

Firsthand Technology Value Fund, Inc.  
Form 10-Q  
August 09, 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 June 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

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

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 July 31, 2016
Common Stock, \$0.001 par value per share	7,564,824

---

## TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION	2
Item 1. Financial Statements	2
Consolidated Statements of Assets and Liabilities as of June 30, 2016 (Unaudited) and December 31, 2015	3
Statements of Operations (Unaudited) for the Three Months Ended June 30, 2016, and June 30, 2015 and for the Six Months Ended June 30, 2016, and June 30, 2015	4
Statements of Cash Flows (Unaudited) for the Six Months Ended June 30, 2016 and the Six Months Ended June 30, 2015	5
Statements of Changes in Net Assets for the Six Months Ended June 30, 2016 (Unaudited) and the Year Ended December 31, 2015	6
Selected Per Share Data and Ratios for the Six Months Ended June 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, and for the Period April 18, 2011(Commencement of Operations) Through December 31, 2011	7
Consolidated Schedule of Investments (Unaudited) as of June 30, 2016	8
Consolidated Notes To Financial Statements (Unaudited)	11
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	26
Item 3. Quantitative and Qualitative Disclosures About Market Risk	34
Item 4. Controls and Procedures	35
PART II. OTHER INFORMATION	36
Item 1. Legal Proceedings	37
Item 1A. Risk Factors	37
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	37
Item 3. Defaults Upon Senior Securities	37
Item 4. Mine Safety Disclosures	37
Item 5. Other Information	37
Item 6. Exhibits	37
SIGNATURES	38



PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

---

See accompanying notes to financial statements

2

---

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

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

	AS OF JUNE 30, 2016 (UNAUDITED)	AS OF DECEMBER 31, 2015
<b>ASSETS</b>		
Investment securities:		
Unaffiliated investments at acquisition cost	\$ 80,787,799	\$93,589,422
Affiliated investments at acquisition cost	11,898,906	11,034,882
Controlled investments at acquisition cost	89,723,387	78,652,059
Total acquisition cost	\$ 182,410,092	\$ 183,276,363
Unaffiliated investments at market value	\$ 54,137,797	\$80,268,986
Affiliated investments at market value	12,904,758	12,928,943
Controlled investments at market value	88,152,392	77,480,846
Total market value* (Note 6)	155,194,947	170,678,775
Cash**	10,651,509	767,286
Escrow cash	—	1,000,000
Receivable from dividends and interest	573,707	3,436,726
Other assets	48,314	786,468
Total Assets	166,468,477	176,669,255
<b>LIABILITIES</b>		
Payable to affiliates (Note 4)	836,291	895,372
Consulting fee payable	51,000	29,000
Accrued expenses and other payables	32,002	165,504
Total Liabilities	919,293	1,089,876
<b>NET ASSETS</b>	<b>\$ 165,549,184</b>	<b>\$ 175,579,379</b>
Net Assets consist of:		
Common Stock, par value \$0.001 per share 100,000,000 shares authorized	\$ 7,565	\$ 7,703
Paid-in-capital	189,501,405	190,538,978
Accumulated net investment loss	(1,902,461 )	—
Accumulated net realized gain (loss) from security transactions and written options	5,157,820	(2,369,714 )
Net unrealized depreciation on investments and warrants transactions	(27,215,145 )	(12,597,588 )
<b>NET ASSETS</b>	<b>\$ 165,549,184</b>	<b>\$ 175,579,379</b>
Shares of Common Stock outstanding	7,564,824	7,702,705
Net asset value per share (Note 2)	\$ 21.88	\$ 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 06/30/16 and 12/31/15 was 0.09% and 0.01%, respectively. Please see <https://fundresearch.fidelity.com/mutual-funds/summary/316175504> for additional information.

See accompanying notes to financial statements

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

Firsthand Technology Value Fund, Inc.  
Statements of Operations

	FOR THE THREE MONTHS ENDED JUNE 30, 2016*		FOR THE SIX MONTHS ENDED JUNE 30, 2016*	
	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)
<b>INVESTMENT INCOME</b>				
Unaffiliated dividend income	\$4,342	\$ 68,000	\$4,342	\$ 148,000
Unaffiliated interest	11,231	7,681	11,467	15,103
Affiliated/controlled interest	201,307	474,728	360,986	947,463
Royalty income	—	—	—	14,261
<b>TOTAL INVESTMENT INCOME</b>	<b>216,880</b>	<b>550,409</b>	<b>376,795</b>	<b>1,124,827</b>
<b>EXPENSES</b>				
Investment advisory fees (Note 4)	836,291	971,371	1,697,112	1,994,761
Administration fees	38,378	30,087	75,255	63,339
Custody fees	3,539	3,673	7,077	8,175
Transfer agent fees	6,244	8,673	13,419	18,015
Registration and filing fees	5,744	5,734	11,487	11,405
Professional fees	81,717	711,361	262,405	846,435
Printing fees	18,939	59,341	37,917	99,810
Trustees fees	25,000	25,000	50,000	50,000
Compliance fees	44,335	—	93,785	—
Miscellaneous fees	17,142	13,723	30,799	26,831
<b>TOTAL GROSS EXPENSES</b>	<b>1,077,329</b>	<b>1,828,963</b>	<b>2,279,256</b>	<b>3,118,771</b>
Incentive fee adjustments (Note 4)	—	(401,080)	—	353,696
<b>TOTAL NET EXPENSES</b>	<b>1,077,329</b>	<b>1,427,883</b>	<b>2,279,256</b>	<b>3,472,467</b>
<b>NET INVESTMENT LOSS</b>	<b>(860,449 )</b>	<b>(877,474 )</b>	<b>(1,902,461 )</b>	<b>(2,347,640 )</b>
<b>Net Realized and Unrealized Gains (Losses) on Investments:</b>				
<b>Net realized gains (losses) from security transactions</b>				
Affiliated/controlled	864,024	—	503,271	—
Non-affiliated and other assets	3,348,667	121,642	7,024,263	1,290,832
<b>Net realized gains from written options transactions (1)</b>	<b>—</b>	<b>473,497</b>	<b>—</b>	<b>624,994</b>
<b>Net change in unrealized depreciation on investments</b>	<b>(4,600,443)</b>	<b>(2,603,977 )</b>	<b>(20,825,801)</b>	<b>(294,886 )</b>
<b>Net change in unrealized appreciation (depreciation) on warrants transactions (1)</b>	<b>271,816</b>	<b>3,435</b>	<b>6,208,244</b>	<b>(5,772 )</b>
<b>Net Realized and Unrealized Gains (Losses) on Investments</b>	<b>(115,936 )</b>	<b>(2,005,403 )</b>	<b>(7,090,023 )</b>	<b>1,615,168</b>
<b>Net Decrease In Net Assets Resulting From Operations</b>	<b>\$(976,385 )</b>	<b>\$(2,882,877 )</b>	<b>\$(8,992,484 )</b>	<b>\$(732,472 )</b>
<b>Net Decrease In Net Assets Per Share Resulting From Operations (2)</b>	<b>\$(0.13 )</b>	<b>\$(0.37 )</b>	<b>\$(1.17 )</b>	<b>\$(0.10 )</b>

\*Consolidated.

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

4

---



Firsthand Technology Value Fund, Inc.  
Statements of Cash Flows

	FOR THE SIX MONTHS ENDED JUNE 30, 2016		JUNE 30, 2015 (UNAUDITED)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net decrease in Net Assets resulting from operations	\$ (8,992,484 )		\$ (732,472 )
Adjustments to reconcile net increase (decrease) in Net Assets derived from operations to net cash provided by (used in) operating activities:			
Purchases of investments	(39,534,269)		(24,176,276 )
Proceeds from disposition of investments	49,309,176		33,152,358
Net purchases from short-term investments	(1,381,102 )		(2,350,000 )
Net proceeds from written options	—		624,994
Proceeds from litigation claim	—		7,782
(Increase) decrease in dividends and interest receivable	2,863,020		(682,731 )
Decrease in restricted cash	1,000,000		—
Decrease in payable for investment purchased	—		(38,253,718 )
Decrease in payable to affiliates	(59,081 )		(323,110 )
Decrease in incentive fees payable	—		(10,884,758 )
Decrease in other assets	738,153		4,699
Decrease in accrued expenses and other payables	(111,502 )		(151,922 )
Net realized gain from investments	(7,527,534 )		(1,290,832 )
Net realized gain from written options	—		(624,994 )
Net unrealized appreciation (depreciation) from investments, other assets, and warrants transactions	14,617,557		300,658
Net cash provided by (used in) operating activities	10,921,934		(45,380,322 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cost of shares repurchased	(1,037,711 )		(19,999,992 )
Net cash provided (used) by financing activities	(1,037,711 )		(19,999,992 )
Net increase (decrease) in cash	9,884,223		(65,380,314 )
Cash - beginning of period	767,286		69,014,110
Cash - end of period	\$ 10,651,509		\$ 3,633,796

\*Consolidated.

See accompanying notes to financial statements

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

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

	FOR THE SIX MONTHS ENDED JUNE 30, 2016 (UNAUDITED)*	FOR THE YEAR ENDED DECEMBER 31, 2015*
<b>FROM OPERATIONS:</b>		
Net investment loss	\$ (1,902,461	) \$(448,549 )
Net realized gains (losses) from security transactions, written options, and warrants transactions	7,527,534	(2,197,728 )
Net change in unrealized depreciation on investments and warrants transactions	(14,617,557	) (11,504,423 )
Net decrease in net assets from operations	(8,992,484	) (14,150,700 )
<b>FROM CAPITAL SHARE TRANSACTIONS:</b>		
Value of shares repurchased	(1,037,711	) (19,999,992 )
Net decrease in net assets from capital share transactions	(1,037,711	) (19,999,992 )
<b>TOTAL DECREASE IN NET ASSETS</b>	<b>(10,030,195</b>	<b>) (34,150,692 )</b>
<b>NET ASSETS:</b>		
Beginning of period	175,579,379	209,730,071
End of period	\$ 165,549,184	\$ 175,579,379
Accumulated Net Investment Loss	(1,902,461	) —
<b>COMMON STOCK ACTIVITY:</b>		
Shares repurchased	(137,881	) (859,468 )
Net decrease in shares outstanding	(137,881	) (859,468 )
Shares outstanding, beginning of period	7,702,705	8,562,173
Shares outstanding, end of period	7,564,824	7,702,705

\*Consolidated.

See accompanying notes to financial statements

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

Firsthand Technology Value Fund, Inc.

Financial Highlights

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

	FOR THE SIX MONTHS ENDED JUNE 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 <sup>(1)</sup>
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	(0.25 ) <sup>(2)</sup>	(0.06 ) <sup>(2)</sup>	(1.26 )	(1.42 )	(0.39 )	(0.41 )
Net realized and unrealized gains (losses) on investments	(0.92 )	(1.78 )	3.04	7.16	(1.01 )	(2.68 )
Total from investment operations	(1.17 )	(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	—	—	—	— <sup>(3)</sup>	0.38	—
Anti-dilutive effect from capital share transactions	0.26	0.14	0.25	—	—	—
Net asset value at end of period	\$ 21.88	\$ 22.79	\$ 24.49	\$ 28.32	\$ 22.90	\$ 23.92
Market value at end of period	\$ 7.45	\$ 8.17	\$ 18.65	\$ 23.17	\$ 17.44	\$ 14.33
Total return						
Based on Net Asset Value	(3.99 )% <sup>(A)</sup>	(6.94 )%	12.54 %	25.30 %	(4.26 )%	(11.44 )% <sup>(A)</sup>
Based on Market Value	(8.81 )% <sup>(A)</sup>	(56.19)%	4.76 %	34.61 %	21.70 %	(46.95 )% <sup>(A)</sup>
Net assets at end of period (millions)	\$ 165.5	\$ 175.6	\$ 209.7	\$ 256.9	\$ 195.9	\$ 83.63
Ratio of total expenses to average net assets	2.71 % <sup>(B)</sup>	1.36 % <sup>(4)</sup>	5.29 % <sup>(4)</sup>	6.52 % <sup>(4)</sup>	2.56 %	2.76 % <sup>(B)</sup>
Ratio of total expenses to average net assets, excluding incentive fees	2.71 % <sup>(B)</sup>	2.68 %	3.12 %	2.67 %	2.56 %	2.76 % <sup>(B)</sup>
Ratio of net investment loss to average net assets	(2.26 )% <sup>(B)</sup>	(0.24 )%	(4.31 )%	(5.96 )%	(2.12 )%	(2.28 )% <sup>(B)</sup>
Portfolio turnover rate	7 % <sup>(A)</sup>	22 %	95 %	17 %	10 %	18 % <sup>(A)</sup>

\*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

7

---

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

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

PORTFOLIO COMPANY (% OF NET ASSETS) AND INDUSTRY	TYPE OF INVESTMENT	SHARES/PAR COST		VALUE
		VALUE (\$)	BASIS	
ALIPHCOM, INC. (0.6%) Consumer Electronics	Common Stock *(1)	2,128,005	\$10,108,024	\$1,058,257
CLOUDERA, INC. (0.4%) Software	Common Stock *(1)	20,000	580,000	603,432
EQX CAPITAL, INC. (1.2%) Equipment Leasing	Common Stock *(1)(2)	100,000	20,000	20,000
	Preferred Stock - Series A *(1)(2)	2,000,000	2,000,000	2,000,000
				2,020,000
HERA SYSTEMS, INC. (0.4%) Aerospace	Preferred Stock - Series A (1)(2)	3,642,324	2,000,000	697,505
HIGHTAIL, INC. (5.2%) Cloud Computing	Preferred Stock - Series E *(1)	2,268,602	9,932,738	8,588,927
HIKU LABS, INC. (1.4%) Consumer Electronics	Preferred Stock - Series A (1)	3,280,191	2,124,074	2,280,061
INTEVAC, INC. (0.8%) Other Electronics	Common Stock *	243,883	2,721,734	1,385,256
	Preferred Stock - Series C *(1)(2)	26,856,187	26,299,938	22,655,879
	Term Note (1)(2) Matures February 2017 Interest Rate 8%	3,000,000	3,000,000	3,000,000
INTRAOP MEDICAL CORP. (16.1%) Medical Devices	Convertible Note (1)(2) Matures July 2016 Interest Rate 15%	1,000,000	1,000,000	1,000,000
				26,655,879
INVENSENSE, INC. (1.5%) Semiconductors	Common Stock *	400,000	6,380,014	2,452,000
NUTANIX, INC. (3.1%) Networking	Preferred Stock - Series A *(1)	227,272	3,999,987	5,092,256
PHUNWARE, INC. (4.2%) Mobile Computing	Preferred Stock - Series E *(1)	3,257,328	9,999,997	6,995,763

See accompanying notes to financial statements

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

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

PORTFOLIO COMPANY

(% OF NET ASSETS)

AND INDUSTRY	TYPE OF INVESTMENT	SHARES/PAR COST		VALUE	
		VALUE (\$)	BASIS		
	Preferred Stock - Series C *(1)(2)	2,291,260	2,657,862	2,493,807	
	Preferred Stock - Series B *(1)(2)	13,065,236	6,321,482	8,087,381	
	Preferred Stock - Series A *(1)(2)	11,914,217	6,000,048	7,374,900	
	Convertible Note (1)(2)				
	Matures December 2016				
	Interest Rate 20%	500,000	\$ 500,000	\$ 500,000	
	Convertible Note (1)(2)				
	Matures December 2016				
	Interest Rate 10%	881,102	881,102	881,102	
PIVOTAL SYSTEMS CORP. (15.5%)	Semiconductor Equipment	Common Stock Warrants *(1)(2)	18,180,475	0	6,234,812
					25,572,002
PURE STORAGE, INC. (0.1%)	Computer Storage	Common Stock*	14,000	336,000	152,600
		Preferred Stock - Series A *(1)(2)	16,000,240	16,000,240	16,000,240
QMAT, INC. (10.0%)	Advanced Materials	Preferred Stock Warrants - Series A *(1)(2)	2,000,000	0	599,600
					16,599,840
ROKU, INC. (1.0%)	Consumer Electronics	Common Stock *(1)	1,500,000	2,312,500	1,713,750
		Preferred Stock - Series 1-E *(1)(2)			
		Preferred Stock - Series 1-C *(1)(2)		2,946,535	2,667,985
		Preferred Stock - Series 1-G *(1)(2)	5,704,480	109,518	92,441
		Preferred Stock - Series 1-H *(1)(2)	82,914	8,580,979	3,736,160
		Preferred Stock - Series 1-D *(1)(2)	48,370,793	1,000,000	300,067
		Preferred Stock - Series 1-F *(1)(2)	837,942	431,901	254,398
		Common Stock *(1)(2)	850,830	169,045	17,885
		Common Stock Warrants *(1)(2)	921,892	6,678	365
		Preferred Stock -Series 1-F *(1)(2)	37,982	583,060	580,594
		Common Stock Warrants *(1)(2)	912,453	0	10,000
SILICON GENESIS CORP. (4.6%)	Intellectual Property	Common Stock Warrants *(1)(2)	5,000,000	0	6,000
		Common Stock Warrants *(1)(2)	3,000,000		
					7,665,895
SUNRUN, INC. (2.4%)	Renewable Energy	Common Stock *	674,820	6,417,495	4,001,683

See accompanying notes to financial statements

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

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

PORTFOLIO COMPANY

(% OF NET ASSETS)

AND INDUSTRY

	TYPE OF INVESTMENT	SHARES/PAR COST VALUE (\$)	BASIS	VALUE
	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%		\$	\$
	Preferred Stock - Series A *(1)(2)	300,000	300,000	300,000
		15,238,000	3,999,999	3,719,596
TELEPATHY INVESTORS, INC. (4.0%) Consumer Electronics	Convertible Note (1)(2) Matures June 2017 Interest Rate 10%	2,000,000	2,000,000	2,000,000
				6,669,596
	Convertible Note (1) Matures March 2023 Interest Rate 1.48%	559,360	559,360	559,360
TURN INC. (6.0%) Advertising Technology	Preferred Stock - Series E *(1)	1,798,562	15,000,007	9,275,004
				9,834,364
UCT COATINGS, INC. (0.2%) Advanced Materials	Common Stock Warrants *(1)	2,283	67	3
	Common Stock *(1)	1,500,000	662,235	325,350
				325,353
	Common Stock *(1)(2)			
VUFINE, INC. (1.4%) Consumer Electronics	Preferred Stock - Series A *(1)(2)	750,000	15,000	21,675
		22,500,000	2,250,000	2,250,000
				2,271,675
	Preferred Stock - Series C *(1)(3)			
	Preferred Stock - Series D *(1)(3)	2,267,659	6,864,023	7,323,858
WRIGHTSPEED, INC. (7.8%) Automotive	Preferred Stock - Series E *(1)(3)	1,100,978	3,375,887	3,921,904
		450,814	1,658,996	1,658,996
				12,904,758
EXCHANGE TRADED FUNDS — 5.8% (\$9,654,095)				
iShares Short Treasury Bond ETF		42,100	4,647,229	4,649,945
SPDR Barclays 1-3 Month T-Bill ETF*		109,500	5,006,339	5,004,150
				9,654,095

See accompanying notes to financial statements

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

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

PORTFOLIO COMPANY (% OF NET ASSETS) AND INDUSTRY	TYPE OF INVESTMENT	SHARES/PAR COST VALUE (\$)	BASIS VALUE
TOTAL INVESTMENTS (Cost \$182,410,092) — 93.7%			\$155,194,947
OTHER ASSETS IN EXCESS OF LIABILITIES — 6.3%			10,354,237
NET ASSETS — 100.0%			\$165,549,184

\*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.

ETF Exchange-traded fund.

SPDR Standard & Poor's Depository Receipt

See accompanying notes to financial statements

11

---



Firsthand Technology Value Fund, Inc.  
Consolidated Notes to Financial Statements  
JUNE 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 June 30, 2016, were \$5,158,556 or 3.1% of the Company’s consolidated net assets. As a result, the financial statements of the Company, FVI and FHL are presented in the report on a consolidated basis.

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

#### 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.

12

---

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

**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 June 30, 2016, our financial statements include venture capital investments valued at approximately \$131.0 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 June 30, 2016, we held \$137.5 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.

**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).

13

---

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

**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 June 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 June 30, 2016 can be found on the Statement of Operations.

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

	Purchased Options (Contracts)	Warrants (Shares)	Written Options (Contracts)
Firsthand Technology Value Fund, Inc.	—	20,574,811	—

**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.

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.

14

---

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

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:

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

(2) 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 faith, based on the valuation recommendations of the Advisor Valuation Committee and the independent valuation firms; and

(3) at each quarterly Board meeting, the Board considers the valuations recommended by the Advisor Valuation 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.

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 June 30, 2016, there were no accrued incentive fees.





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

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.

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.



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

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.

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 June 30, 2016:

17

---

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

	LEVEL 1 QUOTED PRICES	LEVEL 2 OTHER SIGNIFICANT OBSERVABLE INPUTS	LEVEL 3 SIGNIFICANT UNOBSERVABLE INPUTS
Assets			
Common Stocks			
Advanced Materials	\$—	\$ —	\$ 325,353
Computer Storage	152,600	—	—
Consumer Electronics	—	—	2,793,682
Equipment Leasing	—	—	20,000
Intellectual Property	—	—	17,885
Other Electronics	1,385,256	—	—
Renewable Energy	4,001,683	—	—
Semiconductors	2,452,000	—	—
Software	—	—	603,432
Total Common Stocks	7,991,539	—	3,760,352
Preferred Stocks			
Advanced Materials	—	—	16,000,240
Advertising Technology	—	—	9,275,004
Aerospace	—	—	697,505
Automotive	—	—	12,904,758
Cloud Computing	—	—	8,588,927
Consumer Electronics	—	—	8,249,657
Equipment Leasing	—	—	2,000,000
Intellectual Property	—	—	7,631,645
Medical Devices	—	—	22,655,879
Mobile Computing	—	—	6,995,763
Networking	—	—	5,092,256
Semiconductor Equipment	—	—	17,956,088
Total Preferred Stocks	—	—	118,047,722
Asset Derivatives *			
Equity Contracts	—	—	6,850,777
Total Asset Derivatives	—	—	6,850,777
Convertible Notes			
Advertising Technology	—	—	559,360
Consumer Electronics	—	—	2,950,000
Medical Devices	—	—	4,000,000
Semiconductor Equipment	—	—	1,381,102
Total Convertible Notes	—	—	8,890,462
Exchange-Traded Funds	9,654,095	—	—
Total	\$17,645,634	\$ —	\$ 137,549,313

\* Asset derivatives include warrants.

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 June 30, 2016.

18

---

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

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

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) (1)	TRANSFERS (OUT) (IN) LEVEL 3	BALANCE AS OF 6/30/16
Common Stocks							
Advanced							
Materials	\$203,901	\$—	\$—	\$—	\$121,452	\$—	\$325,353
Computer Storage	185,283	—	—	—	(32,683 )	(152,600)	—
Consumer							
Electronics	6,171,863	—	—	—	(3,378,181)	—	2,793,682
Equipment Leasing	—	20,000	—	—	—	—	20,000
Intellectual							
Property	—	—	—	—	17,885	—	17,885
Internet	333,317	—	(341,749 )	(4,216,363)	4,224,795	—	—
Renewable Energy	7,148,368	—	(6,417,495 )	—	(730,873 )	—	—
Software	557,216	—	—	—	46,216	—	603,432
Preferred Stocks							
Advanced							
Materials	14,000,240	2,000,000	—	—	—	—	16,000,240
Advertising							
Technology	24,708,708	—	(17,335,528)	7,185,549	(5,283,725)	—	9,275,004
Aerospace	2,000,000	—	—	—	(1,302,495)	—	697,505
Automotive	12,928,943	4,779,956	(4,779,956 )	864,024	(888,209 )	—	12,904,758
Cloud Computing	9,999,998	373,540	(373,540 )	(67,260 )	(1,343,811)	—	8,588,927
Consumer							
Electronics	7,438,704	750,000	—	—	60,953	—	8,249,657
Equipment Leasing	—	2,000,000	—	—	—	—	2,000,000
Intellectual							
Property	—	9,580,979	—	—	(1,949,334)	—	7,631,645
Medical Devices	22,655,879	—	—	—	—	—	22,655,879
Mobile Computing	7,110,747	—	—	—	(114,984 )	—	6,995,763
Networking	4,772,712	—	—	—	319,544	—	5,092,256
Semiconductor							
Equipment	23,370,825	—	—	—	(5,414,737)	—	17,956,088
Asset Derivatives							
Equity Contracts	642,600	—	—	—	6,208,177	—	6,850,777
Convertible Notes							
Advertising							
Technology	—	559,360	—	—	—	—	559,360

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

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

SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	INVESTMENTS AT FAIR VALUE USING BALANCE AS OF 12/31/15		NET PURCHASES SALES		NET REALIZED GAINS/(LOSSES)		NET UNREALIZED APPRECIATION (DEPRECIATION) TRANSFERS (OUT) (IN) LEVEL 3		BALANCE AS OF 6/30/16
Consumer Electronics	\$2,000,000	\$950,000	\$—	\$—	\$—	\$—	\$—	\$—	\$2,950,000
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	\$22,394,937	\$(34,498,268)	\$3,405,197	\$(7,459,640)	\$(152,600)			\$137,549,313

(1)The net change in unrealized depreciation from Level 3 instruments held as of June 30, 2016 was \$(12,640,136).

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

	FAIR VALUE AT 6/30/16	VALUATION TECHNIQUES	UNOBSERVABLE INPUTS	RANGE (WEIGHTED AVG.)
Direct venture capital investments: Advanced Materials	\$16.9M	Market Comparable Companies Prior Transaction Analysis Option Pricing Model	Revenue Multiple Years to Expiration Volatility Risk-Free Rate Discount for Lack of Marketability	0.6x 5 years 54.52% - 64.55% 1.01% 33.2% - 38.1%
Direct venture capital investments: Advertising Technology	\$9.8M	Market Comparable Companies Prior Transaction Analysis Option Pricing Model	Revenue Multiple Years to Expiration Volatility Risk-Free Rate	0.3x 2 years 55.45% 0.58%
Direct venture capital investments: Aerospace	\$0.7M	Prior Transaction Analysis Probability-Weighted Expected Return Option Pricing Model	Going Concern Probability Years to Expiration Volatility Risk-Free Rate	50% 5 years 62.34% 1.01%
Direct venture capital investments: Automotive	\$12.9M	Prior Transaction Analysis Option Pricing Model	Years to Expiration Volatility Risk-Free Rate	3 years 63.64% 0.71%
Direct venture capital investments: Cloud	\$8.6M	Prior Transaction Analysis	Years to Expiration Volatility	2 years 37.32%



Computing	Option Pricing Model	Risk-Free Rate	0.58%
-----------	----------------------	----------------	-------

20

---

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

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

	FAIR VALUE AT 6/30/16	VALUATION TECHNIQUES	UNOBSERVABLE INPUTS	RANGE (WEIGHTED AVG.)
Direct venture capital investments: Consumer Electronics	\$13.9M	Prior Transaction Analysis Probability-Weighted Expected Return Invested Capital(Cost) Option Pricing Model	IPO Exit Probability Merger & Acquisition Probability Years to Expiration Volatility Risk-Free Rate Discount for Lack of Marketability	75% 25% 2 years - 5 years 50.26% - 64.94% 0.58% - 1.01% 0.0% - 31.0%
Direct venture capital investments: Equipment Leasing	\$2.0M	Prior Transaction Analysis		
Direct venture capital investments: Intellectual Property	\$7.7M	Prior Transaction Analysis Option Pricing Model	Years to Expiration Volatility Risk-Free Rate Discount for Lack of Marketability	5 years 50.58% 1.01% 31.10%
Direct venture capital investments: Medical Devices	\$26.7M	Prior Transaction Analysis Option Pricing Model	Years to Expiration Volatility Risk-Free Rate	4 years 59.86% 0.86%
Direct venture capital investments: Mobile Computing	\$7.0M	Prior Transaction Analysis Option Pricing Model	Years to Expiration Volatility Risk-Free Rate	2 years 65.26% 0.58%
Direct venture capital investments: Networking	\$5.1M	Prior Transaction Analysis Option Pricing Model	Years to Expiration Volatility Risk-Free Rate Discount for Lack of Marketability	0.5 years 36.94% 0.36% 8.1%
Direct venture capital investments: Semiconductor Equipment	\$25.6M	Prior Transaction Analysis Option Pricing Model	Years to Expiration Volatility Risk-Free Rate Discount for Lack of Marketability	2 years 50.0% 0.58% 21.2%
Direct venture capital investments: Software	\$0.6M	Prior Transaction Analysis Option Pricing Model	Years to Expiration Volatility Risk-Free Rate Discount for Lack of Marketability	1 year 55.30% 0.45% 16.9%

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.

21

---

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

The reorganization described in Note 1 (the formation of FVI as a fully owned subsidiary for investment activities) was 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 six months ended June 30, 2016.

PURCHASES AND SALES

Purchases of investment securities	\$39,534,269
Proceeds from sales and maturities of investment securities	\$49,193,492

NOTE 9. SHARE BUYBACK

SHARE BUYBACK. 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 may purchase in the open market up to \$2 million worth of its common stock. The Plan allows 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 is to increase NAV per share and thereby enhance shareholder value. Executing the Plan may also moderate the discount at which the Fund's shares currently trade. Based on the closing price of \$7.40 per share for the Fund's common stock as of April 26, 2016 on the Nasdaq Global Market, the Fund has been authorized to repurchase approximately 3.5% of its outstanding stock. The Fund expects the Plan will be in effect until September 30, 2016, or until the approved dollar amount has been used to repurchase shares. There is no assurance that the Fund will purchase shares at any specific discount levels or in any specific amounts. There is no assurance that market price of the Fund's shares, either absolutely or relative to NAV, will increase as a result of any share repurchases, or that the plan will enhance shareholder value over the long term.

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). 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.

22

---

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

## 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 June 30, 2016 is noted below:

AFFILIATE/ CONTROLLED INVESTMENT*	SHARES/PAR ACTIVITY				REALIZED		VALUE 6/30/16	ACQUISITION COST
	BALANCE AT 12/31/15	PURCHASES/ MERGER	SALES/ MATURATION/ EXPIRATION	BALANCE 6/30/16	GAIN (LOSS)	INTEREST		
EQX, Inc. Common Stock*	-	100,000	-	100,000	\$ -	\$-	\$20,000	\$20,000
EQX, Inc. Preferred Stock - Series A*	-	2,000,000	-	2,000,000	-	-	2,000,000	2,000,000
Hera Systems, Inc. Series A Preferred*	3,642,324	-	-	3,642,324	-	-	697,505	2,000,000
IntraOp Medical Corp. Series C Preferred*	26,856,187	-	-	26,856,187	-	-	22,655,879	26,299,938
IntraOp Medical Corp. Convertible Note*	1,000,000	-	-	1,000,000	-	74,795	1,000,000	1,000,000
IntraOp Medical Corp. Term Note*	3,000,000	-	-	3,000,000	-	119,671	3,000,000	3,000,000
Pivotal Systems, Series A Preferred*	11,914,217	-	-	11,914,217	-	-	7,374,900	6,000,048
Pivotal Systems, Series B Preferred*	13,065,236	-	-	13,065,236	-	-	8,087,381	6,321,482
Pivotal Systems, Series C Preferred*	2,291,260	-	-	2,291,260	-	-	2,493,807	2,657,862
Pivotal Systems, Convertible Note*	-	500,000	-	500,000	-	21,918	500,000	500,000
Pivotal Systems, Convertible Note*	-	881,102	-	881,102	-	20,559	881,102	881,102
Pivotal Systems, Common Stocks Warrants*	-	18,180,475	-	18,180,475	-	-	6,234,812	-
QMAT, Preferred Stock Series A*	14,000,240	2,000,000	-	16,000,240	-	-	16,000,240	16,000,240
QMAT, Series A Warrant*	2,000,000	-	-	2,000,000	-	-	599,600	-



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

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

AFFILIATE/ CONTROLLED INVESTMENT*	SHARES/PAR ACTIVITY			REALIZED GAIN (LOSS)	INTEREST	VALUE 6/30/16	ACQUISITION COST	
	BALANCE AT 12/31/15	PURCHASES/ MERGER	SALES/ MATURITY/ EXPIRATION AT 6/30/16					
Silicon Genesis Corp., Common *	921,892	-	-	921,892	\$-	\$-	\$17,885	\$169,045
Silicon Genesis Corp., Convertible Note*	1,250,000	-	(1,250,000)	-	(360,753)	-	-	-
Silicon Genesis Corp., Convertible Note*	1,000,000	-	(1,000,000)	-	-	-	-	-
Silicon Genesis Corp., Term Note*	3,000,000	-	(3,000,000)	-	-	-	-	-
Silicon Genesis Corp., Common Warrant*	37,982	-	-	37,982	-	-	365	6,678
Silicon Genesis Corp., Common Warrant*	5,000,000	-	-	5,000,000	-	-	10,000	-
Silicon Genesis Corp., Common Warrant*	3,000,000	-	-	3,000,000	-	-	6,000	-
Silicon Genesis Corp., Series 1-C Preferred*	82,914	-	-	82,914	-	-	92,441	109,518
Silicon Genesis Corp., Series 1-D Preferred*	850,830	-	-	850,830	-	-	254,398	431,901
Silicon Genesis Corp., Series 1-E Preferred*	5,704,480	-	-	5,704,480	-	-	2,667,985	2,946,535
Silicon Genesis Corp., Series 1-F Preferred*	912,453	-	-	912,453	-	-	580,594	583,060
	-	48,370,793	-	48,370,793	-	-	3,736,160	8,580,979



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

Silicon Genesis Corp., Series 1-G Preferred*								
Silicon Genesis Corp., Series 1-H Preferred*	-	837,942	-	837,942	-	-	300,067	1,000,000
Telepathy Investors, Inc. Convertible Note*	2,000,000	-	-	2,000,000	-	101,111	2,000,000	2,000,000
Telepathy Investors, Inc. Convertible Note*	-	150,000	-	150,000	-	411	150,000	150,000
Telepathy Investors, Inc. Convertible Note*	-	500,000	-	500,000	-	9,863	500,000	500,000
Telepathy Investors, Inc. Convertible Note*	-	300,000	-	300,000	-	12,658	300,000	300,000
Telepathy Investors, Inc. Series A Preferred*	15,238,000	-	-	15,238,000	-	-	3,719,596	3,999,999
Vufine, Inc., Series A Preferred*	15,000,000	7,500,000	-	22,500,000	-	-	2,250,000	2,250,000
Vufine, Inc., Common Stock*	750,000	-	-	750,000	-	-	21,675	15,000

See accompanying notes to financial statements

24

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

AFFILIATE/ CONTROLLED INVESTMENT*	SHARES/PAR ACTIVITY			BALANCE AT 6/30/16	REALIZED GAIN (LOSS)	INTEREST	VALUE AT 6/30/16	ACQUISITION COST
	BALANCE AT 12/31/15	PURCHASE/ MERGER	SALES/ MATURITY/ EXPIRATION					
Wrightspeed, Inc. Series C Preferred	2,267,659	1,480,000	(1,480,000)	2,267,659	\$864,024	\$-	\$7,323,858	\$6,864,023
Wrightspeed, Inc. Series D Preferred	1,100,978	-	-	1,100,978	-	-	3,921,904	3,375,887
Wrightspeed, Inc. Series E Preferred	450,814	-	-	450,814	-	-	1,658,996	1,658,996
Total Affiliates and Controlled Investments							101,057,150	101,622,293
Total Affiliates Total Controlled Investments							12,904,758	11,898,906
							\$88,152,392	\$89,723,387

\*Controlled investment.

As of June 30, 2016, Kevin Landis represents the Company and sits on the board of directors of EQX Capital, Inc.; Hera Systems, Inc.; Hiku Labs, Inc.; IntraOp Medical, Inc.; Phunware, Inc.; Pivotal Systems, Inc.; QMAT, Inc.; Silicon Genesis Corporation; Telepathy Investors, Inc.; Vufine, Inc.; and Wrightspeed, Inc. Serving on boards of directors of portfolio companies may cause conflicts of interest. The Adviser has adopted various procedures to ensure that the Company will not be unfavorably affected by these potential conflicts.

#### NOTE 11. SUBSEQUENT EVENTS

Subsequent to the close of the fiscal quarter on June 30, 2016, and through the date of the issuance of the financial statements, the Company has repurchased and canceled 20,293 shares of SVVC for a total cost of approximately \$151,000.

See accompanying notes to financial statements

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

---

FORWARD-LOOKING STATEMENTS

The matters discussed in this report, as well as in future oral and written statements by management of the Company, include forward-looking statements based on current management expectations that involve substantial risks and uncertainties which could cause actual results to differ materially from the results expressed in, or implied by, these forward-looking statements. Forward-looking statements related to future events or our future financial performance. We generally identify forward-looking statements by terminology such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “potential,” or “contemplates,” and the negative of these terms or other similar words. Important assumptions include our ability to originate new investments and to achieve certain margins and levels of profitability and the availability of additional capital. In light of these and other uncertainties, the inclusion of a projection or forward-looking statement in this report should not be regarded as a representation by us that our plans or objectives will be achieved. The forward-looking statements contained in this report include, without limitations, statements as to:

- our future operating results;
- our business prospects and the prospects of our prospective portfolio companies;
- the impact of investments that we expect to make;
- the impact of a protracted decline in the liquidity of the credit markets on our business;
- our informal relationships with third parties;
- the expected market for venture capital investments and our addressable market;
- the dependence of our future success on the general economy and its impact on the industries in which we invest;
- our ability to access the equity market;
- the ability of our portfolio companies to achieve their objectives;
- our expected financings and investments;
- our regulatory structure and tax status;
- our ability to operate as a business development company and a regulated investment company;
- the adequacy of our cash resources and working capital;
- the timing of cash flows, if any, from the operation of our portfolio companies;
- the timing, form, and amount of any dividend distributions;
- impact of fluctuation of interest rates on our business;
- valuation of any investments in portfolio companies particularly those having no liquid trading market; and
- our ability to recover unrealized losses.

You should not place undue reliance on these forward-looking statements. The forward-looking statements made in this report relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statement to reflect events or circumstances occurring after the date of this report.

The following discussion should be read in conjunction with our consolidated financial statements and related notes and other financial information appearing elsewhere in this prospectus. In addition to historical information, the following discussion and other parts of this prospectus contain forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated by such forward-looking information due to the factors discussed under “Risk Factors” and “Forward-Looking Statements” appearing elsewhere herein.

OVERVIEW

We are an externally managed, closed-end, non-diversified management investment company organized as a Maryland corporation that has elected to be treated as a BDC under the 1940 Act. As such, we are required to comply with certain regulatory requirements. For instance, we generally have to invest at least 70% of our total assets in

“qualifying assets,” including securities of private or micro-cap public U.S. companies, cash, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year or less. In addition, for tax purposes we have elected to be treated as a RIC under Subchapter M of the Code. FCM serves as our investment adviser and manages the investment process on a daily basis.

Our investment objective is to seek long-term growth of capital, principally by seeking capital gains on our equity and equity-related investments. There can be no assurance that we will achieve our investment objective. Under normal circumstances, we invest at least 80% of our net assets for investment purposes in technology companies. We consider technology companies to be those companies that derive at least 50% of their revenues from products and/or services within the information technology sector or in 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 invest at least 70% of our total assets in privately held companies and public companies with market capitalizations of 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 our capital base. We acquire our investments through direct investments in private companies, negotiations with selling shareholders, and in organized secondary marketplaces for private securities.

While our primary focus is to invest in illiquid private technology and cleantech companies, we also may invest in micro-cap publicly traded companies. In addition, we may invest up to 30 percent of the portfolio in opportunistic investments that do not constitute the private companies and micro-cap public companies described above. These other investments may include investments in securities of public companies that are actively traded or in actively traded derivative securities such as options on securities or security indices. These other investments may also include investments in high-yield bonds, distressed debt, or securities of public companies that are actively traded and securities of companies located outside of the United States. Our investment activities are managed by FCM.

#### PORTFOLIO COMPOSITION

We make investments in securities of both public and private companies. Our portfolio investments consist principally of equity and equity-like securities, including common and preferred stock, warrants for the purchase of common and stock, and convertible debt. The fair value of our investment portfolio was approximately \$155.2 million as of June 30, 2016 as compared to approximately \$170.7 million as of December 31, 2015.

The following table summarizes the fair value of our investment portfolio by industry sector as of June 30, 2016 and December 31, 2015.

	June 30, 2016	December 31, 2015
Medical Devices	16.1%	15.2%
Semiconductor Equipment	15.5%	19.9%
Advanced Materials	10.2%	8.4%
Consumer Electronics	8.4%	8.9%
Automotive	7.8%	7.4%
Advertising Technology	6.0%	14.1%
Cloud Computing	5.2%	5.7%
Intellectual Property	4.6%	2.0%
Mobile Computing	4.2%	4.1%
Networking	3.1%	2.7%
Renewable Energy	2.4%	4.1%
Semiconductor	1.5%	2.3%
Equipment Leasing	1.2%	0.0%
Other Electronics	0.8%	0.7%
Aerospace	0.4%	1.1%
Software	0.4%	0.3%
Computer Storage	0.1%	0.1%
Internet	0.0%	0.2%
Exchange-Traded Funds	5.8%	0.0%
Other Assets in Excess of Liabilities	6.3%	2.8%
Net Assets	100.0%	100.0%

#### MATURITY OF PRIVATE COMPANIES IN THE CURRENT PORTFOLIO

The Fund invests in private companies at various stages of maturity. As our portfolio companies mature, they move from the “early (development) stage” to the “middle (revenue) stage” and then to the “late stage.” We expect that this continuous progression may create a pipeline of potential exit opportunities through initial public offerings (IPOs) or acquisitions. Of course, some companies do not progress.

The illustration below describes typical characteristics of companies at each stage of maturity and where we believe our current portfolio companies fit within these categories. We expect some of our portfolio companies to transition between stages of maturity over time. The transition may be forward if the company is maturing and is successfully executing its business plan or may be backward if the company is not successfully executing its business plan or decides to change its business plan substantially from its original plan.

#### EARLY STAGE

Developing product or service for market, high level of research and development, little or no revenue.

#### MIDDLE STAGE

Established product, customers, business model; limited revenues.

#### LATE STAGE

Appreciable revenue; may be break-even or profitable; IPO or acquisition candidate.

#### RESULTS OF OPERATIONS

Comparison of the three months ended June 30, 2016 to the three months ended June 30, 2015.

#### INVESTMENT INCOME

For the three months ended June 30, 2016, we had investment income of \$216,880 primarily attributable to interest accrued on convertible/term note investments with Pivotal Systems, Telepathy Investors and IntraOp Medical Corp.

For the three months ended June 30, 2015, we had investment income of \$550,409 primarily attributable to interest accrued on convertible/term note investments with Silicon Genesis Corporation, Pivotal Systems, and IntraOp Medical Corp.

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

The lower level of interest income in the three months ended June 30, 2016 compared to the three months ended June 30, 2015 was due to convertible note investments in Silicon Genesis being paid off in the first quarter of 2016.

### OPERATING EXPENSES

Gross operating expenses totaled approximately \$1,077,329 during the three months ended June 30, 2016 and \$1,828,963 during the three months ended June 30, 2015.

Significant components of gross operating expenses for the three months ended June 30, 2016, were management fee expense of \$836,291, and professional fees (audit, legal, and consulting) of \$81,717. Significant components of operating expenses for the three months ended June 30, 2015, were management fee expense of \$971,371, and professional fees (audit, legal, and consulting) of \$711,361.

The lower level of gross operating expenses for the three months ended June 30, 2016 compared to the three months ended June 30, 2015 is primarily attributable to fees associated with the bankruptcy hearings for one of our investments in the three months ended June 30, 2015 and a decrease in our total net assets, on which the investment advisory fees are based.

### NET INVESTMENT LOSS

The net investment loss was \$860,449 for the three months ended June 30, 2016 and \$877,474 for the three months ended June 30, 2015.

The lesser net investment loss in the three months ended June 30, 2016 compared to the three months ended June 30, 2015 is primarily attributable to fees associated with the bankruptcy hearings for one of our investments in the three months ended June 30, 2015.

### NET INVESTMENT REALIZED GAINS AND LOSSES AND UNREALIZED APPRECIATION AND DEPRECIATION

A summary of the net realized and unrealized gains and losses on investments for the three month periods ended June 30, 2016, and June 30, 2015, is shown below.

	Three Months Ended June 30, 2016
Realized gains	\$4,212,691
Net change in unrealized depreciation on investments	(4,328,627 )
Net realized and unrealized loss on investments	\$(115,936 )
	As of June 30, 2016
Gross unrealized appreciation on portfolio investments	\$12,283,155
Gross unrealized depreciation on portfolio investments	(39,498,300 )
Net unrealized depreciation on portfolio investments	\$(27,215,145 )
	Three Months Ended June 30, 2015
Realized gains	\$595,139
Net change in unrealized appreciation on investments	(2,600,542)
Net realized and unrealized gain on investments	\$(2,005,403)

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

As of June 30, 2015

Gross unrealized appreciation on portfolio investments	\$14,017,439	
Gross unrealized depreciation on portfolio investments	(15,411,262	)
Net unrealized depreciation on portfolio investments	\$(1,393,823	)

29

---



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

During the three months ended June 30, 2016, we recognized net realized gains of \$4,212,691. Realized gains were higher than those in the year-ago period due to the successful sale of Mattson.

During the three months ended June 30, 2016, net unrealized depreciation on total investments increased by \$4,328,627. The change in net unrealized appreciation and depreciation of our private investments is based on portfolio asset valuations determined in good faith by our Board of Directors. This change in net unrealized depreciation was primarily composed of a reclassification of Mattson's appreciation to realized gains.

During the three months ended June 30, 2015, we recognized net realized gains of \$595,139.

During the three months ended June 30, 2015, net unrealized appreciation on total investments decreased by \$2,600,542. The change in net unrealized appreciation and depreciation of our private investments is based on portfolio asset valuations determined in good faith by our Board of Directors. This change in net unrealized depreciation was primarily composed of a decrease in the fair value of our portfolio companies, notably Mattson and Aliphcom.

### INCOME AND EXCISE TAXES

It is our intent to continue to qualify as a RIC under Subchapter M of the Code; accordingly, the Company does not provide for income taxes. The Company does, however, recognize interest and penalties, if any, as an income tax expense.

### NET INCREASE/(DECREASE) IN ASSETS RESULTING FROM OPERATIONS AND CHANGE IN NET ASSETS PER SHARE

For the three months ended June 30, 2016, the net decrease in net assets resulting from operations totaled \$976,385 and basic and fully diluted net change in net assets per share for the three months ended June 30, 2016 was \$(0.13).

For the three months ended June 30, 2015, the net decrease in net assets resulting from operations totaled \$2,882,877 and basic and fully diluted net change in net assets per share for the three months ended June 30, 2015 was \$(0.37).

The lesser decrease in net assets resulting from operations for the three months ended June 30, 2016 as compared to the increase in net assets resulting from operations for the three months ended June 30, 2015, is due primarily to a slower growth in our unrealized appreciation on investments.

The following information is a comparison for the six months ended June 30, 2016, and the six months ended June 30, 2015.

### INVESTMENT INCOME

For the six months ended June 30, 2016, we had investment income of \$376,795 primarily attributable to interest accrued on convertible/term note investments with Pivotal Systems, Telepathy Investors and IntraOp Medical Corp.

For the six months ended June 30, 2015, we had investment income of \$1,124,827 primarily attributable to interest accrued on convertible/term note investments with Silicon Genesis Corporation, Pivotal Systems and IntraOp Medical Corp.

The lower level of interest income in the six months ended June 30, 2016 compared to the six months ended June 30, 2015 was due primarily to convertible note investments in Silicon Genesis being paid off in the first quarter of 2016.

### OPERATING EXPENSES

Gross operating expenses totaled approximately \$2,279,256 during the six months ended June 30, 2016 and \$3,118,771 during the six months ended June 30, 2015.

Significant components of gross operating expenses for the six months ended June 30, 2016, were management fee expense of \$1,697,112 and professional fees (audit, legal, and consulting) of \$262,405. Significant components of operating expenses for the six months ended June 30, 2015, were management fee expense of \$1,994,761 and professional fees (audit, legal, and consulting) of \$846,435.

The lower level of gross operating expenses for the six months ended June 30, 2016 compared to the six months ended June 30, 2015 is primarily attributable to fees associated with the bankruptcy hearings of one of our investments in the six months ended June 30, 2015 and a decrease in our total net assets, on which the investment advisory fees are based.

## NET INVESTMENT LOSS

The net investment loss was \$1,902,461 for the six months ended June 30, 2016 and \$2,347,640 for the six months ended June 30, 2015.

The lower net investment loss in the six months ended June 30, 2016 compared to the six months ended June 30, 2015 is primarily due to an incentive fee adjustment, decrease in our net assets, on which the investment advisory fees are based and a decrease in professional fees. Each quarter that we are in a net realized/unrealized gain position, we must accrue for an incentive fee and adjust the fee quarterly based on investment appreciation/depreciation in that quarter. In the six months ended June 30, 2016, there was not an adjustment as opposed to an increased adjustment to our incentive fee accrual by \$353,696 during the six months ended June 30, 2015.

## NET INVESTMENT REALIZED GAINS AND LOSSES AND UNREALIZED APPRECIATION AND DEPRECIATION

A summary of the net realized and unrealized gains and loss on investments for the six month periods ended June 30, 2016, and June 30, 2015, is shown below.

	Six Months Ended June 30, 2016	
Realized gains	\$7,527,534	
Net change in unrealized depreciation on investments	(14,617,557 )	
Net realized and unrealized losses on investments	\$(7,090,023 )	
	As of June 30, 2016	
Gross unrealized appreciation on portfolio investments	\$12,283,155	
Gross unrealized depreciation on portfolio investments	(39,498,300 )	
Net unrealized appreciation on portfolio investments	\$(27,215,145 )	
	Six Months Ended June 30, 2015	
Realized gains	\$1,915,826	
Net change in unrealized appreciation on investments	(300,658 )	
Net realized and unrealized gains on investments	\$1,615,168	
	As of June 30, 2015	
Gross unrealized appreciation on portfolio investments	\$14,017,439	
Gross unrealized depreciation on portfolio investments	(15,411,262 )	
Net unrealized appreciation on portfolio investments	\$(1,393,823 )	

During the six months ended June 30, 2016, we recognized net realized gains of \$7,527,534 from the sale of investments. Realized gains were higher than those in the year-ago period due to the successful sales of Mattson and TapAd.

During the six months ended June 30, 2016, net unrealized depreciation on total investments increased by \$14,617,557. The change in net unrealized appreciation and depreciation of our private investments is based on portfolio asset valuations determined in good faith by our Board of Directors. This change in net unrealized depreciation was primarily composed of a reclassification of Mattson's appreciation to realized gains and a decrease in valuation to our Aliphcom, Turn and Sunrun investments.



During the six months ended June 30, 2015, we recognized net realized gains of \$1,915,826 from the sale of investments.

During the six months ended June 30, 2015, net unrealized appreciation on total investments decreased by \$300,658. The change in net unrealized appreciation and depreciation of our private investments is based on portfolio asset valuations determined in good faith by our Board of Directors. This change in net unrealized appreciation was primarily composed of a decrease in the fair value of our portfolio companies, notably Aliphcom.

#### INCOME AND EXCISE TAXES

It is our intent to continue to qualify as a RIC under Subchapter M of the Code; accordingly, the Company does not provide for income taxes. The Company does, however, recognize interest and penalties, if any, as an income tax expense.

#### NET INCREASE/(DECREASE) IN ASSETS RESULTING FROM OPERATIONS AND CHANGE IN NET ASSETS PER SHARE

For the six months ended June 30, 2016, the net decrease in net assets resulting from operations totaled \$8,992,484 and basic and fully diluted net change in net assets per share for the six months ended June 30, 2016 was \$(1.17).

For the six months ended June 30, 2015, the net decrease in net assets resulting from operations totaled \$732,472 and basic and fully diluted net change in net assets per share for the six months ended June 30, 2016 was \$(0.10).

The greater decrease in net assets resulting from operations for the six months ended June 30, 2016 as compared to the six months ended June 30, 2015, is due primarily to the change in unrealized depreciation resulting from decreases in valuation from our Aliphcom, Turn and Sunrun investments.

#### DISTRIBUTION POLICY

Our board of directors will determine the timing and amount, if any, of our distributions. We intend to pay distributions on an annual basis out of assets legally available therefore. In order to qualify as a RIC and to avoid corporate-level tax on our income, we must distribute to our stockholders at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, on an annual basis. In addition, we also intend to distribute any realized net capital gains (i.e., realized net long-term capital gains in excess of realized net short-term capital losses) at least annually.

#### CONTRACTUAL OBLIGATIONS

The Fund does not have any Contractual Obligations that meet the requirements for disclosure under Item 303 of Regulation S-K.

#### OFF-BALANCE SHEET ARRANGEMENTS

The Fund does not have any Off-Balance Sheet Arrangements.

#### CRITICAL ACCOUNTING POLICIES

This discussion of our financial condition and results of operations is based upon our financial statements, which are prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP. The preparation of these financial statements will require management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Changes in the economic environment, financial markets, and any other parameters used in determining such estimates could cause actual results to differ. In addition to the discussion below, we will describe our critical accounting policies in the notes to our future financial statements.

#### Valuation of Portfolio Investments

As a business development company, we generally invest in illiquid equity and equity derivatives of securities of venture capital stage technology companies. Under written procedures established by our board of directors, securities traded on stock exchanges, or quoted by NASDAQ, are valued according to the NASDAQ Stock Market, Inc. (“NASDAQ”) official closing price, if applicable, or at their last reported sale price as of the close of trading on the New York Stock Exchange (“NYSE”) (normally 4:00 P.M. Eastern Time). 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. We obtain these market values from an independent pricing service or at the mean between the bid and ask prices obtained from at least two brokers or dealers (if available, otherwise by a principal market maker or a primary market dealer). In addition, a large percentage of our portfolio investments are in the form of securities that are not publicly traded. The fair value of securities and other investments that are not publicly traded may not be readily determinable. We value these securities quarterly at fair value as determined in good faith by our board of directors. Our board of directors may use the services of a nationally recognized independent valuation firm to aid it in determining the fair value of these securities. The methods for valuing these securities may include: fundamental analysis (sales, income, or earnings multiples, etc.), discounts from market prices of similar securities, purchase price of securities, subsequent private transactions in the security or related securities, or discounts applied to the nature and duration of restrictions on the disposition of the securities, as well as a combination of these and other factors. Because such valuations, and particularly valuations of private securities and private companies, are inherently uncertain, may fluctuate over short periods of time, and may be based on estimates, our determinations of fair value may differ materially from the values that would have been used if a ready market for these securities existed. Our net asset value could be adversely affected if our determinations regarding the fair value of our investments were materially higher than the values that we ultimately realize upon the disposal of such securities.

Revenue Recognition

We record interest or dividend income on an accrual basis to the extent that we expect to collect such amounts. We do not accrue as a receivable interest on loans and debt securities if we have reason to doubt our ability to collect such interest. Loan origination fees, original issue discount, and market discount are capitalized, and we amortize any such amounts as interest income. Upon the prepayment of a loan or debt security, any unamortized loan origination is recorded as interest income. We will record prepayment premiums on loans and debt securities as interest income when we receive such amounts.

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

We measure realized gains or losses by the difference between the net proceeds from the repayment or sale and the cost basis of the investment, without regard to unrealized appreciation or depreciation previously recognized. Net change in unrealized appreciation or depreciation reflects the change in portfolio investment values during the reporting period, including any reversal of previously recorded unrealized appreciation or depreciation, when gains or losses are realized.

Recently Issued Accounting Standards

From time to time, new accounting pronouncements are issued by the FASB or other standards setting bodies that are adopted by us as of the specified effective date. We believe that the impact of recently issued standards that are not yet effective will not have a material impact on our financial statements upon effectiveness.

Inflation

Inflation has not had a significant effect on our results of operations in any of the reporting periods presented herein. However, our portfolio companies have experienced, and may in the future experience, the impacts of inflation on their operating results.

SUBSEQUENT EVENTS

Subsequent to the close of the fiscal quarter on June 30, 2016, and through the date of the issuance of the financial statements included herein, a number of material events related to our portfolio of investments occurred, consisting primarily of purchased securities. Since that date, we have purchased private securities with an aggregate cost of approximately \$1.0 million.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

---

The Company's business activities contain elements of risk. We consider the principal types of market risk to be valuation risk and small company investment risk.

VALUATION RISK

Value, as defined in Section 2(a)(41) of the 1940 Act, is (i) the market price for those securities for which market quotations are readily available and (ii) fair value as determined in good faith by, or under the direction of, the Board of Directors for all other assets.

Because there is typically no public market for our interests in the small privately-held companies in which we invest, the valuation of the securities in that portion of our portfolio is determined in good faith by our Board of Directors with the assistance of our Valuation Committee, comprised of the independent members of our Board of Directors, in accordance with our Valuation Procedures. In addition, the Board of Directors may use the services of a nationally recognized independent valuation firm to aid it in determining the fair value of some of these securities. In the absence of a readily ascertainable market value, the determined value of our portfolio of securities may differ significantly from the values that would be placed on the portfolio if a ready market for such securities existed. Determining fair value requires that judgment be applied to the specific facts and circumstances of each portfolio investment, although our valuation policy is intended to provide a consistent basis for determining fair value of the portfolio investments. The methods for valuing these securities may include: fundamental analysis (sales, income, or earnings multiples, etc.), discounts from market prices of similar securities, purchase price of securities, subsequent private transactions in the security or related securities, or discounts applied to the nature and duration of restrictions on the disposition of the securities, as well as a combination of these and other factors. Because such valuations, and particularly valuations of private securities and private companies, are inherently uncertain, may fluctuate over short periods of time, and may be based on estimates, our determinations of fair value may differ materially from the values that would have been used if a ready market for these securities existed.

Furthermore, changes in valuation of any of our investments in privately-held companies from one period to another may be volatile.

Investments in privately held, immature companies are inherently more volatile than investments in more mature businesses. Such immature businesses are inherently fragile and easily affected by both internal and external forces.

Our portfolio companies can lose much or all of their value suddenly in response to an internal or external adverse event. Conversely, these immature businesses can gain suddenly in value in response to an internal or external positive development.

The values assigned to our assets are based on available information and do not necessarily represent amounts that might ultimately be realized, as these amounts depend on future circumstances and cannot be reasonably determined until the individual investments are actually liquidated or become readily marketable. Upon sale of investments, the values that are ultimately realized may be different from what is presently estimated. This difference could be material.

#### **PRIVATELY PLACED SMALL COMPANIES RISK**

The Company invests in small companies, and its investments in these companies are considered speculative in nature. The Company's investments often include securities that are subject to legal or contractual restrictions on resale that adversely affect the liquidity and marketability of such securities. As a result, the Company is subject to risk of loss which may prevent our shareholders from achieving price appreciation, dividend distributions and return of capital.

#### **WE CURRENTLY HOLD A PORTION OF OUR ASSETS IN CASH**

As of June 30, 2016, a portion of the Company's assets (approximately 6.4%) is invested in cash and/or cash equivalents, which are expected to earn low yields. Given the current low interest rate environment, to the extent the management fee and other operating expenses exceed interest income on the cash holdings of the Company, the Company may experience losses. Furthermore, the investment advisory fee payable by us will not be reduced while our assets are invested in cash-equivalent securities.

In some cases, particularly for primary transactions, it is to our advantage to hold sufficient cash reserve so that we can make additional subsequent investments in these companies in order to (a) avoid having our earlier investments become diluted in future dilutive financings, (b) invest additional capital into existing portfolio companies in case additional investments are necessary, and/or (c) exercise warrants, options, or convertible securities that were acquired



as part of the earlier transactions. For this reason, in the case of primary transactions (as opposed to secondary transactions where we do not buy the securities from the issuing companies but instead from existing stockholders), we typically reserve cash in an amount at least equal to our initial investment for such follow-on opportunities. Cash reserves held with respect to a particular investment should, therefore, decline as it is held longer, and will typically not be needed once that portfolio company becomes public or we determine it is no longer in our best interest to make investments in such portfolio company.

We may from time to time liquidate various investments. We are required to distribute substantially all of our net realized gains to stockholders on an annual basis and, therefore, will generally hold the proceeds of liquidated investments in cash pending its distribution.

ITEM 4. CONTROLS AND PROCEDURES.

---

(a) Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective and provided reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

(b) Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act, that occurred during the fiscal quarter ended June 30, 2016, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

---

36

---

ITEM 1. LEGAL PROCEEDINGS.

---

We are not a party to any material pending legal proceeding, and no such proceedings are known to be contemplated.

ITEM 1A. RISK FACTORS.

---

There have been no material changes from risk factors as previously disclosed in our Form 10-K for the period ended June 30, 2016 in response to Item 1A of Part 1 of Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

---

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

---

None.

ITEM 4. MINE SAFETY DISCLOSURES.

---

None.

ITEM 5. OTHER INFORMATION.

---

None.

ITEM 6. EXHIBITS.

---

EXHIBIT NUMBER	DESCRIPTION
31.1	Chief Executive Officer Certification Pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Chief Financial Officer Certification Pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.	Chief Executive Officer and Chief Financial Officer Certification Pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

37

---

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FIRSTHAND  
TECHNOLOGY VALUE  
FUND, INC.

Dated: August 9, 2016

By: /s/ Kevin Landis  
Kevin Landis  
Chief Executive Officer

Dated: August 9, 2016

By: /s/ Omar Billawala  
Omar Billawala  
Chief Financial Officer

---

EXHIBIT NUMBER	DESCRIPTION
31.1	Chief Executive Officer Certification Pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Chief Financial Officer Certification Pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.	Chief Executive Officer and Chief Financial Officer Certification Pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002