	—	42,630
Intellectual Property	—	—	19,175
Other Electronics	1,438,910	—	—
Renewable Energy	4,251,366	—	—
Semiconductors	1,484,000	—	—
Networking	—	—	5,739,625
Software	—	—	612,278
Total Common Stocks	7,363,976	—	9,847,161
Preferred Stocks			
Advanced Materials	—	—	8,423,319
Advertising Technology	—	—	8,183,817
Aerospace	—	—	593,699
Automotive	—	—	11,231,084
Cloud Computing	—	—	8,576,450
Consumer Electronics	—	—	7,281,024
Equipment Leasing	—	—	1,977,400
Intellectual Property	—	—	7,332,845
Medical Devices	—	—	23,070,270
Mobile Computing	—	—	7,014,330
Networking	—	—	8,720,204
Semiconductor Equipment	—	—	19,699,130
Total Preferred Stocks	—	—	112,103,572
Asset Derivatives *			
Equity Contracts	—	—	5,163,991
Total Asset Derivatives	—	—	5,163,991
Convertible Notes			
Advertising Technology	—	—	559,360
Aerospace	—	—	30,000
Consumer Electronics	—	—	4,050,000
Medical Devices	—	—	4,000,000
Total Convertible Notes	—	—	8,639,360
Exchange-Traded Funds	6,456,600	—	—
Total	\$13,820,576	\$ —	\$ 135,754,084

*Asset derivatives include warrants.

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At the end of each calendar quarter, management evaluates the Level 2 and Level 3 assets and liabilities for changes in liquidity, including, but not limited to: whether a broker is willing to execute at the quoted price, the depth and consistency of prices from third-party services, and the existence of contemporaneous, observable trades in the market. Additionally, management evaluates the Level 1 and Level 2 assets and liabilities on a quarterly basis for changes in listings or delistings on national exchanges. Transfers in and out of the levels are recognized at the value at the end of the quarter. There were no transfers between Levels 1 and 2 as of September 30, 2016.

Following is a reconciliation of Level 3 assets (at either the beginning or the ending of the quarter) for which significant unobservable inputs were used to determine fair value.

INVESTMENTS AT FAIR VALUE USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	BALANCE AS OF 12/31/15	NET PURCHASES	NET SALES	NET REALIZED GAINS/ (LOSSES)	NET UNREALIZED APPRECIATION (DEPRECIATION)	TRANSFERS IN (OUT) LEVEL (1)	BALANCE AS OF 9/30/16
Common Stocks							
Advanced Materials	\$203,901	\$—	\$—	\$—	\$223,599	\$—	\$427,500
Computer Storage	185,283	—	—	—	150,717	(336,000)	—
Consumer Electronics	6,171,863	—	—	—	(3,165,910)	—	3,005,953
Equipment Leasing	—	20,000	—	—	22,630	—	42,630
Intellectual Property	—	—	—	—	19,175	—	19,175
Internet	333,317	—	(341,749)	(4,216,363)	4,224,795	—	—
Renewable Energy	7,148,368	—	—	—	(730,873)	(6,417,495)	—
Networking	—	2,476,125	—	—	3,263,500	—	5,739,625
Software	557,216	—	—	—	55,062	—	612,278
Preferred Stocks							
Advanced Materials	14,000,240	2,500,000	—	—	(8,076,921)	—	8,423,319
Advertising Technology	24,708,708	—	(17,335,528)	7,185,550	(6,374,913)	—	8,183,817
Aerospace	2,000,000	—	—	—	(1,406,301)	—	593,699
Automotive	12,928,943	4,779,956	(4,779,956)	864,024	(2,561,883)	—	11,231,080
Cloud Computing	9,999,998	373,540	(373,540)	(67,260)	(1,356,288)	—	8,576,450
Consumer Electronics	7,438,704	750,000	—	—	(907,680)	—	7,281,024
Equipment Leasing	—	2,000,000	—	—	(22,600)	—	1,977,400
Intellectual Property	—	9,580,978	—	—	(2,248,133)	—	7,332,845
Medical Devices	22,655,879	—	—	—	414,391	—	23,070,270
Mobile Computing	7,110,747	—	—	—	(96,417)	—	7,014,330
Networking	4,772,712	900,000	—	—	3,047,492	—	8,720,204
Semiconductor Equipment	23,370,825	3,975,801	—	—	(7,647,496)	—	19,699,130
Asset Derivatives							
Equity Contracts	642,600	—	—	—	4,521,391	—	5,163,991

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INVESTMENTS AT FAIR VALUE USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	BALANCE AS OF 12/31/15	NET PURCHASES	NET SALES	NET REALIZED GAINS/ (LOSSES)	NET UNREALIZED APPRECIATION (DEPRECIATION)	TRANSFERS IN (OUT) OF LEVEL (1)	BALANCE AS OF 9/30/16
Convertible Notes							
Advertising							
Technology	\$—	\$559,360	\$—	\$—	\$—	\$—	\$559,360
Aerospace	—	30,000	—	—	—	—	30,000
Consumer							
Electronics	2,000,000	2,050,000	—	—	—	—	4,050,000
Intellectual Property	3,630,383	—	(5,250,000)	(360,753)	1,980,370	—	—
Medical Devices	4,000,000	—	—	—	—	—	4,000,000
Semiconductor							
Equipment	—	1,381,102	(1,381,102)	—	—	—	—
Total	\$153,859,687	\$31,376,862	\$(29,461,875)	\$3,405,198	\$(16,672,293)	\$(6,753,495)	\$135,754,084

(1) The net change in unrealized depreciation from Level 3 instruments held as of September 30, 2016 was \$22,036,190.

The below chart represents quantitative disclosure about significant unobservable inputs for Level 3 fair value measurements at September 30, 2016.

	FAIR VALUE AT 9/30/16	VALUATION TECHNIQUES	UNOBSERVABLE INPUTS	RANGE (WEIGHTED AVG.)
Direct venture capital investments: Advanced Materials	\$9.1M	Market Comparable Companies	Revenue Multiple	0.7x
			Years to Expiration	5 years
		Prior Transaction Analysis	Volatility	55.0% - 60.0%
			Risk-Free Rate	1.14%
			Option Pricing Model	Discount for Lack of Marketability
Direct venture capital investments: Advertising Technology	\$8.7M	Market Comparable Companies	Revenue Multiple	0.3x
			Years to Expiration	2 years
		Option Pricing Model	Volatility	55.0%
			Risk-Free Rate	0.77%
			Going Concern Probability	40%
Direct venture capital investments: Aerospace	\$0.6M	Prior Transaction Analysis	Years to Expiration	5 years
			Probability-Weighted Expected Return	Volatility
			Risk-Free Rate	1.14%

Direct venture capital investments: Automotive	\$11.2M	Option Pricing Model		
		Prior Transaction Analysis	Years to Expiration	3 years
			Volatility	55.0%
		Option Pricing Model	Risk-Free Rate	0.88%

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	FAIR VALUE AT 9/30/16	VALUATION TECHNIQUES	UNOBSERVABLE INPUTS	RANGE (WEIGHTED AVG.)
Direct venture capital investments: Cloud Computing	\$8.6M	Prior Transaction Analysis	Years to Expiration	2 years
			Volatility	40.0%
	\$14.4M	Option Pricing Model	Risk-Free Rate	0.77%
		Prior Transaction Analysis	IPO Exit Probability	75%
Direct venture capital investments: Consumer Electronics			Merger & Acquisition Probability	25%
		Probability-Weighted Expected Return	Going Concern Probability	50% - 100%
			Years to Expiration	0.25 years - 5 years
		Invested Capital (Cost)	Volatility	50.0% - 65.0%
		Option Pricing Model	Risk-Free Rate	0.59% - 1.14%
			Discount for Lack of Marketability	0.0% - 33.2%
Direct venture capital investments: Equipment Leasing	\$2.0M	Prior Transaction Analysis	Years to Expiration	5 years
			Volatility	50.0%
Direct venture capital investments: Intellectual Property	\$7.4M	Prior Transaction Analysis	Risk-Free Rate	1.14%
			Years to Expiration	5 years
			Volatility	54.4%
			Risk-Free Rate	1.14%
		Option Pricing Model	Discount for Lack of Marketability	32.9%
Direct venture capital investments: Medical Devices	\$27.1M	Prior Transaction Analysis	Years to Expiration	4 years
			Volatility	50.0%
Direct venture capital investments: Mobile Computing	\$7.0M	Option Pricing Model	Risk-Free Rate	1.01%
			Prior Transaction Analysis	Years to Expiration
			Volatility	64.6%
Direct venture capital investments: Networking	\$14.4M	Option Pricing Model	Risk-Free Rate	0.77%
			Prior Transaction Analysis	Discount for Lack of Marketability
Direct venture capital investments: Semiconductor Equipment	\$24.7M	Prior Transaction Analysis	Years to Expiration	2 years
			Volatility	50.0%
		Option Pricing Model	Risk-Free Rate	0.77%

Direct venture capital investments: Software	\$0.6M	Prior Transaction Analysis	Years to Expiration	1 year
		Option Pricing Model	Volatility	55.0%
			Risk-Free Rate	0.59%
			Discount for Lack of Marketability	16.8%

NOTE 7. FEDERAL INCOME TAXES

The Company has elected, and intends to qualify annually, for the special tax treatment afforded regulated investment companies under the Internal Revenue Code of 1986, as amended (the “Code”). As provided in the Code, in any fiscal year in which a BDC so qualifies and distributes at least 90% of its taxable net income, the BDC (but not the shareholders) will be relieved of federal income tax on the income distributed. Accordingly, no provision for income taxes has been made. To avoid imposition of the excise tax applicable to regulated investment companies, the Company intends to declare as dividends in each calendar year at least 98% of its net investment income (earned during the calendar year) and 98.2% of its net realized capital gains (earned during the 12 months ended October 31) plus undistributed amounts, if any, from prior years.

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The reorganizations described in Note 1 (the formation of FVI, FHL, and FDL as subsidiaries for investment activities) were structured to avoid any adverse tax consequences for the Company and its shareholders. The Company's engaging in investment activities through FVI does not, in our view, jeopardize the Company's ability to continue to qualify as a RIC under the Code.

The Company is subject to tax provisions that establish a minimum threshold for recognizing, and a system for measuring, the benefits of a tax position taken or expected to be taken in a tax return. Taxable years ending 2012, 2013, 2014, and 2015 remain open to federal and state audit. As of December 31, 2015, management has evaluated the application of these provisions to the Company and has determined that no provision for income tax is required in the Company's financial statements for uncertain tax provisions.

NOTE 8. INVESTMENT TRANSACTIONS

Investment transactions (excluding short-term investments) were as follows for the nine months ended September 30, 2016.

PURCHASES AND SALES

Purchases of investment securities	\$62,754,261
Proceeds from sales and maturities of investment securities	\$69,315,924

NOTE 9. SHARE BUYBACKS

SHARE BUYBACKS. In connection with our agreement with a shareholder, we agreed to establish an open-market purchase program to purchase up to \$10 million of our common stock during certain periods in 2014 in which the market price of the common stock was below our NAV; On December 5, 2014, we completed the open market purchase program offer after reaching its \$10 million goal. A total of 509,859 shares were purchased in the buyback at an average price of approximately \$19.61 per share.

On April 26, 2016, the Board of Directors of the Fund approved a discretionary share repurchase plan (the "Plan"). Pursuant to the Plan, the Fund was authorized to purchase in the open market up to \$2 million worth of its common stock. The Plan allowed the Fund to acquire its own shares at certain thresholds below its net asset value (NAV) per share, in accordance with the guidelines specified in Rule 10b-18 of the Securities Act of 1934, as amended. The intent of the Plan was to increase NAV per share and thereby enhance shareholder value. The Fund completed the repurchase plan in September 2016, having repurchased and retired a total of 272,008 shares of stock, at a total cost of approximately \$2 million. As of September 30, 2016, the Fund had 7,430,697 shares outstanding.

TENDER OFFER. In connection with our agreement with a shareholder, we agreed to commence an issuer tender offer for up to \$20 million of our shares of common stock at a purchase price per share equal to 95% of the Fund's net asset value per share ("NAV") as of the close of ordinary trading on the NASDAQ Global Market on December 31, 2014 (the "Offer"). On December 22, 2014, the Fund commenced a tender offer to purchase up to \$20 million of its issued and outstanding common shares for cash at a price per share equal to 95% of the NAV determined on December 31, 2014 (\$23.2702 per share).

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The tender offer, which expired on January 22, 2015 at 12:00 midnight, New York City time, was oversubscribed. Because the number of shares tendered exceeded the maximum amount of its offer, the Fund purchased shares from tendering shareholders on a pro-rata basis based on the number of shares properly tendered. Of the 5,044,728 shares properly tendered, the Fund purchased 859,468 shares of common stock pursuant to the tender offer.

NOTE 10. INVESTMENTS IN AFFILIATES AND CONTROLLED INVESTMENTS

Under the 1940 Act, the Company is required to identify investments where it owns greater than 5% (but less than 25%) of the portfolio company's outstanding voting shares as an affiliate of the Company. Also, under the 1940 Act, the Company is required to identify investments where it owns greater than 25% of the portfolio company's outstanding voting shares as a controlled investment of the Company. A summary of the Company's investments in affiliates and controlled investments for the period from December 31, 2015, through September 30, 2016 is noted below:

AFFILIATE/CONTROLLED INVESTMENT*	SHARES/PAR ACTIVITY			REALIZED GAIN (LOSS)	VALUE 9/30/16	ACQUISITION COST
	BALANCE AT 12/31/15	PURCHASES/MERGER	SALES/EXPIRATION			
EQX, Inc. Common Stock*	—	100,000	— 100,000	\$ —	\$42,630	\$20,000
EQX, Inc. Preferred Stock - Series A*	—	2,000,000	— 2,000,000	— —	1,977,400	2,000,000
Hera Systems, Inc. Series A Preferred*	3,642,324	—	— 3,642,324	— —	593,699	2,000,000
Hera Systems, Inc. Convertible Note*	—	30,000	— 30,000	— 227	30,000	30,000
IntraOp Medical Corp. Series C Preferred*	26,856,187	—	— 26,856,187	— —	23,070,270	26,299,938
IntraOp Medical Corp. Convertible Note*	1,000,000	—	— 1,000,000	— 113,027	1,000,000	1,000,000
IntraOp Medical Corp. Term Note*	3,000,000	—	— 3,000,000	— 180,164	3,000,000	3,000,000
Pivotal Systems, Series A Preferred*	11,914,217	—	— 11,914,217	— —	6,366,958	6,000,048
Pivotal Systems, Series B Preferred*	13,065,236	—	— 13,065,236	— —	6,982,062	6,321,482
Pivotal Systems, Series C Preferred*	2,291,260	—	— 2,291,260	— —	2,282,324	