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

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

FORM 10-Q

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

For the quarterly period of September 30, 2016 or

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

Commission File Number 333-168195

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

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

[ ] Large Accelerated Filer [X] Accelerated Filer
[ ] Non-accelerated Filer [ ] Smaller Reporting Company
(Do not check if smaller
reporting company)

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

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

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

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

See accompanying notes to financial statements

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

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

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

** Cash composed primarily of the Fidelity Institutional Money Market Treasury Portfolio which invests primarily in U.S. Treasury securities. The yield as of 09/30/16 and 12/31/2015 was 0.20% and 0.01%, respectively. Please see https://fundresearch.fidelity. com/ mutual-funds/summary/316175504 for additional information.

See accompanying notes to financial statements

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

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

(1) Primary risk exposure is equity contracts.
(2) Per share results are calculated based on weighted average shares outstanding for each period.

See accompanying notes to financial statements
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Firsthand Technology Value Fund, Inc.
Consolidated Statements of Cash Flows (Unaudited)

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

See accompanying notes to financial statements

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

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

See accompanying notes to financial statements

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Firsthand Technology Value Fund, Inc.
Financial Highlights
Selected per share data and ratios for a share outstanding throughout each period

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

average net assets												
Portfolio turnover rate	39	%(A)	22	%	95	%	17	%	10	%	18	%(A)

*Consolidated.
(1) For the period April 18, 2011 (inception) through December 31, 2011.
(2) Calculated using average shares outstanding.
(3) Less than $0.005 per share.
(4) Amount includes the incentive fee. For the year ended December 31, 2015, the year ended December 31, 2014 and the year December 31, 2013, the ratio of the incentive fee to average net assets was (1.32)%, 2.17% and 3.85%, respectively.
(A) Not Annualized.
(B) Annualized.

See accompanying notes to financial statements

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

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

See accompanying notes to financial statements
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Firsthand Technology Value Fund, Inc.
Consolidated Schedule of Investments - continued
SEPTEMBER 30, 2016 (UNAUDITED)

PORTFOLIO COMPANY (% OF NET ASSETS) AND INDUSTRY	TYPE OF INVESTMENT	SHARES/PAR VALUE ($)	COST BASIS	VALUE
PHUNWARE, INC. (4.5%)	Preferred Stock - Series E *(1)	3,257,328	$9,999,997	$7,014,330
Mobile Computing				
PIVOTAL SYSTEMS CORP. (15.9%)	Preferred Stock - Series D *(1)(2)	6,237,978	3,975,801	4,067,786
Semiconductor Equipment	Preferred Stock - Series C *(1)(2)	2,291,260	2,657,862	2,282,324
	Preferred Stock - Series B *(1)(2)	13,065,236	6,321,482	6,982,062
	Preferred Stock - Series A *(1)(2)	11,914,217	6,000,048	6,366,958
	Common Stock Warrants *(1)(2)	4,158,654	0	276,966
	Common Stock Warrants *(1)(2)	18,180,475	0	4,674,200
				24,650,296
PURE STORAGE, INC. (0.1%)	Common Stock*	14,000	336,000	189,700
Computer Storage				
QMAT, INC. (5.6%)	Preferred Stock - Series A *(1)(2)	16,000,240	16,000,240	7,923,319
Advanced Materials	Preferred Stock Warrants - Series A *(1)(2)	2,000,000	0	190,800
	Preferred Stock - Series B *(1)(2)	500,000	500,000	500,000
				8,614,119
ROKU, INC. (1.1%)	Common Stock *(1)	1,500,000	2,312,500	1,697,700
Consumer Electronics				
SILICON GENESIS CORP. (4.8%)	Preferred Stock - Series 1-E *(1)(2)	5,704,480	2,946,535	2,486,012
Intellectual Property	Preferred Stock - Series 1-C *(1)(2)	82,914	109,518	89,804
	Preferred Stock - Series 1-G *(1)(2)(5)	48,370,793	5,042,479	3,686,822
	Preferred Stock - Series 1-H *(1)(2)	837,942	1,000,000	280,627
	Preferred Stock - Series 1-D *(1)(2)	850,830	431,901	250,229
	Common Stock *(1)(2)	921,892	169,045	19,175
	Common Stock Warrants *(1)(2)	37,982	6,678	422
	Preferred Stock -Series 1-F *(1)(2)	912,453	583,060	539,351
	Common Stock Warrants *(1)(2)	5,000,000	0	13,500
		3,000,000	0	8,100

	Common Stock Warrants *(1)(2)			
				7,374,042
SUNRUN, INC. (2.7%) Renewable Energy	Common Stock *	674,820	6,417,495	4,251,366

See accompanying notes to financial statements
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Firsthand Technology Value Fund, Inc.
Consolidated Schedule of Investments - continued
SEPTEMBER 30, 2016 (UNAUDITED)

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

See accompanying notes to financial statements

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

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

* Non-income producing security.
(1) Restricted security. Fair Value is determined by or under the direction of the Company's Board of Directors (See note 3).
(2) Controlled investments.
(3) Affiliated issuer.
(4) A portion represents position held in Firsthand Holdings, Ltd. (See Note 1).
(5) A portion represents position held in Firsthand Development, Ltd. (See Note 1).

ETF Exchange-traded fund.
SPDR Standard & Poor's Depositary Receipt

See accompanying notes to financial statements
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Firsthand Technology Value Fund, Inc.
Consolidated Notes to Financial Statements
SEPTEMBER 30, 2016 (UNAUDITED)

NOTE 1. THE COMPANY

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

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

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

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

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

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 3. BUSINESS RISKS AND UNCERTAINTIES

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

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

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

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

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

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

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

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

NOTE 4. INVESTMENT MANAGEMENT FEE

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

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

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The incentive fee is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Management Agreement, as of the termination date), commencing on April 15, 2011, and equals 20% of the Company's realized capital gains, if any, on a cumulative basis from inception through the end of each calendar year, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid incentive fees, provided that the incentive fee determined as of December 31, 2015, will be calculated for a period of shorter than twelve calendar months to take into account any realized gains computed net of all realized capital losses and unrealized capital depreciation from inception. As of September 30, 2016, there were no accrued incentive fees.

NOTE 5. DEBT

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

NOTE 6. FAIR VALUE

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

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

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

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

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

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

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

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

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

- Market Approach (M): The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. For example, the market approach often uses market multiples derived from a set of comparables. Multiples might lie in ranges with a different multiple for each comparable. The selection of where within the range each appropriate multiple falls requires the use of judgment in considering factors specific to the measurement (qualitative and quantitative).
- Income Approach (I): The income approach uses valuation techniques to convert future amounts (for example, cash flows or earnings) to a single present value amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts. Those valuation techniques include present value techniques and the multi-period excess earnings method, which is used to measure the fair value of certain assets.
- Asset-Based Approach (A): The asset-based approach examines the value of a company's assets net of its liabilities to derive a value for the equity holders.

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

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

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

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

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

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

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

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

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

* Asset derivatives include warrants.

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

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

INVESTMENTS AT FAIR VALUE USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	BALANCE AS OF 12/31/15	NET PURCHASES	NET SALES	NET REALIZED GAINS/ (LOSSES)	NET UNREALIZED APPRECIATION (DEPRECIATION)	TRANSFERS IN (OUT) OF LEVEL 3[1]	BALANCE AS OF 9/30/16
Common Stocks							
Advanced Materials	$203,901	$—	$—	$—	$223,599	$—	$427,500
Computer Storage	185,283	—	—	—	150,717	(336,000)	—
Consumer Electronics	6,171,863	—	—	—	(3,165,910)	—	3,005,953
Equipment Leasing	—	20,000	—	—	22,630	—	42,630
Intellectual Property	—	—	—	—	19,175	—	19,175
Internet	333,317	—	(341,749)	(4,216,363)	4,224,795	—	—
Renewable Energy	7,148,368	—	—	—	(730,873)	(6,417,495)	—
Networking	—	2,476,125	—	—	3,263,500	—	5,739,625
Software	557,216	—	—	—	55,062	—	612,278
Preferred Stocks							
Advanced Materials	14,000,240	2,500,000	—	—	(8,076,921)	—	8,423,319
Advertising Technology	24,708,708	—	(17,335,528)	7,185,550	(6,374,913)	—	8,183,817
Aerospace	2,000,000	—	—	—	(1,406,301)	—	593,699
Automotive	12,928,943	4,779,956	(4,779,956)	864,024	(2,561,883)	—	11,231,084
Cloud Computing	9,999,998	373,540	(373,540)	(67,260)	(1,356,288)	—	8,576,450
Consumer Electronics	7,438,704	750,000	—	—	(907,680)	—	7,281,024
Equipment Leasing	—	2,000,000	—	—	(22,600)	—	1,977,400
Intellectual Property	—	9,580,978	—	—	(2,248,133)	—	7,332,845
Medical Devices	22,655,879	—	—	—	414,391	—	23,070,270
Mobile Computing	7,110,747	—	—	—	(96,417)	—	7,014,330
Networking	4,772,712	900,000	—	—	3,047,492	—	8,720,204
Semiconductor Equipment	23,370,825	3,975,801	—	—	(7,647,496)	—	19,699,130
Asset Derivatives							
Equity Contracts	642,600	—	—	—	4,521,391	—	5,163,991

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

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

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

	FAIR VALUE AT 9/30/16	VALUATION TECHNIQUES	UNOBSERVABLE INPUTS	RANGE (WEIGHTED AVG.)
Direct venture capital investments: Advanced Materials	$9.1M	Market Comparable Companies	Revenue Multiple	0.7x
		Prior Transaction Analysis	Years to Expiration	5 years
			Volatility	55.0% - 60.0%
			Risk-Free Rate	1.14%
		Option Pricing Model	Discount for Lack of Marketability	33.2% - 35.7%
Direct venture capital investments: Advertising Technology	$8.7M	Market Comparable Companies	Revenue Multiple	0.3x
			Years to Expiration	2 years
		Option Pricing Model	Volatility	55.0%
			Risk-Free Rate	0.77%
Direct venture capital investments: Aerospace	$0.6M	Prior Transaction Analysis	Going Concern Probability	40%
			Years to Expiration	5 years
		Probability-Weighted Expected Return	Volatility	60.0%
			Risk-Free Rate	1.14%

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

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	FAIR VALUE AT 9/30/16	VALUATION TECHNIQUES	UNOBSERVABLE INPUTS	RANGE (WEIGHTED AVG.)
Direct venture capital investments: Cloud Computing	$8.6M	Prior Transaction Analysis	Years to Expiration	2 years
			Volatility	40.0%
		Option Pricing Model	Risk-Free Rate	0.77%
Direct venture capital investments: Consumer Electronics	$14.4M	Prior Transaction Analysis	IPO Exit Probability	75%
			Merger & Acquisition Probability	25%
		Probability-Weighted Expected Return	Going Concern Probability	50% - 100%
			Years to Expiration	0.25 years - 5 years
		Invested Capital (Cost)	Volatility	50.0% - 65.0%
		Option Pricing Model	Risk-Free Rate	0.59% - 1.14%
			Discount for Lack of Marketability	0.0% - 33.2%
Direct venture capital investments: Equipment Leasing	$2.0M	Prior Transaction Analysis	Years to Expiration	5 years
			Volatility	50.0%
			Risk-Free Rate	1.14%
Direct venture capital investments: Intellectual Property	$7.4M	Prior Transaction Analysis	Years to Expiration	5 years
			Volatility	54.4%
		Option Pricing Model	Risk-Free Rate	1.14%
			Discount for Lack of Marketability	32.9%
Direct venture capital investments: Medical Devices	$27.1M	Prior Transaction Analysis	Years to Expiration	4 years
			Volatility	50.0%
		Option Pricing Model	Risk-Free Rate	1.01%
Direct venture capital investments: Mobile Computing	$7.0M	Prior Transaction Analysis	Years to Expiration	2 years
			Volatility	64.6%
		Option Pricing Model	Risk-Free Rate	0.77%
Direct venture capital investments: Networking	$14.4M	Prior Transaction Analysis	Discount for Lack of Marketability	15%
Direct venture capital investments: Semiconductor Equipment	$24.7M	Prior Transaction Analysis	Years to Expiration	2 years
			Volatility	50.0%
		Option Pricing Model	Risk-Free Rate	0.77%

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

NOTE 7. FEDERAL INCOME TAXES

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

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

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

NOTE 8. INVESTMENT TRANSACTIONS

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

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

NOTE 9. SHARE BUYBACKS

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

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

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

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

NOTE 10. INVESTMENTS IN AFFILIATES AND CONTROLLED INVESTMENTS

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

	SHARES/PAR ACTIVITY							
AFFILIATE/CONTROLLED INVESTMENT*	BALANCE AT 12/31/15	PURCHASES/ MERGER	SALES/ MATURITY/ EXPIRATION	BALANCE AT 9/30/16	REALIZED GAIN (LOSS)	INTEREST	VALUE 9/30/16	ACQUISITIC COST
EQX, Inc. Common Stock*	—	100,000	—	100,000	$—	$—	$42,630	$20,000
EQX, Inc. Preferred Stock - Series A*	—	2,000,000	—	2,000,000	—	—	1,977,400	2,000,000
Hera Systems, Inc. Series A Preferred*	3,642,324	—	—	3,642,324	—	—	593,699	2,000,000
Hera Systems, Inc. Convertible Note*	—	30,000	—	30,000	—	227	30,000	30,000
IntraOp Medical Corp. Series C Preferred*	26,856,187	—	—	26,856,187	—	—	23,070,270	26,299,938
IntraOp Medical Corp. Convertible Note*	1,000,000	—	—	1,000,000	—	113,027	1,000,000	1,000,000
IntraOp Medical Corp. Term Note*	3,000,000	—	—	3,000,000	—	180,164	3,000,000	3,000,000
Pivotal Systems, Series A Preferred*	11,914,217	—	—	11,914,217	—	—	6,366,958	6,000,048
Pivotal Systems, Series B Preferred*	13,065,236	—	—	13,065,236	—	—	6,982,062	6,321,482
Pivotal Systems, Series C Preferred*	2,291,260	—	—	2,291,260	—	—	2,282,324	2,657,862
Pivota Systems, Series D Preferred*	—	6,237,978	—	6,237,978	—	—	4,067,786	3,975,801
Pivotal Systems, Convertible Note*	—	500,000	(500,000)	—	—	39,178	—	—
Pivotal Systems, Convertible Note*	—	881,102	(881,102)	—	—	55,522	—	—

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Firsthand Technology Value Fund, Inc.
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	SHARES/PAR ACTIVITY						
AFFILIATE/CONTROLLED INVESTMENT*	BALANCE AT 12/31/15	PURCHASES/ MERGER	SALES/ MATURITY/ EXPIRATION	BALANCE AT 9/30/16	REALIZED GAIN (LOSS)	INTEREST	VALUE 9/30/16
Pivotal Systems, Common Stocks Warrants*	—	4,158,654	—	4,158,654	$—	$—	$276,966
Pivotal Systems, Common Stocks Warrants*	—	18,180,475	—	18,180,475	—	—	4,674,200
QMAT, Preferred Stock Series A*	14,000,240	2,000,000	—	16,000,240	—	—	7,923,319
QMAT, Preferred Stock Series B*	—	500,000	—	500,000	—	—	500,000
QMAT, Series A Warrant*	2,000,000	—	—	2,000,000	—	—	190,800
Silicon Genesis Corp., Common *	921,892	—-	—	921,892	—	—	19,175
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	—	—	422
Silicon Genesis Corp., Common Warrant*	5,000,000	—	—	5,000,000	—	—	13,500
Silicon Genesis Corp., Common Warrant*	3,000,000	—	—	3,000,000	—	—	8,100
Silicon Genesis Corp., Series 1-C Preferred*	82,914	—	—	82,914	—	—	89,804
Silicon Genesis Corp., Series 1-D Preferred*	850,830	—	—	850,830	—	—	250,229
Silicon Genesis Corp., Series 1-E Preferred*	5,704,480	—	—	5,704,480	—	—	2,486,012
Silicon Genesis Corp., Series 1-F Preferred*	912,453	—	—	912,453	—	—	539,351
Silicon Genesis Corp., Series 1-G Preferred*	—-	83,370,793	(35,000,000)	48,370,793	(3,538,500)	—	3,686,822
Silicon Genesis Corp., Series 1-H Preferred*	—	837,942	—	837,942	—	—	280,627
Telepathy Investors, Inc. Convertible Note*	2,000,000	—	—	2,000,000	—	152,222	2,000,000
Telepathy Investors, Inc. Convertible Note*	—	150,000	—	150,000	—	4,192	150,000

Firsthand Technology Value Fund, Inc.
Consolidated Notes to Financial Statements - continued
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AFFILIATE/CONTROLLED INVESTMENT*	SHARES/PAR ACTIVITY BALANCE AT 12/31/15	PURCHASES/ MERGER	SALES/ MATURITY/ EXPIRATION	BALANCE AT 9/30/16	REALIZED GAIN (LOSS)	INTEREST	VALUE 9/30/16	A C
Telepathy Investors, Inc. Convertible Note*	—	500,000	—	500,000	$—	$22,466	$500,000	$
Telepathy Investors, Inc. Convertible Note*	—	300,000	—	300,000	—	20,219	300,000	
Telepathy Investors, Inc. Series A Preferred*	15,238,000	—	—	15,238,000	—	—	3,693,691	
Vufine, Inc., Series A Preferred*	15,000,000	7,500,000	—	22,500,000	—	—	2,250,000	
Vufine, Inc., Common Stock*	750,000	—	—	750,000	—	—	22,725	
Vufine, Inc., Convertible Note*	—	1,000,000	—	1,000,000	—	1,644	1,000,000	
Wrightspeed, Inc. Series C Preferred	2,267,659	1,480,000	(1,480,000)	2,267,659	864,024	—	6,295,021	
Wrightspeed, Inc. Series D Preferred	1,100,978	—	—	1,100,978	—	—	3,460,594	
Wrightspeed, Inc. Series E Preferred	450,814	—	—	450,814	—	—	1,475,469	
Total Affiliates and Controlled Investments					$(3,035,229)	$588,861	$91,499,956	$
Total Affiliates					$864,024	$—	$11,231,084	$
Total Controlled Investments					$(3,899,253)	$588,861	$80,268,872	$

*Controlled investment.

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

NOTE 11. SUBSEQUENT EVENTS

Subsequent to the close of the fiscal quarter on September 30, 2016, and through the date of the issuance of the financial statements, the Company has repurchased and canceled 272,008 shares of SVVC for a total cost of approximately $2 million.

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

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

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

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

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

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

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

Our investment objective is to seek long-term growth of capital, principally by seeking capital gains on our equity and equity-related investments. There can be no assurance that we will achieve our investment objective. Under normal circumstances, we invest at least 80% of our net assets for investment purposes in technology companies. We consider technology companies to be those companies that derive at least 50% of their revenues from products and/or services within the information technology sector or in the "cleantech" sector. Information technology companies include, but are not limited to, those focused on computer hardware, software, telecommunications, networking, Internet, and consumer electronics. While there is no standard definition of cleantech, it is generally regarded as including goods and services designed to harness renewable energy and materials, eliminate emissions and waste, and reduce the use of natural resources. In addition, under normal circumstances we invest at least 70% of our total assets in privately held companies and public companies with market capitalizations of less than $250 million. Our portfolio is primarily composed of equity and equity derivative securities of technology and cleantech companies (as defined above). These investments generally range between $1 million and $10 million each, although the investment size will vary proportionately with the size of our capital base. We acquire our investments through direct investments in private companies, negotiations with selling shareholders, and in organized secondary marketplaces for private securities.

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

PORTFOLIO COMPOSITION

We make investments in securities of both public and private companies. Our portfolio investments consist principally of equity and equity-like securities, including common and preferred stock, warrants for the purchase of common and stock, and convertible debt. The fair value of our investment portfolio was approximately $149.6 million as of September 30, 2016 as compared to approximately $170.7 million as of December 31, 2015.

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

	September 30, 2016	December 31, 2015
Medical Devices	17.5%	15.2%
Semiconductor Equipment	15.9%	19.9%
Networking	9.3%	2.7%
Consumer Electronics	9.2%	8.9%
Automotive	7.2%	7.4%
Advanced Materials	5.9%	8.4%
Advertising Technology	5.6%	14.1%
Cloud Computing	5.5%	5.7%
Intellectual Property	4.8%	2.0%
Mobile Computing	4.5%	4.1%
Renewable Energy	2.7%	4.1%
Equipment Leasing	1.3%	0.0%
Semiconductor	1.0%	2.3%
Other Electronics	0.9%	0.7%
Aerospace	0.4%	1.1%
Software	0.4%	0.3%
Computer Storage	0.1%	0.1%
Internet	0.0%	0.2%
Exchange-Traded Funds	4.2%	0.0%
Other Assets in Excess of Liabilities	3.6%	2.8%
Net Assets	100.0%	100.0%

MATURITY OF PRIVATE COMPANIES IN THE CURRENT PORTFOLIO

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

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

EARLY STAGE	MIDDLE STAGE	LATE STAGE
Developing product or service for market, high level of research and development, little or no revenue.	Established product, customers, business model; limited revenues.	Appreciable revenue; may be break-even or profitable; IPO or acquisition candidate.

RESULTS OF OPERATIONS

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

INVESTMENT INCOME

For the three months ended September 30, 2016, we had investment income of $240,011 primarily attributable to interest accrued on convertible/term note investments with Telepathy Investors, IntraOp Medical, Vufine and Turn.

For the three months ended September 30, 2015, we had investment income of $523,651 primarily attributable to interest accrued on convertible/term note investments with Silicon Genesis Corporation, IntraOp Medical and Pivotal.

The lower level of interest income in the three months ended September 30, 2016 compared to the three months ended September 30, 2015 was due to the conversion of certain Silicon Genesis and Pivotal convertible notes into equity.

OPERATING EXPENSES

Gross operating expenses totaled approximately $1,162,036 during the three months ended September 30, 2016 and $1,212,517 during the three months ended September 30, 2015.

Significant components of gross operating expenses for the three months ended September 30, 2016, were management fee expense of $813,334 and professional fees (audit, legal, accounting, and consulting) of $194,218. Significant components of gross operating expenses for the three months ended September 30, 2015, were management fee expense of $936,770 and professional fees (audit, legal, accounting, and consulting) of $110,614.

The lower level of gross operating expenses for the three months ended September 30, 2016 compared to the three months ended September 30, 2015 is primarily attributable to a decrease in our total assets, on which the investment advisory fees are based.

NET INVESTMENT LOSS

Net investment loss was $922,025 for the three months ended September 30, 2016 versus a net investment income of $2,064,144 for the three months ended September 30, 2015.

The lesser net investment income/loss in the three months ended September 30, 2016 compared to the three months ended September 30, 2015 is primarily due to the incentive fee adjustment in the three months ended September 30, 2015. For each quarter that we are in a net realized/unrealized gain position, we must accrue for an incentive fee and adjust the fee quarterly based on investment appreciation/depreciation in that quarter. In the three months ended September 30, 2015, we decreased our incentive fee accrual by $2,753,010 due to depreciation of our investments and realized losses during the quarter.

NET INVESTMENT REALIZED GAINS AND LOSSES AND UNREALIZED APPRECIATION AND DEPRECIATION

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

	Three Months Ended September 30, 2016
Realized losses	$(9,307,595)
Net change in unrealized depreciation on investments	725,166
Net realized and unrealized losses on investments	$(8,582,429)

	As of September 30, 2016
Gross unrealized appreciation on portfolio investments	$13,635,660
Gross unrealized depreciation on portfolio investments	(40,125,639)
Net unrealized depreciation on portfolio investments	$(26,489,979)

Three Months Ended

	September 30, 2015
Realized losses	$(3,725,521)
Net change in unrealized depreciation on investments	(10,039,528)
Net realized and unrealized losses on investments	$(13,765,049)

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	As of September 30, 2015
Gross unrealized appreciation on portfolio investments	$11,122,387
Gross unrealized depreciation on portfolio investments	(22,555,738)
Net unrealized depreciation on portfolio investments	$(11,433,351)

During the three months ended September 30, 2016, we recognized net realized losses of approximately $9,307,595 from the sale/transfer of investments. Realized losses were substantially higher than those in the year-ago period due to the transfer of securities to our wholly-owned affiliate, Firsthand Development, Ltd. (See Note 1).

During the three months ended September 30, 2016, net unrealized depreciation on total investments decreased by $725,166. The change in net unrealized appreciation and depreciation of our private investments is based on portfolio asset valuations determined in good faith by our Board of Directors. The decrease in unrealized depreciation on total investments during the quarter is due primarily to the transfer of securities to our wholly-owned affiliate, Firsthand Development, Ltd. (See Note 1) which triggered the recognition of losses on securities that were in a depreciation position prior to the transfer.

During the three months ended September 30, 2015, we recognized net realized losses of approximately $3,725,521 from the sale of investments.

During the three months ended September 30, 2015, net unrealized depreciation on total investments increased by $10,039,528. 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 quarter was due primarily to the decrease in valuation to our Mattson, Aliphcom, Sunrun and Invensense investments.

INCOME AND EXCISE TAXES

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

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

For the three months ended September 30, 2016, the net decrease in net assets resulting from operations totaled $9,504,454 and the basic and fully diluted net change in net assets per share for the three months ended September 30, 2016 was ($1.23).

For the three months ended September 30, 2015, the net decrease in net assets resulting from operations totaled $11,700,905 and the basic and fully diluted net change in net assets per share for the three months ended September 30, 2015 was ($1.49).

The smaller decrease in net assets resulting from operations for the three months ended September 30, 2016 as compared to the three months ended September 30, 2015, is due primarily to the performance of our investments.

Comparison of the nine months ended September 30, 2016 to the nine months ended September 30, 2015.

INVESTMENT INCOME

For the nine months ended September 30, 2016, we had investment income of $616,806 primarily attributable to interest accrued on convertible/term note investments with Silicon Genesis Corporation, IntraOp Medical, Pivotal Systems and Telepathy Investors.

For the nine months ended September 30, 2015, we had investment income of $1,648,478 primarily attributable to interest accrued on convertible/term note investments with Silicon Genesis Corporation, IntraOp Medical and Pivotal.

The lower level of interest income in the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015, was due to the conversion of certain Silicon Genesis and Pivotal convertible notes into equity.

OPERATING EXPENSES

Gross operating expenses totaled approximately $3,441,292 during the nine months ended September 30, 2016 and $4,331,288 during the nine months ended September 30, 2015.

Significant components of operating expenses for the nine months ended September 30, 2016, were management fee expense of $2,510,446, and professional fees (audit, legal, accounting, and consulting) of $456,623. Significant components of operating expenses for the nine months ended September 30, 2015, were management fee expense of $2,931,531, and professional fees (audit, legal, accounting, and consulting) of $957,049.

The lower level of operating expenses for the nine months ended September 30, 2016, compared to the nine months ended September 30, 2015, is primarily attributable to the decrease in our total assets, on which the investment advisory fees are based.

NET INVESTMENT LOSS

Net investment loss was $2,824,486 for the nine months ended September 30, 2016 and $283,496 for the nine months ended September 30, 2015.

The greater net investment loss in the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015 is primarily due to the incentive fee adjustment. For each quarter that we are in a net realized/unrealized gain position, we must accrue for an incentive fee and adjust the fee quarterly based on investment appreciation/depreciation in that quarter. In the nine months ended September 30, 2016, there was not an accrual for incentive fees. In the nine months ended September 30, 2015, we decreased our incentive fee accrual by $2,399,314 due to depreciation of our investments during the period.

NET INVESTMENT REALIZED GAINS AND LOSSES AND UNREALIZED APPRECIATION AND DEPRECIATION

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

	Nine Months Ended September 30, 2016
Realized losses	$(1,780,061)
Net change in unrealized depreciation on investments	(13,892,391)
Net realized and unrealized loss on investments	$(15,672,452)

	As of September 30, 2016
Gross unrealized appreciation on portfolio investments	$13,635,660
Gross unrealized depreciation on portfolio investments	(40,125,639)
Net unrealized depreciation on portfolio investments	$(26,489,979)

	Nine Months Ended September 30, 2015
Realized losses	$(1,809,695)
Net change in unrealized depreciation on investments	(10,340,186)
Net realized and unrealized loss on investments	$(12,149,881)

	As of September 30, 2015
Gross unrealized appreciation on portfolio investments	$11,122,387
Gross unrealized depreciation on portfolio investments	(22,555,738)
Net unrealized depreciation on portfolio investments	$(11,433,351)

During the nine months ended September 30, 2016, we recognized net realized losses of approximately $1,780,061 from the sale/transfer of securities. During the nine months ended September 30, 2015, we recognized net realized losses of approximately $1,809,695 from the sale of securities. Realized losses were less than those during the nine months ended September 30, 2015 due to the gains realized on the successful sales of our Mattson and TapAd investments.

During the nine months ended September 30, 2016, net unrealized depreciation on total investments increased by $13,892,391 compared to an increase of $10,340,186 in unrealized depreciation on the total investments during the nine months ended September 30, 2015. The change in net unrealized appreciation and depreciation of our private investments is based on portfolio asset valuations determined in good faith by our Board of Directors. This increase in net unrealized depreciation was primarily the result of a reclassification of Mattson's appreciation to realized gains and a decrease in valuation to our Turn, Aliphcom, Sunrun and QMAT investments for the nine months ended September 30, 2016.

INCOME AND EXCISE TAXES

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

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

For the nine months ended September 30, 2016, the net decrease in net assets resulting from operations totaled $18,496,938 and for the nine months ended September 30, 2015, the net decrease in net assets resulting from operations totaled $12,433,377. The basic and fully diluted net change in net assets per share for the nine months ended September 30, 2016 was ($2.40) and the basic and fully diluted net change in net assets per share for the nine months ended September 30, 2015 was ($1.59). The greater decrease in net assets for the nine months ended September 30, 2016, compared to the nine months ended September 30, 2016, was due primarily to the decrease in valuation to our investments, most notably Aliphcom, Turn, Sunrun and QMAT.

DISTRIBUTION POLICY

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

CONTRACTUAL OBLIGATIONS

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

OFF-BALANCE SHEET ARRANGEMENTS

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

CRITICAL ACCOUNTING POLICIES

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

Valuation of Portfolio Investments

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

Revenue Recognition

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

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

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

Recently Issued Accounting Standards

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

Inflation

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

SUBSEQUENT EVENTS

Subsequent to the close of the fiscal quarter on September 30, 2016, and through the date of the issuance of the financial statements included herein, a number of events related to our portfolio of investments occurred, consisting primarily of purchases and sales of securities. Since that date, we have purchased private securities with an aggregate cost of approximately $50 thousand. We have also sold public securities with an aggregate value of approximately $3.3 million.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

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

VALUATION RISK

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

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

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

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

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

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

PRIVATELY PLACED SMALL COMPANIES RISK

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

WE CURRENTLY HOLD A PORTION OF OUR ASSETS IN CASH

As of September 30, 2016, a portion of the Company’s assets (approximately 6.3%) is invested in cash and/or cash equivalents, which are expected to earn low yields. Given the current low interest rate environment, to the extent the management fee and other operating expenses exceed interest income on the cash holdings of the Company, the Company may experience losses. Furthermore, the investment advisory fee payable by us will not be reduced while our assets are invested in cash-equivalent securities.

In some cases, particularly for primary transactions, it is to our advantage to hold sufficient cash reserve so that we can make additional subsequent investments in these companies in order to (a) avoid having our earlier investments become diluted in future dilutive financings, (b) invest additional capital into existing portfolio companies in case additional investments are necessary, and/or (c) exercise warrants, options, or convertible securities that were acquired as part of the earlier transactions. For this reason, in the case of primary transactions (as opposed to secondary transactions where we do not buy the securities from the issuing companies but instead from existing stockholders), we typically reserve cash in an amount at least equal to our initial investment for such follow-on opportunities. Cash reserves held with respect to a particular investment should, therefore, decline as it is held longer, and will typically not be needed once that portfolio company becomes public or we determine it is no longer in our best interest to make investments in such portfolio company.

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

ITEM 4. CONTROLS AND PROCEDURES.

(a) Evaluation of Disclosure Controls and Procedures	As of the end of the period covered by this Quarterly Report on Form 10-Q, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective and provided reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.
(b) Changes in Internal Control Over Financial Reporting	There have been no changes in our internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act, that occurred during the fiscal quarter ended September 30, 2016, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

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ITEM 1. LEGAL PROCEEDINGS.

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

ITEM 1A. RISK FACTORS.

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

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

None.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

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

SIGNATURES

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

FIRSTHAND TECHNOLOGY VALUE FUND, INC.

Dated: November 8, 2016 By:
Kevin Landis
Chief Executive Officer

Dated: November 8, 2016 By:
Omar Billawala
Chief Financial Officer

EXHIBIT INDEX

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32.	Chief Executive Officer and Chief Financial Officer Certification Pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002