

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

Firsthand Technology Value Fund, Inc.  
Form 10-K  
March 14, 2017

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

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Form 10-K

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(Mark One)

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

For the fiscal year ended December 31, 2015

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 814-00830

Firsthand Technology Value Fund, Inc.  
(Exact name of registrant as specified in its charter)

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Maryland 27-3008946  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

150 Almaden Boulevard, Suite 1250  
San Jose, California 95113  
(Address and zip code of principal executive offices)

(408) 886-7096  
(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Common Stock, \$0.001 par value	The NASDAQ Global Market

Securities registered pursuant to Section 12(g) of the Act:  
None

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

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 issuer has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in the definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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 <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>	Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>
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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the Common Stock held by non-affiliates of the registrant as of December 31, 2015 was approximately \$57 million (computed using the closing price of \$8.17 per share of Common Stock on December 31, 2015, as reported by the NASDAQ Global Market).

As of March 15, 2017, Firsthand Technology Value Fund had 7,430,697 shares of common stock, par value \$0.001 per share, outstanding.

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## DEAR FELLOW SHAREHOLDERS

Initial public offerings continued their relatively slow pace in 2016, despite a robust stock market rally. Against this backdrop, we are pleased that Firsthand Technology Value Fund enjoyed one IPO (Nutanix) and three M&A transactions (Tapad, Mattson, and Gilt Groupe) in its portfolio this past year. I am disappointed to report, however, that lagging performance in other investments led the Fund's net asset value (NAV) lower 12.07% during the year, and our stock finished down 6.12%.

## THINGS THAT WORKED

The biggest news for the Fund this year was the acquisition of Tapad by Telenor in March 2016. The Fund's initial investment in Tapad, an advertising technology company, was in 2013, and our total investment was approximately \$10.15 million. The Fund received roughly \$17.45 million in proceeds from the acquisition, representing a realized gain of approximately \$7.3 million (a 72% gain on investment).

Mattson Technology represented another M&A exit for the Fund, with the semiconductor company being bought out by Beijing E-Town Dragon Semiconductor Industry Investment Center in May 2016. The Fund made its initial investment in Mattson in late 2013 and realized a gain of approximately \$4 million, representing a 49% gain on investment.

During the year, the Fund also enjoyed its seventh IPO since inception, with Nutanix (Nasdaq: NTNX). We made our initial purchase of Nutanix stock in 2015 and added to our position in the summer of 2016, leading up to its late-September IPO. The company went public at \$16.00 per share and, after peaking at over \$40 per share in October, settled into a range between \$25 and \$30 for the remainder of 2016. The Fund's ability to sell the stock is restricted until the end of March 2017, per a lock-up agreement associated with the pre-IPO shares. As of December 31, 2016, we have an unrealized gain of approximately \$3.6 million in the stock (note that our valuation policy dictates that we value our Nutanix position at a 10% discount to the market price for the remainder of the lockup period).

## PROGRESS FOR PRIVATE COMPANIES

IntraOp Medical (the portfolio's largest holding at 19.1% as of the end of December) continues to report impressive results in treating several forms of cancer. To date, more than 15,000 cancer patients worldwide have been treated with IntraOp's IntraOperative Radiation Therapy (IORT) device, the Mobetron, including more than 7,500 breast cancer patients. In late 2016, researchers from Harvard and Massachusetts General Hospital announced the results of a clinical study that demonstrated a 43% increase in survival rates for pancreatic cancer patients who were treated with electron beam IORT at the time of surgery versus those receiving surgery alone. Because pancreatic cancer has such a high mortality rate, we believe that this study offers IntraOp an opportunity to dramatically increase its profile in the industry.

Pivotal Systems, one of the Fund's largest holdings, announced that Q3 2016 was a record quarter for revenues and more than \$4 million in bookings. The company also announced the closing of a new \$8 million round of funding that will support its manufacturing expansion in Asia. That investment round was led by Anzu Partners and included participation from Firsthand and other existing investors. As of December 31, 2016, Pivotal represented 16.6% of the Fund's portfolio, and we remain excited about its potential value as an acquisition target. Its mass flow controller technology offers superior performance to other devices in the market, and it is aggressively taking market share from the industry leaders.

Venture capital investors have overlooked the semiconductor industry for some time, which has led to attractive valuations for investors interested in this space. Such was the case with Revasum, a Q4 investment of the Fund. Like Pivotal, Revasum is a supplier of semiconductor manufacturing equipment. The company provides specialized equipment that semiconductor manufacturers use to grind, flatten, and polish semiconductor wafers. In particular,

Revasum has expertise in dealing with exotic materials such as sapphire and silicon carbide.

#### SOME COMPANIES STRUGGLING

While most of our portfolio companies continue to show meaningful progress, some are having a more difficult time finding success. Several of our investments in the consumer electronics field disappointed in 2016. The market for wearable technology has underperformed relative to the expectations of many market observers. Despite the early successes of Apple Watch and Fitbit products, wearables took a step back in 2016, leading to struggles for Jawbone, Telepathy, and Vufine. We also divested our position in Hiku this past year, reflecting the limited progress made by the grocery scanner company since our initial investment in 2014.

CONTINUED ON INSIDE BACK COVER

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DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement prepared in connection with the Annual Meeting of Stockholders to be held in 2017 are incorporated by reference in Part III of this Form 10-K.

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## PART I

### Item 1. Business

#### FORWARD LOOKING STATEMENTS

This report, and other statements that we may make, may contain forward-looking statements, which relate to future events or our future performance or financial condition. We use words such as “anticipates,” “believes,” “expects,” “plans,” “will,” “may,” “continues,” “seeks,” “likely,” “intends,” and similar expressions to identify forward-looking statements. The forward-looking statements contained in this Annual Report on Form 10-K involve risks and uncertainties, including forward-looking 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,
- our contractual arrangements and relationships with third parties,
- the dependence of our future success on the general economy and its impact on the industries in which we invest,
- the ability of our prospective portfolio companies to achieve their objectives,
- our expected financings and investments,
- the adequacy of our cash resources and working capital, and
- the timing of cash flows, if any, from the operations of our prospective portfolio companies.

Our actual results could differ materially from those projected in the forward-looking statements for any reason, including the factors set forth in “Risk Factors” and elsewhere in this Annual Report on Form 10-K. In addition, several factors that could materially affect our actual results are the ability of the portfolio companies in which we invest to achieve their objectives; our ability to source favorable private investments; changes in the securities markets, especially the markets for technology companies including those that may be early stage or micro-cap companies; the dependence of our future success on the general economy and its impact on the industries in which we invest and other factors discussed in our periodic filings with the Securities and Exchange Commission (the “SEC”).

Unpredictable or unknown factors could also have material adverse effects on us. Since our actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements, we cannot give any assurance that any of the events anticipated by the forward-looking statements will occur, or, if any of them do, what impact they will have on our results of operations and financial condition. All forward-looking statements included in this Annual Report on Form 10-K are expressly qualified in their entirety by the foregoing cautionary statements. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. We do not undertake any obligation to update, amend or clarify these forward-looking statements or the risk factors contained in this Annual Report on Form 10-K, whether as a result of new information, future events or otherwise, except as may be required under the federal securities laws. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we in the future may file with the SEC.

#### GENERAL

Firsthand Technology Value Fund, Inc. (“we,” “us,” “our,” the “Company” or “SVVC”) is an externally managed, closed-end, non-diversified management investment company organized as a Maryland corporation that has elected to be treated as a business development company (“BDC”) under the Investment Company Act of 1940 (the “1940 Act”). As such, we are required to comply with certain regulatory requirements. For instance, we generally have to invest at least 70 percent 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 regulated investment company, or RIC, under Subchapter M of the Internal Revenue Code of 1986, as amended, which we refer to as the “Code.” Firsthand Capital



Management, Inc. (the “Investment Adviser”, the “Adviser”, or “FCM”) serves as our investment adviser and manages the investment process on a daily basis.

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We were incorporated under the Maryland General Corporation Law in April 2010 and acquired our initial portfolio of securities through the reorganization (the “Reorganization”) into us of Firsthand Technology Value Fund (“TVF”), an open-end mutual fund and a series of Firsthand Funds, which is a Delaware statutory trust. The reorganization was completed on April 15, 2011 and we commenced operations on April 18, 2011.

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 percent of our total assets for investment purposes in technology companies. We consider technology companies to be those companies that derive at least 50 percent of their revenues from products and/or services within the information technology sector and 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 percent of our assets in privately held companies and public companies with market capitalizations less than \$250 million. Our portfolio is primarily composed of equity and equity derivative securities of technology and cleantech companies (as defined above). These investments generally range between \$1 million and \$10 million each, although the investment size will vary proportionately with the size of 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 may also invest in micro-cap publicly traded companies. In addition, we may invest up to 30% 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. 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.

Neither our investments nor an investment in us are intended to constitute a balanced investment program. We expect to be risk-seeking rather than risk-averse in our investment approach. There is no assurance that our investment objective will be achieved.

We invest a substantial portion of our assets in securities that we consider to be private venture capital equity investments. These private venture capital equity investments usually do not pay interest or dividends and usually are subject to legal or contractual restrictions on resale that may adversely affect the liquidity and marketability of such securities. We expect to make speculative venture capital investments with limited marketability and a greater risk of investment loss than less-speculative investments. Subject to the diversification requirements applicable to a regulated investment company (“RIC”), we may commit all of our assets to only a few investments.

Subject to continuing to meet the compliance tests applicable to BDCs, there are no limitations on the types of securities or other assets in which we may invest. Investments may include the following:

- Venture capital investments, whether in corporate, partnership, or other form, including development-stage or start-up entities;
- Equity, equity-related securities (including options and warrants), and debt with equity features from either private or public issuers;
- Debt obligations of all types having varying terms with respect to security or credit support, subordination, purchase price, interest payments, and maturity;
- Foreign securities;
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Intellectual property or patents or research and development in technology or product development that may lead to patents or other marketable technology; and

♣Miscellaneous investments.

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The table below provides a summary of our investments as of December 31, 2016.

INVESTMENT	BUSINESS DESCRIPTION	FAIR VALUE <sup>1</sup>
AliphCom, Inc.	Consumer Electronics	\$1,339,366
Cloudera, Inc.	Software	245,466
EQX Capital, Inc.	Equipment Leasing	4,020,030
Hera Systems, Inc.	Aerospace	516,664
Hightail, Inc.	Cloud Computing	8,550,361
Intevac, Inc. <sup>2</sup>	Other Electronics	1,401,200
IntraOp Medical Corp.	Medical Devices	28,511,642
iShares Short-Term Treasury Bond ETF <sup>2</sup>	Exchange-Traded Fund	2,371,450
Nutanix, Inc. <sup>2</sup>	Networking	10,990,390
Phunware, Inc.	Mobile Computing	7,365,796
Pivotal Systems Corp.	Semiconductor Equipment	24,717,919
Pure Storage, Inc. <sup>2</sup>	Computer Storage	158,340
QMAT, Inc.	Advanced Materials	13,101,361
QuickLogic Corp. <sup>2</sup>	Semiconductors	375,300
Revasum	Semiconductor Equipment	2,200,924
Roku, Inc.	Consumer Electronics	1,683,750
Rorus, Inc.	Water Purification	50,000
Silicon Genesis Corp.	Intellectual Property	6,168,986
Sunrun, Inc. <sup>2</sup>	Renewable Energy	3,583,294
SPDR Bloomberg Barclays 1-3 Month T-Bill ETF	Exchange-Traded Fund	2,376,400
Telepathy Investors, Inc.	Consumer Electronics	4,010,361
Turn Inc.	Advertising Technology	10,317,278
UCT Coatings, Inc.	Advanced Materials	394,201
Vufine, Inc.	Consumer Electronics	2,670,325
Wrightspeed, Inc.	Automotive	10,410,045

<sup>1</sup> Fair value for our private company holdings was determined in good faith by our board of directors on December 31, 2016. For public companies, the figure represents the market value of our securities on December 31, 2016, less any discount due to resale restriction on the security.

<sup>2</sup>Public company.

### INVESTMENTS AND STRATEGIES

The following is a summary description of the types of assets in which we may invest, the investment strategies we may use, and the attendant risks associated with our investments and strategies.

#### VENTURE CAPITAL INVESTMENTS

We define venture capital as the money and resources made available to privately held start-up firms and privately held and publicly traded small businesses with exceptional growth potential. These businesses can range in stage from pre-revenue to generating positive cash flow. Most of our long-term venture capital investments are in thinly capitalized, unproven, small companies focused on commercializing risky technologies. These businesses also tend to lack management depth, have limited or no history of operations, and have not attained profitability. Because of the speculative nature of these investments, these securities have a significantly greater risk of loss than traditional investment securities. Some of our venture capital investments will never realize their potential, and some will be unprofitable or result in the complete loss of our investment.

We acquire our investments through direct investments in private companies, negotiations with selling shareholders, and in organized secondary marketplaces for private securities. Our current focus is on investing in late-stage private companies, particularly those with potential for near-term realizations by way of IPO or acquisition.

In connection with our venture capital investments, we may participate in providing a variety of services to our portfolio companies, including the following:

- Recruiting management,
- Formulating operating strategies,
- Formulating intellectual property strategies,
- Assisting in financial planning,
- Providing management in the initial start-up stages, and
- Establishing corporate goals.

We may assist in raising additional capital for these companies from other potential investors and may subordinate our own investment to that of other investors. We typically find it necessary or appropriate to provide additional capital of our own. We may introduce these companies to potential joint venture partners, suppliers, and customers. In addition, we may assist in establishing relationships with investment bankers and other professionals. We may also assist with mergers and acquisitions (“M&As”). We do not currently derive income from these companies for the performance of any of the above services.

We may control, be represented on, or have observer rights on the Board of Directors of a portfolio company through one or more of our officers or directors, who may also serve as officers of the portfolio company. We indemnify our officers and directors for serving on the Boards of Directors or as officers of portfolio companies, which exposes us to additional risks. Particularly during the early stages of an investment, we may, in rare instances, in effect be conducting the operations of the portfolio company. Our goal is to assist each company in establishing its own independent capitalization, management, and Board of Directors. As a venture capital-backed company emerges from the developmental stage with greater management depth and experience, we expect that our role in the portfolio company’s operations will diminish.

#### EQUITY, EQUITY-RELATED SECURITIES AND DEBT WITH EQUITY FEATURES

We may invest in equity, equity-related securities, and debt with equity features. These securities include common stock, preferred stock, debt instruments convertible into common or preferred stock, limited partnership interests, other beneficial ownership interests and warrants, options, or other rights to acquire any of the foregoing.

We may make investments in companies with operating histories that are unprofitable or marginally profitable, that have negative net worth, or that are involved in bankruptcy or reorganization proceedings. These investments would involve businesses that management believes have potential through the infusion of additional capital and management assistance. In addition, we may make investments in connection with the acquisition or divestiture of companies or divisions of companies. There is a significantly greater risk of loss with these types of securities than is the case with traditional investment securities.

Warrants, options, and convertible or exchangeable securities generally give the investor the right to acquire specified equity securities of an issuer at a specified price during a specified period or on a specified date. Warrants and options fluctuate in value in relation to the value of the underlying security and the remaining life of the warrant or option, while convertible or exchangeable securities fluctuate in value both in relation to the intrinsic value of the security without the conversion or exchange feature and in relation to the value of the conversion or exchange feature, which is like a warrant or an option. When we invest in these securities, we incur the risk that the option feature will expire worthless, thereby either eliminating or diminishing the value of our investment.

Most of our current portfolio company investments are in the equity securities of private companies. Investments in equity securities of private companies often involve securities that are restricted as to sale and cannot be sold in the open market without registration under the Securities Act of 1933 or pursuant to a specific exemption from these registrations. Opportunities for sale are more limited than in the case of marketable securities, although these investments may be purchased at more advantageous prices and may offer attractive investment opportunities. Even if one of our portfolio companies completes an IPO, we are typically subject to a lock-up agreement for 180 days, and the stock price may decline substantially before we are free to sell.

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We may also invest in publicly traded securities of whatever nature, including relatively small, emerging growth companies that management believes have long-term growth potential. These investments may be through open-market transactions or through private placements in publicly traded companies (“PIPEs”). Securities purchased in PIPE transactions are typically subject to a lock-up agreement for 180 days, or are issued as unregistered securities that are not freely available for six months.

Even if we have registration rights to make our investments in privately held and publicly traded companies more marketable, a considerable amount of time may elapse between a decision to sell or register the securities for sale and the time when we are able to sell the securities. The prices obtainable upon sale may be adversely affected by market conditions or negative conditions affecting the issuer during the intervening time. We may elect to hold formerly restricted securities after they have become freely marketable, either because they remain relatively illiquid or because we believe that they may appreciate in value, during which holding period they may decline in value and be especially volatile as unseasoned securities. If we need funds for investment or working capital purposes, we might need to sell marketable securities at disadvantageous times or prices.

#### DEBT OBLIGATIONS

We may hold debt securities, including in privately held and thinly traded public companies, for income and as a reserve pending more speculative investments. Debt obligations may include U.S. government and agency securities, commercial paper, bankers’ acceptances, receivables or other asset-based financing, notes, bonds, debentures, or other debt obligations of any nature and repurchase agreements related to these securities. These obligations may have varying terms with respect to security or credit support; subordination; purchase price; interest payments; and maturity from private, public, or governmental issuers of any type located anywhere in the world. We may invest in debt obligations of companies with operating histories that are unprofitable or marginally profitable, that have negative net worth or are involved in bankruptcy or reorganization proceedings, or that are start-up or development-stage entities. In addition, we may participate in the acquisition or divestiture of companies or divisions of companies through issuance or receipt of debt obligations. As of December 31, 2016, the debt obligations held in our portfolio consisted of convertible bridge notes and term notes. The convertible bridge notes generally do not generate cash payments to us, nor are they held for that purpose. Our convertible bridge notes and the interest accrued thereon are held for the purpose of potential conversion into equity at a future date. The term notes we hold are income generating.

Our investments in debt obligations may be of varying quality, including non-rated, unsecured, highly speculative debt investments with limited marketability. Investments in lower-rated and non-rated securities, commonly referred to as “junk bonds,” including our venture debt investments, are subject to special risks, including a greater risk of loss of principal and non-payment of interest. Generally, lower-rated securities offer a higher return potential than higher-rated securities, but involve greater volatility of price and greater risk of loss of income and principal, including the possibility of default or bankruptcy of the issuers of these securities. Lower-rated securities and comparable non-rated securities will likely have large uncertainties or major risk exposure to adverse conditions and are predominantly speculative with respect to the issuer’s capacity to pay interest and repay principal in accordance with the terms of the obligation. The occurrence of adverse conditions and uncertainties to issuers of lower-rated securities would likely reduce the value of lower-rated securities held by us, with a commensurate effect on the value of our shares.

The markets in which lower-rated securities or comparable non-rated securities are traded generally are more limited than those in which higher-rated securities are traded. The existence of limited markets for these securities may restrict our ability to obtain accurate market quotations for the purposes of valuing lower-rated or non-rated securities and calculating net asset value or to sell securities at their fair value. Any economic downturn could adversely affect the ability of issuers’ lower-rated securities to repay principal and pay interest thereon. The market values of lower-rated and non-rated securities also tend to be more sensitive to individual corporate developments and changes in economic conditions than higher-rated securities. In addition, lower-rated securities and comparable non-rated securities generally present a higher degree of credit risk. Issuers of lower-rated securities and comparable non-rated securities are often highly leveraged and may not have more traditional methods of financing available to them, so that their

ability to service their debt obligations during an economic downturn or during sustained periods of rising interest rates may be impaired. The risk of loss owing to default by these issuers is significantly greater because lower-rated securities and comparable non-rated securities generally are unsecured and frequently are subordinated to the prior payment of senior indebtedness. We may incur additional expenses to the extent that we are required to seek recovery upon a default in the payment of principal or interest on our portfolio holdings.

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The market value of investments in debt securities that carry no equity participation usually reflects yields generally available on securities of similar quality and type at the time purchased. When interest rates decline, the market value of a debt portfolio already invested at higher yields can be expected to rise if the securities are protected against early call. Similarly, when interest rates increase, the market value of a debt portfolio already invested at lower yields can be expected to decline. Deterioration in credit quality also generally causes a decline in market value of the security, while an improvement in credit quality generally leads to increased value.

#### FOREIGN SECURITIES

We may make investments in securities of issuers whose principal operations are conducted outside the United States, and whose earnings and securities are stated in foreign currency. In order to maintain our status as a BDC, our investments in non-qualifying assets, including the securities of companies organized outside the U.S., would be limited to 30 percent of our assets, because we must invest at least 70 percent of our assets in “qualifying assets,” and securities of foreign companies are not “qualifying assets.”

Compared to otherwise comparable investments in securities of U.S. issuers, currency exchange risk of securities of foreign issuers is a significant variable. The value of these investments to us will vary with the relation of the currency in which they are denominated to the U.S. dollar, as well as with intrinsic elements of value such as credit risk, interest rates, and performance of the issuer. Investments in foreign securities also involve risks relating to economic and political developments, including nationalization, expropriation of assets, currency exchange freezes, and local recession. Securities of many foreign issuers are less liquid and more volatile than those of comparable U.S. issuers. Interest and dividend income and capital gains on our foreign securities may be subject to withholding and other taxes that may not be recoverable by us. We may seek to hedge all or part of the currency risk of our investments in foreign securities through the use of futures, options, and forward currency purchases or sales.

#### INTELLECTUAL PROPERTY

We believe there is a role for organizations that can assist in technology transfer. Scientists and institutions that develop and patent intellectual property perceive the need for and rewards of entrepreneurial commercialization of their inventions. Our form of investment may be:

- Funding research and development in the development of a technology,
- Obtaining licensing rights to intellectual property or patents,
- Acquiring intellectual property or patents, or
- Forming and funding companies or joint ventures to commercialize further intellectual property.

Income from our investments in intellectual property or its development may take the form of participation in licensing or royalty income, fee income, or some other form of remuneration. In order to satisfy RIC requirements, these investments will normally be held in an entity taxable as a corporation. Investment in developmental intellectual property rights involves a high degree of risk that can result in the loss of our entire investment as well as additional risks, including uncertainties as to the valuation of an investment and potential difficulty in liquidating an investment. Further, investments in intellectual property generally require investor patience, as investment return may be realized only after or over a long period. At some point during the commercialization of a technology, our investment may be transformed into ownership of securities of a development-stage or start-up company, as discussed under “Venture Capital Investments” above.

#### REPURCHASE OF SHARES

Our shareholders do not have the right to compel us to redeem our shares. We may, however, purchase outstanding shares of our common stock from time to time, subject to approval of our Board of Directors and in compliance with applicable corporate and securities laws. The Board of Directors may authorize public open-market purchases or privately negotiated transactions from time to time when deemed to be in the best interest of our shareholders. Public purchases would be conducted only after notification to shareholders through a press release or other means. The

Board of Directors may or may not decide to undertake any purchases of our common stock.

Our repurchases of our common shares would decrease our total assets and would therefore likely have the effect of increasing our expense ratio. Subject to our investment restrictions, we may borrow money to finance the repurchase of our common stock in the open market pursuant to any tender offer. Interest on any borrowings to finance share repurchase transactions would reduce our net assets. If, because of market fluctuations or other reasons, the value of our assets falls below the required 1940 Act coverage requirements, we may have to reduce our borrowed debt to the extent necessary to comply with the requirement. To achieve a reduction, it is possible that we may be required to sell portfolio securities at inopportune times when it may be disadvantageous to do so.

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## PORTFOLIO COMPANY TURNOVER

Changes with respect to portfolio companies will be made as our management considers necessary in seeking to achieve our investment objective. The rate of portfolio turnover will not be treated as a limiting or relevant factor when circumstances exist that are considered by management to make portfolio changes advisable.

Although we expect that many of our investments will be relatively long term in nature, we may make changes in particular portfolio holdings whenever it is considered that an investment no longer has substantial growth potential or has reached its anticipated level of performance, or (especially when cash is not otherwise available) that another investment appears to have a relatively greater opportunity for capital appreciation. We may also make general portfolio changes to increase our cash to position us in a defensive posture. We may make portfolio changes without regard to the length of time we have held an investment, or whether a sale results in profit or loss, or whether a purchase results in the reacquisition of an investment that we may have only recently sold. Our investments in privately held companies are illiquid, which limits portfolio turnover. The portfolio turnover rate may vary greatly during a year as well as from year to year and may also be affected by cash requirements.

## COMPETITION

We compete for investments with a number of business development companies and other investment funds (including private equity funds and venture capital funds), reverse merger and special purpose acquisition company (“SPACs”) sponsors, investment bankers that underwrite initial public offerings, hedge funds that invest in private investments in public equities (PIPEs), traditional financial services companies such as commercial banks, and other sources of financing. Many of these entities have greater financial and managerial resources than we do. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act will impose on us as a business development company. We believe we compete with these entities primarily on the basis of our willingness to make smaller, non-controlling investments, the experience and contacts of our investment professionals within our targeted industries, our responsive and efficient investment analysis and decision-making processes, and the investment terms that we offer. We do not seek to compete primarily on the deal terms we offer to potential portfolio companies. We use the industry information available to FCM to assess investment risks and determine appropriate pricing for our investments in portfolio companies. In addition, we believe that the relationships of Kevin Landis (FCM’s President and Chief Investment Officer), and the other senior investment professionals FCM retains, enable us to learn about, and compete effectively for, financing opportunities with attractive companies in the industries in which we seek to invest. For additional information concerning the competitive risks we face, see “Risk Factors—Risks relating to our business and structure—We operate in a highly competitive market for investment opportunities.”

## REGULATION

The Small Business Investment Incentive Act of 1980 added the provisions of the 1940 Act applicable only to BDCs. BDCs are a special type of investment company. After a company files its election to be treated as a BDC, it may not withdraw its election without first obtaining the approval of holders of a majority of its outstanding voting securities. The following is a brief description of the 1940 Act provisions applicable to BDCs, qualified in its entirety by reference to the full text of the 1940 Act and the rules issued thereunder by the Securities and Exchange Commission (“SEC”).

Generally, to be eligible to elect BDC status, a company must primarily engage in the business of furnishing capital and making significant managerial assistance available to companies that do not have ready access to capital through conventional financial channels. Such companies that satisfy certain additional criteria described below are termed “eligible portfolio companies.” In general, in order to qualify as a BDC, a company must: (i) be a domestic company; (ii) have registered a class of its securities pursuant to Section 12 of the Securities Exchange Act of 1934 (the “Exchange Act”); (iii) operate for the purpose of investing in the securities of certain types of portfolio companies, including early-stage or emerging companies and businesses suffering or just recovering from financial distress (see

following paragraph); (iv) make available significant managerial assistance to such portfolio companies; and (v) file a proper notice of election with the SEC.

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An eligible portfolio company generally is a domestic company that is not an investment company or a company excluded from investment company status pursuant to exclusions for certain types of financial companies (such as brokerage firms, banks, insurance companies, and investment banking firms) and that: (i) has a fully diluted market capitalization of less than \$250 million and has a class of equity securities listed on a national securities exchange, (ii) does not have a class of securities listed on a national securities exchange, or (iii) is controlled by the BDC by itself or together with others (control under the 1940 Act is presumed to exist where a person owns at least 25 percent of the outstanding voting securities of the portfolio company) and the BDC has a representative on the Board of Directors of such company.

We may be examined periodically by the SEC for compliance with the 1940 Act.

As with other companies regulated by the 1940 Act, a BDC must adhere to certain substantive regulatory requirements. A majority of our directors must be persons who are not interested persons, as that term is defined in the 1940 Act. Additionally, we are required to provide and maintain a bond issued by a reputable fidelity insurance company to protect the BDC. Furthermore, as a BDC, we are prohibited from protecting any director or officer against any liability to us or our shareholders arising from willful malfeasance, bad faith, gross negligence, or reckless disregard of the duties involved in the conduct of such person's office.

The 1940 Act provides that we may not make an investment in non-qualifying assets unless at the time at least 70 percent of the value of our total assets (measured as of the date of our most recently filed financial statements) consists of qualifying assets. Qualifying assets include: (i) securities of eligible portfolio companies; (ii) securities of certain companies that were eligible portfolio companies at the time we initially acquired their securities and in which we retain a substantial interest; (iii) securities of certain controlled companies; (iv) securities of certain bankrupt, insolvent, or distressed companies; (v) securities received in exchange for or distributed in or with respect to any of the foregoing; and (vi) cash items, U.S. government securities, and high quality short-term debt. The SEC has adopted a rule permitting a BDC to invest its cash in certain money market funds. The 1940 Act also places restrictions on the nature of the transactions in which, and the persons from whom, securities can be purchased in some instances in order for the securities to be considered qualifying assets.

We are permitted by the 1940 Act, under specified conditions, to issue multiple classes of debt and a single class of preferred stock if our asset coverage, as defined in the 1940 Act, is at least 200 percent after the issuance of the debt or the preferred stock (i.e., such senior securities may not be in excess of our net assets). Under specific conditions, we are also permitted by the 1940 Act to issue warrants.

Except under certain conditions, we may sell our securities at a price that is below the prevailing net asset value per share only during the 12-month period after (i) a majority of our directors and our disinterested directors have determined that such sale would be in the best interest of us and our stockholders, and (ii) the holders of a majority of our outstanding voting securities and the holders of a majority of our voting securities held by persons who are not affiliated persons of ours approve our ability to make such issuances. A majority of the disinterested directors must determine in good faith that the price of the securities being sold is not less than a price that closely approximates the market value of the securities, less any distribution discount or commission.

Certain transactions involving certain closely related persons of the Company, including its directors, officers, and employees, may require the prior approval of the SEC. However, the 1940 Act ordinarily does not restrict transactions between us and our portfolio companies.

## SUBCHAPTER M STATUS

We elected to be treated as a RIC, taxable under Subchapter M of the Internal Revenue Code of 1986 (the "Code"), for federal income tax purposes. In general, a RIC is not taxable on its income or gains to the extent it distributes such income or gains to its shareholders. In order to qualify as a RIC, we must, in general, (1) annually derive at least 90

percent of our gross income from dividends, interest, and gains from the sale of securities and similar sources (the “Income Source Rule”); (2) quarterly meet certain investment asset diversification requirements; and (3) annually distribute at least 90 percent of our investment company taxable income as a dividend (the “Income Distribution Rule”). Any taxable investment company income not distributed will be subject to corporate level tax. Any taxable investment company income distributed generally will be taxable to shareholders as dividend income.

Although we may retain income and gains subject to the limitations described above (including paying corporate level tax on such amounts), we could be subject to an additional four percent excise tax if we fail to distribute 98 percent of our aggregate annual taxable income.

As noted above, in order to qualify as a RIC, we must meet certain investment asset diversification requirements each quarter. Because of the specialized nature of our investment portfolio, in some years we have been able to satisfy the diversification requirements under Subchapter M of the Code primarily as a result of receiving certifications from the SEC under the Code with respect to each taxable year beginning after 1998 that we were “principally engaged in the furnishing of capital to other corporations which are principally engaged in the development or exploitation of inventions, technological improvements, new processes, or products not previously generally available” for such year.

Although we generally intend to qualify as a RIC for each taxable year, under certain circumstances we may choose to take action with respect to one or more taxable years to ensure that we would be taxed under Subchapter C of the Code (rather than Subchapter M) for such year or years. We will choose to take such action only if we determine that the result of the action will benefit us and our shareholders.

## INVESTMENT OPPORTUNITY

SVVC invests primarily in equity securities of private technology companies in the United States. We believe that the growth potential exhibited by private technology companies, including cleantech companies, creates an attractive investment environment for SVVC.

The last 15 years has been marked by dramatic changes in the initial public offering (“IPO”) market. Since the dot-com bubble burst in 2000, emerging technology companies have often chosen to stay private longer. The combination of volatile equity markets, increased regulatory requirements (such as the Sarbanes-Oxley Act of 2002), and a lack of investment research coverage has made it less attractive for companies to access the public markets through an IPO. We believe the result is an environment with more opportunities to invest in relatively mature private companies, either directly via primary investments or by purchasing shares in the growing secondary market.

At the same time we believe there are a number of powerful trends creating opportunities for innovative companies and investors alike. The dramatic growth of social networking, cloud computing, and powerful, connected mobile computing devices has enabled new ways of communicating, doing business, and accessing information anytime, anywhere. The Company was established to benefit from convergence of exciting technologies and the growth of private investment opportunities.

## COMPETITIVE ADVANTAGES

We believe that we have the following competitive advantages over other capital providers in technology and cleantech companies:

## MANAGEMENT EXPERTISE

Kevin Landis, our Chief Executive Officer and Chief Financial Officer, has principal management responsibility for Firsthand Capital Management, Inc. as its owner, President and Chief Investment Officer. Mr. Landis has more than 20 years of experience in technology sector investing, and he intends to dedicate a substantial portion of his time to managing the Company. Mr. Landis controls FCM and is a trustee of Firsthand Funds and a director of the Company.

#### DISCIPLINED INVESTMENT APPROACH

The Investment Adviser employs a disciplined approach in selecting investments. The Investment Adviser's investment philosophy focuses on ensuring that our investments have an appropriate return profile relative to risk. When market conditions make it difficult for us to invest according to our criteria, the Investment Adviser intends to be highly selective in deploying our capital. We believe this approach enables us to build an attractive investment portfolio that meets our return and value criteria over the long term.

We believe it is critical to conduct extensive due diligence on investment targets. In evaluating new investments we, through the Investment Adviser, conduct a rigorous due diligence process that draws from the Investment Adviser's investment experience, industry expertise, and network of contacts.

#### FOCUSING ON INVESTMENTS THAT CAN GENERATE POSITIVE RISK-ADJUSTED RETURNS

The Investment Adviser seeks to maximize the potential for capital appreciation. In making investment decisions the Investment Adviser seeks to pursue and invest in companies that meet several of the following criteria:

- outstanding technology,
- barriers to entry (i.e., patents and other intellectual property rights),
- experienced management team,
- established financial sponsors that have a history of creating value with portfolio companies,
- strong and competitive industry position, and
- viable exit strategy.

Assuming a potential investment meets most or all of our investment criteria, the Investment Adviser intends to be flexible in adopting transaction structures that address the needs of prospective portfolio companies and their owners. Our investment philosophy is focused on internal rates of return over the life of an investment. Given our investment criteria and due diligence process, we structure our investments so they correlate closely with the success of our portfolio companies.

#### ABILITY TO SOURCE AND EVALUATE TRANSACTIONS THROUGH THE INVESTMENT ADVISER'S RESEARCH CAPABILITY AND ESTABLISHED NETWORK

FCM's investment management team has overseen investments in dozens of private companies across various industries while employed by FCM and its affiliates since 1994. We believe the expertise of the Investment Adviser's management team enables FCM to identify, assess, and structure investments successfully across all levels of a company's capital structure and to manage potential risk and return at all stages of the economic cycle.

We seek to identify potential investments both through active origination and through dialogue with numerous management teams, members of the financial community, and corporate partners with whom Mr. Landis has long-standing relationships. We believe that the team's broad network of contacts within the investment, commercial banking, private equity and investment management communities in combination with their strong reputation in investment management, enables us to attract well-positioned prospective portfolio companies.

#### LONGER INVESTMENT HORIZON WITH ATTRACTIVE PUBLICLY TRADED MODEL

Unlike private equity and venture capital funds, we are not subject to standard periodic capital return requirements. Such requirements typically stipulate that funds raised by a private equity or venture capital fund, together with any capital gains on such invested funds, must be returned to investors after a pre-agreed time period. These provisions often force private equity and venture capital funds to seek returns on their investments through mergers, public equity offerings, or other liquidity events more quickly than they otherwise might, potentially resulting in both a lower overall return to investors and an adverse impact on their portfolio companies. While we are required to distribute substantially all realized gains, we believe that with our dividend reinvestment plan and our flexibility to make investments with a long-term view and without the capital return requirements of traditional private investment



vehicles provide us with the opportunity to generate returns on invested capital and at the same time enable us to be a better long-term partner for our portfolio companies.

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## INVESTMENTS

FCM seeks to create a diversified portfolio of equity securities by making initial investments of approximately \$1 million to \$10 million of capital, on average, in the securities of micro-cap public and private companies.

Our portfolio consists primarily of equity securities of private companies and cash and we expect that our portfolio will continue to consist primarily of, equity positions in private companies and cash. These investments include holdings in several private technology and cleantech companies. Moreover, we may acquire investments in the secondary market and, in analyzing such investments, we will employ the same analytical process as we use for our primary investments. For description of our current investments, see “Portfolio Investments.”

We generally seek to invest in companies from the broad variety of industries in which the Investment Adviser has expertise. The following is a representative list of the industries in which we may elect to invest.

- Advanced Materials
- Advertising Technology
- Automotive
- Biofuels
- Cloud Computing
- Computer Hardware
- Computer Peripherals
- Computer Software
- Electronic Components
- Energy Efficiency
- Fuel Cells
- Medical Devices
- Mobile Computing
- Semiconductors
- Social Networking
- Solar Photovoltaics
- Solid-state Lighting
- Telecommunications
- Water Purification
- Wearable Technology
- Wind-Generated Electricity

We may invest in other industries if we are presented with attractive opportunities.

We may on a limited basis purchase or sell options on indexes or securities. We may engage in these transactions to manage risks or otherwise protect the value of the portfolio, and to use these strategies to a limited extent on an opportunistic basis.

## INVESTMENT SELECTION

The Investment Adviser seeks to maximize the potential for capital appreciation.

## PROSPECTIVE PORTFOLIO COMPANY CHARACTERISTICS

We have identified several criteria that we believe are important in identifying and investing in prospective portfolio companies. These criteria provide general guidelines for our investment decisions; however, we caution you that no single portfolio company (or prospective portfolio company) will meet all of these criteria. Generally, we use our experience and access to market information generated to identify investment candidates and to structure investments

quickly and effectively.

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### Outstanding Technology

Our investment philosophy places a premium on identifying companies that have developed disruptive technologies, that is, technologies with the potential to dramatically alter the economics or performance of a particular type of product or service.

### Barriers to Entry

We believe having defensible barriers to entry, in the form of patents or other intellectual property rights, is critically important in technology industries, in which change happens very rapidly. We seek out companies that have secured protection of key technologies through patents, trademarks, or other means.

### Experienced management and established financial sponsor relationship

We generally require that our portfolio companies have an experienced management team. We also require the portfolio companies to have in place proper incentives to induce management to succeed and to act in concert with our interests as investors, including having significant equity interests. In addition, we focus our investments in companies backed by strong financial sponsors that have a history of creating value and with whom members of our investment adviser have an established relationship.

### Strong and defensible competitive market position in industry

We seek to invest in target companies that have developed leading market positions within their respective markets and are well positioned to capitalize on growth opportunities. We seek companies that demonstrate significant competitive advantages versus their competitors, which should help to protect their market position and profitability.

### Viable exit strategy

We seek to invest in companies that we believe will provide a steady stream of cash flow to reinvest in their respective businesses. In addition, we also seek to invest in companies whose business models and expected future cash flows offer attractive exit possibilities. These companies include candidates for strategic acquisition by other industry participants and companies that may repay our investments through an initial public offering of common stock or another capital market transaction. In today's market environment, we believe that a strategic sale is more likely than an IPO for many of our portfolio companies, although IPOs cannot be ruled out. We believe that an acquisition by a strategic buyer is possible at any time for any of our companies.

## DUE DILIGENCE

We believe it is critical to conduct extensive due diligence on investment targets. In evaluating new investments, we, through the Investment Adviser, conduct a rigorous due diligence process that draws from the Investment Adviser's investment experience, industry expertise, and network of contacts. The Investment Adviser conducts extensive due diligence investigations in their investment activities. In conducting due diligence, the Investment Adviser uses publicly available information as well as information from its relationships with former and current management teams, consultants, competitors, and investment bankers.

Our due diligence typically includes:

- review of historical and prospective financial information;
- review of technology, product, and business plan;
- on-site visits;
- interviews with management, employees, customers, and vendors of the potential portfolio company;
- background checks; and
- research relating to the company's management, industry, markets, products and services, and competitors.

Upon the completion of due diligence, the Investment Adviser's investment committee determines whether to pursue the potential investment. Additional due diligence with respect to any investment may be conducted on our behalf by attorneys and accountants prior to the closing of the investment, as well as other outside consultants, experts, and/or

advisers, as appropriate. To the extent unaffiliated, third-party consultants, experts, and/or advisers are used, we will be responsible for those expenses.

#### INVESTMENT STRUCTURE

Once we have determined that a prospective portfolio company is suitable for investment, we work with the management of that company and its other capital providers to structure an investment. We negotiate among these parties to agree on how our investment is expected to perform relative to the other capital in the portfolio company's capital structure.

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## MANAGERIAL ASSISTANCE

As a business development company, we offer, and must provide upon request, managerial assistance to certain of our portfolio companies. This assistance could involve, among other things, monitoring the operations of our portfolio companies, participating in board and management meetings, consulting with and advising officers of portfolio companies, and providing other organizational and financial guidance. We may receive fees for these services. FCM will provide such managerial assistance on our behalf to portfolio companies that request this assistance. For a description of relationships between us and our portfolio companies, please see “Portfolio Companies.”

## ONGOING RELATIONSHIPS WITH PORTFOLIO COMPANIES

### Monitoring

FCM monitors our portfolio companies on an ongoing basis. Specifically, FCM monitors the financial trends of each portfolio company to determine if they are meeting their respective business plans and to assess the appropriate course of action for each company.

FCM has several methods of evaluating and monitoring the performance and fair value of our investments, which may include the following:

- Assessment of success in adhering to portfolio company’s technology development, business plan and compliance with covenants;
- Periodic and regular contact with portfolio company management and, if appropriate, the financial or strategic sponsor, to discuss financial position, requirements, and accomplishments;
- Comparisons to other portfolio companies in the industry, if any;
  - Attendance at and participation in board meetings; and
- Review of monthly and quarterly financial statements and financial projections for portfolio companies.

### Valuation Process

The following is a description of the steps we take each quarter to determine the value of our portfolio. Investments for which market quotations are readily available are recorded in our financial statements at such market quotations. With respect to investments for which market quotations are not readily available, our board of directors undertakes a multi-step valuation process each quarter, as described below under “Determination of Net Asset Value.”

We expect that all of our portfolio investments will be recorded at fair value as determined under the valuation process discussed above. As a result, there will be uncertainty with respect to the value of our portfolio investments.

## INVESTMENT MANAGEMENT AGREEMENT

### MANAGEMENT SERVICES

FCM has entered into an Investment Management Agreement (the “Investment Management Agreement”) with us whereby FCM provides investment management services. Subject to the overall supervision of our board of directors, the Investment Adviser manages the day-to-day operations of, provides investment management services to, and serves as portfolio manager for us. Mr. Landis, FCM’s President and Chief Investment Officer, has been primarily responsible for our portfolio management since our inception. Under the terms of the Investment Management Agreement, FCM will:

- determine the composition of our portfolio, the nature and timing of the changes to our portfolio, and the manner of implementing such changes;
- identify, evaluate and negotiate the structure of the investments we make (including performing due diligence on our prospective portfolio companies); and
- close and monitor the investments we make.

FCM's services under the Investment Management Agreement are not exclusive, and it is free to furnish similar services to other entities so long as its services to us are not impaired. FCM currently serves as investment manager to Firsthand Funds, a family of open-end mutual funds.

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## INVESTMENT MANAGEMENT FEE

Pursuant to the Investment Management Agreement, we pay FCM a fee for 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 appropriately adjusted for any share issuances or repurchases during the current calendar quarter. Base management fees for any partial month or quarter will be pro-rated. The incentive fee is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Management Agreement, as of the termination date), and equals 20% of our 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.

Mathematically, the formula for computing the annual incentive fee can be written as:

$$\text{Incentive fee} = 20\% \times \left( \frac{\text{Cumulative realized gains} - \text{Cumulative realized losses} - \text{Unrealized depreciation}}{\text{Previously paid incentive fees}} \right)$$

For the purposes of calculating realized capital gains, the cost basis of each security acquired in the Reorganization shall be equal to the greater of the original purchase price of that security by Firsthand Funds or the fair market value of the security at the time of the Reorganization.

## EXAMPLE INCENTIVE FEE CALCULATION

### EXAMPLE: INCENTIVE FEE ON CAPITAL GAINS:

#### Assumptions

Year 1 = no net realized capital gains or losses

Year 2 = \$50,000 realized capital gains and \$20,000 realized capital losses and unrealized capital depreciation. Capital gain incentive fee = 20% x (realized capital gains for year computed net of all realized capital losses and unrealized capital depreciation at year end)

#### Calculation of Incentive Fee

Year 1 incentive fee	= 20% x (0)
	= 0
	= no incentive fee
Year 2 incentive fee	= 20% x (\$50,000 - \$20,000)
	= 20% x \$30,000
	= \$6,000

## AVAILABLE INFORMATION

Additional information about us, including quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, are available free of charge on our website at [www.firsthandtvf.com](http://www.firsthandtvf.com). Information on our website is not part of this Annual Report on Form 10-K.

## EMPLOYEES



We do not currently have any direct employees. Mr. Landis, our chief executive officer and chief financial officer, is the majority owner and chief investment officer of the Investment Adviser. The Investment Adviser currently employs a staff of 12, including investment, legal, and administrative professionals.

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Item 1A. Risk Factors

Investing in Firsthand Technology Value Fund involves a number of significant risks relating to our business and investment objective. As a result, there can be no assurance that we will achieve our investment objective.

**RISKS RELATING TO OUR BUSINESS AND STRUCTURE**

**WE HAVE A LIMITED OPERATING HISTORY.**

We were incorporated in April 2010 and commenced operations on April 15, 2011. We are subject to all of the business risks and uncertainties associated with any business, including the risk that we will not achieve our investment objective and that the value of your investment could decline substantially. The net assets of SVVC, as of December 31, 2016, were approximately \$149 million.

**WE ARE DEPENDENT UPON FCM'S KEY PERSONNEL FOR OUR FUTURE SUCCESS.**

If the Investment Adviser is unable to hire and retain qualified personnel, or if it loses any key member of its management team, our ability to achieve our investment objective could be significantly impaired.

We depend on the diligence, skill, and access to the network of business contacts of the management of FCM, including Mr. Landis, the owner, president and chief executive officer of FCM. We also depend, to a significant extent, on FCM's access to the investment information and deal flow generated by Mr. Landis and any other investment professionals of FCM. Mr. Landis and other management personnel of FCM evaluate, negotiate, structure, close, and monitor our investments. Our future success depends on the continued service of Mr. Landis and other management personnel of FCM. The resignation of FCM, or the departure of Mr. Landis or any other key managers hired by FCM could have a material adverse effect on our ability to achieve our investment objective. In addition, we can offer no assurance that FCM will remain the Investment Adviser.

**THE INVESTMENT ADVISER AND ITS MANAGEMENT HAS LIMITED EXPERIENCE MANAGING A BUSINESS DEVELOPMENT COMPANY.**

The 1940 Act imposes numerous constraints on the operations of business development companies. For example, business development companies are required to invest at least 70% of their total assets primarily in securities of private or micro-cap U.S. public companies, cash, cash equivalents, U.S. government securities, and other high quality debt investments that mature in one year or less. These constraints may hinder the Investment Adviser's ability to take advantage of attractive investment opportunities and to achieve our investment objective. Under the 1940 Act, our ability to own publicly-traded securities with market capitalizations in excess of \$250 million is limited. While Mr. Landis has more than 20 years of experience managing technology stock mutual funds investments and more than 15 years of experience managing private equity investments, Mr. Landis and FCM have only managed a business development company since April 2011, when they began managing SVVC. The investment philosophy and techniques used by Mr. Landis and FCM may differ from those of other funds. Accordingly, we can offer no assurance that SVVC will replicate the historical performance of other investment companies with which Mr. Landis has been affiliated, and we caution you that our investment returns could be substantially lower than the returns achieved by such other companies.

**THE INVESTMENT ADVISER AND ITS MANAGEMENT MANAGE OTHER FUNDS.**

In addition to managing SVVC, FCM is also the investment adviser to two open-end mutual funds in the Firsthand Funds family: Firsthand Technology Opportunities Fund and Firsthand Alternative Energy Fund. Mr. Landis, who has primary responsibility for SVVC, also serves as portfolio manager of Firsthand Alternative Energy Fund and Firsthand Technology Opportunities Fund. This may reduce the time FCM and its investment management team have to devote to the affairs of SVVC. The other funds managed by FCM have stated investment objectives which differ from our own. Accordingly, there may be times when the interests of FCM's management team differ from our interests.

THE INVESTMENT ADVISER MAY NOT BE ABLE TO ACHIEVE THE SAME OR SIMILAR RETURNS TO THOSE ACHIEVED BY ITS INVESTMENT PROFESSIONALS WHILE THEY WERE EMPLOYED AT PRIOR JOBS.

Although Mr. Landis has been a portfolio manager of a number of open-end mutual funds in the Firsthand Funds family, Mr. Landis's track record and achievements are not necessarily indicative of future results that will be achieved by FCM on our behalf. FCM and its investment professionals' skills and expertise may not be as well suited to our objectives, strategies and requirements as they are for certain other funds. FCM and many of its investment professionals are relatively inexperienced in managing closed end funds and our investment objectives, policies and regulatory limitations differ substantially from the other funds FCM and its investment professionals have managed. Similarly, while the research and operational professionals that support Mr. Landis in his management of Firsthand Funds are substantially the same individuals that will be supporting us, there is no assurance that they will be able to provide the same level of services to us as they did (or currently do) for Firsthand Funds.

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**OUR FINANCIAL CONDITION AND RESULTS OF OPERATION WILL DEPEND ON OUR ABILITY TO MANAGE FUTURE GROWTH EFFECTIVELY.**

Our ability to achieve our investment objective will depend on our ability to grow, which will depend, in turn, on FCM's ability to identify, invest in, and monitor companies that meet our investment criteria.

Accomplishing this result on a cost-effective basis will be largely a function of FCM's structuring of the investment process, its ability to provide competent, attentive, and efficient services to us and our access to financing on acceptable terms. The management team of FCM will have substantial responsibilities under the Investment Management Agreement. In addition, the employees of FCM may also be called upon to provide managerial assistance to our portfolio companies as the principals of our administrator. Such demands on their time may distract them or slow our rate of investment. Any failure to manage our future growth effectively could have a material adverse effect on our business, financial condition, and results of operations.

**WE OPERATE IN A HIGHLY COMPETITIVE MARKET FOR INVESTMENT OPPORTUNITIES.**

A number of entities will compete with us to make the types of investments that we plan to make. We will compete with other venture capital firms and venture capital funds, various public and private investment funds, including hedge funds, other business development companies, commercial and investment banks, commercial financing companies, and various technology and alternative energy companies' internal venture capital arms. Many of our potential competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, some competitors may have a stronger network of contacts and better connections for deal flows or have access to funding sources that are not available to us. In addition, some of our competitors have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act will impose on us as a business development company. We cannot assure you that the competitive pressures we face will not have a material adverse effect on our business, financial condition and results of operations. Also, as a result of this competition, we may not be able to take advantage of attractive investment opportunities from time to time, and we can offer no assurance that we will be able to identify and make investments that are consistent with our investment objective.

**REGULATIONS GOVERNING OUR OPERATION AS A BUSINESS DEVELOPMENT COMPANY WILL AFFECT OUR ABILITY TO, AND THE WAY IN WHICH WE, RAISE ADDITIONAL CAPITAL.**

We are not generally able to issue and sell our common stock at a price below net asset value per share. We may, however, sell our common stock at a price below the current net asset value of the common stock, or sell warrants, options, or rights to acquire such common stock, at a price below the current net asset value of the common stock if our board of directors determines that such sale is in the best interests SVVC, and our stockholders approve SVVC's policy and practice of making such sales. Our stockholders have not approved a policy or practice of selling our common stock below our net asset value per share. However, our board of directors may ask our stockholders to vote on such a policy and practice at upcoming stockholders meetings. In any such case, the price at which our securities are to be issued and sold may not be less than a price which, in the determination of our board of directors, closely approximates the market value of such securities (less any distributing commission or discount).

**WE INTEND TO ELECT TO BE TREATED AS A REGULATED INVESTMENT COMPANY (RIC), AND WE WILL BE SUBJECT TO CORPORATE-LEVEL INCOME TAX IF WE ARE UNABLE TO QUALIFY AS A RIC.**

To qualify as a RIC under the Code and obtain RIC tax benefits, we must meet certain income source, asset diversification, and annual distribution requirements. The annual distribution requirement for a RIC is satisfied if we distribute 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, to our stockholders on an annual basis. To qualify as a RIC, we must also meet certain asset diversification requirements at the end of each calendar quarter. Failure to meet these tests may result in our having to dispose of certain investments quickly in order to prevent the loss of RIC status. Any such dispositions could be made at disadvantageous prices and may result in losses. If we fail to qualify for RIC tax benefits for any reason and remain or become subject to corporate income tax, the resulting corporate taxes could substantially reduce

our net assets, the amount of income available for distribution, and the amount of our distributions. Such a failure would have a material adverse effect on us and our stockholders.

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ANY FAILURE ON OUR PART TO MAINTAIN OUR STATUS AS A BUSINESS DEVELOPMENT COMPANY WOULD REDUCE OUR OPERATING FLEXIBILITY.

If we do not remain a business development company, we might be regulated as a closed-end investment company under the 1940 Act, which would subject us to substantially more regulatory restrictions under the 1940 Act and correspondingly decrease our operating flexibility and increase our cost of doing business. Furthermore, any failure to comply with the requirements imposed on business development companies by the 1940 Act could cause the SEC to bring an enforcement action against us or expose us to claims of private litigants.

IF WE DO NOT INVEST A SUFFICIENT PORTION OF OUR ASSETS IN QUALIFYING ASSETS, WE COULD FAIL TO QUALIFY AS A BUSINESS DEVELOPMENT COMPANY OR BE PRECLUDED FROM INVESTING ACCORDING TO OUR CURRENT BUSINESS STRATEGY.

As a business development company, we may not acquire any assets other than “qualifying assets” unless, at the time of and after giving effect to such acquisition, at least 70% of our total assets are qualifying assets. See “Regulation.”

We may be precluded from investing in what we believe are attractive investments if such investments are not qualifying assets for purposes of the 1940 Act. If we do not invest a sufficient portion of our assets in qualifying assets, we could lose our status as a business development company, which would have a material adverse effect on our business, financial condition, and results of operations. Similarly, these rules could prevent us from making follow-on investments in existing portfolio companies (which could result in the dilution of our position) or could require us to dispose of investments at inappropriate times in order to comply with the 1940 Act. If we need to dispose of such investments quickly, it would be difficult to dispose of such investments on favorable terms. For example, we may have difficulty in finding a buyer and, even if we do find a buyer, we may have to sell the investments at a substantial loss.

WE ARE A NON-DIVERSIFIED INVESTMENT COMPANY WITHIN THE MEANING OF THE 1940 ACT, AND THEREFORE WE ARE NOT LIMITED WITH RESPECT TO THE PROPORTION OF OUR ASSETS THAT MAY BE INVESTED IN SECURITIES OF A SINGLE ISSUER.

We are classified as a non-diversified investment company within the meaning of the 1940 Act, which means that we are not limited by the 1940 Act with respect to the proportion of our assets that we may invest in securities of a single issuer. To the extent that we assume large positions in the securities of a small number of issuers, our net asset value may fluctuate to a greater extent than that of a diversified investment company as a result of changes in the financial condition or the market’s assessment of the issuer. We may also be more susceptible to any single economic or regulatory occurrence than a diversified investment company. Beyond our income tax diversification requirements, we do not have fixed guidelines for diversification, and our investments could be concentrated in relatively few portfolio companies.

WE WILL NEED TO RAISE ADDITIONAL CAPITAL TO GROW.

We will need additional capital to fund growth in our investments once we have fully invested the cash (and other liquid assets, if any) received, we may issue equity securities in order to obtain this additional capital. A reduction in the availability of new capital could limit our ability to grow or pursue business opportunities. We will be required to distribute 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, to our stockholders to maintain our RIC status. As a result, if stockholders opt out of reinvesting those distributions back into SVVC, these earnings will not be available to fund new investments. If we fail to obtain additional capital to fund our investments, this could limit our ability to grow, which may have an adverse effect on the value of our securities.

MANY OF OUR PORTFOLIO INVESTMENTS WILL BE RECORDED AT FAIR VALUE AS DETERMINED IN GOOD FAITH BY OUR BOARD OF DIRECTORS. AS A RESULT, THERE WILL BE UNCERTAINTY AS TO THE VALUE OF OUR PORTFOLIO INVESTMENTS.

A large percentage of our portfolio investments will be 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 will value

these securities quarterly at fair value according to our written valuation procedures and 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.

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**THE LACK OF LIQUIDITY IN OUR INVESTMENTS MAY ADVERSELY AFFECT OUR BUSINESS.**

We primarily make investments in private companies. Substantially all of these securities will be subject to legal and other restrictions on resale or will otherwise be less liquid than publicly traded securities. The illiquidity of our investments may make it difficult for us to sell such investments if the need arises. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we have previously recorded our investments. In addition, we may face other restrictions on our ability to liquidate an investment in a portfolio company to the extent that we have material non-public information regarding such portfolio company.

**WE MAY EXPERIENCE FLUCTUATIONS IN OUR QUARTERLY RESULTS.**

We could experience fluctuations in our quarterly operating results due to a number of factors, including the performance of the portfolio securities we hold; the level of our expenses; variations in, and the timing of the recognition of, realized and unrealized gains or losses; the degree to which we encounter competition in our markets and general economic conditions. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods.

**THERE ARE SIGNIFICANT POTENTIAL CONFLICTS OF INTEREST THAT COULD IMPACT OUR INVESTMENT RETURNS.**

Our executive officers and directors may serve as officers, directors or principals of entities that operate in the same or a related line of business as we do or of investment funds managed by affiliates of FCM that may be formed in the future. Accordingly, if this occurs, they may have obligations to investors in those entities, the fulfillment of which might not be in the best interests of us or our stockholders.

In the course of our investing activities, we will pay investment management and incentive fees to FCM, and will reimburse FCM for certain expenses it incurs. As a result, investors in our common stock will invest on a “gross” basis and receive distributions on a “net” basis after expenses, resulting in a lower rate of return than an investor might achieve through direct investments. Accordingly, there may be times when the management team of FCM has interests that differ from those of our stockholders, giving rise to a conflict.

Several members of the board of directors of the Company are also trustees of the Board of Trustees of Firsthand Funds. Of the six directors of the Company, Messrs. Landis, Burglin, and Lee all serve as both directors for the Company and trustees for Firsthand Funds. Messrs. FitzGerald, Petredis, and Yee are the only directors of the Company who are not also trustees of Firsthand Funds. The Company believes such a commonality of the board brings continuity of oversight and allows the board of the Company to maintain the institutional knowledge and experience of overseeing illiquid securities and their pricing methods.

**OUR INCENTIVE FEE MAY INDUCE FCM TO MAKE SPECULATIVE INVESTMENTS AND THESE FEES WILL, IN EFFECT, BE BORNE BY OUR COMMON STOCKHOLDERS.**

The incentive fee payable by us to FCM may create an incentive for FCM to make investments on our behalf that are risky or more speculative than would be the case in the absence of such compensation arrangement. The incentive fee payable to the Investment Adviser is calculated based on a percentage of our return on invested capital. This may encourage the Investment Adviser to invest in higher risk investments in the hope of securing higher returns.

We may invest, to the extent permitted by law, in the securities and instruments of other investment companies, including private funds, as well as other special purpose vehicles set up by third parties for investment in a particular private company. To the extent we so invest, we will bear our ratable share of any such investment company’s expenses, including management and incentive fees. We will also remain obligated to pay investment advisory fees, consisting of a base management fee and incentive fees, to FCM with respect to the assets invested in the securities and instruments of other investment companies under the Investment Management Agreement (as defined under “Discussion of Expected Operating Plans—Contractual Obligations”). With respect to any such investments, each of our stockholders will bear his or her share of the investment advisory fees of FCM as well as indirectly bearing the



investment advisory fees and other expenses of any investment companies in which we invest.

**CHANGES IN LAWS OR REGULATIONS GOVERNING OUR OPERATIONS MAY ADVERSELY AFFECT OUR BUSINESS.**

We and our portfolio companies will be subject to regulation by laws at the local, state, and federal levels. These laws and regulations, as well as their interpretation, may be changed from time to time. Accordingly, any change in these laws or regulations could materially and adversely affect our business.

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**PROVISIONS OF THE MARYLAND GENERAL CORPORATION LAW AND OF OUR CHARTER AND BYLAWS COULD DETER TAKEOVER ATTEMPTS AND HAVE AN ADVERSE IMPACT ON THE PRICE OF OUR COMMON STOCK.**

The Maryland General Corporation Law, our charter, and our bylaws contain provisions that may discourage, delay or make more difficult a change in control of the Company or the removal of the Company's directors. We are subject to the Maryland Business Combination Act, the application of which is subject to any requirements of the 1940 Act. Our board of directors has adopted a resolution exempting from the Maryland Business Combination Act any business combination between us and any other person, subject to prior approval of such business combination by our board, including approval by a majority of our disinterested directors. If the resolution exempting business combinations is repealed or our board does not approve a business combination, the Maryland Business Combination Act may discourage third parties from trying to acquire control of us and increase the difficulty of consummating such an offer. Our bylaws exempt from the Maryland Control Share Acquisition Act acquisitions of our common stock by any person. If we amend our bylaws to repeal the exemption from the Maryland Control Share Acquisition Act, the Maryland Control Share Acquisition Act also may make it more difficult for a third party to obtain control of us and increase the difficulty of consummating such an offer.

We have also adopted other measures that may make it difficult for a third party to obtain control of us, including provisions of our charter classifying our board of directors in three classes serving staggered three-year terms and until their successors are duly elected and qualify, and provisions of our charter authorizing our board of directors (all without stockholder approval) to classify or reclassify shares of our stock in one or more classes or series, to cause the issuance of additional shares of our stock, and to amend our charter to increase or decrease the number of shares of stock that we have authority to issue. These provisions, as well as other provisions of our charter and bylaws, may delay, defer, or prevent a transaction or a change in control that might otherwise be in the best interests of our stockholders.

**OUR BOARD OF DIRECTORS MAY CHANGE OUR INVESTMENT OBJECTIVE, OPERATING POLICIES, AND STRATEGIES WITHOUT PRIOR NOTICE OR STOCKHOLDER APPROVAL.**

Our board of directors has the authority to modify or waive certain of our operating policies and strategies without prior notice and without stockholder approval (except as required by the 1940 Act). However, absent stockholder approval, we may not change the nature of our business so as to cease to be, or withdraw our election as, a business development company. We cannot predict the effect any changes to our current operating policies and strategies would have on our business, operating results, and value of our stock. Nevertheless, the effects may adversely affect our business and impact our ability to make distributions.

**RISKS RELATED TO OUR INVESTMENTS**

**OUR INVESTMENTS IN PROSPECTIVE PORTFOLIO COMPANIES MAY BE RISKY, AND YOU COULD LOSE ALL OR PART OF YOUR INVESTMENT.**

**Equity Investments.** We make equity investments primarily in equity securities and equity derivatives (such as options, warrants, rights, etc.) of privately placed venture capital stage technology and alternative energy companies as well as publicly traded micro-cap companies (those with market capitalizations of less than \$250 million). Our goal is ultimately to dispose of these equity interests and realize gains upon our disposition of such interests. However, the equity interests we receive may not appreciate in value and, in fact, may decline in value or lose all value. Accordingly, we may not be able to realize gains from our equity interests, and any gains that we do realize on the disposition of any equity interests may not be sufficient to offset any other losses we experience.

In addition, investing in privately placed technology and clean tech companies involves a number of significant risks, including that private companies generally have limited operating history and are not as well capitalized as public companies. In addition, private company valuations may fluctuate more dramatically than those of public companies and they frequently have less diverse product lines and smaller market presence than larger competitors. These factors could adversely affect our investment returns as compared to companies investing primarily in the securities of public

companies.

WE MAY INVEST IN MICRO-CAP PUBLIC COMPANIES AND COMPANIES WE MAY HOPE WILL HAVE SUCCESSFUL INITIAL PUBLIC OFFERINGS.

Although micro-cap companies may have potential for rapid growth, they are subject to wider price fluctuations due to factors inherent in their size, such as lack of management experience and financial resources and limited trade volume and frequency. To make a large sale of securities of micro-cap companies that trade in limited volumes, SVVC may need to sell portfolio holdings at a discount or make a series of small sales over an extended period of time.

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We have invested in, and we expect to continue to invest in, companies that we believe are likely to issue securities in initial public offerings (“IPOs”). Although there is a potential the pre-IPO securities that we buy may increase in value if the company does issue securities in an IPO, IPOs are risky and volatile and may cause the value of our securities to fall dramatically. Also, because securities of pre-IPO companies are generally not freely or publicly tradeable, we may not have access to purchase securities in these companies in the amounts or at the prices we desire. Securities issued by these privately-held companies have no trading history, and information about such companies may be available for very limited periods. The companies that we anticipate holding successful IPOs may not ever issues shares in an IPO and a liquid market for their securities may never develop, which may negatively affect the price at which we can sell any such securities and make it more difficult to sell such securities, which could also adversely affect our liquidity.

**WE EXPECT TO PURCHASE SECURITIES IN IPOs, WHICH INVOLVE SIGNIFICANT RISKS FOR US, AND WE MAY NOT BE ABLE TO PARTICIPATE IN OFFERINGS TO THE EXTENT DESIRED OR AT ALL.**

Securities purchased in IPOs are often subject to the general risk associated with investments in companies with smaller market capitalizations, and typically to a heightened degree. Securities issued in IPOs have no trading history, and information about companies may be available for very limited periods. In addition, under certain market conditions, a relatively small number of companies may issue securities in IPOs. Our investment performance during periods when we are unable to invest significantly or at all in IPOs may be lower than during periods when we are able to do so.

IPO securities may be volatile, and we cannot predict whether investments in IPOs will be successful. If the Company grows in size, the possible positive effects of IPO investments on the Company may decrease.

**WE HAVE NOT YET IDENTIFIED ALL OF THE PORTFOLIO COMPANY INVESTMENTS WE INTEND TO ACQUIRE**

The Investment Adviser will select our investments, and our stockholders will have no input with respect to such investment decisions. These factors increase the uncertainty, and thus the risk, of investing in our shares.

**ECONOMIC RECESSIONS OR DOWNTURNS COULD IMPAIR OUR PORTFOLIO COMPANIES AND HARM OUR OPERATING RESULTS.**

Many of our portfolio companies are susceptible to economic slowdowns or recessions and may fail or require additional capital investments from us during those periods. Therefore, our non-performing assets are likely to increase and the value of our portfolio is likely to decrease during these periods. These events could harm our operating results.

**OUR FAILURE TO MAKE FOLLOW-ON INVESTMENTS IN OUR PORTFOLIO COMPANIES COULD IMPAIR THE VALUE OF OUR PORTFOLIO.**

Following an initial investment in a portfolio company, we may make additional investments in that portfolio company as “follow-on” investments, in order to:

- increase or maintain in whole or in part our equity ownership percentage; or
- exercise warrants, options, or convertible securities that were acquired in the original or subsequent financing.

We have the discretion to make any follow-on investments, subject to the availability of capital resources and the availability of securities in the applicable public company. We may elect not to make follow-on investments in a portfolio company and we may lack sufficient funds to make those investments. The failure to make follow-on investments may, in some circumstances, jeopardize the continued viability of a portfolio company and our initial investment, or may result in a missed opportunity for us to increase our participation in a successful operation. Even if we have sufficient capital to make a desired follow-on investment, we may elect not to make a follow-on investment because we may not want to increase our concentration of risk, because we prefer other opportunities, or because we are inhibited by compliance with business development company requirements or the desire to maintain our tax status.

WE FREQUENTLY DO NOT HOLD CONTROLLING EQUITY INTERESTS IN OUR PORTFOLIO COMPANIES AND WE MAY NOT BE IN A POSITION TO EXERCISE CONTROL OVER OUR PORTFOLIO COMPANIES OR TO PREVENT DECISIONS BY MANAGEMENT OF OUR PORTFOLIO COMPANIES THAT COULD DECREASE THE VALUE OF OUR INVESTMENTS.

Although we may do so occasionally, we do not anticipate routinely taking controlling equity positions in our portfolio companies. As a result, we will be subject to the risk that a portfolio company may make business decisions with which we disagree, and the stockholders and management of a portfolio company may take risks or otherwise act in ways that are adverse to our interests. Due to the lack of liquidity for the equity investments that we will typically hold in our portfolio companies, we may not be able to dispose of our investments in the event we disagree with the actions of a portfolio company, and may therefore suffer a decrease in the value of our investments.

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AN INVESTMENT STRATEGY FOCUSED PRIMARILY ON PRIVATELY HELD COMPANIES PRESENTS CERTAIN CHALLENGES, INCLUDING THE LACK OF AVAILABLE INFORMATION ABOUT THESE COMPANIES, A DEPENDENCE ON THE TALENTS AND EFFORTS OF ONLY A FEW KEY PORTFOLIO COMPANY PERSONNEL, AND A GREATER VULNERABILITY TO ECONOMIC DOWNTURNS.

We invest primarily in privately held companies. Generally, little public information exists about these companies, and we will be required to rely on the ability of FCM's investment professionals to obtain adequate information to evaluate the potential returns from investing in these companies. If we are unable to uncover all material information about these companies, we may not make a fully informed investment decision, and we may lose money on our investments. Also, privately held companies frequently have less diverse product lines and a smaller market presence than larger competitors. These factors could adversely affect our investment returns as compared to companies investing primarily in the securities of public companies.

OUR PORTFOLIO COMPANIES MAY ISSUE ADDITIONAL SECURITIES OR INCUR DEBT THAT RANKS EQUAL OR SENIOR TO OUR INVESTMENTS IN SUCH COMPANIES.

We also invest primarily in equity securities issued by our portfolio companies. The portfolio companies may be permitted to issue additional securities or incur other debt that ranks equally with, or senior to, the equity securities in which we invest. By their terms, such other securities (especially if they are debt securities) may provide that the holders are entitled to receive payment of interest or principal before we are entitled to receive any distribution from the portfolio companies. Also, in the event of insolvency, liquidation, dissolution, reorganization, or bankruptcy of a portfolio company, holders of debt instruments ranking senior to our equity investment in that portfolio company would typically be entitled to receive payment in full before equity investors like us may receive any distribution in respect of our investment. After repaying such senior creditors, the portfolio company may not have any remaining assets to distribute to us.

WE MAY PURCHASE OR SELL OPTIONS ON SECURITIES AND INDEXES, WHICH MAY EXPOSE US, AND YOUR INVESTMENT IN OUR COMMON STOCK, TO CERTAIN RISKS.

We may on a limited basis purchase or sell options on indexes or securities. The use of options has risks and our ability to successfully use these techniques depends on our ability to predict pertinent market movements, which cannot be assured. The use of options may result in losses greater than if they had not been used, may require us to sell or purchase portfolio securities at inopportune times or for prices other than current market values, may limit the amount of appreciation we can realize on an investment or may cause us to hold a security we might otherwise sell.

OUR INVESTMENTS IN FOREIGN SECURITIES MAY INVOLVE SIGNIFICANT RISKS IN ADDITION TO THE RISKS INHERENT IN U.S. INVESTMENTS.

Our investment strategy involves potential investments in equity securities of foreign companies. Investing in foreign companies may expose us to additional risks not typically associated with investing in U.S. companies. These risks include changes in exchange control regulations; political and social instability; expropriation; imposition of foreign taxes; less liquid markets and less available information than is generally the case in the United States; higher transaction costs; less government supervision of exchanges, brokers and issuers; less developed bankruptcy laws; difficulty in enforcing contractual obligations; lack of uniform accounting and auditing standards; and greater price volatility.

Although most of our investments will be U.S. dollar-denominated, any investments denominated in a foreign currency will be subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation, and political developments. We may employ hedging techniques to minimize these risks, but we can offer no assurance that we will, in fact, hedge currency risk, or, if we do, that such strategies will be effective.

Item 2. Properties

Under the terms of the Investment Management Agreement, Firsthand Capital Management, Inc. is responsible for providing office space to the Company and for the costs associated with providing such space. Our offices are located at 150 Almaden Blvd., Suite 1250, San Jose, CA 95113.

Item 3. Legal Proceedings

We are not currently subject to any material pending legal proceedings.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities

MARKET INFORMATION

Our common stock is traded on the Nasdaq Global Market under the symbol "SVVC." The following table sets forth the range of the high and low closing sales prices of the Company's shares during each quarter during the last fiscal year, as reported by Nasdaq Global Market. The quarterly stock prices quoted represent interdealer quotations and do not include markups, markdowns, or commissions.

2016 Quarter Ending	Low	High
March 31	\$6.47	\$8.64
June 30	\$7.24	\$7.65
September 30	\$6.88	\$7.85
December 31	\$7.67	\$8.38

SHAREHOLDERS

As of February 28, 2017, there were approximately 1,800 shareholders of record and approximately 16,000 beneficial owners of the Company's common stock.

DIVIDENDS

There were no distributions in 2016.

RECENT SALES OF UNREGISTERED SECURITIES

The Company did not issue any unregistered securities during the year ended December 31, 2016.

## PERFORMANCE GRAPH

The graph and table below compares the cumulative total return of holders of our common stock with the cumulative total returns of the S&P 500 Index and the NASDAQ Composite Index. The comparison assumes that the value of the investment in our common stock and in the index (including reinvestment of dividends) was \$10,000 on April 18, 2011 (our inception date), and tracks it through December 31, 2016.

## STOCK TRANSFER AGENT

BNY Mellon Shareowner Services, 301 Bellevue Parkway, Wilmington, Delaware 19809 (1.800.331.1710) serves as our transfer agent.

## Item 6. Selected Financial Data

The information below was derived from the audited Consolidated Financial Statements included in this report. This information should be read in conjunction with those Consolidated Financial Statements and Supplementary Data and the notes thereto. These historical results are not necessarily indicative of the results to be expected in the future.

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

	AS OF DECEMBER 31, 2016	AS OF DECEMBER 31, 2015
<b>ASSETS</b>		
Investment securities:		
Unaffiliated investments at acquisition cost	\$66,336,448	\$93,589,422
Affiliated investments at acquisition cost	11,898,906	11,034,882
Controlled investments at acquisition cost	96,551,795	78,652,059
Total acquisition cost	\$174,787,149	\$183,276,363
Unaffiliated investments at market value	\$51,202,592	\$80,268,986
Affiliated investments at market value	10,410,045	12,928,943
Controlled investments at market value	85,918,212	77,480,846
Total market value * (Note 6)	147,530,849	170,678,775
Cash**	1,934,247	767,286
Escrow cash	—	1,000,000
Receivable from dividends and interest	820,824	3,436,726
Other assets	28,513	786,468
Total Assets	150,314,433	176,669,255
<b>LIABILITIES</b>		
Payable for securities purchased	395,532	—
Payable to affiliates (Note 4)	796,533	895,372
Consulting fee payable	27,250	29,000
Accrued expenses and other payables	182,727	165,504
Total Liabilities	1,402,042	1,089,876
<b>NET ASSETS</b>	<b>\$148,912,391</b>	<b>\$175,579,379</b>
Net Assets consist of:		
Common Stock, par value \$0.001 per share 100,000,000 shares authorized	\$7,431	\$7,703
Paid-in-capital	184,698,313	190,538,978
Accumulated net realized loss from security transactions and written options	(8,537,053 )	(2,369,714 )
Net unrealized depreciation on investments and warrants transactions	(27,256,300 )	(12,597,588 )
<b>NET ASSETS</b>	<b>\$148,912,391</b>	<b>\$175,579,379</b>
Shares of Common Stock outstanding	7,430,697	7,702,705
Net asset value per share (Note 2)	\$20.04	\$22.79

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

Cash composed primarily of the Fidelity Investments Money Market Treasury Portfolio, Class I, which invests

\*\*primarily in U.S. Treasury securities. The yields as of 12/31/16 and 12/31/15 were 0.35% and 0.01%, respectively.

Please see <https://fundresearch.fidelity.com/mutual-funds/summary/316175504> for additional information.

See accompanying notes to financial statements

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Firsthand Technology Value Fund, Inc.  
Consolidated Statements of Operations

	FOR THE YEAR ENDED DECEMBER 31, 2016	FOR THE YEAR ENDED DECEMBER 31, 2015
<b>INVESTMENT INCOME</b>		
Unaffiliated dividend income	\$28,213	\$ 148,000
Unaffiliated interest	19,133	21,381
Affiliated/controlled interest	830,677	1,895,384
Royalty income	—	35,977
<b>TOTAL INVESTMENT INCOME</b>	<b>878,023</b>	<b>2,100,742</b>
<b>EXPENSES</b>		
Investment advisory fees (Note 4)	3,281,617	3,826,904
Administration fees	165,024	150,861
Custody fees	11,334	15,363
Transfer agent fees	27,283	35,225
Registration and filing fees	23,100	23,000
Professional fees	779,689	668,836
Printing fees	40,835	121,631
Trustees fees	100,000	100,000
Compliance fees	188,569	—
Miscellaneous fees	96,075	85,675
<b>TOTAL GROSS EXPENSES</b>	<b>4,713,526</b>	<b>5,027,495</b>
Incentive fee adjustments (Note 4)	—	(2,478,204 )
<b>TOTAL NET EXPENSES</b>	<b>4,713,526</b>	<b>2,549,291</b>
<b>NET INVESTMENT LOSS</b>	<b>(3,835,503 )</b>	<b>(448,549 )</b>
<b>Net Realized and Unrealized Gains (Losses) on Investments:</b>		
Net realized gains (losses) from security transactions		
Affiliated/controlled	(3,035,229 )	—
Non-affiliated and other assets	(3,132,110 )	(2,822,722 )
Net realized gains from written option transactions (1)	—	624,994
Net change in unrealized depreciation on investments	(19,436,154)	(11,607,974 )
Net change in unrealized appreciation on warrants transactions (1)	4,777,442	103,551
<b>Net Realized and Unrealized Losses on Investments</b>	<b>(20,826,051)</b>	<b>(13,702,151 )</b>
<b>Net Decrease In Net Assets Resulting From Operations</b>	<b>\$(24,661,554)</b>	<b>\$(14,150,700 )</b>
<b>Net Decrease In Net Assets Per Share Resulting from Operations (2)</b>	<b>\$(3.26 )</b>	<b>\$(1.82 )</b>

(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

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information contained in this section should be read in conjunction with our 2016 Consolidated Financial Statements and notes thereto.

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.

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

	December 31, 2016	December 31, 2015
Medical Devices	19.2%	15.2%
Semiconductor Equipment	18.1%	19.9%
Advanced Materials	9.1%	8.4%
Networking	7.4%	2.7%
Automotive	7.0%	7.4%

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Advertising Technology	6.9%	14.1%
Consumer Electronics	6.5%	8.9%
Cloud Computing	5.7%	5.7%
Mobile Computing	4.9%	4.1%
Intellectual Property	4.1%	2.0%
Equipment Leasing	2.7%	0.0%

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continued	December 31, 2016	December 31, 2015
Renewable Energy	2.4%	4.1%
Other Electronics	0.9%	0.7%
Aerospace	0.4%	1.1%
Semiconductor	0.3%	2.3%
Software	0.2%	0.3%
Computer Storage	0.1%	0.1%
Water Purification	0.0%	0.0%
Internet	0.0%	0.2%
Exchange-Traded Funds	3.2%	0.0%
Other Assets in Excess of Liabilities	0.9%	2.8%
Net Assets	100.0%	100.0%

## RESULTS OF OPERATIONS

The following information is a comparison for the year ended December 31, 2016, and December 31, 2015.

### INVESTMENT INCOME

For the year ended December 31, 2016, we had investment income of \$878,023 primarily attributable to interest accrued on convertible/term note investments with Telepathy Investors, Pivotal Systems, Vufine, and IntraOp Medical Corp.

For the year ended December 31, 2015, we had investment income of \$2,100,742 primarily attributable to interest accrued on convertible/term note investments with Silicon Genesis Corporation, Pivotal Systems and IntraOp Medical Corp.

The lower level of interest income in the year ended December 31, 2016 compared to the year ended December 31, 2015 was due to notes with Silicon Genesis being converted into equity in 2016.

### OPERATING EXPENSES

Operating expenses totaled approximately \$4,713,526 during the year ended December 31, 2016 and \$2,549,291 during the year ended December 31, 2015.

Significant components of operating expenses for the year ended December 31, 2016, were a management fee expense of \$3,281,617 and professional fees (audit, legal, accounting, and consulting) of \$779,689. Significant components of operating expenses for the year ended December 31, 2015, were an incentive fee adjustment (which was accrued but is not payable until gains in the portfolio are realized) of \$(2,478,204), management fee expense of \$3,826,904 and professional fees (audit, legal, accounting, and consulting) of \$668,836.

The higher level of operating expenses for the year ended December 31, 2016 compared to the year ended December 31, 2015 is primarily attributable to the incentive fee adjustment in 2015, which is a quarterly adjustment based on what the incentive fee would be if the entire portfolio were liquidated.

### NET INVESTMENT LOSS

The net investment loss was \$3,835,503 for the year ended December 31, 2016 and \$448,549 for the year ended December 31, 2015.

The greater net investment loss in the year ended December 31, 2016 compared to the year ended December 31, 2015 is primarily due to the adjustment in an incentive fee in 2015 which was accrued but is not payable until gains in the portfolio are realized.

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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 years ended December 31, 2016, and December 31, 2015, is shown below.

	Year Ended December 31, 2016	As of December 31, 2016
Realized losses	\$(6,167,339 )	
Net change in unrealized depreciation on investments	\$(14,658,712)	
Net realized and unrealized loss on investments	\$(20,826,051)	
Gross unrealized appreciation on portfolio investments		\$13,265,628
Gross unrealized depreciation on portfolio investments		\$(40,521,928)
Net unrealized depreciation on portfolio investments, warrants, and other assets		\$(27,256,300)
	Year Ended December 31, 2015	As of December 31, 2015
Realized losses	\$(2,197,728 )	
Net change in unrealized depreciation on investments	\$(11,504,423)	
Net realized and unrealized loss on investments	\$(13,702,151)	
Gross unrealized appreciation on portfolio investments		\$16,224,066
Gross unrealized depreciation on portfolio investments		\$(28,821,654)
Net unrealized depreciation on portfolio investments, warrants, and other assets		\$(12,597,588)

During the year ended December 31, 2016, we recognized net realized losses of approximately \$6,167,339 from the sale of investments. Realized losses were substantially higher compared to the loss in 2015 due to the buyout of our Gilt Groupe position and the sale of our Invensense common stock in 2016.

During the year ended December 31, 2016, net unrealized depreciation on total investments increased by \$14,658,712. 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 increase in unrealized depreciation on total investments during the year is due primarily to the decline in value of our investments, most notably, Turn, Aliphcom, Sunrun, QMAT and Telepathy Investors.

During the year ended December 31, 2015, we recognized net realized losses of approximately \$2,197,728 from the sale of investments.

During the year ended December 31, 2015, net unrealized depreciation on total investments increased by \$11,504,423. 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 increase in unrealized depreciation on total investments during the year is due primarily to the decline in value of our investments, most notably, Gilt Groupe,

Aliphcom, Sunrun and Phunware.

#### 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 year ended December 31, 2016, net decrease in net assets resulting from operations totaled \$24,661,554 and basic and fully diluted net change in net assets per share for the year ended December 31, 2016 was \$(3.26).

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For the year ended December 31, 2015, net decrease in net assets resulting from operations totaled \$14,150,700 and basic and fully diluted net change in net assets per share for the year ended December 31, 2016 was \$(1.82).

The greater decline in net assets resulting from operations for the year ended December 31, 2016 as compared to the year ended December 31, 2015, is due primarily to a decrease in security valuations, most notably, Turn, Aliphcom, Sunrun, QMAT and Telepathy Investors.

### FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2016, we had investments in public and private securities totaling approximately \$147.5 million. Also, at December 31, 2016, we had approximately \$1.9 million in cash. We primarily invest cash on hand in exchange-traded funds holding treasury securities. We expect the portion of our portfolio consisting of cash and cash equivalents to decrease as we become fully invested.

As of December 31, 2016, net assets totaled approximately \$148.9 million, with an NAV per share of \$20.04. Our primary use of funds will be investments in portfolio companies and payments of fees and other operating expenses we incur. Additionally, we expect to raise additional capital to support our future growth through future equity offerings. To the extent we determine to raise additional equity through an offering of our common stock at a price below NAV, existing investors will experience dilution.

### PORTFOLIO INVESTMENTS

#### PRIVATE INVESTMENTS

We make investments in securities of both public and private companies. December 31, 2016, we had investments in the following private companies:

##### Aliphcom, Inc.

Aliphcom, Inc. (“Aliphcom”), San Francisco, California, designs and markets consumer electronics products under the Jawbone brand.

At December 31, 2016, our investment in Aliphcom consisted of 2,128,005 shares of common stock with an aggregate fair value of approximately \$1.3 million.

##### Cloudera, Inc.

Cloudera, Inc. (“Cloudera”), Palo Alto, CA, develops software that is used to store, process, and analyze extremely large sets of data.

At December 31, 2016, our investment in Cloudera consisted of 20,000 shares of common stock with an aggregate fair value of approximately \$245 thousand.

##### EQX Capital, Inc.

EQX Capital, Inc. (“EQX”), San Francisco, California, is an equipment leasing company.

At December 31, 2016, our investment in EQX consisted of 4,000,000 shares of Series A preferred stock and 100,000 shares of common stock with an aggregate fair value of approximately \$4.0 million.

##### Hera Systems, Inc.

Hera Systems, Inc. (“Hera”), San Jose, CA, is currently developing a constellation of micro satellites to launch into low Earth orbit with imaging and communications capabilities.

At December 31, 2016, our investment in Hera consisted of 3,642,324 shares of Series A preferred stock, \$41,208 par value term note and a \$30,000 par value convertible note with an aggregate fair value of approximately \$517 thousand.

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Hightail, Inc.

Hightail, Inc. (“Hightail”), Campbell, California, provides services that enable users to share large files via “the cloud” — off-site data storage that users access remotely.

At December 31, 2016, our investments in Hightail consisted of 2,268,602 shares of Series E preferred stock with an aggregate fair value of approximately \$8.6 million.

IntraOp Medical Corp.

IntraOp Medical Corporation (“IntraOp”), Sunnyvale, California, manufactures and markets the Mobetron, a medical device for delivering Intra Operative Electron Radiation Therapy to cancer patients.

At December 31, 2016, our investment in IntraOp consisted of 26,856,187 shares of Series C preferred stock, \$3,000,000 par value term note and a \$1,000,000 par value convertible note with a combined aggregate fair value of approximately \$28.5 million.

Phunware, Inc.

Phunware, Inc. (“Phunware”), Austin, Texas, is a software company that develops tools and services to enable mobile computing applications.

At December 31, 2016, our investments in Phunware consisted of 3,257,328 shares of Series E preferred stock with an aggregate fair value of approximately \$7.4 million.

Pivotal Systems Corporation

Pivotal Systems, Corporation (“Pivotal Systems”), Fremont, California, provides monitoring and process control technologies for the semiconductor manufacturing industry.

At December 31, 2016, our investment in Pivotal Systems consisted of 11,914,217 shares of Series A preferred stock, 13,065,236 shares of Series B preferred stock, 2,291,260 shares of Series C preferred stock, 6,237,978 shares of Series D preferred stock, a warrant to purchase 18,180,475 shares of Class B common stock and a warrant to purchase 4,158,654 shares of Series D preferred stock with a combined fair value of approximately \$24.7 million.

QMAT, Inc.

QMAT, Inc. (“QMAT”), Santa Clara, California, is developing advanced materials technologies for applications in the electronics industry.

At December 31, 2016, our investment in QMAT consisted of 16,000,240 shares of Series A preferred stock, 2,000,000 shares of Series B preferred stock and warrants to purchase up to 2,000,000 shares of Series A preferred stock with a combined fair value of approximately \$13.1 million.

Revasum, Inc.

Revasum, (“Revasum”), San Luis Obispo, California, designs CMP and grinding technology for the semiconductor equipment industry.

At December 31, 2016, our investment in Revasum consisted of 10,000 shares of common stock and 2,200,000 shares of Series A preferred stock with an aggregate fair value of approximately \$2.2 million

Roku, Inc.

Roku, Inc. (“Roku”), Saratoga, CA, makes Internet streaming devices and software that enable consumers to access streaming content on their televisions.

At December 31, 2016, our investment in Roku consisted of 1,500,000 shares of common stock with an aggregate fair value of approximately \$1.7 million.

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Rorus, Inc.

Rorus, Inc., (“Rorus”), Pittsburgh, Pennsylvania, designs portable and household water filters designed to disinfect and purify water.

At December 31, 2016, our investment in Rorus consisted of a \$50,000 par value convertible note with an aggregate fair value of approximately \$50 thousand.

Silicon Genesis Corporation

Silicon Genesis Corporation (“SiGen”), San Jose, CA, provides engineered substrate process technology for the semiconductor, display, optoelectronics, and solar markets.

At December 31, 2016, our investments in SiGen consisted of 82,914 shares of Series 1-C preferred stock, 850,830 shares of Series 1-D preferred stock, 5,704,480 shares of Series 1-E preferred stock, 912,453 shares of Series 1-F preferred stock, 48,370,793 shares of Series 1-G preferred stock, 837,942 shares of Series 1-H preferred stock, 921,892 shares of common stock, and warrants for 8,037,982 shares of common stock with a combined fair value of approximately \$6.2 million.

Telepathy Investors, Inc.

Telepathy Investors, Inc. (“Telepathy”), Sunnyvale, California, is developing wearable consumer electronics products.

At December 31, 2016, our investment in Telepathy consisted of 15,238,000 shares of Series A preferred stock, a \$2,000,000 par value convertible note, a \$500,000 par value convertible note, a \$500,000 par value convertible note, a \$300,000 par value convertible note and a \$150,000 par value convertible note with a combined fair value of approximately \$4.0 million.

Turn, Inc.

Turn, Inc. (“Turn”), San Francisco, California, is a leading provider of advertising technology for mobile, display, video, and Facebook advertising.

At December 31, 2016, our investment in Turn consisted of 1,798,562 shares of Series E preferred stock and a \$559,360 par value convertible note with a combined fair value of approximately \$10.3 million.

UCT Coatings, Inc.

UCT Coatings, Inc. (“UCT”), Stuart, Florida, is a leader in the development of metal coatings that reduce friction and improve efficiency in mechanical systems.

At December 31, 2016, our investments in UCT consisted of 1,500,000 shares of common stock and warrants to purchase 2,283 shares of common stock, with a combined fair value of approximately \$394 thousand.

Vufine, Inc.

Vufine, Inc. (“Vufine”), Sunnyvale, CA, is developing a wearable high-definition display that clips on to existing eyewear.

At December 31, 2016, our investment in Vufine consisted of 22,500,000 shares of Series A preferred stock, 750,000 shares of common stock and a \$1,000,000 par value convertible note with a combined aggregate fair value of approximately \$2.7 million.

Wrightspeed, Inc.

Wrightspeed, Inc. (“Wrightspeed”), San Jose, California, is a supplier of electric drivetrains for medium-duty trucks.

At December 31, 2016, our investments in Wrightspeed consisted of 2,267,659 shares of Series C preferred stock, 1,100,978 shares of Series D preferred stock and 450,814 share of Series E preferred stock with a combined fair value of approximately \$10.4 million.

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## PUBLIC INVESTMENTS

At December 31, 2016, we had investments in the following public securities:

### Intevac, Inc.

Intevac, Inc. (“Intevac”), Santa Clara, CA, is a leading provider of cost-effective, advanced equipment and products to the hard disk drive, solar, semiconductor, and photonics industries.

At December 31, 2016, our investment in Intevac consisted of 163,883 shares of common stock with a market value of approximately \$1.4 million.

### iShares Short Treasury Bond ETF

iShares Short Treasury Bond ETF (“iShares”) is an exchange-traded fund that seeks to track the investment results of an index composed of U.S. Treasury bonds with remaining maturities between one month and one year.

At December 31, 2016, our investment in iShares consisted of 21,500 shares of the exchange traded fund with a market value of approximately \$2.4 million.

### Nutanix, Inc.

Nutanix, Inc. (“Nutanix”), San Jose, CA, provides “hyperconverged” data center equipment that merges computing, storage, and networking capabilities in a single piece of equipment.

At December 31, 2016, our investment in Nutanix consisted of 459,772 shares of common stock with an aggregate market value of approximately \$11.0 million.

### Pure Storage, Inc.

Pure Storage, Inc. (“Pure Storage”), Mountain View, CA, is an enterprise data flash storage company.

At December 31, 2016, our investment in Pure Storage consisted of 14,000 shares of common stock with an aggregate market value of approximately \$158 thousand.

### Quicklogic Corp.

QuickLogic Corp. (“QuickLogic”) (NASDAQ: QUIK), Sunnyvale, CA, designs and markets system-on-a-chip (“SOC”) semiconductor solutions for smartphones, wearable and “Internet-of-things” devices, and other applications.

At December 31, 2016, our investment in Quicklogic consisted of 270,000 shares of common stock with a market value of approximately \$375 thousand.

### SPDR Bloomberg Barclays 1-3 Month T-Bill ETF

SPDR Bloomberg Barclays 1-3 Month T-Bill ETF (“SPDR”) is an exchange-traded fund that seeks to provide investment results that correspond generally to the price and yield performance of the Bloomberg Barclays 1-3 Month U.S. Treasury Bill Index.

At December 31, 2016, our investment in SPDR consisted of 52,000 shares of the exchange traded fund with a market value of approximately \$2.4 million.

### Sunrun, Inc.

Sunrun, Inc. (“Sunrun”), San Francisco, CA, is a solar system installer offering “solar-as-a-service” to residential customers in the United States.

At December 31, 2016, our investments in Sunrun consisted of 674,820 shares of common stock with a combined market value of approximately \$3.6 million.





## 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 income on an accrual basis and dividend income on the ex-dividend date 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 year on December 31, 2016, and through the date of the issuance of the financial statements included herein, a number of material events related to our portfolio of investments occurred, consisting primarily of purchased securities. Since that date, we have purchased private securities with an aggregate cost of approximately \$7.0 million and public securities with an aggregate cost of approximately \$175 thousand. Since that date, we have sold public securities with an aggregate value of approximately \$6.9 million and private securities with an aggregate value of approximately \$41 thousand.

On February 22, 2017, Amobee, a subsidiary of Singtel, announced that it signed an agreement to acquire Turn at an enterprise value of \$310 million. The Fund's final proceeds from the sale have not yet been determined, but we currently expect that the Fund may realize a nominal gain on the investment.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS

Firsthand Technology Value Fund, Inc.  
San Jose, California

We have audited the accompanying consolidated statements of assets and liabilities of Firsthand Technology Value Fund, Inc. (the “Company”), including the consolidated schedule of investments as of December 31, 2016 and 2015, and the related consolidated statements of operations, changes in net assets, and cash flows for each of the two years in the period then ended, and the financial highlights (consolidated for the years ended December 31, 2016 and December 31, 2015) for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of investments as of December 31, 2016 and 2015, by correspondence with the custodian, issuers and brokers or by other appropriate auditing procedures as deemed necessary. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements, financial highlights, and schedule of investments referred to above present fairly, in all material respects, the consolidated financial position of Firsthand Technology Value Fund, Inc. as of December 31, 2016 and 2015, and the consolidated results of its operations, changes in its net assets, and its cash flows for each of the two years in the period then ended, and the financial highlights (consolidated for the years ended December 31, 2016, and December 31, 2015) for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

As explained in Note 6, the financial statements include investments valued at \$137,264,865 (92.18% of net assets), whose fair values have been estimated under procedures established by the Board of Directors in the absence of readily ascertainable fair values. These estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material. Our opinion is not modified with respect to this matter.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of December 31, 2016, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 10, 2017 expressed an unqualified opinion on the Company’s internal control over financial reporting

TAIT, WELLER & BAKER LLP  
Philadelphia, Pennsylvania  
March 10, 2017

See accompanying notes to financial statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS

Firsthand Technology Value Fund, Inc.  
San Jose, California

We have audited the internal control over financial reporting of Firsthand Technology Value Fund, Inc. (the “Company”) as of December 31, 2016, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of the inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statement of assets and liabilities, including the consolidated schedule of investments, as of December 31, 2016 and 2015, and the related consolidated statements of operations, changes in net assets, cash flows for each of the two years in the period then ended, and financial highlights (consolidated for the years ended December 31, 2016, and December 31, 2015) for each of the five years in the period then ended of the Company, and our report dated March 10, 2017 expressed an unqualified opinion.

TAIT, WELLER & BAKER LLP  
Philadelphia, Pennsylvania

March 10, 2017

See accompanying notes to financial statements

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## Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

Firsthand Technology Value Fund, Inc.

Consolidated Statements of Assets and Liabilities

	AS OF DECEMBER 31, 2016	AS OF DECEMBER 31, 2015
<b>ASSETS</b>		
Investment securities:		
Unaffiliated investments at acquisition cost	\$66,336,448	\$93,589,422
Affiliated investments at acquisition cost	11,898,906	11,034,882
Controlled investments at acquisition cost	96,551,795	78,652,059
Total acquisition cost	\$174,787,149	\$183,276,363
Unaffiliated investments at market value	\$51,202,592	\$80,268,986
Affiliated investments at market value	10,410,045	12,928,943
Controlled investments at market value	85,918,212	77,480,846
Total market value * (Note 6)	147,530,849	170,678,775
Cash**	1,934,247	767,286
Escrow cash	—	1,000,000
Receivable from dividends and interest	820,824	3,436,726
Other assets	28,513	786,468
Total Assets	150,314,433	176,669,255
<b>LIABILITIES</b>		
Payable for securities purchased	395,532	—
Payable to affiliates (Note 4)	796,533	895,372
Consulting fee payable	27,250	29,000
Accrued expenses and other payables	182,727	165,504
Total Liabilities	1,402,042	1,089,876
NET ASSETS	\$148,912,391	\$175,579,379
Net Assets consist of:		
Common Stock, par value \$0.001 per share 100,000,000 shares authorized	\$7,431	\$7,703
Paid-in-capital	184,698,313	190,538,978
Accumulated net realized loss from security transactions and written options	(8,537,053 )	(2,369,714 )
Net unrealized depreciation on investments and warrants transactions	(27,256,300 )	(12,597,588 )
NET ASSETS	\$148,912,391	\$175,579,379
Shares of Common Stock outstanding	7,430,697	7,702,705
Net asset value per share (Note 2)	\$20.04	\$22.79

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

Cash composed primarily of the Fidelity Investments Money Market Treasury Portfolio, Class I, which invests

\*\*primarily in U.S. Treasury securities. The yields as of 12/31/16 and 12/31/15 were 0.35% and 0.01%, respectively.

Please see <https://fundresearch.fidelity.com/mutual-funds/summary/316175504> for additional information.

See accompanying notes to financial statements

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Firsthand Technology Value Fund, Inc.  
Consolidated Schedule of Investments  
DECEMBER 31, 2016

PORTFOLIO COMPANY (% OF NET ASSETS) AND INDUSTRY	TYPE OF INVESTMENT	SHARES/PAR VALUE (\$)	COST BASIS	VALUE
ALIPHCOM, INC. (0.9%) Consumer Electronics	Common Stock *(1)	2,128,005	\$ 10,108,024	\$ 1,339,366
CLOUDERA, INC. (0.2%) Software	Common Stock *(1)	20,000	580,000	245,466
EQX CAPITAL, INC. (2.7%) Equipment Leasing	Preferred Stock - Series A *(1)(2) Common Stock *(1)(2)	4,000,000 100,000	4,000,000 20,000	3,975,600 44,430 4,020,030
HERA SYSTEMS, INC. (0.4%) Aerospace	Term Note (1)(2) Matures May 2017 Interest Rate 3% Preferred Stock - Series A (1)(2) Convertible Note (1)(2) Matures August 2017 Interest Rate 6%	41,208  3,642,324  30,000	41,208  2,000,000  30,000	41,208  445,456  30,000 516,664
HIGHTAIL, INC. (5.7%) Cloud Computing	Preferred Stock - Series E *(1)(4)	2,268,602	9,620,188	8,550,361
INTEVAC, INC. (0.9%) Other Electronics	Common Stock *	163,883	1,828,934	1,401,200
INTRAOP MEDICAL CORP. (19.2%) Medical Devices	Term Note (1)(2) Matures February 2017 Interest Rate 8% Convertible Note (1)(2) Matures July 2017 Interest Rate 15% Preferred Stock - Series C *(1)(2)	3,000,000  1,000,000  26,856,187	3,000,000  1,000,000  26,299,938	3,000,000  1,000,000  24,511,642 28,511,642
NUTANIX, INC. (7.4%) Networking	Common Stock *(1)	459,772	7,376,112	10,990,390
PHUNWARE, INC. (4.9%) Mobile Computing	Preferred Stock - Series E *(1)	3,257,328	9,999,997	7,365,796

See accompanying notes to financial statements

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Firsthand Technology Value Fund, Inc.  
Consolidated Schedule of Investments - continued  
DECEMBER 31, 2016

PORTFOLIO COMPANY (% OF NET ASSETS) AND INDUSTRY	TYPE OF INVESTMENT	SHARES/PAR VALUE (\$)	COST BASIS	VALUE
PIVOTAL SYSTEMS CORP. (16.6%)	Preferred Stock - Series D *(1)(2)	6,237,978	\$3,975,801	\$4,060,924
Semiconductor Equipment	Preferred Stock - Series C *(1)(2)	2,291,260	2,657,862	2,273,159
	Preferred Stock - Series B *(1)(2)	13,065,236	6,321,482	6,985,982
	Preferred Stock - Series A *(1)(2)	11,914,217	6,000,048	6,370,532
	Common Stock Warrants - Class B *(1)(2)	18,180,475	0	4,743,286
	Preferred Stock Warrants - Series D *(1)(2)	4,158,654	0	284,036
				24,717,919
PURE STORAGE, INC. (0.1%)	Common Stock *	14,000	336,000	158,340
Computer Storage				
QMAT, INC. (8.8%)	Preferred Stock - Series A *(1)(2)	16,000,240	16,000,240	10,724,961
Advanced Materials	Preferred Stock Warrants - Series A *(1)(2)	2,000,000	0	376,400
	Preferred Stock - Series B *(1)(2)	2,000,000	2,000,000	2,000,000
				13,101,361
QUICKLOGIC CORP. (0.3%)	Common Stock *	270,000	395,532	375,300
Semiconductors				
REVASUM, INC. (1.5%)	Common Stock *(1)(2)	10,000	1,000	7,524
Semiconductor Equipment	Preferred Stock - Series A *(1)(2)	2,200,000	2,200,000	2,193,400
				2,200,924
ROKU, INC. (1.1%)	Common Stock *(1)	1,500,000	2,312,500	1,683,750
Consumer Electronics				
RORUS, INC. (0.0%)	Convertible Note (1)			
Water Purification	Matures June 2021			
	Interest Rate 2%	50,000	50,000	50,000
SILICON GENESIS CORP. (4.1%)	Preferred Stock - Series 1-E *(1)(2)	5,704,480	2,946,535	2,134,616
Intellectual Property	Preferred Stock - Series 1-C *(1)(2)	82,914	109,518	70,444
		48,370,793	5,042,479	3,032,848

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Preferred Stock Series 1-G			
*(1)(2)(5)			
Preferred Stock - Series			
1-H *(1)(2)	837,942	1,000,000	240,238
Preferred Stock -Series 1-D			
*(1)(2)	850,830	431,901	195,606
Common Stock *(1)(2)	921,892	169,045	14,750
Common Stock Warrants			
*(1)(2)	37,982	6,678	319
Preferred Stock -Series 1-F			
*(1)(2)	912,453	583,060	464,165
Common Stock Warrants			
*(1)(2)	5,000,000	0	10,000
Common Stock Warrants			
*(1)(2)	3,000,000	0	6,000
			6,168,986

See accompanying notes to financial statements

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Firsthand Technology Value Fund, Inc.

Consolidated Schedule of Investments - continued

DECEMBER 31, 2016

PORTFOLIO COMPANY (% OF NET ASSETS) AND INDUSTRY	TYPE OF INVESTMENT	SHARES	COST BASIS	VALUE
SUNRUN, INC. (2.4%) Renewable Energy	Common Stock *	674,820	\$6,417,495	\$3,583,294
TELEPATHY INVESTORS, INC. (2.7%) Consumer Electronics	Convertible Note (1)(2) Matures June 2018 Interest Rate 10%	500,000	500,000	277,335
	Preferred Stock - Series A *(1)(2)	15,238,000	3,999,999	2,096,749
	Convertible Note (1)(2) Matures June 2017 Interest Rate 10%	2,000,000	2,000,000	1,109,340
	Convertible Note (1)(2) Matures January 2018 Interest Rate 10%	300,000	300,000	166,401
	Convertible Note (1)(2) Matures January 2018 Interest Rate 10%	500,000	500,000	277,335
	Convertible Note (1)(2) Matures January 2018 Interest Rate 10%	150,000	150,000	83,201 4,010,361
TURN INC. (6.9%) Advertising Technology	Preferred Stock - Series E *(1)(5)	1,798,562	11,339,911	9,757,918
	Convertible Note (1) Matures March 2023 Interest Rate 1.48%	559,360	559,360	559,360 10,317,278
UCT COATINGS, INC. (0.3%) Advanced Materials	Common Stock Warrants *(1)	2,283	67	1
	Common Stock *(1)	1,500,000	662,235	394,200 394,201
VUFINE, INC. (1.8%) Consumer Electronics	Common Stock *(1)(2) Preferred Stock - Series A *(1)(2)	750,000 22,500,000	15,000 2,250,000	14,325 1,656,000
	Convertible Note (1)(2) Matures September 2017 Interest Rate 6%	1,000,000	1,000,000	1,000,000 2,670,325
WRIGHTSPEED, INC. (7.0%)	Preferred Stock - Series C *(1)(3)(4)	2,267,659	6,864,023	5,811,783

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Automotive	Preferred Stock - Series D			
	*(1)(3)	1,100,978	3,375,887	3,221,792
	Preferred Stock - Series E			
	*(1)(3)	450,814	1,658,996	1,376,470
				10,410,045

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Firsthand Technology Value Fund, Inc.  
Consolidated Schedule of Investments - continued  
DECEMBER 31, 2016

PORTFOLIO COMPANY (% OF NET ASSETS) AND INDUSTRY	TYPE OF INVESTMENT	SHARES/PAR VALUE (\$)	COST BASIS	VALUE
EXCHANGE TRADED FUNDS (3.2%)	iShares Short Treasury Bond ETF	21,500	\$2,371,613	\$2,371,450
	SPDR Bloomberg Barclays 1-3 Month T-Bill ETF	52,000	2,378,480	2,376,400
				4,747,850
TOTAL INVESTMENTS (Cost \$174,787,149) —99.1%				147,530,849
OTHER ASSETS IN EXCESS OF LIABILITIES — 0.9%				1,381,542
NET ASSETS — 100.0%				\$ 148,912,391

\*Non-income producing security.

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

(2) Controlled investments.

(3) Affiliated issuer.

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

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

ETF Exchange Traded Fund

SPDR Standard & Poor's Depositary Receipt

See accompanying notes to financial statements

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Firsthand Technology Value Fund, Inc.  
Consolidated Schedule of Investments  
DECEMBER 31, 2015

PORTFOLIO COMPANY (% OF NET ASSETS) AND INDUSTRY	TYPE OF INVESTMENT	SHARES/PAR VALUE (\$)	COST BASIS	VALUE
ALIPHCOM, INC. (2.3%) Consumer Electronics	Common Stock *(1)	2,128,005	\$ 10,108,024	\$ 4,090,238
CLOUDERA, INC. (0.3%) Software	Common Stock *(1)	20,000	580,000	557,216
GILT GROUPE HOLDINGS, INC. (0.2%) Internet	Common Stock *(1)	198,841	4,558,112	333,317
HERA SYSTEMS, INC. (1.1%) Aerospace	Preferred Stock - Series A (1)(2)	3,642,324	2,000,000	2,000,000
HIGHTAIL, INC. (5.7%) Cloud Computing	Preferred Stock - Series E *(1)	2,268,602	9,999,998	9,999,998
HIKU LABS, INC. (1.3%) Consumer Electronics	Preferred Stock - Series A (1)	3,280,191	2,124,074	2,280,060
INTEVAC, INC. (0.7%) Other Electronics	Common Stock *	243,883	2,721,734	1,148,688
INTRAOP MEDICAL CORP. (15.2%) Medical Devices	Preferred Stock - Series C *(1)(2)	26,856,187	26,299,938	22,655,879
	Term Note (1)(2) Matures February 2016		3,000,000	
	Interest Rate 8%	3,000,000		3,000,000
	Convertible Note (1)(2) Matures July 2016		1,000,000	
	Interest Rate 15%	1,000,000		1,000,000
				26,655,879
INVENSENSE, INC. (2.3%) Semiconductors	Common Stock *	400,000	6,380,014	4,092,000
MATTSON TECHNOLOGY, INC. (6.6%) Semiconductor Equipment	Common Stock *	3,280,000	8,239,200	11,578,400
NUTANIX, INC. (2.7%) Networking	Preferred Stock - Series A *(1)	227,272	3,999,987	4,772,712

See accompanying notes to financial statements



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Firsthand Technology Value Fund, Inc.  
Consolidated Schedule of Investments - continued  
DECEMBER 31, 2015

PORTFOLIO COMPANY (% OF NET ASSETS) AND INDUSTRY	TYPE OF INVESTMENT	SHARES/PAR VALUE (\$)	COST BASIS	VALUE
PHUNWARE, INC. (4.1%) Mobile Computing	Preferred Stock - Series E *(1)	3,257,328	\$9,999,997	\$7,110,747
PIVOTAL SYSTEMS CORP. (13.3%) Semiconductor Equipment	Preferred Stock - Series C * (1)(2)	2,291,260	2,657,862	2,657,862
	Preferred Stock - Series B *(1)(2)	13,065,236	6,321,482	10,833,694
	Preferred Stock - Series A *(1)(2)	11,914,217	6,000,048	9,879,269 23,370,825
PURE STORAGE, INC. (0.1%) Computer Storage	Common Stock - Class B *(1)	14,000	336,000	185,283
QMAT, INC. (8.3%) Advanced Materials	Preferred Stock Warrants - Series A *(1)(2)	2,000,000	0	642,600
	Preferred Stock - Series A *(1)(2)	14,000,240	14,000,240	14,000,240 14,642,840
ROKU, INC. (1.2%) Consumer Electronics	Common Stock *(1)	1,500,000	2,312,500	2,059,350
SILICON GENESIS CORP. (2.0%) Intellectual Property	Preferred Stock -Series 1-F *(1)(2)	912,453	583,060	—
	Common Stock Warrants *(1)(2)	37,982	6,678	—
	Common Stock *(1)(2)	921,892	169,045	—
	Preferred Stock - Series 1-D *(1)(2)	850,830	431,901	—
	Preferred Stock - Series 1-C *(1)(2)	82,914	109,518	—
	Preferred Stock - Series 1-E *(1)(2)	5,704,480	2,946,535	—
	Term Note (1)(2) December 2016 Interest Rate 12%	3,000,000	3,000,000	2,074,504
	Convertible Note (1)(2)	1,250,000	1,610,753	864,377
	Convertible Note (1)(2)	1,000,000	1,000,000	691,502
	Common Stock Warrants *(1)(2)	5,000,000	0	—
		3,000,000	0	—



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Common Stock Warrants

\*(1)(2)

3,630,383

SUNRUN, INC. (4.1%)  
Renewable Energy

Common Stock \*(1)

674,820

6,417,495

7,148,368

TAPAD, INC. (5.9%)

Preferred Stock - Series

B-2 \*(1)

492,244

7,149,992

7,149,992

Advertising Technology

Preferred Stock - Series

B-1 \*(1)

280,048

2,999,986

3,261,047

10,411,039

See accompanying notes to financial statements

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Firsthand Technology Value Fund, Inc.  
Consolidated Schedule of Investments - continued  
DECEMBER 31, 2015

PORTFOLIO COMPANY (% OF NET ASSETS) AND INDUSTRY	TYPE OF INVESTMENT	SHARES	COST BASIS	VALUE
TELEPATHY INVESTORS, INC. (3.2%) Consumer Electronics	Preferred Stock - Series A			
	*(1)(2)	15,238,000	\$3,999,999	\$3,658,644
	Convertible Note (1)(2)			
	Matures June 2017 Interest Rate 10%	2,000,000	2,000,000	2,000,000 5,658,644
TURN INC. (8.2%) Advertising Technology	Preferred Stock - Series E			
	*(1)	1,798,562	15,000,007	14,297,669
UCT COATINGS, INC. (0.1%) Advanced Materials	Common Stock *(1)	1,500,000	662,235	203,901
	Common Stock Warrants			
	*(1)	2,283	67	0 203,901
VUFINE, INC. (0.9%) Consumer Electronics	Preferred Stock - Series A			
	*(1)(2)	15,000,000	1,500,000	1,500,000
	Common Stock *(1)(2)	750,000	15,000	22,275 1,522,275
WRIGHTSPEED, INC. (7.4%) Automotive	Preferred Stock - Series C			
	*(1)(3)	2,267,659	5,999,999	7,345,401
	Preferred Stock - Series D			
	*(1)(3)	1,100,978	3,375,887	3,924,546
	Preferred Stock - Series E			
	*(1)(3)	450,814	1,658,996	1,658,996 12,928,943 170,678,775
TOTAL INVESTMENTS (Cost \$183,276,363) —97.2%				
OTHER ASSETS IN EXCESS OF LIABILITIES — 2.8%				4,900,604
NET ASSETS — 100.0%				\$175,579,379

\*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.

See accompanying notes to financial statements

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

Firsthand Technology Value Fund, Inc.  
Consolidated Statements of Operations

	FOR THE YEAR ENDED DECEMBER 31, 2016	FOR THE YEAR ENDED DECEMBER 31, 2015
INVESTMENT INCOME		
Unaffiliated dividend income	\$ 28,213	\$ 148,000
Unaffiliated interest	19,133	21,381
Affiliated/controlled interest	830,677	1,895,384
Royalty income	—	35,977
TOTAL INVESTMENT INCOME	878,023	2,100,742
EXPENSES		
Investment advisory fees (Note 4)	3,281,617	3,826,904
Administration fees	165,024	150,861
Custody fees	11,334	15,363
Transfer agent fees	27,283	35,225
Registration and filing fees	23,100	23,000
Professional fees	779,689	668,836
Printing fees	40,835	121,631
Trustees fees	100,000	100,000
Compliance fees	188,569	—
Miscellaneous fees	96,075	85,675
TOTAL GROSS EXPENSES	4,713,526	5,027,495
Incentive fee adjustments (Note 4)	—	(2,478,204 )
TOTAL NET EXPENSES	4,713,526	2,549,291
NET INVESTMENT LOSS	(3,835,503 )	(448,549 )
Net Realized and Unrealized Gains (Losses) on Investments:		
Net realized gains (losses) from security transactions		
Affiliated/controlled	(3,035,229 )	—
Non-affiliated and other assets	(3,132,110 )	(2,822,722 )
Net realized gains from written option transactions (1)	—	624,994
Net change in unrealized depreciation on investments	(19,436,154 )	(11,607,974 )
Net change in unrealized appreciation on warrants transactions (1)	4,777,442	103,551
Net Realized and Unrealized Losses on Investments	(20,826,051 )	(13,702,151 )
Net Decrease In Net Assets Resulting From Operations	\$(24,661,554 )	\$(14,150,700 )
Net Decrease In Net Assets Per Share Resulting from Operations (2)	\$(3.26 )	\$(1.82 )

(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.  
Consolidated Statements of Cash Flows

	FOR THE YEAR ENDED DECEMBER 31, 2016	FOR THE YEAR ENDED DECEMBER 31, 2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net decrease in Net Assets resulting from operations	\$(24,661,554 )	\$(14,150,700 )
Adjustments to reconcile net increase (decrease) in Net Assets derived from operations to net cash provided by (used in) operating activities:		
Purchases of investments	(76,522,603 )	(40,491,729 )
Proceeds from disposition of investments	80,015,681	48,643,893
Net purchases from short-term investments	(1,171,203 )	(1,500,000 )
Net proceeds from written options	—	624,994
Proceeds from litigation claim	—	7,783
(Decrease) increase in dividends, interest, and reclaims receivable	2,615,902	(707,451 )
(Decrease) increase in restricted cash	1,000,000	(1,000,000 )
Increase (decrease) in payable for investment purchased	395,532	(38,253,718 )
Decrease in payable to affiliates	(98,839 )	(399,109 )
Decrease in incentive fees payable	—	(13,716,658 )
(Decrease) increase in other assets	757,955	(756,475 )
Increase (decrease) in accrued expenses and other payables	15,473	(249,814 )
Net realized loss from investments	6,167,339	2,822,721
Net realized gain from written options	—	(624,994 )
Net unrealized depreciation from investments, other assets, and warrants transactions	14,658,712	11,504,423
Net cash provided by (used in) operating activities	3,172,395	(48,246,834 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cost of shares repurchased	(2,005,434 )	(19,999,992 )
Net cash (used in) financing activities	(2,005,434 )	(19,999,992 )
Net increase (decrease) in cash	1,166,961	(68,246,826 )
Cash - beginning of year	767,286	69,014,110
Cash - end of year	\$ 1,934,247	\$ 767,286

See accompanying notes to financial statements

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Firsthand Technology Value Fund, Inc.

Consolidated Statements of Changes in Net Assets

	FOR THE YEAR ENDED DECEMBER 31, 2016	FOR THE YEAR ENDED DECEMBER 31, 2015
FROM OPERATIONS:		
Net investment loss	\$(3,835,503 )	\$(448,549 )
Net realized losses from security transactions, written options, and warrants transactions	(6,167,339 )	(2,197,728 )
Net change in unrealized depreciation on investments and warrants transactions	(14,658,712 )	(11,504,423 )
Net decrease in net assets from operations	(24,661,554 )	(14,150,700 )
FROM CAPITAL SHARE TRANSACTIONS:		
Value of shares repurchased	(2,005,434 )	(19,999,992 )
Net decrease in net assets from capital share transactions	(2,005,434 )	(19,999,992 )
TOTAL DECREASE IN NET ASSETS	(26,666,988 )	(34,150,692 )
NET ASSETS:		
Beginning of year	175,579,379	209,730,071
End of year	\$148,912,391	\$175,579,379
Accumulated Net Investment Loss	—	—
COMMON STOCK ACTIVITY:		
Shares repurchased	(272,008 )	(859,468 )
Net decrease in shares outstanding	(272,008 )	(859,468 )
Shares outstanding, beginning of year	7,702,705	8,562,173
Shares outstanding, end of year	7,430,697	7,702,705

See accompanying notes to financial statements

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Firsthand Technology Value Fund, Inc.

Financial Highlights

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

	FOR THE YEAR ENDED DECEMBER 31, 2016*	FOR THE YEAR ENDED DECEMBER 31, 2015*	FOR THE YEAR ENDED DECEMBER 31, 2014	FOR THE YEAR ENDED DECEMBER 31, 2013	FOR THE YEAR ENDED DECEMBER 31, 2012
Net asset value at beginning of period	\$ 22.79	\$ 24.49	\$ 28.32	\$ 22.90	\$ 23.92
Income from investment operations:					
Net investment loss	(0.52 )	(0.06 )(1)	(1.26 )	(1.42 )	(0.39 )
Net realized and unrealized gains (losses) on investments	(2.76 )	(1.78 )	3.04	7.16	(1.01 )
Total from investment operations	(3.28 )	(1.84 )	1.78	5.74	(1.40 )
Distributions from:					
Realized capital gains	—	—	(5.86 )	(0.32 )	—
Premiums from shares sold in offerings	—	—	—	— (2)	0.38
Anti-dilutive effect from capital share transactions	0.53	0.14	0.25	—	—
Net asset value at end of year	\$ 20.04	\$ 22.79	\$ 24.49	\$ 28.32	\$ 22.90
Market value at end of year	\$ 7.67	\$ 8.17	\$ 18.65	\$ 23.17	\$ 17.44
Total return					
Based on Net Asset Value	(12.07 )%	(6.94 )%	12.54 %	25.30 %	(4.26 )%
Based on Market Value	(6.12 )%	(56.19 )%	4.76 %	34.61 %	21.70 %
Net assets at end of year (millions)	\$ 148.9	\$ 175.6	\$ 209.7	\$ 256.9	\$ 195.9
Ratio of total expenses to average net assets	2.90 %	1.36 %(3)	5.29 %(3)	6.52 %(3)	2.56 %
Ratio of total expenses to average net assets, excluding incentive fees	2.90 %	2.68 %	3.12 %	2.67 %	2.56 %
Ratio of net investment loss to average net assets	(2.36 )%	(0.24 )%	(4.31 )%	(5.96 )%	(2.12 )%
Portfolio turnover rate	49 %	22 %	95 %	17 %	10 %

\*Consolidated.

(1) Calculated using average shares outstanding.

(2) Less than \$0.005 per share.

Amount includes the incentive fee. For the year ended December 31, 2015, the year ended December 31, 2014, and (3) the year ended December 31, 2013, the ratio of the incentive fee to average net assets was (1.32)%, 2.17%, and 3.85%, respectively.

See accompanying notes to financial statements

Firsthand Technology Value Fund, Inc.  
Notes to Financial Statements  
DECEMBER 31, 2016

## NOTE 1. THE COMPANY

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

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

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

On June 10, 2016, the Board of Directors of the Company approved the formation of a fully owned and controlled subsidiary (as defined by the 1940 Act) of FVI named Firsthand Holdings, Ltd. (“FHL”), a Cayman Islands corporation formed on May 4, 2016. Under this structure, we may from time to time transfer investments in the Company held in the Company or FVI to FHL in return for ownership interests in FHL. The net assets of FHL at December 31, 2016, were \$6,054,492 or 4.1% of the Company’s consolidated net assets. On September 27, 2016, the Board of Directors of the Company approved the formation of a fully owned and controlled subsidiary (as defined by the 1940 Act) of FVI named Firsthand Development, Ltd (“FDL”), a Cayman Islands corporation formed on September 22, 2016. Under this structure, we may from time to time transfer investments in the Company held in the Company or FVI to FDL in return for ownership interests in FDL. The net assets of FDL at December 31, 2016, were \$7,402,884 or 5.0% of the Company’s consolidated net assets. The financial statements of the Company, FVI, FHL, and FDL are presented in the report on a consolidated basis.

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





Firsthand Technology Value Fund, Inc.  
Notes to Financial Statements - continued  
DECEMBER 31, 2016

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**USE OF ESTIMATES.** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

**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 December 31, 2016, our financial statements include venture capital investments valued at approximately \$126.3 million. The fair values of our venture capital investments were determined in good faith by, or under the direction of, the Board. Upon sale of these investments, the values that are ultimately realized may be different from what is presently estimated. The difference could be material. Also see note 6 regarding the fair value of the company's investments.

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

**RESTRICTED SECURITIES.** At December 31, 2016, we held \$137,264,865 in restricted securities. At December 31, 2015, we held \$153,859,687 in restricted securities.

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

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

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

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

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Firsthand Technology Value Fund, Inc.  
Notes to Financial Statements - continued  
DECEMBER 31, 2016

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

**SECURITIES TRANSACTIONS.** Securities transactions are accounted for on the date the transaction for the purchase or sale of the securities is entered into by the Company (i.e., trade date).

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

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

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

The Company had no option transactions for the year ended December 31, 2016.

The average volume of the Company's derivatives during the year ended December 31, 2016 is as follows:

	PURCHASED OPTIONS (CONTRACTS)	WARRANTS (SHARES)	WRITTEN OPTIONS (CONTRACTS)
Firsthand Technology Value Fund, Inc.	—	25,383,287	—

The number of option contracts written and the premiums received during the year ended December 31, 2015 were as follows:

	CONTRACTS	RECEIVED
Options outstanding, beginning of year	—	\$—
Options written during period	8,100	1,384,952
Options closed during period	(1,000)	(98,668)
Options expired during period	(5,032)	(541,326)
Options exercised during period	(2,068)	(744,958)
Options outstanding, end of year	—	\$—

Firsthand Technology Value Fund, Inc.  
Notes to Financial Statements - continued  
DECEMBER 31, 2016

The average volume of the Company's derivatives during the year ended December 31, 2015 is as follows:

	PURCHASED OPTIONS (CONTRACTS)	WARRANTS (SHARES)	WRITTEN OPTIONS (CONTRACTS)
Firsthand Technology Value Fund, Inc.	—	10,307,010	377

### NOTE 3. BUSINESS RISKS AND UNCERTAINTIES

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

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

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

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.

Firsthand Technology Value Fund, Inc.  
Notes to Financial Statements - continued  
DECEMBER 31, 2016

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 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 the Company’s 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 month or quarter will be pro-rated.

The incentive fee is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Management Agreement, as of the termination date), commencing on April 15, 2011, and equals 20% of the Company’s realized capital gains, if any, on a cumulative basis from inception through the end of each calendar year, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid incentive fees, provided that the incentive fee determined as of December 31, 2016, 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 December 31, 2016, there was an incentive fee expensed for \$0. As of December 31, 2015, there was an incentive fee expensed for \$(2,478,204).

#### 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).

Firsthand Technology Value Fund, Inc.  
Notes to Financial Statements - continued  
DECEMBER 31, 2016

#### NOTE 6. FAIR VALUE

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.

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 of Directors of the Company (the "Board") in accordance with the Valuation Procedures adopted by the Valuation Committee, a 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, comprised of all of the independent Board members, is responsible for determining the valuation of the Company's assets within the guidelines established by the Board of Directors. The Valuation Committee receives information and recommendations from the Adviser and an independent valuation firm.

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

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

The main approaches to measuring fair value utilized are the market approach, the income approach, and the asset-based approach. The choice of which approach to use in a particular situation depends on the specific facts and circumstances associated with the company, as well as the purpose for which the valuation analysis is being conducted. Firsthand and the independent valuation firm rely primarily on the market approach. We also considered the income and asset-based approaches 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).



Firsthand Technology Value Fund, Inc.  
Notes to Financial Statements - continued  
DECEMBER 31, 2016

**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; option-pricing models, such as the Black-Scholes-Merton formula (a closed-form model) and a binomial model (a lattice model), which incorporate 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  
DECEMBER 31, 2016

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 December 31, 2016:

	LEVEL 1 QUOTED PRICES	LEVEL 2 OTHER SIGNIFICANT OBSERVABLE INPUTS	LEVEL 3 SIGNIFICANT UNOBSERVABLE INPUTS
<b>ASSETS</b>			
Common Stocks			
Advanced Materials	\$—	\$ —	\$ 394,200
Computer Storage	158,340	—	—
Consumer Electronics	—	—	3,037,441
Equipment Leasing	—	—	44,430
Intellectual Property	—	—	14,750
Networking	—	—	10,990,390
Other Electronics	1,401,200	—	—
Renewable Energy	3,583,294	—	—
Semiconductor Equipment	—	—	7,524
Semiconductors	375,300	—	—
Software	—	—	245,466
Total Common Stocks	5,518,134	—	14,734,201
Preferred Stocks			
Advanced Materials	—	—	12,724,961
Advertising Technology	—	—	9,757,918
Aerospace	—	—	445,456
Automotive	—	—	10,410,045
Cloud Computing	—	—	8,550,361
Consumer Electronics	—	—	3,752,749
Equipment Leasing	—	—	3,975,600
Intellectual Property	—	—	6,137,917
Medical Devices	—	—	24,511,642
Mobile Computing	—	—	7,365,796
Semiconductor Equipment	—	—	21,883,997
Total Preferred Stocks	—	—	109,516,442
Asset Derivatives *			
Equity Contracts	—	—	5,420,042
Total Asset Derivatives	—	—	5,420,042
Convertible Notes			
Advertising Technology	—	—	559,360
Aerospace	—	—	71,208
Consumer Electronics	—	—	2,913,612
Medical Devices	—	—	4,000,000
Water Purification	—	—	50,000
Total Convertible Notes	—	—	7,594,180
Exchange-Traded Funds	4,747,850	—	—

Total	\$10,265,984	\$	—	\$ 137,264,865
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\* Asset derivatives include warrants.

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Firsthand Technology Value Fund, Inc.  
Notes to Financial Statements - continued  
DECEMBER 31, 2016

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 period. There were no transfers between Levels 1 and 2 as of December 31, 2016.

The following is a summary of the inputs used to value the Company's net assets as of December 31, 2015:

	LEVEL 1 QUOTED PRICES	LEVEL 2 OTHER SIGNIFICANT OBSERVABLE INPUTS	LEVEL 3 SIGNIFICANT UNOBSERVABLE INPUTS
<b>ASSETS</b>			
Common Stocks			
Advanced Materials	\$—	\$ —	\$ 203,901
Computer Storage	—	—	185,283
Consumer Electronics	—	—	6,171,863
Internet	—	—	333,317
Other Electronics	1,148,688	—	—
Renewable Energy	—	—	7,148,368
Semiconductor Equipment	11,578,400	—	—
Semiconductors	4,092,000	—	—
Software	—	—	557,216
Total Common Stocks	16,819,088	—	14,599,948
Preferred Stocks			
Advanced Materials	—	—	14,000,240
Advertising Technology	—	—	24,708,708
Automotive	—	—	12,928,943
Aerospace	—	—	2,000,000
Cloud Computing	—	—	9,999,998
Consumer Electronics	—	—	7,438,704
Medical Devices	—	—	22,655,879
Mobile Computing	—	—	7,110,747
Networking	—	—	4,772,712
Semiconductor Equipment	—	—	23,370,825
Total Preferred Stocks	—	—	128,986,756
Asset Derivatives *			
Equity Contracts	—	—	642,600
Total Asset Derivatives	—	—	642,600
Convertible Notes			
Consumer Electronics	—	—	2,000,000
Intellectual Property	—	—	3,630,383
Medical Devices	—	—	4,000,000
Total Convertible Notes	—	—	9,630,383
Total	\$16,819,088	\$ —	\$ 153,859,687

\* Asset derivatives include warrants.

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Firsthand Technology Value Fund, Inc.  
Notes to Financial Statements - continued  
DECEMBER 31, 2016

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 period. There were [no transfers] between Levels 1 and 2 as of December 31, 2016.

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

# INVESTMENTS

## AT FAIR VALUE

USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	BALANCE AS OF 12/31/15	NET PURCHASES/ CONVERSION	NET SALES/ CONVERSION	NET REALIZED GAINS / (LOSSES)	NET UNREALIZED APPRECIATION (DEPRECIATION) (1)	TRANSFER IN (OUT) OF LEVEL 3	
Common Stocks							
Advanced Materials	\$203,901	\$—	\$—	\$—	\$190,299	\$ —	\$394,200
Computer Storage	185,283	—	—	—	150,717	(336,000)	—
Consumer Electronics	6,171,863	1,000,000	—	—	(4,134,422)	—	3,037,441
Equipment Leasing	—	20,000	—	—	24,430	—	44,430
Intellectual Property	—	—	—	—	14,750	—	14,750
Internet	333,317	—	(689,999 )	(8,426,224 )	8,782,906	—	—
Networking	4,772,712	5,176,125	—	—	1,041,553	—	10,990,390
Renewable Energy	7,148,368	13,775	—	—	(7,162,143)	—	—
Semiconductor Equipment	—	1,000	—	—	6,524	—	7,524
Software	557,216	—	—	—	(311,750 )	—	245,466
Preferred Stocks							
Advanced Materials	14,000,240	7,500,000	—	—	(8,775,279)	—	12,724,960
Advertising Technology	24,708,708	4,346,304	(40,091,196)	11,784,839	9,009,263	—	9,757,918
Aerospace	2,000,000	—	—	—	(1,554,544)	—	445,456
Automotive	12,928,943	4,779,956	(4,779,956 )	864,024	(3,382,922)	—	10,410,040
Cloud Computing	9,999,998	2,705,790	(2,264,990 )	(379,810 )	(1,510,627)	—	8,550,361
Consumer Electronics	7,438,704	750,000	(5 )	(2,124,069 )	(2,311,881)	—	3,752,749
Equipment Leasing	—	4,000,000	—	—	(24,400 )	—	3,975,600
Intellectual Property	—	12,251,478	(2,670,500 )	(3,538,500 )	95,439	—	6,137,917
Medical Devices	22,655,879	—	—	—	1,855,763	—	24,511,640
Mobile Computing	7,110,747	—	—	—	255,049	—	7,365,796
Semiconductor Equipment	23,370,825	6,175,801	—	—	(7,662,629)	—	21,883,990

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Firsthand Technology Value Fund, Inc.  
Notes to Financial Statements - continued  
DECEMBER 31, 2016

INVESTMENTS

AT FAIR VALUE USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	BALANCE AS OF 12/31/15	NET PURCHASES/ CONVERSION	NET SALES/ CONVERSION	NET REALIZED GAINS / (LOSSES)	NET UNREALIZED APPRECIATION (DEPRECIATION) (1)	TRANSFER IN (OUT) OF LEVEL 3
Asset Derivatives						
Equity Contracts	\$ 642,600	\$ —	\$ —	\$ —	\$ 4,777,442	\$ —
Convertible Notes						
Advertising Technology	—	2,321,564	—	—	(1,762,204 )	—
Aerospace	—	80,500	(8,792 )	—	(500 )	—
Consumer Electronics	2,000,000	3,560,000	(5 )	(99,995 )	(2,546,388 )	—
Intellectual Property	3,630,383	—	(5,250,000 )	(360,753 )	1,980,370	—
Medical Devices	4,000,000	—	—	—	—	—
Semiconductor						
Equipment	—	2,940,462	(1,381,102 )	—	(1,559,360 )	—
Water Purification	—	50,000	—	—	—	—
Total	\$ 153,859,687	\$ 57,672,755	\$ (57,136,545)	\$ (2,280,488)	\$ (14,514,544)	\$ (336,000)

(1) The net change in unrealized appreciation from Level 3 instruments held as of December 31, 2016 was \$(22,130,823).

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

INVESTMENTS AT FAIR VALUE USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	BALANCE AS OF 12/31/14	NET PURCHASES/ CONVERSION	NET SALES/ CONVERSION	NET REALIZED GAINS / (LOSSES)	NET UNREALIZED APPRECIATION (DEPRECIATION)	TRANSFERS IN (OUT) OF LEVEL 3	BALANCE AS OF 12/31/15
Common Stocks							
Advanced Materials	\$ 607,650	\$ —	\$ —	\$ —	\$ (403,749 )	\$ —	\$ 203,901
Computer Storage	—	336,000	—	—	(150,717 )	—	185,283
Consumer Electronics	11,820,642	2,327,500	—	—	(7,976,279 )	—	6,171,863
Internet	2,547,272	—	—	—	(2,213,955 )	—	333,317
Renewable Energy	5,061,960	—	—	—	2,086,408	—	7,148,368
Software	—	580,000	—	—	(22,784 )	—	557,216
Preferred Stocks							
Advanced Materials	11,432,476	2,000,000	—	—	567,764	—	14,000,240
Advertising Technology	19,323,228	5,999,995	—	—	(614,515 )	—	24,708,708
Automotive	10,916,840	1,658,996	—	—	353,107	—	12,928,943
Aerospace	—	2,000,000	—	—	—	—	2,000,000

Firsthand Technology Value Fund, Inc.  
Notes to Financial Statements - continued  
DECEMBER 31, 2016

INVESTMENTS AT FAIR VALUE USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	BALANCE AS OF 12/31/14	NET PURCHASES/ NET SALES/ CONVERSION	NET SALES/ CONVERSION	NET REALIZED GAINS	NET UNREALIZED APPRECIATION (DEPRECIATION) (LOSSES)	TRANSFERS IN (OUT) LEVELS 3	BALANCE OF 12/31/15
Cloud Computing	\$9,999,998	\$—	\$—	\$—	\$—	\$—	\$9,999,998
Consumer Electronics	4,000,000	3,624,074	—	—	(185,370 )	—	7,438,704
Medical Devices	15,986,250	26,299,938	(20,299,939 )	—	669,630	—	22,655,879
Mobile Computing	9,999,997	—	—	—	(2,889,250 )	—	7,110,747
Networking	—	3,999,987	—	—	772,725	—	4,772,712
Semiconductor							
Equipment	18,682,483	2,321,483	—	—	2,366,859	—	23,370,825
Asset Derivatives							
Equity Contracts	567,900	—	—	—	74,700	—	642,600
Convertible Notes							
Aerospace	—	250,000	(250,000 )	—	—	—	—
Consumer Electronics	500,000	2,100,000	(600,000 )	—	—	—	2,000,000
Intellectual Property	5,250,000	—	—	—	(1,619,617 )	—	3,630,383
Medical Devices	4,000,000	—	—	—	—	—	4,000,000
Semiconductor							
Equipment	2,000,000	—	(2,000,000 )	—	—	—	—
Total	\$132,696,696	\$53,497,973	\$(23,149,939 )	\$—	\$(9,185,043 )	\$—	\$153,859,687

(1) The net change in unrealized appreciation from Level 3 instruments held as of December 31, 2015 was \$(13,498,735).

The below chart represents quantitative disclosure about significant unobservable inputs for Level 3 fair value measurements:

	FAIR VALUE AT 12/31/16	VALUATION TECHNIQUES	UNOBSERVABLE INPUTS	RANGE (WEIGHTED AVG.)
Direct venture capital investments: Advanced Materials	\$13.5M	Market Comparable Companies Prior Transaction Analysis Option Pricing Model	Revenue Multiple Years to Expiration Volatility Risk-Free Rate Discount for Lack of Marketability	0.6x 5 years 55.0% 1.93% 31.90%
Direct venture capital investments: Advertising Technology	\$10.3M	Market Comparable Companies Option Pricing Model	Revenue Multiple Years to Expiration Volatility Risk-Free Rate	0.3x 2 years 55.0% 1.20%

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Firsthand Technology Value Fund, Inc.  
Notes to Financial Statements - continued  
DECEMBER 31, 2016

continued	FAIR VALUE AT 12/31/16	VALUATION TECHNIQUES	UNOBSERVABLE INPUTS	RANGE (WEIGHTED AVG.)
	\$0.5M	Prior Transaction	Going Concern Probability	30%
Direct venture capital investments: Aerospace		Analysis	Years to Expiration	5 years
		Probability-Weighted Expected Return	Volatility	60.0%
		Option Pricing Model	Risk-Free Rate	1.93%
			Discount for Lack of Marketability	25.8%
Direct venture capital investments: Automotive	\$ 10.4M	Prior Transaction	Years to Expiration	3 years
		Analysis	Volatility	55.0%
		Option Pricing Model	Risk-Free Rate	1.47%
	\$8.6M	Market Comparable Companies	Revenue Multiple	1.3x - 1.5x
Direct venture capital investments: Cloud Computing		Prior Transaction	Years to Expiration	2 years
		Analysis	Volatility	40.0%
		Option Pricing Model	Risk-Free Rate	1.2%
Direct venture capital investments: Consumer Electronics	\$9.7M	Market Comparable Companies	Revenue Multiple	0.9x
		Prior Transaction	IPO Exit Probability	75%
			Merger & Acquisition Probability	25%
		Analysis	Going Concern Probability	60% - 100%
		Probability-Weighted Expected Return	Years to Expiration	1 year - 5 years
		Invested Capital(Cost)	Volatility	50.0% - 70.0%
		Option Pricing Model	Risk-Free Rate	0.85% - 1.93%
			Discount for Lack of Marketability	0.0% - 31.9%
Direct venture capital investments: Equipment Leasing	\$4.0M	Prior Transaction	Years to Expiration	5 years
		Analysis	Volatility	50.0%
			Risk-Free Rate	1.93%
	\$6.2M	Prior Transaction	Years to Expiration	5 years
		Analysis	Volatility	55%
Direct venture capital investments: Intellectual Property		Option Pricing Model	Risk-Free Rate	1.93%
			Discount for Lack of Marketability	31.9%
			Adjustment for Market Movement	(19.8%)
	\$28.5M	Market Comparable Companies	Revenue Multiple	2.7x - 3.1x
Direct venture capital investments: Medical Devices		Prior Transaction	Years to Expiration	4 years
		Analysis	Volatility	50.0%
		Option Pricing Model	Risk-Free Rate	1.70%
Direct venture capital investments: Mobile Computing	\$7.4M	Prior Transaction	Years to Expiration	2 years
		Analysis	Volatility	60.0%
		Option Pricing Model	Risk-Free Rate	1.20%



Direct venture capital investments: Networking	\$ 11.0M	Prior Transaction Analysis	Discount for Lack of Marketability	10%
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Firsthand Technology Value Fund, Inc.  
Notes to Financial Statements - continued  
DECEMBER 31, 2016

continued	FAIR VALUE AT 12/31/16	VALUATION TECHNIQUES	UNOBSERVABLE INPUTS	RANGE (WEIGHTED AVG.)
Direct venture capital investments: Semiconductor Equipment	\$26.9M	Prior Transaction Analysis Option Pricing Model	Years to Expiration Volatility Risk-Free Rate Discount for Lack of Marketability	2 years - 5 years 50.0 - 55.0% 1.20% - 1.93% 0.0% - 20.80%
Direct venture capital investments: Software	\$0.2M	Prior Transaction Analysis Option Pricing Model	Years to Expiration Volatility Risk-Free Rate	1 year 55.0% 0.85%
Direct venture capital investments: Water Purification	\$0.1M	Prior Transaction Analysis Option Pricing Model	Years to Expiration Volatility Risk-Free Rate	5 years 40.0% 1.93%

The below chart represents quantitative disclosure about significant unobservable inputs for Level 3 fair value measurements for 2015:

	FAIR VALUE AT 12/31/15	VALUATION TECHNIQUES	UNOBSERVABLE INPUTS	RANGE (WEIGHTED AVG.)
Direct venture capital investments: Advanced Materials	\$14.8M	Market Comparable Companies Prior Transaction Analysis Option Pricing Model	Revenue Multiple Years to Expiration Volatility Risk-Free Rate Discount for Lack of Marketability	0.9x - 1.0x 5 years 59.93% - 59.44% 1.76% 34.4% - 34.6%
Direct venture capital investments: Advertising Technology	\$24.7M	Market Comparable Companies Prior Transaction Analysis Option Pricing Model	Revenue Multiple Years to Expiration Volatility Risk-Free Rate	0.7x 2 years 56.62% - 62.08% 1.06%
Direct venture capital investments: Aerospace	\$2.0M	Prior Transaction Analysis Option Pricing Model	Years to Expiration Volatility Risk-Free Rate	5 years 60.53% 1.76%
Direct venture capital investments: Automotive	\$12.9M	Prior Transaction Analysis Option Pricing Model	Years to Expiration Volatility Risk-Free Rate	3 years 67.14% 1.31%
Direct venture capital investments: Cloud Computing	\$10.0M	Prior Transaction Analysis Option Pricing Model	Years to Expiration Volatility Risk-Free Rate	1 year 32.19% 0.65%
Direct venture capital investments: Computer Storage	\$0.2M	Prior Transaction Analysis	Discount for Lack of Marketability	15.0%



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Firsthand Technology Value Fund, Inc.  
Notes to Financial Statements - continued  
DECEMBER 31, 2016

continued	FAIR VALUE AT 12/31/15	VALUATION TECHNIQUES	UNOBSERVABLE INPUTS	RANGE (WEIGHTED AVG.)
	\$15.6M	Prior Transaction Analysis	IPO Exit Probability Merger & Acquisition Probability	90% 10%
Direct venture capital investments: Consumer Electronics		Probability-Weighted Expected Return	Years to Expiration Volatility	1 year - 5 years 47.74% - 62.41%
		Invested Capital(Cost) Option Pricing Model	Risk-Free Rate Discount for Lack of Marketability	1.06% - 1.76% 0.0% - 23.7%
	\$3.6M	Prior Transaction Analysis	Years to Expiration Volatility	5 years 54.81%
Direct venture capital investments: Intellectual Property		Option Pricing Model	Risk-Free Rate Discount for Lack of Marketability	1.76% 32.10%
	\$0.3M	Probability-Weighted Expected Return	High Value M&A Probability Low Value M&A Probability	5% 70%
Direct venture capital investments: Internet		Option Pricing Model	Remain Private Probability Volatility	25% 43.90%
			Risk-Free Rate Discount for Lack of Marketability	0.65% 13.5%
Direct venture capital investments: Medical Devices	\$26.7M	Prior Transaction Analysis	Years to Expiration Volatility	4 years 69.52%
		Option Pricing Model	Risk-Free Rate	1.54%
Direct venture capital investments: Mobile Computing	\$7.1M	Prior Transaction Analysis	Years to Expiration Volatility	2 years 71.34%
		Option Pricing Model	Risk-Free Rate	1.06%
	\$4.8M	Prior Transaction Analysis	Years to Expiration Volatility	0.5 years 27.99%
Direct venture capital investments: Networking		Option Pricing Model	Risk-Free Rate Discount for Lack of Marketability	0.49% 6.1%
Direct venture capital investments: Renewable Energy	\$7.1M	Prior Transaction Analysis	Discount for Lack of Marketability	10.0%
Direct venture capital investments: Semiconductor Equipment	\$23.4M	Prior Transaction Analysis	Years to Expiration Volatility	3 years 49.83%
		Option Pricing Model	Risk-Free Rate	1.31%
	\$0.6M	Prior Transaction Analysis	Years to Expiration Volatility	1 year 62.48%
Direct venture capital investments: Software		Option Pricing Model	Risk-Free Rate	0.65%

Discount for Lack of  
Marketability 19.0%

Firsthand Technology Value Fund, Inc.  
Notes to Financial Statements - continued  
DECEMBER 31, 2016

#### NOTE 7. FEDERAL INCOME TAXES

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

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

#### TAX TABLES

##### Reclassification of Capital Accounts

Permanent book and tax differences resulted in reclassifications for the year ended December 31, 2016 as follows:

	INCREASE (DECREASE)		
	Accumulated		
	Net	Accumulated	
	Investment	Net Realized	
Paid-in-Capital	Income	Gain (Loss)	
	(Loss)		
Firsthand Technology Value Fund	\$(3,835,503)	\$3,835,503	\$ —

As of December 31, 2016, the Fund had short-term and long-term capital loss carryforwards for federal income tax purposes in the amounts of \$(211,156) and \$(747,488), respectively, which do not expire.

As of December 31, 2016, the Fund utilized capital loss carry forwards for federal income tax purposes in the amount of \$2,004,970.

Permanent book and tax differences resulted in reclassifications for the year ended December 31, 2015 as follows:

	INCREASE (DECREASE)		
	Accumulated		
	Net	Accumulated	
	Investment	Net Realized	
Paid-in-Capital	Income	Gain (Loss)	
	(Loss)		
Firsthand Technology Value Fund	\$5,556,431	\$(5,384,445 )	\$ (171,986 )

As of December 31, 2015, the Fund had short-term and long-term capital loss carryforwards for federal income tax purposes in the amounts of \$(2,216,126) and \$(153,586), respectively, which do not expire.

As of December 31, 2015, the Fund did not utilize capital loss carry forwards for federal income tax purposes.

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Firsthand Technology Value Fund, Inc.  
Notes to Financial Statements - continued  
DECEMBER 31, 2016

Components of Distributable Earnings as of 12/31/16

	FIRSTHAND TECHNOLOGY VALUE FUND, INC.
Net Unrealized Appreciation (Depreciation)	\$ (34,834,709 )
Capital Loss Carryforwards	(958,644 )
Total Distributable Earnings	\$ (35,793,353 )

As of December 31, 2016, the Fund did not pay any long-term capital gains.

	FIRSTHAND TECHNOLOGY VALUE FUND, INC.
Gross unrealized appreciation	\$ 13,265,628
Gross unrealized depreciation	(48,100,337 )
Net unrealized depreciation	\$ (34,834,709 )
Federal income tax cost, Investments	\$ 182,365,558

The Company is subject to tax provisions that establish a minimum threshold for recognizing, and a system for measuring, the benefits of a tax position taken or expected to be taken in a tax return. Taxable years ending 2013, 2014, and 2015 remain open to federal and state audit. As of December 31, 2016, management has evaluated the application of these provisions to the Company, and has determined that no provision for income tax is required in the Company's financial statements for uncertain tax provisions.

Components of Distributable Earnings as of 12/31/15

	FIRSTHAND TECHNOLOGY VALUE FUND, INC.
Net Unrealized Appreciation (Depreciation)	\$ (12,597,590 )
Capital Loss Carryforwards	(2,369,712 )
Total Distributable Earnings	\$ (14,967,302 )

As of December 31, 2015, the Fund did not pay any long-term capital gains.

	FIRSTHAND TECHNOLOGY VALUE FUND, INC.
Gross unrealized appreciation	\$ 16,195,265
Gross unrealized depreciation	(28,792,855 )
Net unrealized depreciation	\$ (12,597,590 )
Federal income tax cost, Investments	\$ 183,276,365





Firsthand Technology Value Fund, Inc.  
Notes to Financial Statements - continued  
DECEMBER 31, 2016

## NOTE 8. INVESTMENT TRANSACTIONS

Investment transactions (excluding short-term investments) were as follows for the year ended December 31, 2016.

### PURCHASES AND SALES

Purchases of investment securities	\$76,522,603
Proceeds from sales and maturities of investment securities	\$80,015,681

## NOTE 9. SHARE BUYBACKS

**SHARE BUYBACKS.** On April 26, 2016, the Board of Directors of the Fund approved a discretionary share repurchase plan (the “Plan”). Pursuant to the Plan, the Fund was authorized to purchase in the open market up to \$2 million worth of its common stock. The Plan allowed the Fund to acquire its own shares at certain thresholds below its net asset value (NAV) per share, in accordance with the guidelines specified in Rule 10b-18 of the Securities Act of 1934, as amended. The intent of the Plan was to increase NAV per share and thereby enhance shareholder value. The Fund completed the repurchase plan in September 2016, having repurchased and retired a total of 272,008 shares of stock, at a total cost of approximately \$2 million. As of December 31, 2016, the Fund had 7,430,697 shares outstanding.

**TENDER OFFER.** In connection with our agreement with a shareholder, we agreed to commence an issuer tender offer for up to \$20 million of our shares of common stock at a purchase price per share equal to 95% of the Fund’s net asset value per share (“NAV”) as of the close of ordinary trading on the NASDAQ Global Market on December 31, 2014 (the “Offer”). On December 22, 2014, the Fund commenced a tender offer to purchase up to \$20 million of its issued and outstanding common shares for cash at a price per share equal to 95% of the NAV determined on December 31, 2014 (\$23.2702 per share). The tender offer, which expired on January 22, 2015 at 12:00 midnight, New York City time, was oversubscribed. Because the number of shares tendered exceeded the maximum amount of its offer, the Fund purchased shares from tendering shareholders on a pro-rata basis based on the number of shares properly tendered. Of the 5,044,728 shares properly tendered, the Fund purchased 859,468 shares of common stock pursuant to the tender offer.

## NOTE 10. INVESTMENTS IN AFFILIATES AND CONTROLLED INVESTMENTS

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

AFFILIATE/ CONTROLLED INVESTMENT*	SHARES/PAR ACTIVITY			BALANCE AT 12/31/15	SALES/ PURCHASES MERGER	MATURITIES/ EXPIRATION	BALANCE AT 12/31/16	REALIZED GAIN (LOSS)	INTEREST AT 12/31/16	VALUE AT 12/31/16	ACQUISITION COST
EQX, Inc. Common Stock*	—	100,000	—	100,000	\$ —	\$ —	\$44,430	\$ 20,000			
EQX, Inc. Preferred Stock - Series A*	—	4,000,000	—	4,000,000	—	—	3,975,600	4,000,000			

Hera Systems, Inc. Term Note*	—	50,000	(8,792 )	41,208	—	210	41,208	41,208
Hera Systems, Inc. Series A Preferred*	3,642,324	—	—	3,642,324	—	—	445,456	2,000,000

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Notes to Financial Statements - continued  
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AFFILIATE/CONTROLLED INVESTMENT*	SHARES/PAR ACTIVITY			BALANCE 2/31/16	REALIZED GAIN (LOSS)	INTEREST	VALUE 12/31/16	A C
	BALANCE 12/31/15	PURCHASES/ MERGER	SALES/ MATURITY/ EXPIRATION					
Hera Systems, Inc. Convertible Note*	—	30,000	—	30,000	\$—	\$681	\$30,000	\$
IntraOp Medical Corp. Series C Preferred*	26,856,187	—	—	26,856,187	—	—	24,511,642	
IntraOp Medical Corp. Convertible Note*	1,000,000	—	—	1,000,000	—	195,204	1,000,000	
IntraOp Medical Corp. Term Note*	3,000,000	—	—	3,000,000	—	240,658	3,000,000	
Pivotal Systems, Series A Preferred*	11,914,217	—	—	11,914,217	—	—	6,370,532	
Pivotal Systems, Series B Preferred*	13,065,236	—	—	13,065,236	—	—	6,985,982	
Pivotal Systems, Series C Preferred*	2,291,260	—	—	2,291,260	—	—	2,273,159	
Pivotal Systems, Series D Preferred*	—	6,237,978	—	6,237,978	—	—	4,060,924	
Pivotal Systems, Convertible Note*	—	500,000	(500,000 )	—	—	39,178	—	
Pivotal Systems, Convertible Note*	—	881,102	(881,102 )	—	—	55,521	—	
Pivotal Systems, Common Stocks Warrants*	—	4,158,654	—	4,158,654	—	—	284,036	
Pivotal Systems, Common Stocks Warrants*	—	18,180,475	—	18,180,475	—	—	4,743,286	
QMAT, Preferred Stock Series A*	14,000,240	2,000,000	—	16,000,240	—	—	10,724,961	
QMAT, Preferred Stock Series B*	—	2,000,000	—	2,000,000	—	—	2,000,000	
QMAT, Series A Warrant*	2,000,000	—	—	2,000,000	—	—	376,400	
Revasum, Common Stock*	—	10,000	—	10,000	—	—	7,524	
Revasum, Preferred Stock Series A*	—	2,200,000	—	2,200,000	—	—	2,193,400	
Silicon Genesis Corp., Common*	921,892	—	—	921,892	—	—	14,750	
Silicon Genesis Corp., Convertible Note*	1,250,000	—	(1,250,000)	—	(360,753)	—	—	
Silicon Genesis Corp., Convertible Note*	1,000,000	—	(1,000,000)	—	—	—	—	
Silicon Genesis Corp., Term Note*	3,000,000	—	(3,000,000)	—	—	—	—	
Silicon Genesis Corp., Common Warrant*	37,982	—	—	37,982	—	—	319	
	5,000,000	—	—	5,000,000	—	—	10,000	

Silicon Genesis Corp.,  
Common Warrant\*  
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Firsthand Technology Value Fund, Inc.  
Notes to Financial Statements - continued  
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AFFILIATE/CONTROLLED INVESTMENT*	SHARES/PAR ACTIVITY			BALANCE AT 12/31/16	REALIZED GAIN (LOSS)	INTEREST	VALUE 12/31/16
	BALANCE AT 12/31/15	PURCHASES/MERGER	SALES/ MATURITY/ EXPIRATION				
Silicon Genesis Corp., Common Warrant*	3,000,000	—	—	3,000,000	\$—	\$—	\$6,000
Silicon Genesis Corp., Series 1-C Preferred*	82,914	—	—	82,914	—	—	70,444
Silicon Genesis Corp., Series 1-D Preferred*	850,830	—	—	850,830	—	—	195,606
Silicon Genesis Corp., Series 1-E Preferred*	5,704,480	—	—	5,704,480	—	—	2,134,616
Silicon Genesis Corp., Series 1-F Preferred*	912,453	—	—	912,453	—	—	464,165
Silicon Genesis Corp., Series 1-G Preferred*	—	83,370,793	(35,000,000)	48,370,793	(3,538,500)	—	3,032,848
Silicon Genesis Corp., Series 1-H Preferred*	—	837,942	—	837,942	—	—	240,238
Telepathy Investors, Inc. Convertible Note*	2,000,000	—	—	2,000,000	—	209,033	1,109,340
Telepathy Investors, Inc. Convertible Note*	—	150,000	—	150,000	—	7,973	83,201
Telepathy Investors, Inc. Convertible Note*	—	500,000	—	500,000	—	35,068	277,335
Telepathy Investors, Inc. Convertible Note*	—	300,000	—	300,000	—	27,781	166,401
Telepathy Investors, Inc. Convertible Note*	—	500,000	—	500,000	—	2,603	277,335
Telepathy Investors, Inc. Series A Preferred*	15,238,000	—	—	15,238,000	—	—	2,096,749
Vufine, Inc., Series A Preferred*	15,000,000	7,500,000	—	22,500,000	—	—	1,656,000
Vufine, Inc., Common Stock*	750,000	—	—	750,000	—	—	14,325
Vufine, Inc., Convertible Note*	—	1,000,000	—	1,000,000	—	16,767	1,000,000
Wrightspeed, Inc. Series C Preferred	2,267,659	1,480,000	(1,480,000 )	2,267,659	864,024	—	5,811,783
Wrightspeed, Inc. Series D Preferred	1,100,978	—	—	1,100,978	—	—	3,221,792
Wrightspeed, Inc. Series E Preferred	450,814	—	—	450,814	—	—	1,376,470
Total Affiliates and Controlled Investments					\$(3,035,229)	\$830,677	\$96,328,257
Total Affiliates					\$864,024	\$—	\$10,410,045
Total Controlled Investments					\$(3,899,253)	\$830,677	\$85,918,212

\*Controlled investment.

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As of December 31, 2016, Kevin Landis represents the Company and sits on the board of directors of Hera Systems, Inc.; IntraOp Medical, Inc.; Phunware, Inc.; Pivotal Systems, Inc.; QMAT, Inc.; Revasum, Inc.; Silicon Genesis Corp.; Telepathy Investors, Inc.; Vufine, Inc.; and Wrightspeed, Inc. Serving on boards of directors of portfolio companies may cause conflicts of interest. The Adviser has adopted various procedures to ensure that the Company will not be unfavorably affected by these potential conflicts.

Financial Summary	QMAT	INTRAOP MEDICAL	PIVOTAL SYSTEMS
Total Assets	\$2,708,422	\$20,398,974	\$10,538,000
Total Liabilities	2,795,633	8,464,797	5,457,000
Net Shareholder Equity	\$(87,211 )	\$11,934,177	\$5,081,000

Total Revenues/Income	\$4,237	\$7,976,800	\$8,378,000
Total Expenses	5,214,013	14,482,076	12,444,000
Net Income/(Loss)	\$(5,209,776)	\$(6,505,276 )	\$(4,066,000 )

Financial Summary	SILICON GENESIS	TELEPATHY INVESTORS	VUFINE
Total Assets	\$1,369,914	\$1,885,291	\$1,113,269
Total Liabilities	3,298,630	5,577,790	1,216,547
Net Shareholder Equity	\$(1,928,716)	\$(3,692,499 )	\$(103,278 )

Total Revenues/Income	\$202,073	\$448,590	\$880,474
Total Expenses	485,699	3,866,396	2,111,193
Net Income/(Loss)	\$(283,626 )	\$(3,417,806 )	\$(1,230,719)

Financial Summary	EQX CAPITAL	REVASUM	HERA SYSTEMS
Total Assets	\$3,776,706	\$5,100,000	\$1,569,995
Total Liabilities	52,598	3,100,000	2,234,934
Net Shareholder Equity	\$3,724,108	\$2,000,000	\$(664,939 )

Total Revenues/Income	\$47,184	\$1,500,000	\$54,000
Total Expenses	343,076	1,700,000	1,244,008
Net Income/(Loss)	\$(295,892 )	\$(200,000 )	\$(1,190,008)

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Firsthand Technology Value Fund, Inc.  
Notes to Financial Statements - continued  
DECEMBER 31, 2016

A summary of the Company's investments in affiliates and controlled investments for the period from December 31, 2014, through December 31, 2015, is noted below:

AFFILIATE/ CONTROLLED INVESTMENT*	SHARES/PAR ACTIVITY			BALANCE AT 12/31/15	REALIZED GAIN/LOSS	VALUE 12/31/15	ACQUISITION COST
	BALANCE AT 12/31/14	PURCHASES/ MERGER	SALES/ MATURITY/ EXPIRATION				
Hera Systems, Inc. Series A Preferred*	—	3,642,324	—	3,642,324	\$—\$—	\$2,000,000	\$ 2,000,000
IntraOp Medical Corp. Series A-1 Preferred*	6,800,000	—	(6,800,000 )	—	— —	—	—
IntraOp Medical Corp. Series A-2 Preferred*	13,500,000	—	(13,500,000)	—	— —	—	—
IntraOp Medical Corp. Series B Preferred*	—	3,000,000	(3,000,000 )	—	— —	—	—
IntraOp Medical Corp. Series C Preferred*	—	26,856,187	—	26,856,187	— —	22,655,879	26,299,938
IntraOp Medical Corp. Convertible Note*	1,000,000	—	—	1,000,000	— 150,423	1,000,000	1,000,000
IntraOp Medical Corp. Term Note*	3,000,000	—	—	3,000,000	— 240,000	3,000,000	3,000,000
Pivotal Systems, Series A Preferred*	11,914,217	—	—	11,914,217	— —	9,879,269	6,000,048
Pivotal Systems, Series B Preferred*	7,942,811	5,122,425	—	13,065,236	— —	10,833,694	6,321,482
Pivotal Systems, Series C Preferred*	2,291,260	—	—	2,291,260	— —	2,657,862	2,657,862
Pivotal Systems, Convertible Note*	2,000,000	—	(2,000,000 )	—	— 113,700	—	—
QMAT, Preferred Stock Series A*	12,000,240	2,000,000	—	14,000,240	— —	14,000,240	14,000,240
QMAT, Series A Warrant*	2,000,000	—	—	2,000,000	— —	642,600	—
Silicon Genesis Corp., Common*	921,892	—	—	921,892	— —	—	169,045
	1,250,000	—	—	1,250,000	— 583,303	864,377	1,610,753

Silicon Genesis Corp., Convertible Note*	1,000,000	—	—	1,000,000	—	363,549	691,502	1,000,000
Silicon Genesis Corp., Term Note*	3,000,000	—	—	3,000,000	—	337,743	2,074,504	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	—	—	—	—
Silicon Genesis Corp., Common Warrant*	3,000,000	—	—	3,000,000	—	—	—	—
Silicon Genesis Corp., Series 1-C Preferred*	82,914	—	—	82,914	—	—	—	109,518

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Firsthand Technology Value Fund, Inc.  
Notes to Financial Statements - continued  
DECEMBER 31, 2016

AFFILIATE/ CONTROLLED INVESTMENT*	SHARES/PAR ACTIVITY BALANCE AT 12/31/14	PURCHASES/ MERGER	SALES/ MATURITY/ EXPIRATION	BALANCE AT 12/31/15	REALIZED GAIN/INTEREST (LOSS)	VALUE 12/31/15	ACQUISITION COST
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-F Preferred*	912,453	—	—	912,453	— —	—	583,060
Telepathy Investors, Inc. Convertible Note*	—	2,000,000	—	2,000,000	— 106,666	2,000,000	2,000,000
Telepathy Investors, Inc. Series A Preferred*	15,238,000	—	—	15,238,000	— —	3,658,644	3,999,999
Vufine, Inc., Series A Preferred*	—	15,000,000	—	15,000,000	— —	1,500,000	1,500,000
Vufine, Inc., Common Stock*	—	750,000	—	750,000	— —	22,275	15,000
Wrightspeed, Inc. Series C Preferred	2,267,659	—	—	2,267,659	— —	7,345,401	5,999,999
Wrightspeed, Inc. Series D Preferred	1,100,978	—	—	1,100,978	— —	3,924,546	3,375,887
Wrightspeed, Inc. Series E Preferred	—	450,814	—	450,814	— —	1,658,996	1,658,996
Total Affiliates and Controlled Investments						\$90,409,789	\$89,686,941
Total Affiliates						\$12,928,943	\$11,034,882
Total Controlled Investments						\$77,480,846	\$78,652,059

\*Controlled investment.

As of December 31, 2015, Kevin Landis represents the Company and sits on the board of directors of Hera Systems, Inc.; Hiku Labs, Inc.; IntraOp Medical Corp.; Phunware, Inc.; Pivotal Systems, Inc.; Silicon Genesis Corp.; Telepathy Investors, Inc.; QMAT, Inc.; Vufine, Inc.; and Wrightspeed, Inc. Serving on boards of directors of portfolio companies may cause conflicts of interest. The Adviser has adopted various procedures to ensure that the Company will not be unfavorably affected by these potential conflicts.

NOTE 11. SUBSEQUENT EVENTS

On February 22, 2017, Amobee, a subsidiary of Singtel, announced that it signed an agreement to acquire Turn at an enterprise value of \$310 million. The Fund's final proceeds from the sale have not yet been determined, but we currently expect that the Fund may realize a nominal gain on the investment.

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**Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None

**Item 9A. CONTROLS AND PROCEDURES**

**DISCLOSURE CONTROLS AND PROCEDURES**

Our Chief Executive Officer and Chief Financial Officer performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of December 31, 2016 and, based on that evaluation, have concluded that the disclosure controls and procedures are effective.

**REPORT OF MANAGEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act). Internal control over financial reporting is a process designed by, or under the supervision of, our principal executive and financial officer, or persons performing similar functions, and effected by our board of directors, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that the transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and our directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the consolidated financial statements.

Our management evaluated as of December 31, 2016, the effectiveness of our internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control — Integrated Framework. Based on this evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2016. Our independent registered public accounting firm, Tait, Weller & Baker LLP, issued a report on the effectiveness of our internal control over financial reporting as of December 31, 2016, which appears on page 39 herein.

**INHERENT LIMITATIONS OF EFFECTIVENESS OF CONTROLS**

Our management, including our Chief Executive Officer and Chief Financial Officer, do not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the control. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

**CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING**

There have been no changes in our internal control over financial reporting that occurred during our fourth quarter ended December 31, 2016, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. OTHER INFORMATION

None

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Part III

Item 10. DIRECTORS, EXECUTIVES OFFICERS AND CORPORATE GOVERNANCE

Reference is made to the information with respect to “Directors and Executive officers of the Registrant” to be contained in the Company’s proxy statement to be filed with the SEC, in connection with the Company’s annual meeting of shareholders to be held in 2017 (the “2017 Proxy Statement”), which information is incorporated herein by reference.

The Company has adopted a code of ethics that applies to the Company’s chief executive officer, a copy of which is posted on our website <http://www.firsthandtvf.com>.

Our CEO certifies the accuracy of the financial statements contained in our periodic reports, and so certified in this Form 10-K through the filing of Section 302 certifications as exhibits to this Form 10-K.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Company’s officers and directors, and persons who own more than ten percent of a registered class of the Company’s equity securities, to file with the Securities and Exchange Commission and the Nasdaq Stock Market reports of ownership of the Company’s securities and changes in reported ownership. Officers, directors and greater than ten percent shareholders are required by SEC rules to furnish the Company with copies of all Section 16(a) reports they file.

Based solely on a review of the reports furnished to the Company, or written representations from reporting persons that all reportable transaction were reported, the Company believes that during the fiscal year ended December 31, 2016 the Company’s officers, directors and greater than ten percent owners timely filed all reports they were required to file under Section 16(a).

Item 11. EXECUTIVE COMPENSATION

Reference is made to the information with respect to “Compensation of Directors” to be contained in the 2017 Proxy Statement, which information is incorporated herein by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information set forth under the caption “How Many Shares Do the Company’s Principal Shareholders, Directors and Executive Officers Own?” in the 2017 Proxy Statement is herein incorporated by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information set forth under the captions “Nominees” and “Related Party Transactions” in the 2017 Proxy Statement is herein incorporated by reference.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information set forth under the captions “Audit Committee’s Pre-Approval Procedures” and “Fees Paid to Tait, Weller & Baker LLP for 2016” in the 2017 Proxy Statement is herein incorporated by reference.

Part IV

Item 15. EXHIBITS AND FINANCIAL STATEMENTS SCHEDULES

1. Financial Statements

The following financial statements of Firsthand Technology Value Fund, Inc. (the “Company” or the “Registrant”) are filed herewith:

AUDITED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm	38
Statement of Assets and Liabilities as of December 31, 2016	40
Schedule of Investments as of December 31, 2016	41
Statement of Operations as of December 31, 2016	48
Statement of Cash Flows as of December 31, 2016	49
Statement of Changes in Net Assets as of December 31, 2016	50
Financial Highlights	51
Notes to Financial Statements	52

2. The following financial statement schedule is filed herewith:

Schedule 12-14 Investments In and Advances to Affiliates

3. Exhibits required to be filed by Item 601 of Regulation S-K.

NumberDescription

- Registrant’s Articles of Amendment and Restatement are incorporated by reference to Exhibit (a)(2) of
- 3.1.Pre-Effective Amendment No. 1 to the Registrant’s Registration Statement on Form N-2 (File No. 333-168195) as filed with the Securities and Exchange Commission on September 24, 2010.
- Certificate of Correction to Registrant’s Articles of Amendment and Restatement is incorporated by reference to
- 3.2Exhibit (a)(2) of Registration statement for closed-end investment companies on Form N-2 (File No. 333-179606) as filed with the Securities and Exchange Commission on February 21, 2012.
- Registrant’s Amended and Restated Bylaws are incorporated by reference to Exhibit (b)(2) of Pre-Effective
- 3.3Amendment No. 1 to the Registrant’s Registration Statement on Form N-2 (File No. 333-168195) as filed with the Securities and Exchange Commission on September 24, 2010.
- Registrant’s Dividend Reinvestment Plan is incorporated by reference to Exhibit (e) of Pre-Effective Amendment
- 10.1to the Registrant’s Registration Statement on Form N-2 (File No. 333-168195) as filed with the Securities and Exchange Commission on September 24, 2010.
- Form of Investment Management Agreement between Registrant and SiVest Group, Inc. (now known as
- 10.2Firsthand Capital Management, Inc.) is incorporated by reference to Exhibit (g) of Pre-Effective Amendment to the Registrant’s Registration Statement on Form N-2 (File No. 333-168195) as filed with the Securities and Exchange Commission on September 24, 2010.
- 10.3 Form of Custodian Services Agreement between Registrant and PFPC Trust Company is incorporated by reference to Exhibit (j) of Pre-Effective Amendment to the Registrant’s Registration Statement on Form N-2 (File No. 333-168195) as filed with the Securities and Exchange Commission on September



24, 2010.

10.4 Form of Administration and Accounting Agreement between Registrant and BNY Mellon Investment Servicing (US), Inc. is incorporated by reference to Exhibit (k)(1) of Pre-Effective Amendment to the Registrant's Registration Statement on Form N-2 (File No. 333-168195) as filed with the Securities and Exchange Commission on September 24, 2010.

10.5 Notice of Assignment dated February 9, 2011 by PFPC Trust Company assigning Custodian Services Agreement is incorporated by reference to the Registrant's Registration Statement on Form N-2 (File No. 333-179606) as filed with the Securities and Exchange Commission on February 21, 2012.

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10.6 Form of Transfer Agency Services Agreement between Registrant and BNY Mellon Investment Servicing (US), Inc. is incorporated by reference to Exhibit (k)(2) of Pre-Effective Amendment to the Registrant's Registration Statement on Form N-2 (File No. 333-168195) as filed with the Securities and Exchange Commission on September 24, 2010.

14.1 Registrant's Code of Ethics for Principal Executives and Senior Financial Officers is incorporated by reference to Exhibit 14.1 to the Registrant's Form 10-K as filed with the Securities and Exchange Commission on March 21, 2012.

14.2 Registrant's Code of Ethics last amended January 21, 2014 is incorporated by reference to Exhibit 14.2 to the Registrant's Form 10-K as filed with the Securities and Exchange Commission on March 14, 2014.

24.1 Power of Attorney is incorporated by reference to exhibit 24.1 to the registrant's Form 10-K as filed with the Securities and Exchange Commission on March 16, 2015.

31.1 Certification by Chief Executive Officer and Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 — filed herewith.

32.1 Certification by Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 — filed herewith.

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FIRSTHAND  
TECHNOLOGY  
VALUE FUND,  
INC.

Date: March 14, 2017 By:

Kevin Landis  
President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ Kevin Landis Kevin Landis	Chairman of the Board and Chief Executive Officer and Chief Financial Officer	March 14, 2017
* Greg Burglin	Director	March 14, 2017
* Mark FitzGerald	Director	March 14, 2017
* Kimun Lee	Director	March 14, 2017
* Nicholas Petredis	Director	March 14, 2017
* Rodney Yee	Director	March 14, 2017

\*Signed by Kevin Landis pursuant to powers of attorney.

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EXHIBIT INDEX

Exhibit

Number Descriptions

- |      |  |
|------|--|
| 14.2 | Registrant's Code of Ethics last amended January 21, 2014 is incorporated by reference to Exhibit 14.2 to the Registrant's Form 10-K as filed with the Securities and Exchange Commission on March 14, 2014. |
| 31.1 | Certification by Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002   |
| 32.1 | Certification by Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002                                |
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Privacy Notice

FIRSTHAND TECHNOLOGY VALUE FUND, INC.

**FACTS WHAT DOES FIRSTHAND TECHNOLOGY VALUE FUND, INC. DO WITH YOUR PERSONAL INFORMATION?**

**Why?** Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.

The types of personal information we collect and share depend on the product or service you have with us. This information can include:

**What?** Social Security number  
Banking information  
Account transactions  
Retirement assets

**How?** All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons Firsthand Capital management, Inc. chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does Firsthand Technology Value Fund, Inc. share?	Can you limit this sharing?
For our everyday business purposes—such as to process your transactions, maintain your account(s), respond to court orders and legal investigations	Yes	No
For our marketing purposes—to offer our products and services to you	No	N/A
For joint marketing with other financial companies	No	N/A
For our affiliates' everyday business purposes—information about your transactions and experiences	No	N/A
For our affiliates' everyday business purposes—information about your creditworthiness	No	N/A
For our affiliates to market to you	No	N/A
For nonaffiliates to market to you	No	N/A

**Who we are**

**Who is providing this notice?** Firsthand Technology Value Fund, Inc. is a publically traded venture capital fund, listed on NASDAQ, that is a business development company under the Investment Company Act of 1940

**What we do**

**How does Firsthand Technology Value Fund, Inc. protect my personal information?** To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.

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How does Firsthand Technology Value Fund, Inc. collect my personal information?

We collect your personal information, for example, when you open an account or deposit money

Why can't I limit all sharing?

Federal law gives you the right to limit only sharing for affiliates' everyday business purposes—information about your creditworthiness  
affiliates from using your information to market to you  
sharing for nonaffiliates to market to you  
State laws and individual companies may give you additional rights to limit sharing.

### Definitions

Affiliates	Companies related by common ownership or control. They can be financial and nonfinancial companies. Firsthand Capital Management, Inc. and Firsthand Funds
Nonaffiliates	Companies not related by common ownership or control. They can be financial and nonfinancial companies. BNY Mellon Investment Servicing (U.S.) Inc. (Transfer Agent for Firsthand Technology Value Fund, Inc. and Firsthand Funds)
Joint marketing	A formal agreement between nonaffiliated financial companies that together market financial products or services to you.

### Other important information

This notice applies to individual consumers who are customers or former customers. This notice replaces all previous notices of our consumer privacy policy, and may be amended at any time. We will keep you informed of changes or amendments as required by law.

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LETTER TO SHAREHOLDERS - CONTINUED FROM INSIDE FRONT COVER

Despite Tapad's success, valuations have been under pressure in the advertising technology space, as this dynamic market continues its rapid evolution. We wrote down our investment in Turn during the year, reflecting the stock performance of its publicly traded peers. Turn has recently agreed to be acquired by Amobee, a subsidiary of Singtel, one of the largest mobile network operators in Singapore. Although final payouts have not yet been determined, we believe we may realize a small gain on our investment as a result of the transaction.

In some cases, we have been forced to write down the value of existing investments because the companies have taken in a new round of investment that is dilutive to existing shareholders. Examples this past year include Pivotal, Phunware, and QMAT. In most cases, new rounds of financing include rights and preferences that are senior to those of the prior rounds. Unless the overall valuation implied by the new funding is much higher, the net result of the new round is a decline in value for the securities with junior rights. This is true even if we invest in the new round as well, as was the case with Pivotal. In the case of QMAT, which is a sizeable holding in the portfolio at 8.8% as of December 31, the write-down was significant and was responsible for a large portion of the decline in NAV in the second half of 2016.

DISTRIBUTIONS, BUYBACKS, AND THE ROAD AHEAD

We share investors' frustration with the discount at which our stock trades relative to NAV. In 2016, realized losses from companies including Hiku and InvenSense offset the gains from the Nutanix, Mattson, and Tapad exits, and prevented the Fund from making a distribution of capital gains to shareholders. We did, however, use some of the Fund's cash to fund a \$2 million stock repurchase in 2016. While we are pleased to report that the repurchase added \$0.53 to the NAV during the year, there is no evidence that it did anything to close the gap between the stock price and NAV. We will continue our efforts to improve the availability of information about our portfolio companies and to communicate the intrinsic value of the Fund's holdings to the market

In hindsight, most successful venture capital funds are defined by a few "home runs" that made up for the many losses along the way. If you were an early investor in Facebook, for example, you would have had a successful fund, regardless of what else you invested in. In our view, the investments that will define Firsthand Technology Value Fund are not the companies that we have exited in the past few years. Rather, we believe that the investments that define the Fund will be the investments we made in early-stage companies at low valuations that we nurture and lead to IPO and M&A exits in the future.

We continue to examine and consider other ways to deliver value to shareholders and will do what we think is best for long-term investors in the Fund. I remain one of the Fund's largest individual shareholders and I will continue to invest personally in the Fund in 2017.

In closing, we wish to thank you for entrusting your investment dollars to us and want you to know that we are working hard every day to identify and invest in many of the most exciting technology companies in the world.

Sincerely,

Kevin Landis  
CEO and President  
Firsthand Technology Value Fund, Inc.

