

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

Firsthand Technology Value Fund, Inc.
Form 10-Q
November 10, 2014

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period of September 30, 2014 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
(State or Other Jurisdiction of
Incorporation or Organization)

27-3008946
(I.R.S. Employer
Identification No)

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

95113
(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)

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

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

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

Class	Outstanding at October 31, 2014
Common Stock, \$0.001 par value per share	9,072,032

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION	2
Item 1. Financial Statements	2
Statements of Assets and Liabilities as of September 30, 2014 (Unaudited) and December 31, 2013	3
Statements of Operations (Unaudited) for the Three Months Ended September 30, 2014 and September 30, 2013, and for the Nine Months Ended September 30, 2014 and September 30, 2013	4
Statements of Cash Flows (Unaudited) for the Nine Months Ended September 30, 2014 and the Nine Months Ended September 30, 2013	5
Statements of Changes in Net Assets for the Nine Months Ended September 30, 2014 (Unaudited) and for the Year Ended December 31, 2013	6
Selected Per Share Data and Ratios for the Nine Months Ended September 30, 2014 (Unaudited), 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
Schedule of Investments (Unaudited) as of September 30, 2014	8
Notes To Financial Statements (Unaudited)	12
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	24
Item 3. Quantitative and Qualitative Disclosures About Market Risk	32
Item 4. Controls and Procedures	34
PART II. OTHER INFORMATION	35
Item 1. Legal Proceedings	36
Item 1A. Risk Factors	36
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	36
Item 3. Defaults Upon Senior Securities	36
Item 4. Mine Safety Disclosures	36
Item 5. Other Information	36
Item 6. Exhibits	37

SIGNATURES

38

1

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

2

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

	AS OF SEPTEMBER 30, 2014 (UNAUDITED)	AS OF DECEMBER 31, 2013
ASSETS		
Investment securities:		
Unaffiliated investments at acquisition cost	\$ 110,098,551	\$84,275,180
Affiliated investments at acquisition cost	14,999,999	10,999,999
Controlled investments at acquisition cost	54,902,578	47,402,530
Total acquisition cost	\$ 180,001,128	\$142,677,709
Unaffiliated investments at market value	\$ 140,128,581	\$129,786,732
Affiliated investments at market value	9,499,999	9,467,499
Controlled investments at market value	48,258,680	42,621,599
Total market value * (Note 6)	197,887,260	181,875,830
Cash**	67,532,302	83,179,168
Receivable for securities sold	15,828,906	—
Receivable from interest	2,813,150	1,853,119
Other assets	11,760	31,938
Total Assets	284,073,378	266,940,055
LIABILITIES		
Written options, at value (proceeds \$757,786)***	687,775	—
Incentive fees payable (Note 4)	12,537,368	8,311,199
Payable to affiliates (Note 4)	1,358,815	1,272,031
Consulting fee payable	42,000	18,000
Accrued expenses and other payables	13,857	434,410
Total Liabilities	14,639,815	10,035,640
NET ASSETS	\$ 269,433,563	\$256,904,415
Net Assets consist of:		
Common Stock, par value \$0.001 per share 100,000,000 shares authorized	\$ 9,072	\$9,072
Paid-in-capital	217,798,652	217,798,652
Accumulated net investment loss	(8,353,857)	—
Accumulated net realized gains (losses) from security transactions, purchased and written options, and warrants transactions	42,023,553	(101,430)
Net unrealized appreciation on investments, other assets, and warrants transactions	17,956,143	39,198,121
NET ASSETS	\$ 269,433,563	\$256,904,415
Shares of Common Stock outstanding	9,072,032	9,072,032
Net asset value per share (Note 2)	\$ 29.70	\$28.32

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

**Cash composed primarily of the Fidelity Institutional Money Market Treasury Portfolio which invests primarily in U.S. Treasury securities. The yield as of 09/30/14 was 0.01%. Please see <https://fundresearch.fidelity.com/mutual-fundsummary/316175504> for additional information.

***Primary risk exposure is equity contracts.

See accompanying notes to financial statements

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

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

	FOR THE THREE MONTHS ENDED		FOR THE NINE MONTHS ENDED	
	SEPT. 30, 2014	SEPT. 30, 2013	SEPT. 30, 2014	SEPT. 30, 2013
INVESTMENT INCOME				
Unaffiliated interest	\$ 1,461	\$(2,462)	\$5,033	\$4,238
Affiliated/controlled interest	523,058	290,454	1,365,264	827,540
Royalty income	351,327	19,404	423,196	38,270
TOTAL INVESTMENT INCOME	875,846	307,396	1,793,493	870,048
EXPENSES				
Investment advisory fees (Note 4)	1,358,816	1,107,158	3,929,151	3,118,081
Administration fees	35,287	32,159	105,532	93,351
Custody fees	5,110	3,423	13,782	11,493
Transfer agent fees	9,132	18,815	26,684	32,657
Registration and filing fees	9,725	4,537	21,208	13,463
Professional fees	155,463	158,848	651,689	349,187
Printing fees	136,713	28,121	239,588	82,657
Trustees fees	15,000	15,000	45,000	60,000
Settlement fees	—	—	838,000	—
Miscellaneous fees	13,067	23,308	50,547	69,165
TOTAL GROSS EXPENSES	1,738,313	1,391,369	5,921,181	3,830,054
Incentive fee adjustments (Note 4)	5,659,108	—	4,226,169	—
TOTAL NET EXPENSES	7,397,421	1,391,369	10,147,350	3,830,054
NET INVESTMENT LOSS	(6,521,575)	(1,083,973)	(8,353,857)	(2,960,006)
Net Realized and Unrealized Gains (Losses)				
on Investments:				
Net realized gains from security transactions				
Non-affiliated and other assets	26,779,485	5,794,244	26,779,617	5,754,741
Net realized gains from purchased option transactions (1)	15,290,438	—	15,290,438	—
Net realized gains (losses) from written option transactions (1)	54,928	(4,399,124)	54,928	(2,794,531)
Net change in unrealized appreciation on other assets	—	—	—	27,370
Net change in unrealized appreciation (depreciation) on investments	(9,092,761)	10,541,083	(17,423,461)	27,060,997
Net change in unrealized appreciation (depreciation) on warrants transactions (1)	4,786	1,139,258	(2,418,528)	1,175,756
Net change in unrealized depreciation on purchased options (1)	(4,794,453)	—	(1,470,000)	—
	45,257	23,829	70,011	—

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

Net change in unrealized appreciation on written options (1)				
Net Realized and Unrealized Gains (Losses) on				
Investments	28,287,680	13,099,290	20,883,005	31,224,333
Net Increase In Net Assets Resulting From Operations	\$21,766,105	\$12,015,317	\$12,529,148	\$28,264,327
Net Increase In Net Assets Per Share Resulting				
From Operations (2)	\$2.40	\$1.40	\$1.38	\$3.30

(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

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

	FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014	FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net increase in Net Assets resulting from operations	\$12,529,148	\$28,264,327
Adjustments to reconcile net decrease in Net Assets derived from operations to net cash provided by operating activities:		
Purchases of investments	(38,122,217)	(34,088,004)
Proceeds from disposition of investments	45,630,403	17,638,875
Net purchases of short term investments	(500,000)	—
Investment in written options	812,714	(2,794,531)
Investment in purchased options	(2,279,562)	—
Proceeds from litigation claim	18,012	879
Decrease in payable from investments purchased	—	1
Increase in dividends, interest, and reclaims receivable	(960,031)	(599,456)
Increase in receivable for investments sold	(15,828,906)	—
Decrease in other assets	20,178	21,767
Increase in payable to affiliates	86,784	116,130
Increase in incentive fees payable	4,226,169	—
Decrease in offering costs payable	—	(5,090)
Decrease in accrued expenses and other payables	(396,553)	(36,952)
Net realized gain from investments	(42,070,055)	(5,754,741)
Net realized gain (loss) from written options	(54,928)	2,794,531
Net unrealized appreciation (depreciation) from investments, other assets, warrants transactions,		
purchased and written options	21,241,978	(28,264,123)
Net cash used in operating activities	(15,646,866)	(22,706,387)
Net decrease in cash	(15,646,866)	(22,706,387)
Cash - beginning of period	83,179,168	136,827,597
Cash - end of period	\$67,532,302	\$114,121,210

See accompanying notes to financial statements

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

	FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 (UNAUDITED)	FOR THE YEAR ENDED DECEMBER 31, 2013
FROM OPERATIONS:		
Net investment loss	\$ (8,353,857)	\$ (12,852,796)
Net realized gains from security transactions, written and purchased options and warrants	42,124,983	2,960,546
Net change in unrealized appreciation (depreciation) on investments, other assets, written and purchased options and warrants transactions	(21,241,978)	60,254,035
Net increase in net assets from operations	12,529,148	50,361,785
FROM DISTRIBUTIONS		
From realized gains on investments	—	(2,878,338)
TOTAL DISTRIBUTIONS	—	(2,878,338)
FROM CAPITAL SHARE TRANSACTIONS		
Issuance of common stock (1)	—	13,499,939
Net increase in net assets from capital share transactions	—	13,499,939
TOTAL INCREASE IN NET ASSETS	12,529,148	60,983,386
NET ASSETS:		
Beginning of period	256,904,415	195,921,029
End of period	\$ 269,433,563	\$ 256,904,415
Accumulated Net Investment Loss	\$ (8,353,857)	\$ —
COMMON STOCK ACTIVITY:		
Shares issued	—	515,552
Net increase in shares outstanding	—	515,552
Shares outstanding, beginning of period	9,072,032	8,556,480
Shares outstanding, end of period	9,072,032	9,072,032

(1) Net of underwriting fees and offering expenses.

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 NINE MONTHS ENDED SEPTEMBER 30, 2014 (UNAUDITED)		FOR THE YEAR ENDED DECEMBER 31, 2013		FOR THE YEAR ENDED DECEMBER 31, 2012		FOR THE PERIOD ENDED DECEMBER 31, 2011(1)	
Net asset value at beginning of period	\$	28.32	\$	22.90	\$	23.92	\$	27.01
Income from investment operations:								
Net investment loss	(0.92	)	(1.42	)	(0.39	)	(0.41)
Net realized and unrealized gains (losses) on investments	2.30		7.16		(1.01	)	(2.68)
Total from investment operations	1.38		5.74		(1.40	)	(3.09)
Distributions from:								
Realized capital gains	—		(0.32)	—		—	
Premiums from shares sold in offerings	—		—	(2)	0.38		—	
Net asset value at end of period	\$	29.70	\$	28.32	\$	22.90	\$	23.92
Market value at end of period	\$	24.01	\$	23.17	\$	17.44	\$	14.33
Total return								
Based on Net Asset Value	4.87	% (A)	25.30	%	(4.26	)%	(11.44	)% (A)
Based on Market Value	3.63	% (A)	34.61	%	21.70	%	(46.95	)% (A)
Net assets at end of period (millions)	\$	269.4	\$	256.9	\$	195.9	\$	83.63
Ratio of total expenses to average net assets	5.36	% (3) (B)	6.52	% (3)	2.56	%	2.76	% (B)
Ratio of total expenses to average net assets, excluding incentive fees	3.13	% (B)	2.67	%	2.56	%	2.76	% (B)
Ratio of net investment loss to average net assets	(4.41	)% (B)	(5.96	)%	(2.12	)%	(2.28	)% (B)
Portfolio turnover rate	19	% (A)	17	%	10	%	18	% (A)

- (1) For the period April 18, 2011 (inception) through December 31, 2011.
- (2) Less than \$0.005 per share.
- (3) Amount includes the incentive fee. For the nine months ended September 30, 2014 and the year ended December 31, 2013, the ratio of the incentive fee to average net assets was 2.25% and 3.85%, respectively.
- (A) Not Annualized.
- (B) Annualized.

See accompanying notes to financial statements

Firsthand Technology Value Fund, Inc.
Schedule of Investments
SEPTEMBER 30, 2014 (UNAUDITED)

PORTFOLIO COMPANY (% OF NET ASSETS)	INDUSTRY	TYPE OF INVESTMENT	SHARES/ PAR VALUE (\$)	VALUE
ALIPHCOM, INC. (4.7%)	Consumer Electronics	Common Stock* (1)	2,128,005	\$ 12,653,330
GILT GROUPE (0.6%)	Internet	Common Stock* (1)	198,841	1,602,042
HIGHTAIL (3.7%)	Cloud Computing	Preferred Stock - Series E* (1)	2,268,602	9,999,998
HIKU LABS (0.2%)	Consumer Electronics	Convertible Note (1) Matures September 2015 Interest Rate 5%	500,000	500,000
ICAD, INC. (0.1%)	Medical Imaging	Common Stock *	20,000	197,000
INTEVAC, INC. (1.0%)	Other Electronics	Common Stock *	408,614	2,725,455
INTRAOP MEDICAL CORP. (8.1%)	Medical Devices	Convertible Note (1)(2) Matures July 2016 Interest Rate 15%	1,000,000	1,000,000
		Preferred Stock - Series A-1* (1)(2)	6,800,000	6,008,480
		Preferred Stock - Series A-2* (1)(2)	13,500,000	11,928,600
		Term Note (1)(2) Matures February 2016 Interest Rate 8%	3,000,000	3,000,000
				21,937,080
MATTSON TECHNOLOGY, INC. (3.0%)	Semiconductor Equipment	Common Stock*	3,280,000	8,101,600
PHUNWARE, INC. (3.7%)	Mobile Computing	Preferred Stock - Series E* (1)	3,257,328	9,999,997
PIVOTAL SYSTEMS (4.5%)	Semiconductor Equipment	Preferred Stock - Series A *(1)(2) Preferred Stock - Series B *(1)(2) Convertible Note (1)(2) Matures March 2016 Interest Rate 10%	11,914,217 7,942,811	6,000,000 4,000,000
			2,000,000	2,000,000
				12,000,000
QMAT, INC. (3.2%)	Advanced	Preferred Stock - Series A *(1)(2) Preferred Stock Warrants - Series A *(1)(2)	8,571,600 2,000,000	8,040,437 531,163
	Materials			8,571,600

See accompanying notes to financial statements

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

Firsthand Technology Value Fund, Inc.
Schedule of Investments - continued
SEPTEMBER 30, 2014 (UNAUDITED)

PORTFOLIO

COMPANY (% OF NET ASSETS)	INDUSTRY	TYPE OF INVESTMENT	SHARES/PAR VALUE (\$)	VALUE
SILICON GENESIS CORPORATION (2.1%)	Intellectual Property	Preferred Stock Warrants - Series 1-E *(1)(2)	1,257,859	\$ 0
		Preferred Stock -Series 1-C *(1)(2)	82,914	0
		Preferred Stock -Series 1-D *(1)(2)	850,830	0
		Preferred Stock -Series 1-E *(1)(2)	5,704,480	0
		Common Stock *(1)(2)	921,892	0
		Preferred Stock -Series 1-F *(1)(2)	912,453	0
		Common Stock Warrants *(1)(2)	37,982	0
		Common Stock Warrants *(1)(2)	5,000,000	0
		Common Stock Warrants *(1)(2)	3,000,000	0
		Convertible Note (1)(2) Matures December 2014 Interest Rate 20%	1,250,000	1,250,000
		Convertible Note (1)(2) Matures December 2014 Interest Rate 20%	500,000	500,000
		Convertible Note (1)(2) Matures December 2014 Interest Rate 20%	1,000,000	1,000,000
		Term Note (1)(2) Matures December 2016 Interest Rate 10%	3,000,000	3,000,000
				5,750,000
SKYLINE SOLAR (0.0%)	Renewable Energy	Preferred Stock - Series C *(1)	793,651	0
SUNRUN, INC. (2.4%)	Renewable Energy	Common Stock *(1)	674,820	6,437,783
TAPAD, INC. (1.6%)	Advertising Technology	Preferred Stock - Series B-1 *(1)	280,048	3,124,103
		Preferred Stock - Series B-2 *(1)	79,172	1,149,997
				4,274,100
TELEPATHY, INC. (0.0%)	Consumer Electronics	Preferred Stock - Series A* (1)(3)	5,000,000	0
TELEPATHY INVESTORS, INC.	Consumer Electronics	Preferred Stock - Series A* (1)(3)	7,619,000	2,000,000

(0.7%)

TURN, INC. (5.6%)	Advertising Technology	Preferred Stock - Series E (1)	1,798,562	15,000,007
-------------------	---------------------------	--------------------------------	-----------	------------

See accompanying notes to financial statements

Firsthand Technology Value Fund, Inc.
Schedule of Investments - continued
SEPTEMBER 30, 2014 (UNAUDITED)

PORTFOLIO COMPANY (% OF NET ASSETS)	INDUSTRY	TYPE OF INVESTMENT	SHARES/PAR VALUE (\$)/ CONTRACTS	VALUE
TWITTER, INC. (25.2%)	Social Networking	Purchased Call Options, Expiring October 18, 2014, Strike Price \$40.00*	14,000	\$ 16,100,000
		Common Stock* (4)	1,006,200	51,899,796
				67,999,796
UCT COATINGS (0.2%)	Advanced Materials	Common Stock *(1)	1,500,000	637,200
		Common Stock Warrants *(1)	136,986	219
		Common Stock Warrants *(1)	2,283	1
		Common Stock Warrants *(1)	33,001	53
				637,473
WRIGHTSPEED, INC. (2.8%)	Automotive	Convertible Note (1)(3) Matures December 2014 Interest Rate 10%	500,000	500,000
		Preferred Stock - Series C *(1)(3)	2,267,659	5,999,999
		Convertible Note (1)(3) Matures October 2014 Interest Rate 10%	1,000,000	1,000,000
TOTAL INVESTMENTS (Cost \$180,001,128) —73.4%				7,499,999
OTHER ASSETS IN EXCESS OF LIABILITIES — 26.6%				197,887,260
NET ASSETS — 100.0%				\$ 71,546,303
				\$ 269,433,563

See accompanying notes to financial statements

Firsthand Technology Value Fund, Inc.
Schedule of Investments - continued
SEPTEMBER 30, 2014 (UNAUDITED)

PORTFOLIO

COMPANY

(% OF NET ASSETS)

INDUSTRY

TYPE OF INVESTMENT

CONTRACTS

VALUE

WRITTEN OPTIONS

—
(0.3)%

TWITTER, INC.

Social Networking

Written Call Options, Expiring
October

(0.3%)

31, 2014, Strike Price \$54.00

(2,501

) \$

(687,775

)

Total WRITTEN

OPTIONS

(proceeds (\$757,786)) —

(0.3)%

\$

(687,775

)

*Non-income producing security.

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

(2)Controlled Investments.

(3)Affiliated issuer.

(4)Security held in connection with open written call options.

See accompanying notes to financial statements

Firsthand Technology Value Fund, Inc. (the “Company”)
Notes to Financial Statements
SEPTEMBER 30, 2014 (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 net 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 total assets in privately held companies and in 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 the Company’s capital base. The Company’s shares are listed on the NASDAQ Global Market under the symbol “SVVC.”

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:

BASIS OF PRESENTATION. The interim financial statements of the Company are prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Regulation S-X. In the opinion of management, all adjustments, all of which were of a normal recurring nature, considered necessary for the fair presentation of financial statements for the interim period have been included. The results of operations for the current period are not necessarily indicative of results that ultimately may be achieved for any other interim period or for the year ending December 31, 2014. The interim unaudited consolidated financial statements and notes hereto should be read in conjunction with the audited financial statements and notes thereto contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2013.

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

PORTFOLIO INVESTMENT VALUATIONS. Investments are stated at “value” as defined in the 1940 Act and in the applicable regulations of the Securities and Exchange Commission and in accordance with GAAP. Value, as defined in Section 2(a)(41) of the 1940 Act, is (i) the market value of those securities for which a market quotation is readily

available and (ii) the fair value as determined in good faith by, or under the direction of, the board of directors for all other securities and assets. On September 30, 2014, our financial statements include venture capital investments valued at approximately \$118.9 million. The fair values of our venture capital investments were determined in good faith by, or under the direction of, the Board of Directors of the Company (the “Board” or the “Board of Directors”). 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.

Firsthand Technology Value Fund, Inc.
Notes to Financial Statements - continued
SEPTEMBER 30, 2014 (UNAUDITED)

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

RESTRICTED SECURITIES. At September 30, 2014, we held \$118,863,409 in restricted securities.

MILESTONE AND CONTINGENT PAYMENTS FROM SALE OF INVESTMENT. As indicated in Note 1, the Company acquired its initial portfolio through the reorganization of Firsthand Technology Value Fund, a series of Firsthand Funds, into the Company, which occurred on April 15, 2011. The assets transferred in the reorganization include a \$40,231 contingent receivable originating from the sale of Solaicx, Inc. to MEMC Electronic Materials, Inc. for an initial cash payment plus possible future cash payments if certain milestone and contingent criteria are met. This milestone payment is valued based on an estimate. There can be no assurances as to how much of this amount we will ultimately realize or when it will be realized, if at all.

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. During the quarter ended September 30, 2014, the Company earned \$1,461 in interest on interest-bearing accounts. During the quarter ended September 30, 2014, the Company recorded \$523,058 of bridge/term note interest and \$351,327 on royalty income.

SHARE VALUATION. The net asset value ("NAV") per share of the Company is calculated by dividing the sum of the value of the securities held by the Company, plus cash or other assets, minus all liabilities (including estimated accrued expenses), by the total number of shares outstanding of the Company, 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 high cost (FIFO) 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 does, however, recognize interest and penalties, if any, as an 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).

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.

Firsthand Technology Value Fund, Inc.
Notes to Financial Statements - continued
SEPTEMBER 30, 2014 (UNAUDITED)

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 and written options as of September 30, 2014, 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 quarter ended September 30, 2014 can be found on the Statement of Operations.

The number of option contracts written and the premiums received during the nine months ended September 30, 2014 were as follows:

	CONTRACTS	PREMIUMS RECEIVED
Options outstanding, beginning of year	—	\$—
Options written during period	16,501	4,835,055
Options closed during period	(8,000)	(2,338,928)
Options exercised during period	(6,000)	(1,738,341)
Options outstanding, end of period	2,501	\$757,786

The average volume of the Fund's derivatives during the nine months ended September 30, 2014 is as follows:

	PURCHASED OPTIONS (CONTRACTS)	WARRANTS (SHARES)	WRITTEN OPTIONS (CONTRACTS)
Firsthand Technology Value Fund, Inc.	7,261	13,850,813	1,125

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.

Firsthand Technology Value Fund, Inc.
Notes to Financial Statements - continued
SEPTEMBER 30, 2014 (UNAUDITED)

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.

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 “Adviser Valuation Committee”) or the independent valuation firm;
- (2) the Valuation Committee of the Board on a quarterly basis reviews the preliminary valuation of the Adviser 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 Adviser Valuation Committee and the independent valuation firms; and
- (3) at each quarterly Board meeting, the Board considers the valuations recommended by the Adviser 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 “Adviser”), 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.

Firsthand Technology Value Fund, Inc.
Notes to Financial Statements - continued
SEPTEMBER 30, 2014 (UNAUDITED)

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, 2014, will be calculated for a period of shorter than twelve calendar months to take into account any realized gains computed net of all realized capital losses and unrealized capital depreciation from inception. As of September 30, 2014, accrued incentive fees totaled \$12,537,368.

NOTE 5. DEBT

The Company currently has no plan to use leverage and does not 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.

Firsthand Technology Value Fund, Inc.
Notes to Financial Statements - continued
SEPTEMBER 30, 2014 (UNAUDITED)

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

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

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

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

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

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

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

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

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

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on

models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

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

Firsthand Technology Value Fund, Inc.
Notes to Financial Statements - continued
SEPTEMBER 30, 2014 (UNAUDITED)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following is a summary of the inputs used to value the Company's net assets as of September 30, 2014:

	LEVEL 1 QUOTED PRICES	LEVEL 2 OTHER SIGNIFICANT OBSERVABLE INPUTS	LEVEL 3 SIGNIFICANT UNOBSERVABLE INPUTS
ASSETS			
Common Stocks			
Advanced Materials	\$ —	\$ —	\$ 637,200
Consumer Electronics	—	—	12,653,330
Medical Imaging	197,000	—	—
Internet	—	—	1,602,042
Other Electronics	2,725,455	—	—
Renewable Energy	—	—	6,437,783
Semiconductor Equipment	8,101,600	—	—
Services	—	—	—
Social Networking	51,899,796	—	—
Total Common Stocks	62,923,851	—	21,330,355
Preferred Stocks			
Advanced Materials	—	—	8,040,437
Advertising Technology	—	—	19,274,107
Automotive	—	—	5,999,999
Cloud Computing	—	—	9,999,998
Consumer Electronics	—	—	2,000,000
Medical Devices	—	—	17,937,080
Mobile Computing	—	—	9,999,997
Semiconductor Equipment	—	—	10,000,000
Total Preferred Stocks	—	—	83,251,618
Asset Derivatives *			
Equity Contracts	—	16,100,000	531,436
Total Asset Derivatives	—	16,100,000	531,436
Convertible Notes			
Automotive	—	—	1,500,000
Consumer Electronics	—	—	500,000
Intellectual Property	—	—	5,750,000
Medical Devices	—	—	4,000,000
Semiconductor Equipment	—	—	2,000,000
Total Convertible Notes	—	—	13,750,000
LIABILITIES			
Liability Derivatives *			
Equity Contracts	—	(687,775)	—
Total Liability Derivatives	—	(687,775)	—
Total	\$ 62,923,851	\$ 15,412,225	\$ 118,863,409

* Asset derivatives include warrants and purchased options, and liability derivatives include written options.

At the end of each calendar quarter, management evaluates the Level 2 and Level 3 assets and liabilities for changes in liquidity, including, but not limited to: whether a broker is willing to execute at the quoted price, the depth and consistency of prices from third-party services, and the existence of contemporaneous, observable trades in the market. Additionally, management evaluates the Level 1 and Level 2 assets and liabilities on a quarterly basis for changes in listings or delistings on national exchanges. Transfers in and out of the levels are recognized at the value at the end of the quarter. There were no transfers between Levels 1 and 2 as of September 30, 2014.

Firsthand Technology Value Fund, Inc.
Notes to Financial Statements - continued
SEPTEMBER 30, 2014 (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 12/31/13	NET PURCHASES	NET SALES	NET REALIZED GAINS	NET UNREALIZED DEPRECIATION (1)	TRANSFERS IN (OUT) OF LEVEL 3	BALANCE AS OF 9/30/14
Common Stocks							
Advanced Materials	\$ 733,500	\$—	\$—	\$—	\$(96,300)	\$—	\$637,200
Consumer Electronics	10,270,178	—	—	—	2,383,152	—	12,653,330
Internet	1,794,520	—	—	—	(192,478)	—	1,602,042
Renewable Energy	6,026,750	—	—	—	411,033	—	6,437,783
Services	1	—	—	—	(1)	—	—
Social Networking	54,437,936	—	—	—	(2,538,140)	(51,899,796)	—
Preferred Stocks							
Advanced Materials	8,023,459	—	—	—	16,978	—	8,040,437
Advertising Technology	17,999,993	1,149,997	—	—	124,117	—	19,274,107
Automotive	5,999,999	—	—	—	—	—	5,999,999
Cloud Computing	—	9,999,998	—	—	—	—	9,999,998
Consumer Electronics	3,467,500	2,000,000	—	—	(3,467,500)	—	2,000,000
Medical Devices	20,300,000	—	—	—	(2,362,920)	—	17,937,080
Mobile Computing	—	9,999,997	—	—	—	—	9,999,997
Semiconductor Equipment	3,600,143	4,000,048	—	—	2,399,809	—	10,000,000
Services	491,698	—	299,139	153,311	(944,148)	—	—
Asset Derivatives							
Equity Contracts	2,949,964	—	—	—	(2,418,528)	—	531,436
Notes and Bonds							
Automotive	—	1,500,000	—	—	—	—	1,500,000
Consumer Electronics	—	500,000	—	—	—	—	500,000
Intellectual Property	5,750,000	—	—	—	—	—	5,750,000
Medical Devices	—	4,000,000	—	—	—	—	4,000,000
Semiconductor							
Equipment	2,000,000	—	—	—	—	—	2,000,000
Total	\$ 143,845,641	\$ 33,150,040	\$ 299,139	\$ 153,311	\$(6,684,926)	\$(51,899,796)	\$ 118,863,409

(1) The net change in unrealized depreciation from Level 3 instruments held as of September 30, 2014 was \$(802,780).

Firsthand Technology Value Fund, Inc.
Notes to Financial Statements - continued
SEPTEMBER 30, 2014 (UNAUDITED)

The below chart represents quantitative disclosure about significant unobservable inputs for Level 3 fair value measurements at September 30, 2014:

	FAIR VALUE AT 9/30/14	VALUATION TECHNIQUES	UNOBSERVABLE INPUTS	RANGE (WEIGHTED AVG.)
Direct venture capital investments: Intellectual Property	\$5.8M	Market Comparable Companies	Revenue Multiple Volatility Risk-Free Rate Discount for Lack of Marketability	2.1x - 2.9x 55.24% 1.78% 0.0% - 32.3%
Direct venture capital investments: Automotive	\$7.5M	Prior Transaction Analysis	Volatility Risk-Free Rate Discount for Lack of Marketability	65.77% 1.07% 0.0%
Direct venture capital investments: Consumer Electronics	\$15.2M	Prior Transaction Analysis Probability Weighted Expected Return	Volatility Risk-Free Rate Discount for Lack of Marketability	44.47% - 64.96% 1.07% - 1.78% 0.0% - 22.3%
Direct venture capital investments: Internet	\$1.6M	Prior Transaction Analysis	Volatility Risk-Free Rate Discount for Lack of Marketability	59.93% 0.13% 0.0% - 18.4%
Direct venture capital investments: Advanced Materials	\$9.2M	Market Comparable Companies Prior Transaction Analysis	EBITDA Multiple Volatility Risk-Free Rate Discount for Lack of Marketability	7.2x - 8.2x 50.10% - 53.15% 1.78% 29.6% - 31.2%
Direct venture capital investments: Semiconductor Equipment	\$12.0M	Prior Transaction Analysis	Volatility Risk-Free Rate Discount for Lack of Marketability	45.78% 1.07% 0.0%
Direct venture capital investments: Advertising Technology	\$19.3M	Prior Transaction Analysis	Volatility Risk-Free Rate Discount for Lack of Marketability	49.91% - 51.19% 0.13% - 0.58% 0.0%
Direct venture capital investments:	\$6.4M	Prior Transaction Analysis	Volatility Risk-Free Rate	131.65% 0.58%

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

Renewable Energy			Discount for Lack of Marketability	47.1%
Direct venture capital investments: Medical Devices	\$21.9M	Market Comparable Companies Prior Transaction Analysis	Revenue Multiple Volatility Risk-Free Rate Discount for Lack of Marketability	1.9x - 2.6x 47.57% 1.43% 0.0%
Direct venture capital investments: Cloud Computing	\$10.0M	Prior Transaction Analysis	Volatility Risk-Free Rate Discount for Lack of Marketability	32.27% 0.13% 0.0%
Direct venture capital investments: Mobile Computing	\$10.0M	Prior Transaction Analysis	Volatility Risk-Free Rate Discount for Lack of Marketability	74.58% 0.58% 0.0%

Firsthand Technology Value Fund, Inc.
Notes to Financial Statements - continued
SEPTEMBER 30, 2014 (UNAUDITED)

NOTE 7. FEDERAL INCOME TAXES

The Company has elected, and intends to qualify annually, for the special tax treatment afforded RICs under 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% of its net realized capital gains (earned during the 12 months ended October 31) plus undistributed amounts, if any, from prior years.

NOTE 8. INVESTMENT TRANSACTIONS

Investment transactions (excluding short-term investments) were as follows for the nine months ended September 30, 2014.

PURCHASES AND SALES

Purchases of investment securities	\$38,122,217
Proceeds from sales and maturities of investment securities	\$45,630,403

NOTE 9. 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, 2013 through September 30, 2014, is noted below:

AFFILIATE/ CONTROLLED INVESTMENT*	BALANCE AT 12/31/13	SHARES/PAR ACTIVITY		BALANCE AT 9/30/14	REALIZED GAIN (LOSS) INTEREST	VALUE 9/30/14	ACQUISITION COST
		PURCHASES/ MERGER	SALES/ MATURITY/ EXPIRATION				
IntraOp Medical Corp. Series A-1 Preferred*	6,800,000	—	—	6,800,000	\$—\$—	\$ 6,008,480	\$ 6,800,000
IntraOp Medical Corp. Series A-2 Preferred*	13,500,000	—	—	13,500,000	— —	11,928,600	13,499,940
IntraOp Medical Corp. Term Note*	—	1,000,000	—	1,000,000	— 35,031	1,000,000	1,000,000
IntraOp Medical Corp.	—	3,000,000	—	3,000,000	— 141,370	3,000,000	3,000,000

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

Term Note*							
Pivotal Systems, Series A							
Preferred*	7,148,814	4,765,403	—	11,914,217	— —	6,000,000	6,000,048
Pivotal Systems, Series B							
Preferred*	—	7,942,811	—	7,942,811	— —	4,000,000	4,000,000

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

Firsthand Technology Value Fund, Inc.
Notes to Financial Statements - continued
SEPTEMBER 30, 2014 (UNAUDITED)

AFFILIATE/ CONTROLLED INVESTMENT*	BALANCE AT 12/31/13	SHARES/PAR ACTIVITY		BALANCE AT 9/30/14	REALIZED GAIN (LOSS)	INTEREST	VALUE 9/30/14	ACQUISITION COST
		PURCHASES/ MERGER	SALES/ MATURITY/ EXPIRATION					
Pivotal Systems, Series A Warrants*	1,588,468	—	1,588,468	—	\$ —	\$ —	\$ —	\$ —
Pivotal Systems, Series A Warrants*	3,176,935	—	3,176,935	—	—	—	—	—
Pivotal Systems, Convertible Note*	2,000,000	—	—	2,000,000	—	148,863	2,000,000	2,000,000
QMAT, Preferred Stock Series A*	8,571,600	—	—	8,571,600	—	—	8,040,437	8,571,600
QMAT, Series A Warrant*	2,000,000	—	—	2,000,000	—	—	531,163	—
Silicon Genesis Corp., Common*	921,892	—	—	921,892	—	—	—	169,045
Silicon Genesis Corp., Convertible Note*	1,250,000	—	—	1,250,000	—	375,367	1,250,000	1,610,753
Silicon Genesis Corp., Convertible Note*	500,000	—	—	500,000	—	124,544	500,000	500,000
Silicon Genesis Corp., Convertible Note*	1,000,000	—	—	1,000,000	—	239,194	1,000,000	1,000,000
Silicon Genesis Corp., Term Note*	3,000,000	—	—	3,000,000	—	257,068	3,000,000	3,000,000
Silicon Genesis Corp., Common Warrant*	37,982	—	—	37,982	—	—	—	6,678
Silicon Genesis Corp., Common Warrant*	5,000,000	—	—	5,000,000	—	—	—	—
	3,000,000	—	—	3,000,000	—	—	—	—

Silicon Genesis Corp., Common Warrant*								
Silicon Genesis Corp., Series 1-C Preferred*	82,914	—	—	82,914	—	—	—	109,518
Silicon Genesis Corp., Series 1-D Preferred*	850,830	—	—	850,830	—	—	—	431,901
Silicon Genesis Corp., Series 1-E Preferred*	5,704,480	—	—	5,704,480	—	—	—	2,946,535
Silicon Genesis Corp., Series 1-E Warrant*	1,257,859	—	—	1,257,859	—	—	—	173,500
Silicon Genesis Corp., Series 1-F Preferred*	912,453	—	—	912,453	—	—	—	583,060
Telepathy, Inc., Series A Preferred	5,000,000	—	—	5,000,000	—	—	—	5,000,000
Telepathy Investors, Inc., Series A Preferred	—	7,619,000	—	7,619,000	—	—	2,000,000	2,000,000

Firsthand Technology Value Fund, Inc.
Notes to Financial Statements - continued
SEPTEMBER 30, 2014 (UNAUDITED)

AFFILIATE/ CONTROLLED INVESTMENT*	BALANCE AT 12/31/13	SHARES/PAR ACTIVITY		BALANCE AT 9/30/14	REALIZED GAIN (LOSS) INTEREST	VALUE 9/30/14	ACQUISITION COST
		PURCHASES/ MERGER	SALES/ MATURITY /EXPIRATION				
Wrightspeed, Inc. Series C Preferred	2,267,659	—	—	2,267,659	\$—\$—	\$ 5,999,999	\$ 5,999,999
Wrightspeed, Inc. Convertible Note	—	500,000	—	500,000	— 3,014	500,000	500,000
Wrightspeed, Inc. Convertible Note	—	1,000,000	—	1,000,000	— 40,813	1,000,000	1,000,000
Total Affiliates and Controlled Investments						\$ 57,758,679	\$ 69,902,577
Total Affiliates						\$ 9,499,999	\$ 14,999,999
Total Controlled Investments						\$ 48,258,680	\$ 54,902,578

* Controlled investment.

As of September 30, 2014, Kevin Landis represented the Company and sat on the boards of directors of IntraOp Medical Corp.; Phunware, Inc.; Pivotal Systems, Inc.; QMAT, Inc.; Silicon Genesis Corporation; Telepathy Investors, 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.

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,” 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/term debt. The fair value of our investment portfolio was approximately \$197.9 million as of September 30, 2014 as compared to approximately \$181.9 million as of December 31, 2013.

The following table summarizes the fair value of our investment portfolio by industry sector as of September 30, 2014 and December 31, 2013.

	September 30, 2014	December 31, 2013
Social Networking	25.2%	34.0%
Medical Devices	8.1%	7.9%
Semiconductor Equipment	7.5%	3.6%
Advertising Technology	7.2%	7.0%
Consumer Electronics	5.6%	5.4%
Cloud Computing	3.7%	0.0%
Mobile Computing	3.7%	0.0%
Advanced Materials	3.4%	3.6%
Automotive	2.8%	2.3%
Renewable Energy	2.4%	2.3%
Intellectual Property	2.1%	2.2%
Other Electronics	1.0%	1.6%
Internet	0.6%	0.7%
Medical Imaging	0.1%	0.0%
Services	0.0%	0.2%

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

Other Assets in Excess of Liabilities	26.6%	29.2%
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.

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 September 30, 2014 to the three months ended September 30, 2013.

INVESTMENT INCOME

For the three months ended September 30, 2014, we had investment income of \$875,846 primarily attributable to interest accrued on convertible/term note investments with Silicon Genesis Corporation, IntraOp Medical, Pivotal and Wrightspeed.

For the three months ended September 30, 2013, we had interest income of \$307,396 primarily attributable to interest accrued on convertible note investments with Silicon Genesis Corporation.

The higher level of interest income in the three months ended September 30, 2014 compared to the three months ended September 30, 2013 was due to a significant increase in the principal amount of the outstanding notes with IntraOp Medical, Pivotal and Wrightspeed. Also, there was a significant increase in royalty income from Silicon Genesis Corp.

OPERATING EXPENSES

Operating expenses totaled approximately \$1,738,313 during the three months ended September 30, 2014 and \$1,391,369 during the three months ended September 30, 2013.

Significant components of gross operating expenses for the three months ended September 30, 2014, were management fee expense of \$1,358,816 and professional fees (audit, legal, accounting, and consulting) of \$155,463. Significant components of gross operating expenses for the three months ended September 30, 2013, were management fee expense of \$1,107,158 and professional fees (audit, legal, accounting, and consulting) of \$158,848.

The higher level of gross operating expenses for the three months ended September 30, 2014 compared to the three months ended September 30, 2013 is primarily attributable to an increase in our total assets, on which the investment advisory fees are based.

NET INVESTMENT LOSS

The net investment loss was \$6,521,575 for the three months ended September 30, 2014 and \$1,083,973 for the three months ended September 30, 2013.

The greater net investment loss in the three months ended September 30, 2014 compared to the three months ended September 30, 2013 is primarily due to the incentive fee adjustment. 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 three months ended September 30, 2014, we increased our incentive fee accrual by \$5,659,108 due to appreciation of our investments and realized gains during the quarter.

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 three month periods ended September 30, 2014, and September 30, 2013, is shown below.

	Three Months Ended September 30, 2014
Realized gains	\$42,124,851
Net change in unrealized appreciation on investments	(13,837,171)
Net realized and unrealized gains on investments	\$28,287,680
	As of September 30, 2014
Gross unrealized appreciation on portfolio investments	\$37,984,639
Gross unrealized depreciation on portfolio investments	(20,098,507)
Net unrealized appreciation on portfolio investments	\$17,886,132

	Three Months Ended September 30, 2013
Realized gains	\$1,395,120
Net change in unrealized appreciation on investments	11,704,170
Net realized and unrealized gain on investments	\$13,099,290
	As of September 30, 2013
Gross unrealized appreciation on portfolio investments	\$19,508,918
Gross unrealized depreciation on portfolio investments	(12,300,709)
Net unrealized appreciation on portfolio investments	\$7,208,209

During the three months ended September 30, 2014, we recognized net realized gains of approximately \$42,124,851 from the sale of investments. Realized gains were substantially higher than those in the year-ago period due to the sale of our Facebook common stock during the quarter. We also realized gains during the quarter from the acquisition of INNOViON Corporation by West Peak Partners.

During the three months ended September 30, 2014, net unrealized appreciation on total investments decreased by \$13,837,171. 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. The decrease in unrealized appreciation on total investments during the quarter is due primarily to the sale of Facebook securities, which had the effect of reducing unrealized appreciation and increasing realized gains for the Fund.

During the three months ended September 30, 2013, we recognized net realized gains of approximately \$1,395,120 from the sale of Solar City common stock.

During the three months ended September 30, 2013, net unrealized appreciation on total investments increased by \$11,704,170. 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 an increase in the fair value of our portfolio companies, notably Facebook and Twitter.

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 in income tax expense.

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

For the three months ended September 30, 2014, net increase in net assets resulting from operations totaled \$21,766,105 and basic and fully diluted net change in net assets per share for the three months ended September 30, 2014 was \$2.40.

For the three months ended September 30, 2013, net increase in net assets resulting from operations totaled \$12,015,317 and basic and fully diluted net change in net assets per share for the three months ended September 30, 2013 was \$1.40.

The larger increase in net assets resulting from operations for the three months ended September 30, 2014 as compared to the three months ended September 30, 2013, is due primarily to an increase in realized gains from investment transactions, most notably the sale of Facebook and Twitter securities.

Comparison of the nine months ended September 30, 2014 to the nine months ended September 30, 2013.

INVESTMENT INCOME

For the nine months ended September 30, 2014, we had investment income of \$1,793,493 primarily attributable to interest accrued on convertible/term note investments with Silicon Genesis Corporation, IntraOp Medical, Pivotal and Wrightspeed.

For the nine months ended September 30, 2013, we had investment income of \$870,048 primarily attributable to interest accrued on convertible note investments with Silicon Genesis Corporation.

The higher level of interest income in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013, was due to a significant increase in the principal amount of the outstanding notes with IntraOp Medical, Pivotal and Wrightspeed. Also, there was a significant increase in royalty income from Silicon Genesis Corp.

OPERATING EXPENSES

Gross operating expenses totaled approximately \$5,921,181 during the nine months ended September 30, 2014 and \$3,830,054 during the nine months ended September 30, 2013.

Significant components of operating expenses for the nine months ended September 30, 2014, were management fee expense of \$3,929,151, settlement fee expense of \$838,000 and professional fees (audit, legal, accounting, and consulting) of \$651,689. Significant components of operating expenses for the nine months ended September 30, 2013, were management fee expense of \$3,118,081 and professional fees (audit, legal, accounting, and consulting) of \$349,187.

The higher level of operating expenses for the nine months ended September 30, 2014, compared to the nine months ended September 30, 2013, is primarily attributable to fees associated with the settlement of our proxy contest and an increase in our total assets, on which the investment advisory fees are based.

NET INVESTMENT LOSS

Net investment loss was \$8,353,857 for the nine months ended September 30, 2014 and \$2,960,006 for the nine months ended September 30, 2013.

The greater net investment loss in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013 is primarily due to the incentive fee adjustment. 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 nine months ended September 30, 2014, we increased our incentive fee accrual by \$4,226,169 due to appreciation of our investments during the nine months.

NET INVESTMENT REALIZED GAINS AND LOSSES AND UNREALIZED APPRECIATION AND DEPRECIATION

A summary of the gross and net realized and unrealized gains and losses on investments for the nine-month periods ended September 30, 2014, and September 30, 2013, is shown below.

	Nine Months Ended September 30, 2014
Realized gains	\$42,124,983
Net change in unrealized appreciation on investments	(21,241,978)
Net realized and unrealized gain on investments	\$20,883,005
	As of September 30, 2014
Gross unrealized appreciation on portfolio investments	\$37,984,639
Gross unrealized depreciation on portfolio investments	(20,098,507)
Net unrealized appreciation on portfolio investments	\$17,886,132

	Nine Months Ended September 30, 2013
Realized gains	\$2,960,210
Net change in unrealized depreciation on investments	28,264,123
Net realized and unrealized gain on investments	\$31,224,333
	As of September 30, 2013
Gross unrealized appreciation on portfolio investments	\$19,508,918
Gross unrealized depreciation on portfolio investments	(12,300,709)
Net unrealized depreciation on portfolio investments	\$7,208,209

Realized gains or losses are measured 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, and includes investments charged off during the period, net of recoveries. Net change in unrealized appreciation or depreciation primarily reflects the change in portfolio investment values during the reporting period, including the reversal of previously recorded unrealized appreciation or depreciation when gains or losses are realized.

During the nine months ended September 30, 2014, we recognized net realized gains of approximately \$42,124,983 from the sale of securities. During the nine months ended September 30, 2013, we recognized net realized gains of approximately \$2,960,210 from the sale of securities. Realized gains were substantially higher than those during the nine months ended September 30, 2013 due to the sale of our Facebook and Twitter securities during the nine months ended September 30, 2014.

During the nine months ended September 30, 2014, net unrealized appreciation on total investments decreased by \$21,241,978 compared to an increase of \$28,264,123 in unrealized appreciation on the total investments during the nine months ended September 30, 2013. 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 decrease in net unrealized appreciation was primarily as a result of the Facebook common stock sale, which transfers all the appreciation that Facebook had into realized gains during the nine months ended September 30, 2014 and an increase in the fair value of Facebook and Twitter during the nine months ended September 30, 2013.

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 in income tax expense.

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

For the nine months ended September 30, 2014, the net increase in net assets resulting from operations totaled \$12,529,148 and for the nine months ended September 30, 2013, the net increase in net assets resulting from operations totaled \$28,264,327. Basic and fully diluted net change in net assets per share for the nine months ended September 30, 2014 was \$1.38 and basic and fully diluted net change in net assets per share for the nine months ended September 30, 2013 was \$3.30. The smaller increase in net assets for the nine months ended September 30, 2014, compared to the nine months ended September 30, 2013, was due primarily to a smaller increase in unrealized and realized gains from Facebook and Twitter.

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 September 30, 2014, 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 and sale of securities. Since that date, we have purchased public and private securities with an aggregate cost of approximately \$61.5 million. Since that date we have also sold public and private securities with an aggregate value of approximately \$123.0 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 September 30, 2014, a portion of the Company's assets (approximately 25%) 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 September 30, 2014, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

35

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 December 31, 2013 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.

The Company's Board of Directors has established a Compensation Committee, which consists of only independent directors. No person who is an officer, director, or employee of the Adviser and who serves as a director of the Company receives any compensation from the Company for those services. Directors who are not affiliated with the Adviser receive compensation for their services and reimbursement of expenses incurred to attend meetings. The Compensation Committee reviews and approves that compensation periodically.

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

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: November 10, 2014

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

Dated: November 10, 2014

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

EXHIBIT INDEX

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