

Firsthand Technology Value Fund, Inc.  
Form 10-Q  
November 09, 2018

**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, 2018 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<br>(State or Other Jurisdiction of<br>Incorporation or Organization)<br>150 Almaden Boulevard, Suite 1250<br>San Jose, California<br>(Address of Principal Executive Offices) | 27-3008946<br>(I.R.S. Employer<br>Identification No)<br><br>95113<br>(Zip Code)<br><br>Registrant's Telephone Number, Including Area Code: (408) 886-7096 |
|--|---|

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

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

- |   |   |
|---|---|
| <input type="checkbox"/> Large Accelerated Filer  | <input checked="" type="checkbox"/> Accelerated Filer |
| <input type="checkbox"/> Non-accelerated Filer<br>(Do not check if smaller reporting company) | <input type="checkbox"/> Smaller Reporting Company    |

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

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, 2018**

Common Stock, \$0.001 par value per share

7,178,770

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PART I. FINANCIAL INFORMATION

**ITEM 1. FINANCIAL STATEMENTS**

See accompanying notes to financial statements

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**Firsthand Technology Value Fund, Inc.**

## Consolidated Statements of Assets and Liabilities

|   | AS OF<br>SEPTEMBER 30, 2018<br>(UNAUDITED) | AS OF<br>DECEMBER 31, 2017 |
|---|--|----------------------------|
| <b>ASSETS</b>   |  |                            |
| Investment securities:  |  |                            |
| Unaffiliated investments at acquisition cost  | \$ 5,970,448                               | \$ 33,014,039              |
| Affiliated investments at acquisition cost  | 30,902,277                                 | 24,035,159                 |
| Controlled investments at acquisition cost  | 123,316,667                                | 117,890,661                |
| Total acquisition cost  | \$ 160,189,392                             | \$ 174,939,859             |
| Unaffiliated investments at market value  | \$ 23,115,200                              | \$ 40,191,055              |
| Affiliated investments at market value  | 25,187,934                                 | 24,656,252                 |
| Controlled investments at market value  | 194,741,059                                | 109,992,218                |
| Total market value * (Note 6)   | 243,044,193                                | 174,839,525                |
| Cash  | 19,726                                     | 110,077                    |
| Receivable for securities sold  | 211,168                                    |                            |
| Receivable from dividends and interest  | 3,626,549                                  | 1,794,003                  |
| Other assets  | 12,864                                     | 27,985                     |
| Total Assets  | 246,914,500                                | 176,771,590                |
| <b>LIABILITIES</b>  |  |                            |
| Incentive fees payable (Note 4)   | 16,499,806                                 | 1,691,040                  |
| Payable to affiliates (Note 4)  | 1,152,048                                  | 879,085                    |
| Payable for capital shares redeemed   | 132,128                                    |                            |
| Deferred tax liability  | 16,648,916                                 |                            |
| Consulting fee payable  | 20,250                                     | 21,000                     |
| Accrued expenses and other payables   | 127,622                                    | 186,876                    |
| Total Liabilities   | 34,580,770                                 | 2,778,001                  |
| <b>NET ASSETS</b>   | <b>\$ 212,333,730</b>                      | <b>\$ 173,993,589</b>      |
| Net Assets consist of:  |  |                            |
| Common Stock, par value \$0.001 per share   |  |                            |
| 100,000,000 shares authorized   | \$ 7,276                                   | \$ 7,302                   |
| Paid-in-capital   | 180,352,337                                | 180,772,769                |
| Accumulated net investment loss   | (17,553,634)                               | (1,691,040)                |
| Accumulated net realized losses from security transactions  | (13,547,952)                               | (4,995,108)                |
| Net unrealized appreciation (depreciation) on investments, foreign currency and warrants transactions | 63,075,703                                 | (100,334)                  |
| <b>NET ASSETS</b>   | <b>\$ 212,333,730</b>                      | <b>\$ 173,993,589</b>      |
| Shares of Common Stock outstanding  | 7,302,146                                  | 7,302,146                  |
| Shares of Treasury Stock outstanding  | (26,110)                                   |                            |
| Total Shares of Common Stock outstanding  | 7,276,036                                  | 7,302,146                  |
| Net asset value per share (Note 2)  | \$ 29.18                                   | \$ 23.83                   |

\* Includes warrants whose primary exposure is equity risk.

See accompanying notes to financial statements



**Firsthand Technology Value Fund, Inc.**

Consolidated Statements of Operations (Unaudited)

|  | <b>FOR THE THREE MONTHS ENDED</b> |                      | <b>FOR THE NINE MONTHS ENDED</b> |                      |
|--|-----------------------------------|----------------------|----------------------------------|----------------------|
|  | <b>SEPTEMBER 30,</b>              | <b>SEPTEMBER 30,</b> | <b>SEPTEMBER 30,</b>             | <b>SEPTEMBER 30,</b> |
|  | <b>2018</b>                       | <b>2017</b>          | <b>2018</b>                      | <b>2017</b>          |
| <b>INVESTMENT INCOME</b>                             |                                   |                      |                                  |                      |
| Affiliated/Controlled<br>loan origination<br>income  | \$                                | \$                   | \$ 21,000                        | \$                   |
| Unaffiliated<br>interest                             | 793                               | 5,820                | 4,901                            | 35,085               |
| Affiliated/Controlled<br>interest                    | 974,557                           | 427,547              | 2,328,359                        | 1,008,376            |
| <b>TOTAL<br/>INVESTMENT<br/>INCOME</b>               | <b>975,350</b>                    | <b>433,367</b>       | <b>2,354,260</b>                 | <b>1,043,461</b>     |
| <b>EXPENSES</b>                                      |                                   |                      |                                  |                      |
| Investment<br>advisory fees<br>(Note 4)              | 1,124,398                         | 707,865              | 2,972,059                        | 2,175,267            |
| Administration<br>fees                               | 58,652                            | 48,398               | 168,831                          | 142,049              |
| Custody fees   | 8,171                             | 7,587                | 27,482                           | 18,209               |
| Transfer agent<br>fees                               | 7,058                             | 9,114                | 23,817                           | 23,815               |
| Registration and<br>filing fees                      | 7,713                             | 5,823                | 22,887                           | 17,278               |
| Professional fees                                    | 94,916                            | 128,954              | 288,557                          | 374,257              |
| Printing fees  | 16,008                            | 38,260               | 46,420                           | 68,176               |
| Trustees fees  | 50,000                            | 25,000               | 150,000                          | 75,000               |
| Compliance fees                                      | 30,634                            | 27,900               | 88,223                           | 80,509               |
| Settlement fees                                      |                                   | 50,000               |                                  | 50,000               |
| Miscellaneous<br>fees                                | 22,653                            | 28,021               | 68,020                           | 75,257               |
| <b>TOTAL GROSS<br/>EXPENSES</b>                      | <b>1,420,203</b>                  | <b>1,076,922</b>     | <b>3,856,296</b>                 | <b>3,099,817</b>     |
| Incentive fee<br>adjustments (Note<br>4)             | 9,633,974                         |                      | 14,808,766                       |                      |
| <b>TOTAL NET<br/>EXPENSES</b>                        | <b>11,054,177</b>                 | <b>1,076,922</b>     | <b>18,665,062</b>                | <b>3,099,817</b>     |
| <b>NET<br/>INVESTMENT<br/>LOSS, BEFORE<br/>TAXES</b> |                                   |                      |                                  |                      |
|  | (10,078,827)                      | (643,555)            | (16,310,802)                     | (2,056,356)          |
| Deferred tax<br>benefit/(expense)                    | (1,411,413)                       |                      | 448,208                          |                      |
|  | (11,490,240)                      | (643,555)            | (15,862,594)                     | (2,056,356)          |



**Net investment  
loss, net of  
deferred taxes**

See accompanying notes to financial statements

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**Firsthand Technology Value Fund, Inc.**

Consolidated Statements of Operations (Unaudited) - continued

|   | <b>FOR THE THREE MONTHS ENDED</b> |                      | <b>FOR THE NINE MONTHS ENDED</b> |                       |
|---|-----------------------------------|----------------------|----------------------------------|-----------------------|
|   | <b>SEPTEMBER 30,</b>              | <b>SEPTEMBER 30,</b> | <b>SEPTEMBER 30,</b>             | <b>SEPTEMBER 30,</b>  |
|   | <b>2018</b>                       | <b>2017</b>          | <b>2018</b>                      | <b>2017</b>           |
| <b>Net Realized and Unrealized Gain (Loss) on Investments:</b>                                |                                   |                      |                                  |                       |
| Net realized gains (losses) from security transactions on:                                    |                                   |                      |                                  |                       |
| Affiliated/Controlled   | \$ (11,335,187)                   | \$                   | \$ (11,373,458)                  | \$                    |
| Non-affiliated/controlled and other assets  | (772,541)                         | 207,196              | 138,640                          | 767,988               |
| Deferred tax benefit  | 2,942,451                         |                      | 2,681,974                        |                       |
| Net realized gains, net of deferred taxes   | (9,165,277)                       | 207,196              | (8,552,844)                      | 767,988               |
| Net change in unrealized appreciation (depreciation) on:                                      |                                   |                      |                                  |                       |
| Non-affiliated investments  | 9,064,505                         | 2,897,235            | 9,967,736                        | 5,128,989             |
| Affiliated/controlled investments and foreign currency  | 44,955,098                        | (5,844,537)          | 70,897,750                       | (17,191,561)          |
| Affiliated/controlled warrants investments (1)  | 6,439,956                         | 2,923,747            | 2,089,649                        | 3,723,736             |
| Deferred tax expense  | (13,096,357)                      |                      | (19,779,098)                     |                       |
| Net change in unrealized appreciation (depreciation), net of deferred taxes                   | 47,363,202                        | (23,555)             | 63,176,037                       | (8,338,836)           |
| <b>Net Realized and Unrealized Gains (Losses) on Investments, Net of Deferred Taxes</b>       | <b>38,197,925</b>                 | <b>183,641</b>       | <b>54,623,193</b>                | <b>(7,570,848)</b>    |
| <b>Net Increase (Decrease) In Net Assets Resulting From Operations, Net of Deferred Taxes</b> | <b>\$ 26,707,685</b>              | <b>\$ (459,914)</b>  | <b>\$ 38,760,599</b>             | <b>\$ (9,627,204)</b> |

|  |    |      |    |        |    |      |    |        |
|--|----|------|----|--------|----|------|----|--------|
| <b>Net Increase/(Decrease) In Net Assets Per Share Resulting From Operations (2)</b> | \$ | 3.67 | \$ | (0.07) | \$ | 5.32 | \$ | (1.30) |
|--|----|------|----|--------|----|------|----|--------|

(1) Primary exposure is equity risk.

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

See accompanying notes to financial statements

**Firsthand Technology Value Fund, Inc.**

Consolidated Statements of Cash Flows (Unaudited)

|  | <b>FOR THE<br/>THREE MONTHS<br/>ENDED<br/>SEPTEMBER 30,<br/>2018</b> | <b>FOR THE<br/>THREE MONTHS<br/>ENDED<br/>SEPTEMBER 30,<br/>2017</b> | <b>FOR THE<br/>NINE MONTHS<br/>ENDED<br/>SEPTEMBER 30,<br/>2018</b> | <b>FOR THE<br/>NINE MONTHS<br/>ENDED<br/>SEPTEMBER 30,<br/>2017</b> |
|--|--|--|---|---|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |  |  |   |   |
| Net increase<br>(decrease) in<br>Net Assets<br>resulting from<br>operations  | \$ 26,707,685  | \$ (459,914)   | \$ 38,760,599   | \$ (9,627,204)  |
| Adjustments to reconcile net increase<br>(decrease) in Net Assets derived from<br>operations to net cash provided by<br>(used in) operating activities |  |  |   |   |
| Purchases of<br>investments  | (19,231,350)   | (7,569,639)  | (48,038,121)  | (16,078,804)  |
| Proceeds from<br>disposition of<br>investments   | 24,584,064   | 736,376  | 66,288,520  | 19,655,068  |
| Net<br>purchases/sales<br>from<br>short-term<br>investments  | (4,310,960)  | 1,000,834  | (14,734,750)  | (2,344,891)   |
| (Increase)<br>decrease in<br>dividends,<br>interest,<br>and reclaims<br>receivable   | (832,454)  | (290,646)  | (1,832,546)   | (639,414)   |
| (Increase)<br>decrease in<br>receivable in<br>investment<br>sold   | 391,165  |  | (211,168)   |   |
| Increase<br>(decrease) in<br>payable for<br>investment<br>purchased  |  | (90,066)   |   | (395,532)   |
| Increase<br>(decrease) in<br>payable to<br>affiliates  | 140,940  | 9,517  | 272,963   | (37,428)  |
|  | 9,633,974  |  | 14,808,766  |   |

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|  |                  |                    |                  |                    |
|--|------------------|--------------------|------------------|--------------------|
| Increase<br>(decrease) in<br>incentive fees<br>payable   |                  |                    |                  |                    |
| (Increase)<br>decrease in<br>other assets  | 15,408           | 13,695             | 15,121           | 17,539             |
| (Decrease)<br>increase in<br>accrued<br>expenses<br>and other<br>payables  | (23,624)         | 12,039             | (60,004)         | (54,429)           |
| Increase<br>(decrease) in<br>deferred tax<br>expense   | 11,565,319       |                    | 16,648,916       |                    |
| Net realized<br>(gain) loss<br>from<br>investments   | 12,107,728       | (207,196)          | 11,234,818       | (767,988)          |
| Net unrealized<br>appreciation<br>(depreciation)<br>from<br>investments,<br>other assets,<br>and<br>warrants<br>transactions | (60,459,559)     | 23,555             | (82,955,135)     | 8,338,836          |
| <b>Net cash<br/>(used in)<br/>operating<br/>activities</b>   | <b>288,336</b>   | <b>(6,821,445)</b> | <b>197,979</b>   | <b>(1,934,247)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                  |                    |                  |                    |
| Cost of shares<br>repurchased  | (288,330)        |                    | (288,330)        |                    |
| <b>Net cash<br/>(used in)<br/>financing<br/>activities</b>   | <b>(288,330)</b> |                    | <b>(288,330)</b> |                    |
| Net increase<br>(decrease) in<br>cash  | 6                | (6,821,445)        | (90,351)         | (1,934,247)        |
| Cash<br>beginning of<br>period   | 19,720           | 6,821,445          | 110,077          | 1,934,247          |
| <b>Cash end of<br/>period</b>  | <b>\$ 19,726</b> | <b>\$</b>          | <b>\$ 19,726</b> | <b>\$</b>          |

See accompanying notes to financial statements



**Firsthand Technology Value Fund, Inc.**

## Consolidated Statements of Changes in Net Assets (Unaudited)

|  | <b>FOR THE<br/>THREE MONTHS<br/>ENDED<br/>SEPTEMBER 30,<br/>2018</b> | <b>FOR THE<br/>THREE MONTHS<br/>ENDED<br/>SEPTEMBER 30,<br/>2017</b> | <b>FOR THE<br/>NINE MONTHS<br/>ENDED<br/>SEPTEMBER 30,<br/>2018</b> | <b>FOR THE<br/>NINE MONTHS<br/>ENDED<br/>SEPTEMBER 30,<br/>2017</b> |
|--|--|--|---|---|
| <b>FROM OPERATIONS:</b>  |  |  |   |   |
| Net investment loss, net of deferred taxes   | \$ (11,490,240)  | \$ (643,555)   | \$ (15,862,594)   | \$ (2,056,356)  |
| Net realized gain (loss) from security transactions and warrants transactions, net of deferred taxes                 | (9,165,277)  | 207,196  | (8,552,844)   | 767,988   |
| Net change in unrealized appreciation (depreciation) on investments and warrants transactions, net of deferred taxes | 47,363,202   | (23,555)   | 63,176,037  | (8,338,836)   |
| Net increase (decrease) in net assets from operations  | 26,707,685   | (459,914)  | 38,760,599  | (9,627,204)   |
| <b>FROM CAPITAL SHARE TRANSACTIONS:</b>  |  |  |   |   |
| Value for shares repurchased   | (420,458)  |  | (420,458)   |   |
| Net decrease in net assets from capital share transactions   | (420,458)  |  | (420,458)   |   |
| <b>TOTAL INCREASE/(DECREASE)</b>   | <b>26,287,227</b>  | <b>(459,914)</b>   | <b>38,340,141</b>   | <b>(9,627,204)</b>  |

**IN NET  
ASSETS****NET ASSETS:**

|                                 |                 |                |                 |                |
|---------------------------------|-----------------|----------------|-----------------|----------------|
| Beginning of period             | 186,046,503     | 139,745,101    | 173,993,589     | 148,912,391    |
| End of period                   | \$ 212,333,730  | \$ 139,285,187 | \$ 212,333,730  | \$ 139,285,187 |
| Accumulated Net Investment Loss | \$ (17,553,634) | \$ (2,056,356) | \$ (17,553,634) | \$ (2,056,356) |

**COMMON STOCK ACTIVITY:**

|   |           |           |           |           |
|---|-----------|-----------|-----------|-----------|
| Shares repurchased                      | (26,110)  |           | (26,110)  |           |
| Net decrease in shares outstanding      | (26,110)  |           | (26,110)  |           |
| Shares outstanding, beginning of period | 7,302,146 | 7,430,697 | 7,302,146 | 7,430,697 |
| Shares outstanding, end of period       | 7,276,036 | 7,430,697 | 7,276,036 | 7,430,697 |

See accompanying notes to financial statements



**Firsthand Technology Value Fund, Inc.**

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

|  | <b>FOR THE<br/>NINE<br/>MONTHS<br/>ENDED<br/>SEPTEMBER<br/>30,<br/>2018*<br/>(UNAUDITED)</b> | <b>FOR THE<br/>YEAR<br/>ENDED<br/>DECEMBER<br/>31,<br/>2017*</b> | <b>FOR THE<br/>YEAR<br/>ENDED<br/>DECEMBER<br/>31,<br/>2016*</b> | <b>FOR THE<br/>YEAR<br/>ENDED<br/>DECEMBER<br/>31,<br/>2015*</b> | <b>FOR THE<br/>YEAR<br/>ENDED<br/>DECEMBER<br/>31,<br/>2014</b> | <b>FOR THE<br/>YEAR<br/>ENDED<br/>DECEMBER<br/>31,<br/>2013</b> |
|--|--|--|--|--|---|---|
| Net asset value at beginning of period   | \$ 23.83   | \$ 20.04   | \$ 22.79   | \$ 24.49   | \$ 28.32  | \$ 22.90  |
| Income from investment operations:   |  |  |  |  |   |   |
| Net investment loss, before deferred taxes                                       | (2.23) <sup>(1)</sup>  | (0.62)   | (0.52)   | (0.06) <sup>(1)</sup>  | (1.26)  | (1.42)  |
| Deferred tax benefit   | 0.06   |  |  |  |   |   |
| Net investment loss  | (2.17)   | (0.62)   | (0.52)   | (0.06)   | (1.26)  | (1.42)  |
| Net realized and unrealized gains (losses) on investments, before deferred taxes | 9.85   | 4.21   | (2.76)   | (1.78)   | 3.04  | 7.16  |
| Deferred tax expense   | (2.36)   |  |  |  |   |   |
| Net realized and unrealized gains (losses)                                       | 7.49   | 4.21   | (2.76)   | (1.78)   | 3.04  | 7.16  |

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|  |                       |          |          |          |          |          |
|--|-----------------------|----------|----------|----------|----------|----------|
| on investments                                       |                       |          |          |          |          |          |
| Total from investment operations                     | 5.32                  | 3.59     | (3.28)   | (1.84)   | 1.78     | 5.74     |
| Distributions from:                                  |                       |          |          |          |          |          |
| Realized capital gains                               |                       |          |          |          | (5.86)   | (0.32)   |
| Premiums from shares sold in offerings               |                       |          |          |          |          | (2)      |
| Anti-dilutive effect from capital share transactions | 0.03                  | 0.20     | 0.53     | 0.14     | 0.25     |          |
| Net asset value at end of period                     | \$ 29.18              | \$ 23.83 | \$ 20.04 | \$ 22.79 | \$ 24.49 | \$ 28.32 |
| Market value at end of period                        | \$ 16.94              | \$ 8.96  | \$ 7.67  | \$ 8.17  | \$ 18.65 | \$ 23.17 |
| Total return   |                       |          |          |          |          |          |
| Based on Net Asset Value                             | 22.45% <sup>(A)</sup> | 18.91%   | (12.07)% | (6.94)%  | 12.54%   | 25.30%   |
| Based on Market Value                                | 89.06% <sup>(A)</sup> | 16.82%   | (6.12)%  | (56.19)% | 4.76%    | 34.61%   |
| Net assets at end of period (millions)               | \$ 212.3              | \$ 174.0 | \$ 148.9 | \$ 175.6 | \$ 209.7 | \$ 256.9 |

See accompanying notes to financial statements

**Firsthand Technology Value Fund, Inc.**

Financial Highlights: Selected per share data and ratios for a share outstanding throughout each period - continued

|   | <b>FOR THE<br/>NINE MONTHS<br/>ENDED<br/>SEPTEMBER 30,<br/>2018*<br/>(UNAUDITED)</b> | <b>FOR THE<br/>YEAR<br/>ENDED<br/>DECEMBER<br/>31,<br/>2017*</b> | <b>FOR THE<br/>YEAR<br/>ENDED<br/>DECEMBER<br/>31,<br/>2016*</b> | <b>FOR THE<br/>YEAR<br/>ENDED<br/>DECEMBER<br/>31,<br/>2015*</b> | <b>FOR THE<br/>YEAR<br/>ENDED<br/>DECEMBER<br/>31,<br/>2014</b> | <b>FOR THE<br/>YEAR<br/>ENDED<br/>DECEMBER<br/>31,<br/>2013</b> |
|---|--|--|--|--|---|---|
| Ratio of total expenses to average net assets:      |  |  |  |  |   |   |
| Before tax benefit                                  | %<br>13.39 <sup>(B)(3)</sup>   | %<br>4.13 <sup>(3)</sup>   | 2.90%  | %<br>1.36 <sup>(3)</sup>   | %<br>5.29 <sup>(3)</sup>  | %<br>6.52 <sup>(3)</sup>  |
| Deferred tax expense <sup>(4)(5)</sup>              | 11.95% <sup>(B)</sup>  |  |  |  |   |   |
| Total expenses                                      | %<br>25.34 <sup>(B)(3)</sup>   | 4.13%  | 2.90%  | 1.36%  | 5.29%   | 6.52%   |
| Total expenses, excluding incentive fees            | 14.71% <sup>(B)</sup>  | 2.98%  | 2.90%  | 2.68%  | 3.12%   | 2.67%   |
| Ratio of net investment loss to average net assets: |  |  |  |  |   |   |
| Before tax benefit                                  | )%<br>(11.70 <sup>(B)(3)</sup> )   | (3.07)%  | (2.36)%  | (0.24)%  | (4.31)%   | (5.96)%   |
| Deferred tax benefit <sup>(5)(6)</sup>              | 0.32% <sup>(B)</sup>   |  |  |  |   |   |
| Net investment loss                                 | (11.38)% <sup>(B)</sup>  | (3.07)%  | (2.36)%  | (0.24)%  | (4.31)%   | (5.96)%   |
| Portfolio turnover rate                             | 18% <sup>(A)</sup>   | 22%  | 49%  | 22%  | 95%   | 17%   |

\* Consolidated

(1) Calculated using average shares outstanding.

(2) Less than \$0.005 per share.

(3) Amount includes the incentive fee. For the period ended September 30, 2018, the year ended December 31, 2017, 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 10.63%, 1.15%, (1.32)%, 2.17% and 3.85%, respectively.

*(4) Deferred tax expense estimate is derived from net investment income (loss), and realized and unrealized gains (losses).*

*(5) The deferred tax expense and tax benefit are allocated based on average net assets.*

*(6) Deferred tax benefit estimate for the ratio calculation is derived from net investment income (loss) only.*

*(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, 2018 (UNAUDITED)****PORTFOLIO****COMPANY**

(% OF

**NET****ASSETS)****AND****INDUSTRY****INVESTMENT ACQUISITION****TYPE****DATE****SHARES/PAR****VALUE (\$)****COST BASIS****VALUE**

EQX

CAPITAL,  
INC (1.5%)

Common Stock

\*(1)(2)(4)

6/10/2016

100,000

\$ 20,000

\$ 24,610

Equipment  
Leasing

Preferred Stock -

Series A

\*(1)(2)(4)

6/10/2016

4,000,000

4,000,000

3,196,000

**3,220,610**

HERA

SYSTEMS,

INC.

(3.2%)

Convertible

Promissory Note

Matures January

2019

Interest Rate 10%

Aerospace

(1)(2)(4)

5/31/2018

500,000

500,000

500,000

Convertible

Promissory Note

Matures January

2019

Interest Rate 10%

(1)(2)(4)

1/19/2018

500,000

500,000

500,000

Preferred Stock -

Series A

\*(1)(2)(4)

9/18/2015

3,642,324

2,000,000

213,440

Preferred Stock -

Series B

\*(1)(2)(4)

08/07/17 -

9/4/18

5,539,203

5,087,102

1,231,365

Preferred Stock

Warrants -

Series B

\*(1)(2)(4)

8/7/2017

6,214,922

0

1,380,956

Preferred Stock

Warrants -

Series B

\*(1)(2)(4)

9/28/2017

700,000

0

155,540

Preferred Stock

Warrants -

7/9/18 -

9/4/18

12,250,000

0

2,721,950

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|                   |                   |           |            |            |                  |
|-------------------|-------------------|-----------|------------|------------|------------------|
| Series B          |                   |           |            |            |                  |
| *(1)(2)(4)        |                   |           |            |            |                  |
|                   |                   |           |            |            | <b>6,703,251</b> |
| INTRAOP           |                   |           |            |            |                  |
| MEDICAL           |                   |           |            |            |                  |
| CORP.             |                   |           |            |            |                  |
| (14.3%)           |                   |           |            |            |                  |
| Convertible Note  |                   |           |            |            |                  |
| Matures June      |                   |           |            |            |                  |
| 2020              |                   |           |            |            |                  |
| Medical           | Interest Rate 15% |           |            |            |                  |
| Devices           | (1)(2)(4)         | 5/31/2017 | 1,000,000  | 1,000,000  | 1,000,000        |
| Convertible Note  |                   |           |            |            |                  |
| Matures June      |                   |           |            |            |                  |
| 2020              |                   |           |            |            |                  |
|                   | Interest Rate 15% |           |            |            |                  |
|                   | (1)(2)(4)         | 9/28/2017 | 1,500,000  | 1,500,000  | 1,500,000        |
| Convertible Note  |                   |           |            |            |                  |
| Matures June      |                   |           |            |            |                  |
| 2020              |                   |           |            |            |                  |
|                   | Interest Rate 15% |           |            |            |                  |
|                   | (1)(2)(4)         | 7/13/2017 | 1,000,000  | 1,000,000  | 1,000,000        |
| Convertible Note  |                   |           |            |            |                  |
| Matures June      |                   |           |            |            |                  |
| 2020              |                   |           |            |            |                  |
|                   | Interest Rate 15% |           |            |            |                  |
|                   | (1)(2)(4)         | 7/8/2014  | 2,000,000  | 2,000,000  | 2,000,000        |
| Convertible Note  |                   |           |            |            |                  |
| Matures June      |                   |           |            |            |                  |
| 2020              |                   |           |            |            |                  |
|                   | Interest Rate 15% |           |            |            |                  |
|                   | (1)(2)(4)         | 3/21/2018 | 1,000,000  | 1,000,000  | 1,000,000        |
| Convertible Note  |                   |           |            |            |                  |
| Matures June      |                   |           |            |            |                  |
| 2020              |                   |           |            |            |                  |
|                   | Interest Rate 15% |           |            |            |                  |
|                   | (1)(2)(4)         | 9/14/2018 | 1,500,000  | 1,500,000  | 1,500,000        |
| Preferred Stock - |                   |           |            |            |                  |
| Series C          |                   |           |            |            |                  |
|                   | *(1)(2)(4)        | 7/12/2013 | 26,856,187 | 26,299,938 | 17,446,316       |
| Term Note         |                   |           |            |            |                  |
| Matures February  |                   |           |            |            |                  |
| 2020              |                   |           |            |            |                  |
|                   | Interest Rate 8%  |           |            |            |                  |
|                   | (1)(2)(4)         | 2/10/2017 | 2,000,000  | 2,000,000  | 2,000,000        |

See accompanying notes to financial statements

**Firsthand Technology Value Fund, Inc.**

Consolidated Schedule of Investments - continued

**SEPTEMBER 30, 2018 (UNAUDITED)****PORTFOLIO****COMPANY**

(% OF

**NET****ASSETS)****AND****INDUSTRY****INVESTMENT ACQUISITION****TYPE****DATE****SHARES/PAR****VALUE (\$)****COST BASIS****VALUE**

|                             |                               |                        |            |              |              |                   |
|-----------------------------|-------------------------------|------------------------|------------|--------------|--------------|-------------------|
|                             | Term Note                     |                        |            |              |              |                   |
| INTRAOP                     | Matures                       |                        |            |              |              |                   |
| MEDICAL                     | February 2020                 |                        |            |              |              |                   |
| CORP.                       | Interest Rate 8%              |                        |            |              |              |                   |
| (continued)                 | (1)(2)(4)                     | 2/28/2014              | 3,000,000  | \$ 3,000,000 | \$ 3,000,000 |                   |
|                             |                               |                        |            |              |              | <b>30,446,316</b> |
| NUTANIX,<br>INC.            | Common Stock *                | 05/15/15 -<br>08/23/16 | 60,772     | 736,593      |              | <b>2,596,180</b>  |
| (1.2%)                      |                               |                        |            |              |              |                   |
| Networking                  |                               |                        |            |              |              |                   |
| LYNCEAN                     | Preferred Stock -             | 7/3/2018               | 869,792    | 1,000,000    |              | <b>1,000,000</b>  |
| TECHNOLOGIES                | Series B *(1)(4)              |                        |            |              |              |                   |
| INC.                        |                               |                        |            |              |              |                   |
| (0.5%)                      |                               |                        |            |              |              |                   |
| Semiconductor               |                               |                        |            |              |              |                   |
| Equipment                   |                               |                        |            |              |              |                   |
| PHUNWARE,<br>INC.           | Preferred Stock -<br>Series E | 3/14/2014              | 3,257,328  | 9,999,997    |              | <b>10,761,886</b> |
| (5.1%)                      | *(1)(3)(7)                    |                        |            |              |              |                   |
| Mobile Computing            |                               |                        |            |              |              |                   |
| PIVOTAL<br>SYSTEMS<br>CORP. | Common Stock                  | 11/28/12 -<br>09/02/16 | 53,758,441 | 19,446,197   |              | <b>97,266,662</b> |
| (45.8%)                     | *(1)(2)(4)                    |                        |            |              |              |                   |
| Semiconductor               |                               |                        |            |              |              |                   |
| Equipment                   |                               |                        |            |              |              |                   |
| QMAT,<br>INC.               | Preferred Stock -<br>Series A | 12/14/12 -<br>04/28/16 | 16,000,240 | 9,680,305    |              | 7,102,027         |
| (7.0%)                      | *(1)(2)(4)                    |                        |            |              |              |                   |
| Advanced                    | Preferred Stock -<br>Series B | 9/28/16 -<br>11/7/16   | 2,000,000  | 2,000,000    |              | 1,701,600         |
| Materials                   | *(1)(2)(4)                    |                        |            |              |              |                   |
|                             | Convertible Note              |                        |            |              |              |                   |
|                             | Matures                       |                        |            |              |              |                   |
|                             | December 2018                 |                        |            |              |              |                   |
|                             | Interest Rate 8%              |                        |            |              |              |                   |
|                             | (1)(2)(4)                     | 2/22/2018              | 3,482,208  | 3,482,208    |              | 3,482,208         |

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|   |  |           |         |         |
|---|--|-----------|---------|---------|
| Preferred Stock<br>Warrants -<br>Series C<br>*(1)(2)(4)                       | 2/22/2018                                      | 3,482,208 | 0       | 149,038 |
| Convertible Note<br>Matures<br>December 2018<br>Interest Rate 8%<br>(1)(2)(4) | 3/13/2018                                      | 350,000   | 350,000 | 350,000 |
| Preferred Stock<br>Warrants -<br>Series C<br>*(1)(2)(4)                       | 3/13/2018                                      | 350,000   | 0       | 14,980  |
| Convertible Note<br>Matures<br>December 2018<br>Interest Rate 8%<br>(1)(2)(4) | 7/27/2018                                      | 100,000   | 100,000 | 100,000 |
| Preferred Stock<br>Warrants -<br>Series C<br>*(1)(2)(4)                       | 7/27/2018                                      | 100,000   | 0       | 4,280   |
| Convertible Note<br>Matures<br>December 2018<br>Interest Rate 8%<br>(1)(2)(4) | 8/14/2018                                      | 100,000   | 100,000 | 100,000 |
| Convertible Note<br>Matures<br>December 2018<br>Interest Rate 8%<br>(1)(2)(4) | 8/30/2018                                      | 200,000   | 200,000 | 200,000 |
|   | See accompanying notes to financial statements |           |         |         |
|   | 11   |           |         |         |



**Firsthand Technology Value Fund, Inc.**

Consolidated Schedule of Investments - continued

**SEPTEMBER 30, 2018 (UNAUDITED)****PORTFOLIO****COMPANY**

(% OF

**NET****ASSETS)****AND****INDUSTRY****INVESTMENT ACQUISITION****TYPE****DATE****SHARES/PAR****VALUE (\$)****COST BASIS****VALUE**

|                               |   |                        |           |              |                   |
|-------------------------------|---|------------------------|-----------|--------------|-------------------|
| QMAT,<br>INC.<br>(continued)  | Convertible Note<br>Matures<br>December 2018<br>Interest Rate 8%<br>(1)(2)(4) | 5/11/2018              | 1,000,000 | \$ 1,000,000 | \$ 1,000,000      |
|                               | Preferred Stock<br>Warrants -<br>Series C<br>*(1)(2)(4)                       | 5/11/2018              | 1,000,000 | 0            | 42,800            |
|                               | Preferred Stock<br>Warrants -<br>Series A<br>*(1)(2)(4)                       | 12/14/2012             | 2,000,000 | 0            | 239,600           |
|                               | Convertible Note<br>Matures<br>December 2018<br>Interest Rate 8%<br>(1)(2)(4) | 9/13/2018              | 300,000   | 300,000      | 300,000           |
|                               |   |                        |           |              | <b>14,786,533</b> |
| QUICKLOGIC<br>CORP.<br>(0.6%) | Common Stock *  | 12/27/16 -<br>11/09/17 | 1,200,000 | 1,859,835    | <b>1,200,000</b>  |
| Semiconductors                |   |                        |           |              |                   |
| REVASUM,<br>INC.<br>(16.7%)   | Common Stock<br>*(1)(2)(4)  | 11/14/2016             | 10,000    | 1,000        | 83,624            |
| Semiconductor                 | Preferred Stock -<br>Series Seed<br>*(1)(2)(4)                                | 11/14/2016             | 2,200,000 | 7,275,070    | 22,855,800        |
| Equipment                     | Preferred Stock -<br>Series A<br>*(1)(2)(4)                                   | 3/1/2017               | 441,998   | 1,999,997    | 4,828,563         |
|                               | Preferred Stock -<br>Series B<br>*(1)(2)(4)                                   | 10/27/17 -<br>12/20/17 | 313,719   | 2,550,033    | 3,819,968         |
|                               | Common Stock<br>Warrants  | 7/31/2018              | 650,000   | 500,000      | 1,948,375         |

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|                |                      |            |            |           |                   |
|----------------|----------------------|------------|------------|-----------|-------------------|
|                | * (1)(2)(4)          |            |            |           |                   |
|                | Convertible Note     |            |            |           |                   |
|                | Matures July         |            |            |           |                   |
|                | 2019                 |            |            |           |                   |
|                | Interest Rate 5%     |            |            |           |                   |
|                | (1)(2)(4)            | 8/24/2018  | 1,846,397  | 1,846,397 | 1,846,397         |
|                |                      |            |            |           | <b>35,382,727</b> |
| <b>ROKU,</b>   |                      |            |            |           |                   |
| <b>INC.</b>    |                      | 05/26/15 - |            |           |                   |
| (8.6%)         | Common Stock *       | 08/06/15   | 250,000    | 2,312,500 | <b>18,257,500</b> |
|                | Consumer Electronics |            |            |           |                   |
| <b>SILICON</b> |                      |            |            |           |                   |
| <b>GENESIS</b> | Preferred Stock -    |            |            |           |                   |
| <b>CORP.</b>   | Series 1-E           |            |            |           |                   |
| (1.9%)         | * (1)(2)(4)          | 4/18/2011  | 5,704,480  | 2,372,403 | 1,468,333         |
|                | Preferred Stock -    |            |            |           |                   |
|                | Series 1-C           | 4/18/2011  | 82,914     | 109,518   | 37,975            |
|                | * (1)(2)(4)          |            |            |           |                   |
| Intellectual   | Preferred Stock -    |            |            |           |                   |
| Property       | Series 1-D           | 4/18/2011  | 850,830    | 431,901   | 103,631           |
|                | * (1)(2)(4)          |            |            |           |                   |
|                | Common Stock         | 4/18/2011  | 921,892    | 169,045   | 7,375             |
|                | * (1)(2)(4)          |            |            |           |                   |
|                | Common Stock         | 4/18/2011  | 37,982     | 6,678     | 144               |
|                | Warrants             |            |            |           |                   |
|                | * (1)(2)(4)          |            |            |           |                   |
|                | Preferred Stock -    |            |            |           |                   |
|                | Series 1-F           | 4/18/2011  | 912,453    | 456,389   | 321,275           |
|                | * (1)(2)(4)          |            |            |           |                   |
|                | Common Stock         |            |            |           |                   |
|                | Warrants             | 10/13/2011 | 5,000,000  | 0         | 4,000             |
|                | * (1)(2)(4)          |            |            |           |                   |
|                | Common Stock         |            |            |           |                   |
|                | Warrants             | 2/6/2012   | 3,000,000  | 0         | 2,400             |
|                | * (1)(2)(4)          |            |            |           |                   |
|                | Preferred Stock -    |            |            |           |                   |
|                | Series 1-G           | 3/10/2016  | 48,370,793 | 3,880,592 | 1,841,815         |
|                | * (1)(2)(4)          |            |            |           |                   |
|                | Preferred Stock -    |            |            |           |                   |
|                | Series 1-H           | 3/10/2016  | 837,942    | 936,895   | 164,069           |
|                | * (1)(2)(4)          |            |            |           |                   |
|                |                      |            |            |           | <b>3,951,017</b>  |
| <b>SVXR,</b>   | Preferred Stock -    |            |            |           |                   |
| <b>INC.</b>    | Series A             | 1/11/17 -  |            |           |                   |
| (1.9%)         | * (1)(3)(4)          | 8/29/18    | 8,219,454  | 4,082,192 | <b>4,059,095</b>  |
|                | Semiconductor        |            |            |           |                   |
|                | Equipment            |            |            |           |                   |

See accompanying notes to financial statements

**Firsthand Technology Value Fund, Inc.**

Consolidated Schedule of Investments - continued

**SEPTEMBER 30, 2018 (UNAUDITED)****PORTFOLIO****COMPANY**

(% OF

**NET****ASSETS)****AND****INDUSTRY****INVESTMENT ACQUISITION****TYPE****DATE****SHARES/PAR****VALUE (\$)****COST BASIS****VALUE**

TELEPATHY

INVESTORS,  
INC.

(1.0%)

Consumer  
ElectronicsConvertible Note  
Matures January  
2019Interest Rate 10%  
(1)(2)(4)

6/21/2016

150,000

\$ 150,000

\$ 34,249

Convertible Note  
Matures January  
2019Interest Rate 10%  
(1)(2)(4)

9/7/2018

200,000

200,000

45,666

Convertible Note  
Matures January  
2019Interest Rate 10%  
(1)(2)(4)

4/20/2016

500,000

500,000

114,165

Convertible Note  
Matures January  
2019Interest Rate 10%  
(1)(2)(4)

6/23/2015

2,000,000

2,000,000

456,660

Convertible Note  
Matures January  
2019Interest Rate 10%  
(1)(2)(4)

5/3/2017

300,000

300,000

68,499

Preferred Stock -  
Series A

\*(1)(2)(4)

7/29/2014

15,238,000

3,999,999

1,283,040

Convertible Note  
Matures January  
2019Interest Rate 10%  
(1)(2)(4)

1/29/2016

300,000

300,000

68,499

Convertible Note  
Matures January  
2019

12/13/2016

500,000

500,000

114,165

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Interest Rate 10%  
(1)(2)(4)

|                                    |   |            |           |           |                  |
|------------------------------------|---|------------|-----------|-----------|------------------|
|                                    |   |            |           |           | <b>2,184,943</b> |
| UCT<br>COATINGS,<br>INC.<br>(0.4%) | Common Stock<br>*(1)(3)(4)                  | 4/18/2011  | 1,500,000 | 662,235   | <b>961,200</b>   |
| <b>Advanced Materials</b>          |   |            |           |           |                  |
| VUFINE,<br>INC.<br>(0.4%)          | Convertible Note<br>Matures July<br>2019    |            |           |           |                  |
| Consumer<br>Electronics            | Interest Rate 6%<br>(1)(2)(4)               | 7/10/2017  | 1,500,000 | 1,500,000 | 479,400          |
|                                    | Convertible Note<br>Matures July<br>2019    |            |           |           |                  |
|                                    | Interest Rate 12%<br>(1)(2)(4)              | 9/13/2018  | 100,000   | 100,000   | 31,960           |
|                                    | Convertible Note<br>Matures October<br>2019 |            |           |           |                  |
|                                    | Interest Rate 12%<br>(1)(2)(4)              | 10/16/2017 | 250,000   | 250,000   | 79,900           |
|                                    | Convertible Note<br>Matures July<br>2019    |            |           |           |                  |
|                                    | Interest Rate 12%<br>(1)(2)(4)              | 1/31/2018  | 350,000   | 350,000   | 111,860          |

See accompanying notes to financial statements

**Firsthand Technology Value Fund, Inc.**

Consolidated Schedule of Investments - continued

**SEPTEMBER 30, 2018 (UNAUDITED)****PORTFOLIO****COMPANY**

(% OF

**NET****ASSETS)****AND****INDUSTRY****INVESTMENT  
TYPE****ACQUISITION  
DATE****SHARES/PAR  
VALUE (\$)****COST BASIS****VALUE**

|   |  |                        |            |            |                |
|---|--|------------------------|------------|------------|----------------|
| VUFINE,<br>INC.<br>(continued)              | Convertible Note<br>Matures July<br>2019<br>Interest Rate 12%<br>(1)(2)(4)     | 6/19/2018              | 300,000    | \$ 300,000 | \$ 95,880      |
|   | Common Stock<br>*(1)(2)(4)   | 2/26/2015              | 750,000    | 15,000     | 0              |
|   | Preferred Stock -<br>Series A<br>*(1)(2)(4)                                    | 03/04/15 -<br>02/18/16 | 22,500,000 | 2,250,000  | 0              |
|   |  |                        |            |            | <b>799,000</b> |
| WRIGHTSPEED<br>INC.<br>(4.4%)<br>Automotive | Convertible Note<br>Matures<br>December 2018<br>Interest Rate 12%<br>(1)(3)(4) | 5/1/2018               | 3,700,000  | 3,700,000  | 197,765        |
|   | Convertible Note<br>Matures<br>December 2018<br>Interest Rate 12%<br>(1)(3)(4) | 6/21/2018              | 2,000,000  | 2,000,000  | 106,900        |
|   | Convertible Note<br>Matures<br>December 2018<br>Interest Rate 12%<br>(1)(3)(4) | 8/10/2018              | 3,000,000  | 3,000,000  | 160,350        |
|   | Preferred Stock -<br>Series C<br>*(1)(3)(4)                                    | 4/11/2013              | 2,267,659  | 1,922,975  | 495,937        |
|   | Preferred Stock -<br>Series D<br>*(1)(3)(4)                                    | 12/15/2014             | 1,100,978  | 3,375,887  | 311,467        |
|   | Preferred Stock -<br>Series E<br>*(1)(3)(4)                                    | 7/10/2015              | 450,814    | 1,658,996  | 137,047        |
|   | Preferred Stock -<br>Series F  | 8/31/2017              | 90,707     | 499,995    | 41,444         |

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|                 |           |           |   |                  |
|-----------------|-----------|-----------|---|------------------|
| * (1)(3)(4)     |           |           |   |                  |
| Preferred Stock |           |           |   |                  |
| Warrants -      |           |           |   |                  |
| Series F        |           |           |   |                  |
| * (1)(3)(4)     | 4/9/2018  | 13,606    | 0 | 23               |
| Preferred Stock |           |           |   |                  |
| Warrants -      |           |           |   |                  |
| Series F        |           |           |   |                  |
| * (1)(3)(4)     | 4/26/2018 | 6,803     | 0 | 12               |
| Preferred Stock |           |           |   |                  |
| Warrants -      |           |           |   |                  |
| Series F        |           |           |   |                  |
| * (1)(3)(4)     | 8/10/2018 | 6,000,000 | 0 | 2,736,000        |
| Preferred Stock |           |           |   |                  |
| Warrants -      |           |           |   |                  |
| Series F        |           |           |   |                  |
| * (1)(3)(4)     | 5/1/2018  | 7,400,000 | 0 | 3,374,400        |
| Preferred Stock |           |           |   |                  |
| Warrants -      |           |           |   |                  |
| Series F        |           |           |   |                  |
| * (1)(3)(4)     | 6/21/2018 | 4,000,000 | 0 | 1,824,000        |
| Preferred Stock |           |           |   |                  |
| Warrants -      |           |           |   |                  |
| Series F        |           |           |   |                  |
| * (1)(3)(4)     | 8/10/2018 | 6,000,000 | 0 | 7,020            |
| Preferred Stock |           |           |   |                  |
| Warrants -      |           |           |   |                  |
| Series F        |           |           |   |                  |
| * (1)(3)(4)     | 5/1/2018  | 7,400,000 | 0 | 8,658            |
| Preferred Stock |           |           |   |                  |
| Warrants -      |           |           |   |                  |
| Series F        |           |           |   |                  |
| * (1)(3)(4)     | 6/21/2018 | 4,000,000 | 0 | 4,680            |
| Preferred Stock |           |           |   |                  |
| Warrants -      |           |           |   |                  |
| Series F        |           |           |   |                  |
| * (1)(3)(4)     | 8/31/2017 | 18,141    | 0 | 31               |
| Preferred Stock |           |           |   |                  |
| Warrants -      |           |           |   |                  |
| Series F        |           |           |   |                  |
| * (1)(3)(4)     | 2/7/2018  | 11,338    | 0 | 19               |
|                 |           |           |   | <b>9,405,753</b> |

See accompanying notes to financial statements

**Firsthand Technology Value Fund, Inc.**

Consolidated Schedule of Investments - continued

**SEPTEMBER 30, 2018 (UNAUDITED)****PORTFOLIO****COMPANY**

(% OF

**NET****ASSETS)****AND****INDUSTRY****INVESTMENT  
TYPE****ACQUISITION  
DATE****SHARES/PAR  
VALUE (\$)****COST BASIS****VALUE**

|                                 |   |         |        |           |    |               |
|---------------------------------|---|---------|--------|-----------|----|---------------|
|                                 | Fidelity<br>Investments                             |         |        |           |    |               |
| INVESTMENT<br>COMPANY<br>(0.0%) | Money Market<br>Treasury Portfolio<br>- Class I (5) | Various | 61,520 | \$ 61,520 | \$ | <b>61,520</b> |

**TOTAL****INVESTMENTS**

(Cost

**\$160,189,392)****114.5%****243,044,193****LIABILITIES IN****EXCESS OF****OTHER ASSETS****(14.5%)****(30,710,463)****NET ASSETS****100%****\$ 212,333,730**\* *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). At September 30, 2018, we held \$220,928,993 (or 104.05% of net assets) in restricted securities (see Note 2).*

(2) *Controlled Investments.*

(3) *Affiliated issuer.*

(4) *Fair Value Level 3 Security.*

(5) *The Fidelity Investments Money Market Portfolio invests primarily in U.S. Treasury securities.*

See accompanying notes to financial statements

**Firsthand Technology Value Fund, Inc.**

## Consolidated Schedule of Investments

**DECEMBER 31, 2017****PORTFOLIO****COMPANY**

(% OF

**NET****ASSETS)****AND****INDUSTRY****TYPE OF  
INVESTMENT****ACQUISITION  
DATE****SHARES/PAR  
VALUE (\$)****COST BASIS****VALUE**

|  |   |                        |           |               |                  |
|--|---|------------------------|-----------|---------------|------------------|
| ALIPHCOM,<br>INC.<br>(0.0%)            | Common Stock<br>*(1)(7)                                 | 8/20/2013              | 2,128,005 | \$ 10,108,024 | \$ 0             |
| Consumer Electronics                   |   |                        |           |               |                  |
| EQX<br>CAPITAL,<br>INC.<br>(2.3%)      | Common Stock<br>*(1)(2)(7)                              | 6/10/2016              | 100,000   | 20,000        | 44,810           |
|  | Preferred Stock -<br>Series A<br>*(1)(2)(7)             | 6/10/2016              | 4,000,000 | 4,000,000     | 3,975,200        |
| Equipment Leasing                      |   |                        |           |               |                  |
| <b>4,020,010</b>                       |   |                        |           |               |                  |
| HERA<br>SYSTEMS,<br>INC.<br>(1.2%)     | Preferred Stock -<br>Series A<br>*(1)(2)(7)             | 9/18/2015              | 3,642,324 | 2,000,000     | 154,799          |
|  | Preferred Stock -<br>Series B<br>*(1)(2)(7)             | 08/07/17 -<br>09/28/17 | 2,039,203 | 1,587,102     | 453,315          |
| Aerospace                              | Preferred Stock<br>Warrants -<br>Series B<br>*(1)(2)(7) | 8/7/2017               | 6,214,922 | 0             | 1,380,956        |
|  | Preferred Stock<br>Warrants -<br>Series B<br>*(1)(2)(7) | 9/28/2017              | 700,000   | 0             | 155,540          |
| <b>2,144,610</b>                       |   |                        |           |               |                  |
| HIGHTAIL,<br>INC.<br>(4.9%)            | Preferred Stock -<br>Series E<br>*(1)(4)(7)             | 3/27/2014              | 2,268,602 | 9,620,188     | <b>8,561,704</b> |
| Cloud Computing                        |   |                        |           |               |                  |
| INTRAOP<br>MEDICAL<br>CORP.<br>(12.1%) | Convertible Note<br>(1)(2)(7)<br>Matures June<br>2020   | 5/31/2017              | 1,000,000 | 1,000,000     | 1,000,000        |



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|                    |   |           |            |            |                   |
|--------------------|---|-----------|------------|------------|-------------------|
| Medical<br>Devices | Interest Rate<br>15%  |           |            |            |                   |
|                    | Convertible Note<br>(1)(2)(7)<br>Matures June<br>2020<br>Interest Rate<br>15% | 9/28/2017 | 1,500,000  | 1,500,000  | 1,500,000         |
|                    | Convertible Note<br>(1)(2)(7)<br>Matures June<br>2020<br>Interest Rate<br>15% | 7/13/2017 | 1,000,000  | 1,000,000  | 1,000,000         |
|                    | Convertible Note<br>(1)(2)(7)<br>Matures June<br>2020<br>Interest Rate<br>15% | 7/8/2014  | 1,000,000  | 1,000,000  | 1,000,000         |
|                    | Preferred Stock -<br>Series C<br>*(1)(2)(7)                                   | 7/12/2013 | 26,856,187 | 26,299,938 | 11,479,677        |
|                    | Term Note (1)(2)<br>Matures<br>February 2020<br>Interest Rate 8%              | 2/10/2017 | 2,000,000  | 2,000,000  | 2,000,000         |
|                    | Term Note<br>(1)(2)(7)<br>Matures<br>February 2020<br>Interest Rate 8%        | 2/28/2014 | 3,000,000  | 3,000,000  | 3,000,000         |
|                    |   |           |            |            | <b>20,979,677</b> |

See accompanying notes to financial statements

**Firsthand Technology Value Fund, Inc.**

Consolidated Schedule of Investments - continued

**DECEMBER 31, 2017****PORTFOLIO****COMPANY**

(% OF

**NET****ASSETS)****AND****INDUSTRY****TYPE OF  
INVESTMENT****ACQUISITION  
DATE****SHARES/PAR  
VALUE (\$)****COST BASIS****VALUE**

|  |   |                        |            |              |                      |
|--|---|------------------------|------------|--------------|----------------------|
| NUTANIX,<br>INC.<br>(9.3%)             | Common Stock *  | 05/15/15 -<br>08/23/16 | 458,772    | \$ 7,358,112 | <b>\$ 16,185,476</b> |
| Networking                             |   |                        |            |              |                      |
| PHUNWARE,<br>INC.<br>(6.9%)            | Preferred Stock -<br>Series E<br>*(1)(3)(7)             | 3/14/2014              | 3,257,328  | 9,999,997    | <b>12,018,563</b>    |
| Mobile Computing                       |   |                        |            |              |                      |
| PIVOTAL<br>SYSTEMS<br>CORP.<br>(19.9%) | Common Stock<br>Warrants -<br>Class B<br>*(1)(2)(7)     | 2/12/2016              | 18,180,475 | 0            | 8,741,172            |
| Semiconductor<br>Equipment             | Preferred Stock<br>Warrants -<br>Series D<br>*(1)(2)(7) | 9/2/2016               | 4,158,654  | 0            | 618,392              |
|  | Preferred Stock -<br>Series A<br>*(1)(2)(7)             | 11/28/12 -<br>04/30/14 | 11,914,217 | 6,000,048    | 8,453,614            |
|  | Preferred Stock -<br>Series B<br>*(1)(2)(7)             | 4/30/2014              | 13,065,236 | 6,321,482    | 9,270,308            |
|  | Preferred Stock -<br>Series C<br>*(1)(2)(7)             | 12/31/2014             | 2,291,260  | 2,657,862    | 2,560,254            |
|  | Preferred Stock -<br>Series D<br>*(1)(2)(7)             | 9/2/2016               | 6,237,978  | 3,975,801    | 5,009,720            |
|  |   |                        |            |              | <b>34,653,460</b>    |
| QMAT,<br>INC.<br>(13.4%)               | Preferred Stock -<br>Series A<br>*(1)(2)(7)             | 12/14/12 -<br>04/28/16 | 16,000,240 | 16,000,240   | 17,394,341           |
| Advanced<br>Materials                  | Preferred Stock -<br>Series B *(1)(2)<br>(7)            | 09/28/16 -<br>11/07/16 | 2,000,000  | 2,000,000    | 2,132,600            |
|  | Preferred Stock<br>Warrants -                           | 12/14/2012             | 2,000,000  | 0            | 1,086,600            |

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|   |  |                        |           |           |                   |
|---|--|------------------------|-----------|-----------|-------------------|
| Series A *(1)(2)<br>Convertible Note<br>Matures March<br>2019<br>Interest Rate 8% | (1)(2)(7)  | 12/29/17               | 2,745,485 | 2,745,485 | 2,745,485         |
|   |  |                        |           |           | <b>23,359,026</b> |
| QUICKLOGIC<br>CORP.<br>(1.2%)   | Common Stock *   | 12/27/16 -<br>11/09/17 | 1,200,000 | 1,859,835 | <b>2,088,000</b>  |
| Semiconductors  |  |                        |           |           |                   |
| REVASUM,<br>INC.<br>(8.5%)  | Preferred Stock -<br>Series B  | 10/27/17 -<br>12/20/17 | 313,719   | 2,550,033 | 2,550,033         |
| Semiconductor   | (1)(2)(7)(8)   |                        |           |           |                   |
| Equipment   | Common Stock<br>*(1)(2)(7)   | 11/14/2016             | 10,000    | 1,000     | 29,908            |
|   | Preferred Stock -<br>Series A<br>*(1)(2)(7)                            | 3/1/2017               | 441,998   | 1,999,997 | 2,256,355         |
|   | Term Note<br>(1)(2)(7)<br>Matures<br>February 2020<br>Interest Rate 5% | 3/1/2017               | 1,000,000 | 1,000,000 | 1,000,000         |
|   | Preferred Stock -<br>Series<br>Seed *(1)(2)(7)                         | 11/14/2016             | 2,200,000 | 7,284,145 | 8,966,760         |
|   |  |                        |           |           | <b>14,803,056</b> |

See accompanying notes to financial statements

**Firsthand Technology Value Fund, Inc.**

Consolidated Schedule of Investments - continued

**DECEMBER 31, 2017****PORTFOLIO****COMPANY**

(% OF

**NET****ASSETS)****AND****INDUSTRY****TYPE OF INVESTMENT****ACQUISITION DATE****SHARES/PAR VALUE (\$)****COST BASIS****VALUE**

|                                 |  |                        |            |              |                      |
|---------------------------------|--|------------------------|------------|--------------|----------------------|
| ROKU, INC.<br>(6.7%)            | Common Stock<br>*(1)(7)                    | 05/26/15 -<br>08/06/15 | 250,000    | \$ 2,312,500 | <b>\$ 11,650,500</b> |
| Consumer Electronics            |  |                        |            |              |                      |
| RORUS, INC.<br>(0.0%)           | Convertible Note<br>(1)(7)                 |                        |            |              |                      |
| Water Purification              | Matures June 2021                          |                        |            |              |                      |
|                                 | Interest Rate 2%                           | 10/4/2016              | 50,000     | 50,000       | <b>0</b>             |
| SILICON GENESIS CORP.<br>(3.5%) | Common Stock<br>*(1)(2)(7)                 | 4/18/2011              | 921,892    | 169,045      | 16,871               |
|                                 | Common Stock Warrants<br>*(1)(2)(7)        | 4/18/2011              | 5,000,000  | 0            | 11,000               |
| Intellectual Property           | Common Stock Warrants<br>*(1)(2)(7)        | 10/13/2011             | 37,982     | 6,678        | 357                  |
|                                 | Common Stock Warrants<br>*(1)(2)(7)        | 2/6/2012               | 3,000,000  | 0            | 6,600                |
|                                 | Preferred Stock - Series 1-C<br>*(1)(2)(7) | 4/18/2011              | 82,914     | 109,518      | 74,258               |
|                                 | Preferred Stock - Series 1-D<br>*(1)(2)(7) | 4/18/2011              | 850,830    | 431,901      | 205,646              |
|                                 | Preferred Stock - Series 1-E<br>*(1)(2)(7) | 4/18/2011              | 5,704,480  | 2,459,808    | 2,063,310            |
|                                 | Preferred Stock - Series 1-F<br>*(1)(2)(7) | 4/18/2011              | 912,453    | 475,674      | 456,318              |
|                                 | Preferred Stock - Series 1-G               | 3/10/2016              | 48,370,793 | 4,583,405    | 3,023,658            |

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|                         |                              |            |           |           |                  |
|-------------------------|------------------------------|------------|-----------|-----------|------------------|
|                         | * (1)(2)(5)(7)               |            |           |           |                  |
|                         | Preferred Stock - Series 1-H |            |           |           |                  |
|                         | * (1)(2)(7)                  | 3/10/2016  | 837,942   | 946,502   | 236,551          |
|                         |                              |            |           |           | <b>6,094,569</b> |
| SVXR, INC. (1.2%)       | Preferred Stock - Series A   |            |           |           |                  |
|                         | * (1)(3)(7)                  | 01/11/2017 | 2,013,491 | 1,000,000 | 1,000,000        |
|                         | Convertible Note             |            |           |           |                  |
|                         | (1)(2)(7)                    |            |           |           |                  |
|                         | Matures                      |            |           |           |                  |
| Semiconductor Equipment | December 2018                |            |           |           |                  |
|                         | Interest Rate                |            |           |           |                  |
|                         | 10% (1)(2)(7)                | 12/21/2017 | 1,000,000 | 1,000,000 | 1,000,000        |
|                         |                              |            |           |           | <b>2,000,000</b> |

See accompanying notes to financial statements

**Firsthand Technology Value Fund, Inc.**

Consolidated Schedule of Investments - continued

**DECEMBER 31, 2017****PORTFOLIO****COMPANY**

(% OF

**NET****ASSETS)****AND****INDUSTRY****TYPE OF INVESTMENT****ACQUISITION DATE****SHARES/PAR VALUE (\$)****COST BASIS****VALUE**

TELEPATHY

INVESTORS, INC.

(0.9%)

Consumer Electronics

Convertible Note  
(1)(2)(7)  
Matures January  
2018

Interest Rate 10%

1/29/2016

300,000

\$ 300,000

\$ 45,321

Convertible Note  
(1)(2)(7)  
Matures January  
2018

Interest Rate 10%

4/20/2016

500,000

500,000

75,535

Convertible Note  
(1)(2)(7)  
Matures January  
2018

Interest Rate 10%

6/21/2016

150,000

150,000

22,661

Convertible Note  
(1)(2)(7)  
Matures January  
2018

Interest Rate 10%

12/13/2016

500,000

500,000

75,535

Convertible Note  
(1)(2)(7)  
Matures January  
2018

Interest Rate 10%

6/23/2015

2,000,000

2,000,000

302,140

Convertible Note  
(1)(2)(7)  
Matures January  
2018

Interest Rate 10%

5/3/2017

300,000

300,000

45,321

Preferred Stock -  
Series A

\*(1)(2)(7)

7/29/2014

15,238,000

3,999,999

937,137

**1,503,650**UCT  
COATINGS,Common Stock  
\*(1)(3)(7)

4/18/2011

1,500,000

662,235

922,050

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|   |  |                        |            |           |                   |
|---|--|------------------------|------------|-----------|-------------------|
| INC.<br>(0.5%)                            | Common Stock Warrants<br>*(1)(3)(7)  | 4/18/2011              | 2,283      | 67        | 4                 |
| Advanced Materials VUFINE, INC.<br>(0.8%) | Common Stock<br>*(1)(2)(7)   | 2/26/2015              | 750,000    | 15,000    | 0                 |
| Consumer Electronics                      | Convertible Note<br>(1)(2)(7)<br>Matures July 2019<br>Interest Rate 6%     | 7/10/2017              | 1,500,000  | 1,500,000 | 1,229,280         |
|   | Preferred Stock - Series A<br>*(1)(2)(7)                                   | 03/04/15 -<br>02/18/16 | 22,500,000 | 2,250,000 | 0                 |
|   | Convertible Note<br>(1)(2)(7)<br>Matures October 2019<br>Interest Rate 12% | 10/16/2017             | 250,000    | 250,000   | 204,880           |
|   |  |                        |            |           | <b>1,434,160</b>  |
| WRIGHTSPEED, INC.<br>(6.2%)               | Preferred Stock - Series C<br>*(1)(3)(4)(7)                                | 4/11/2013              | 2,267,659  | 6,837,983 | 5,704,296         |
|   | Preferred Stock - Series D<br>*(1)(3)(7)                                   | 12/15/2014             | 1,100,978  | 3,375,887 | 3,161,018         |
| Automotive                                | Preferred Stock - Series E<br>*(1)(3)(7)                                   | 7/10/2015              | 450,814    | 1,658,996 | 1,350,323         |
|   | Preferred Stock - Series F<br>*(1)(3)(7)                                   | 8/31/2017              | 90,707     | 499,995   | 471,295           |
|   | Preferred Stock Warrants - Series F<br>*(1)(3)(7)                          | 8/31/2017              | 18,141     | 0         | 28,703            |
|   |  |                        |            |           | <b>10,715,635</b> |

See accompanying notes to financial statements

**Firsthand Technology Value Fund, Inc.**

Consolidated Schedule of Investments - continued

**DECEMBER 31, 2017****PORTFOLIO****COMPANY**

(% OF

**NET****ASSETS)****AND****INDUSTRY****TYPE OF INVESTMENT****ACQUISITION DATE****SHARES/PAR VALUE (\$)****COST BASIS****VALUE**

|                           |   |         |           |              |    |                  |
|---------------------------|---|---------|-----------|--------------|----|------------------|
|                           | Fidelity Investments                          |         |           |              |    |                  |
| INVESTMENT COMPANY (1.0%) | Money Market Treasury Portfolio - Class I (6) | Various | 1,705,375 | \$ 1,705,375 | \$ | <b>1,705,375</b> |

**TOTAL****INVESTMENTS**

(Cost

**\$174,939,859)****100.5%****174,839,525****OTHER ASSETS IN EXCESS OF LIABILITIES****0.5%****(845,936)****NET ASSETS****100.0%****\$ 173,993,589**\* *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).*(6) *The Fidelity Investments Money Market Portfolio invests primarily in U.S. Treasury securities.*(7) *Fair value level 3 security.*

See accompanying notes to financial statements



**Firsthand Technology Value Fund, Inc.**

Consolidated Notes to Financial Statements

**SEPTEMBER 30, 2018 (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 18, 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, 2018, were \$0 or 0.0% 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, 2018, were \$0 or 0.0% of the Company's consolidated net assets. On November 10, 2017, 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 Investments, Ltd. ("FIL"), a Cayman Islands corporation formed on November 15, 2017. The net assets of FIL at September 30, 2018, were \$0 or 0.0% of the Company's consolidated net assets. The financial statements of the Company, FVI, FHL, FDL, and FIL are presented in the report on a consolidated basis.

FHL, FDL, and FIL are all treated as controlled foreign corporations 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, FDL, and FIL. As a result, FVI is required to include in gross income for U.S. federal tax purposes all of FHL, FDL, and FIL's income, whether or not such income is distributed by FHL, FDL, or FIL. If a net loss is realized by FHL, FDL, or FIL, such loss is not generally available to offset the income earned by FVI.

**Firsthand Technology Value Fund, Inc.**

Consolidated Notes to Financial Statements - continued

**SEPTEMBER 30, 2018 (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.

**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, 2018, our financial statements include venture capital investments valued at approximately \$123,662,331. 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, 2018, and December 31, 2017, we held \$220,928,993 and \$154,860,674, in restricted securities, respectively.

**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 reduction to interest income.

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

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

**INCOME TAXES.** Beginning on June 30, 2018, we were no longer able to qualify as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"). This change in tax status resulted from the increase in the value of a single holding, Pivotal Systems Corp., which meant that we were no longer able to satisfy the diversification requirements for qualification as a RIC. As a result of this change, we will be taxed as a corporation for our fiscal year ended December 31, 2018, and will continue to be taxed in that manner for future fiscal years, paying federal and applicable

**Firsthand Technology Value Fund, Inc.**

Consolidated Notes to Financial Statements - continued

**SEPTEMBER 30, 2018 (UNAUDITED)**

state corporate taxes on our taxable income, unless and until we are able to once again qualify as a RIC, based on changes in the composition of our portfolio.

Consequently, at the close of each fiscal quarter beginning with the quarter ended June 30, 2018, we will record a deferred tax liability for any net realized gains and net ordinary income for the year-to-date period plus net unrealized gains as of the end of the quarter.

**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 of the transaction for the purchase or sale of the securities entered into by the Company (*i.e.*, trade date).

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

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

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

The Company had no option transactions for the nine months ended September 30, 2018.

The average volume of the Company's derivatives during the nine months ended September 30, 2018, is as follows:

|                                       | <b>Purchased Options<br/>(Contracts)</b> | <b>Warrants<br/>(Notional Value)</b> | <b>Written Options<br/>(Contracts)</b> |
|---------------------------------------|--|--------------------------------------|--|
| Firsthand Technology Value Fund, Inc. | \$                                       | \$ 9,674,124                         | \$                                     |

**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.

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Consolidated Notes to Financial Statements - continued

**SEPTEMBER 30, 2018 (UNAUDITED)**

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

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

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

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

- (1) each quarter the valuation process begins with each portfolio company or investment being initially valued by the Adviser Valuation Committee or the independent valuation firm;
- (2) the Valuation Committee of the Board on a quarterly basis reviews the preliminary valuation of the Adviser Valuation Committee and that of the independent valuation firms and makes the fair value determination, in good faith, based on the valuation recommendations of the Adviser Valuation Committee and the independent valuation firms; and

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

#### NOTE 4. INVESTMENT MANAGEMENT FEE

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

The base management fee will be calculated at an annual rate of 2.00% of our gross assets. For services rendered under the Investment Management Agreement, the base management fee will be payable quarterly in arrears. The base management fee will be calculated based on the average of (1) the value of our gross assets at the end of the current calendar quarter and (2) the value of the Company's gross assets at the end of the preceding calendar quarter; and will be appropriately adjusted for any



**Firsthand Technology Value Fund, Inc.**

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**SEPTEMBER 30, 2018 (UNAUDITED)**

share issuances or repurchases during the current calendar quarter. Base management fees for any partial month or quarter will be pro-rated.

The incentive fee is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Management Agreement, as of the termination date), commencing on April 15, 2011, and equals 20% of the Company's realized capital gains, if any, on a cumulative basis from inception through the end of each calendar year, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid incentive fees, provided that the incentive fee determined as of December 31, 2018, 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, 2018, there was an incentive fee payable for \$16,499,806. As of December 31, 2017, there was an incentive fee payable for \$1,691,040.

**NOTE 5. DEBT**

The Company currently has no plan to use leverage and does not have any significant outstanding debt obligations (other than normal operating expense accruals).

**NOTE 6. FAIR VALUE**

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

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

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

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

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

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

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

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

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

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

- **Income Approach (I):** The income approach uses valuation techniques to convert future amounts (for example, cash flows or earnings) to a single present value amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts. Those valuation techniques include present value techniques; option-pricing models, such as the Black-Scholes-Merton formula (a closed-form model) and a binomial model (a lattice model), which incorporate present value techniques; and the multi-period excess earnings method, which is used to measure the fair value of certain assets.

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

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

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

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

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

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

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets,

**Firsthand Technology Value Fund, Inc.**

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**SEPTEMBER 30, 2018 (UNAUDITED)**

and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

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

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following is a summary of the inputs used to value the Company's net assets as of September 30, 2018:

|                         | <b>LEVEL 1 QUOTED<br/>PRICES</b> | <b>LEVEL 2 OTHER<br/>SIGNIFICANT<br/>OBSERVABLE INPUTS</b> | <b>LEVEL 3 SIGNIFICANT<br/>UNOBSERVABLE<br/>INPUTS</b> |
|-------------------------|----------------------------------|--|--|
| <b>Assets</b>           |                                  |  |  |
| <b>Common Stocks</b>    |                                  |  |  |
| Advanced Materials      | \$                               | \$   | \$ 961,200   |
| Consumer Electronics    | 18,257,500                       |  |  |
| Equipment Leasing       |                                  |  | 24,610   |
| Intellectual Property   |                                  |  | 7,375  |
| Networking              | 2,596,180                        |  |  |
| Semiconductors          | 1,200,000                        |  |  |
| Semiconductor Equipment |                                  |  | 97,350,286   |
| Total Common Stocks     | 22,053,680                       |  | 98,343,471   |
| <b>Preferred Stocks</b> |                                  |  |  |
| Advanced Materials      |                                  |  | 8,803,627  |
| Aerospace               |                                  |  | 1,444,805  |
| Automotive              |                                  |  | 985,895  |
| Consumer Electronics    |                                  |  | 1,283,040  |

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|                         |    |            |    |                |
|-------------------------|----|------------|----|----------------|
| Equipment Leasing       |    |            |    | 3,196,000      |
| Intellectual Property   |    |            |    | 3,937,098      |
| Medical Devices         |    |            |    | 17,446,316     |
| Mobile Computing        |    |            |    | 10,761,886     |
| Semiconductor Equipment |    |            |    | 36,563,426     |
| Total Preferred Stocks  |    |            |    | 84,422,093     |
| Asset Derivatives *     |    |            |    |                |
| Equity Contracts        |    |            |    | 14,618,906     |
| Total Asset Derivatives |    |            |    | 14,618,906     |
| Convertible Notes       |    |            |    |                |
| Advanced Materials      |    |            |    | 5,532,208      |
| Aerospace               |    |            |    | 1,000,000      |
| Automotive              |    |            |    | 465,015        |
| Consumer Electronics    |    |            |    | 1,700,903      |
| Medical Devices         |    |            |    | 13,000,000     |
| Semiconductor Equipment |    |            |    | 1,846,397      |
| Total Convertible Notes |    |            |    | 23,544,523     |
| Mutual Funds            |    | 61,520     |    |                |
| Total                   | \$ | 22,115,200 | \$ | \$ 220,928,993 |

\* Asset derivatives include warrants.

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**SEPTEMBER 30, 2018 (UNAUDITED)**

At the end of each calendar quarter, management evaluates the Level 2 and Level 3 assets and liabilities for changes in liquidity, including but not limited to: whether a broker is willing to execute at the quoted price, the depth and consistency of prices from third party services, and the existence of contemporaneous, observable trades in the market. Additionally, management evaluates the Level 1 and Level 2 assets and liabilities on a quarterly basis for changes in listings or delistings on national exchanges. Transfers in and out of the levels are recognized at the value at the end of the period. There were no transfers between Levels 1 and 2 as of September 30, 2018.

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<br>AT<br>FAIR<br>VALUE<br>USING<br>SIGNIFICANT<br>UNOBSERVABLE<br>INPUTS<br>(LEVELS<br>3) | BALANCE<br>AS OF<br>12/31/17 | NET<br>PURCHASES/<br>CONVERSIONS | NET<br>SALES/<br>CONVERSIONS | NET<br>REALIZED<br>GAINS/<br>(LOSSES) | TRANSFERS<br>IN<br>(OUT)                     |            | BALANCE<br>AS OF 9/30/18 |
|---|------------------------------|----------------------------------|------------------------------|---------------------------------------|--|------------|--------------------------|
|   |                              |                                  |                              |                                       | NET<br>APPRECIATION<br>(DEPRECIATION)<br>(1) | LEVEL<br>3 |                          |
| <b>Common Stocks</b>  |                              |                                  |                              |                                       |  |            |                          |
| Advanced<br>Materials   | \$ 922,050                   | \$                               | \$                           | \$                                    | \$ 39,150                                    | \$         | \$ 961,200               |
| Consumer<br>Electronics   | 650,500                      |                                  |                              | (10,108,024)                          | (1,542,476)                                  |            |                          |
| Equipment<br>Leasing  | 44,810                       |                                  |                              |                                       | (20,200)                                     |            | 24,610                   |
| Intellectual<br>Property  | 16,871                       |                                  |                              |                                       | (9,496)                                      |            | 7,375                    |
| Semiconductor<br>Equipment  | 29,908                       |                                  | (2,914,684)                  | 491,004                               | 99,744,058                                   |            | 97,350,286               |
| <b>Preferred Stocks</b>   |                              |                                  |                              |                                       |  |            |                          |
| Advanced<br>Materials   | 19,526,941                   | 24,290,124                       | (24,290,124)                 | (6,319,935)                           | (4,403,379)                                  |            | 8,803,627                |
| Aerospace   | 608,114                      | 3,500,000                        |                              |                                       | (2,663,309)                                  |            | 1,444,805                |
| Automotive  | 1,686,932                    | 368,088                          | (368,088)                    | (4,915,008)                           | (4,786,029)                                  |            | 985,895                  |
| Cloud<br>Computing  | 1,561,704                    |                                  | (5,462,741)                  | (4,157,447)                           | 1,058,484                                    |            |                          |
| Consumer<br>Electronics   | 937,137                      |                                  |                              |                                       | 345,903                                      |            | 1,283,040                |

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|                          |            |            |             |           |             |            |
|--------------------------|------------|------------|-------------|-----------|-------------|------------|
| Equipment Leasing        | 3,975,200  |            |             |           | (779,200)   | 3,196,000  |
| Intellectual Property    | 6,059,741  | 1,658,300  | (1,857,030) | (620,377) | (1,303,536) | 3,937,098  |
| Medical Devices          | 1,479,677  |            |             |           | 5,966,639   | 17,446,316 |
| Mobile Computing         | 18,563     |            |             |           | (1,256,677) | 10,761,886 |
| Semiconductor Equipment  | 10,067,044 | 10,807,261 | (6,725,070) | (9,075)   | (7,576,734) | 36,563,426 |
| <b>Asset Derivatives</b> |            |            |             |           |             |            |
| Equity Contracts         | 3,029,324  | 500,001    |             |           | (67)        | 2,089,648  |
|                          |            |            |             |           |             | 14,618,906 |



**Firsthand Technology Value Fund, Inc.**

Consolidated Notes to Financial Statements - continued

**SEPTEMBER 30, 2018 (UNAUDITED)****INVESTMENTS**

| <b>AT<br/>FAIR<br/>VALUE<br/>USING<br/>SIGNIFICANT<br/>UNOBSERVABLE<br/>INPUTS<br/>(LEVEL 3)<br/>(continued)</b> | <b>BALANCE AS<br/>OF<br/>9/30/17</b> | <b>NET<br/>PURCHASES/<br/>CONVERSIONS</b> | <b>NET<br/>SALES/<br/>CONVERSIONS</b> | <b>NET<br/>REALIZED<br/>GAINS/<br/>(LOSSES)</b> | <b>NET<br/>UNREALIZED<br/>APPRECIATION OF<br/>(DEPRECIATION)<br/>(1)</b> | <b>TRANSFERS<br/>IN<br/>LEVEL 3</b> | <b>BALANCE<br/>AS OF 9/30/18</b> |
|--|--------------------------------------|---|---------------------------------------|---|--|-------------------------------------|----------------------------------|
| <b>Convertible Notes</b>   |                                      |   |                                       |   |  |                                     |                                  |
| Advanced<br>Materials  | \$ 2,745,485                         | \$ 5,532,208                              | \$ (2,745,485)                        | \$  | \$   | \$                                  | \$ 5,532,208                     |
| Aerospace  |                                      | 1,000,000                                 |                                       |   |  |                                     | 1,000,000                        |
| Automotive   |                                      | 8,950,000                                 | (250,000)                             |   | (8,234,985)  |                                     | 465,015                          |
| Consumer<br>Electronics  | \$ 2,000,673                         | 950,000                                   |                                       |   | (1,249,770)  |                                     | 1,700,903                        |
| Medical<br>Devices   | 9,500,000                            | 3,500,000                                 |                                       |   |  |                                     | 13,000,000                       |
| Semiconductor<br>Equipment   | \$ 1,000,000                         | 3,846,397                                 | (4,000,000)                           |   |  |                                     | 1,846,397                        |
| Water<br>Purification  |                                      |   |                                       | (50,000)  | 50,000   |                                     |                                  |
| <b>Total</b>   | <b>\$ 154,860,674</b>                | <b>\$ 64,902,379</b>                      | <b>\$ (48,613,222)</b>                | <b>\$ (25,688,929)</b>                          | <b>\$ 75,468,091</b>   | <b>\$</b>                           | <b>\$ 220,928,993</b>            |

(1) The net change in unrealized depreciation from Level 3 instruments held as of September 30, 2018, was \$110,555,479.

The below chart represents quantitative disclosure about significant unobservable inputs for Level 3 fair value measurements at September 30, 2018.

|   | <b>FAIR VALUE<br/>AT 9/30/18</b> | <b>VALUATION<br/>TECHNIQUES</b>  | <b>UNOBSERVABLE<br/>INPUTS</b>   | <b>RANGE<br/>(WEIGHTED<br/>AVG.)</b>                                      |
|---|----------------------------------|--|--|---|
| Direct venture capital<br>investments: Advanced Materials | \$ 15.7M                         | Market Comparable<br>Companies<br>Prior Transaction<br>Analysis<br>Probability-Weighted<br>Expected Return | EBITDA Multiple<br>Years to Maturity<br>Volatility<br>Risk-Free Rate<br>Going Concern<br>Probability | 9.9% - 10.7%<br>(10.3%)<br>5 years (5<br>years)<br>50.0% (50.0%)<br>2.91% |

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|  |    |      |                                      |                                    |                                |
|--|----|------|--------------------------------------|------------------------------------|--------------------------------|
|  |    |      | Option Pricing Model                 | Discount for Lack of Marketability | 53%<br>0.0% - 22.7%<br>(1.4%)  |
| Direct venture capital investments: Aerospace            | \$ | 6.7M | Prior Transaction Analysis           | Years to Maturity Volatility       | 5 years (5 years)              |
|  |    |      | Option Pricing Model                 | Risk-Free Rate                     | 60.0% (60.0%)<br>2.94% (2.94%) |
| Direct venture capital investments: Automotive           | \$ | 9.4M | Prior Transaction Analysis           | Years to Maturity Volatility       | 3 years (3 years)              |
|  |    |      | Option Pricing Model                 | Risk-Free Rate                     | 55.0% (55.0%)<br>2.88% (2.88%) |
| Direct venture capital investments: Consumer Electronics | \$ | 3.0M | Market Comparable Companies          | Revenue Multiple Going Concern     | 1.3x - 2.4x<br>(1.9x)          |
|  |    |      | Probability-Weighted Expected Return | Probability Years to Maturity      | 40% - 50%<br>(43%)             |
|  |    |      | Invested Capital (Cost)              | Volatility                         | 1 year (1 year)                |
|  |    |      | Option Pricing Model                 | Risk-Free Rate                     | 70.0% (70.0%)<br>2.59% (2.59%) |

**Firsthand Technology Value Fund, Inc.**

Consolidated Notes to Financial Statements - continued

**SEPTEMBER 30, 2018 (UNAUDITED)**

|   | <b>FAIR VALUE<br/>AT 9/30/18</b> | <b>VALUATION<br/>TECHNIQUES</b>  | <b>UNOBSERVABLE<br/>INPUTS</b>  | <b>RANGE<br/>(WEIGHTED<br/>AVG.)</b>   |
|---|----------------------------------|--|---|--|
| Direct venture capital<br>investments: Equipment Leasing          | \$ 3.2M                          | Prior Transaction<br>Analysis<br>Option Pricing Model  | Years to Maturity<br>Volatility<br>Risk-Free Rate   | 5 years (5<br>years)<br>50.0% (50.0%)<br>2.94% (2.94%)   |
| Direct venture capital<br>investments: Intellectual<br>Property   | \$ 4.0M                          | Prior Transaction<br>Analysis<br>Option Pricing Model  | Years to Maturity<br>Volatility<br>Risk-Free Rate<br>Discount for Lack of<br>Marketability<br>Adjustment for<br>Market Movement | 5 years (5<br>years)<br>55.0% (55.0%)<br>2.94% (2.94%)<br>0.0% - 24.3%<br>(0.1%)<br>-48.3%<br>(-48.3%)               |
| Direct venture capital<br>investments: Medical Devices            | \$ 30.4M                         | Market Comparable<br>Companies<br>Option Pricing Model   | Revenue Multiple<br>Years to Maturity<br>Volatility<br>Risk-Free Rate   | 3.1x - 3.4x<br>(3.3x)<br>4 years (4<br>years)<br>50.0% (50.0%)<br>2.91% (2.91%)                                      |
| Direct venture capital<br>investments: Mobile Computing           | \$ 10.8M                         | Prior Transaction<br>Analysis<br>Probability-Weighted<br>Expected Return<br>Option Pricing Model | Years to Maturity<br>Volatility<br>Risk-Free Rate<br>Transaction<br>Completion<br>Probability                                   | 2 years (2<br>years)<br>60.0% (60.0%)<br>2.81% (2.81%)<br>40.0% (40.0%)  |
| Direct venture capital<br>investments:<br>Semiconductor Equipment | \$ 137.7M                        | Market Comparable<br>Companies<br>Prior Transaction<br>Analysis<br>Option Pricing Model          | Revenue Multiple<br>Years to Maturity<br>Volatility<br>Risk-Free Rate<br>Discount for Lack of<br>Marketability                  | 1.3x - 1.6x<br>(1.5x)<br>5 years (5<br>years)<br>40.0% - 60.0%<br>(48.7%)<br>2.94% (2.94%)<br>0.0% - 19.4%<br>(8.7%) |

**NOTE 7. FEDERAL INCOME TAXES**

Beginning on June 30, 2018, we were no longer able to qualify as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"). This change in tax status resulted from the increase in the value of a single holding, Pivotal Systems Corp., which meant that we were no longer able to satisfy the diversification requirements for qualification as a RIC. As a result of this change, we will be taxed as a

corporation for our fiscal year ended December 31, 2018, and will continue to be taxed in that manner for future fiscal years, paying federal and applicable state corporate taxes on our taxable income, unless and until we are able to once again qualify as a RIC, based on changes in the composition of our portfolio. Consequently, at the close of each fiscal quarter beginning with the quarter ended June 30, 2018, we will record a deferred tax liability for any net realized gains and net ordinary income for the year-to-date period plus net unrealized gains as of the end of the quarter.

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

**Firsthand Technology Value Fund, Inc.**

Consolidated Notes to Financial Statements - continued

**SEPTEMBER 30, 2018 (UNAUDITED)**

The following information is based upon the federal income tax cost of portfolio investments as of September 30, 2018.

|                                      |                |
|--------------------------------------|----------------|
| Gross unrealized appreciation        | \$ 130,571,132 |
| Gross unrealized depreciation        | (47,716,331)   |
| Net unrealized appreciation          | \$ 82,854,801  |
| Federal income tax cost, Investments | \$ 160,189,392 |

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 2014, 2015, 2016, and 2017 remain open to federal and state audit. As of December 31, 2017, 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, 2018.

**PURCHASES AND SALES**

|   |               |
|---|---------------|
| Purchases of investment securities                          | \$ 48,038,120 |
| Proceeds from sales and maturities of investment securities | \$ 66,288,520 |

**NOTE 9. SHARE BUYBACK/TENDER OFFER**

**SHARE BUYBACKS.** On April 26, 2016, the Board of Directors of the Company approved a discretionary share repurchase plan (the "Plan"). Pursuant to the Plan, the Company was authorized to purchase in the open market up to \$2 million worth of its common stock. The Plan allowed the Company 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 Company 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.

On November 10, 2017, the Board of Directors of the Company approved a discretionary share purchase plan (the "Plan"). Pursuant to the Plan, the Company was authorized to purchase in the open market up to \$2 million worth of

its common stock. The Plan allowed the Company to acquire its own shares 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. Through the closing of the Plan at the end of March, we had repurchased and retired 128,551 shares of stock at a total cost of approximately \$1.1 million. Purchases under the Plan were restricted during certain months in order to comply with SEC rules regarding material nonpublic information.

On August 31, 2018, the Fund announced a plan to repurchase up to \$2 million worth of SVVC stock in the open market by March 31, 2019. Through the end of September, we had repurchased and retired 26,110 shares of stock at a total cost of approximately \$420,000. As of September 30, 2018, the Fund had 7,276,036 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 Company'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 Company commenced a tender offer to purchase up to \$20 million of its issued and outstanding

**Firsthand Technology Value Fund, Inc.**

Consolidated Notes to Financial Statements - continued

**SEPTEMBER 30, 2018 (UNAUDITED)**

common shares for cash at a price per share equal to 95% of the NAV determined on December 31, 2014, (\$23.2702 per share). The tender offer, which expired on January 22, 2015 at 12:00 midnight, New York City time, was oversubscribed. Because the number of shares tendered exceeded the maximum amount of its offer, the Company 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 Company 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, 2017, through September 30, 2018, is noted below:

| AFFILIATE/<br>CONTROLLED<br>INVESTMENTS*             | SALES/<br>PURCHASES/<br>MERGER | REALIZED<br>MATURITY<br>EXPIRATION | CHANGE IN<br>GAIN<br>APPRECIATION/<br>LOSS<br>DEPRECIATION | VALUE<br>9/30/18 | SHARES/<br>PAR VALUE<br>HELD AT<br>9/30/18 |         |
|--|--------------------------------|------------------------------------|--|------------------|--|---------|
| EQX<br>Capital,<br>Inc.<br>Common<br>Stock           | \$ 44,810                      | \$                                 | \$   | \$ (20,200)      | \$ 24,610                                  | 100,000 |
| EQX,<br>Inc.<br>Preferred<br>Stock                   | -                              | -                                  | -  | -                | -  | -       |
| Series<br>A*   | 3,975,200                      | -                                  | (779,200)  | 3,196,000        | 4,000,000                                  |         |
| Hera<br>Systems,<br>Inc.<br>Series<br>A<br>Preferred | 154,799                        | -                                  | 58,641   | 213,440          | 3,642,324                                  |         |

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|  |           |           |             |            |
|--|-----------|-----------|-------------|------------|
| Hera<br>Systems<br>Convertible<br>Note               | 500,000   | 35,417    | 500,000     | 500,000    |
| Hera<br>Systems<br>Convertible<br>Note               | 500,000   | 17,083    | 500,000     | 500,000    |
| Hera<br>Systems,<br>Inc.<br>Series<br>B<br>Preferred | 453,315   | 3,500,000 | (2,721,950) | 1,231,365  |
| Hera<br>Systems,<br>Inc.<br>Series<br>B<br>Warrants  | 155,540   |           | 155,540     | 700,000    |
| Hera<br>Systems,<br>Inc.<br>Series<br>B<br>Warrants  | 1,380,956 |           | 1,380,956   | 6,214,922  |
| Hera<br>Systems,<br>Inc.<br>Series<br>B<br>Warrants* |           |           | 2,721,950   | 12,250,000 |



**Firsthand Technology Value Fund, Inc.**

Consolidated Notes to Financial Statements - continued

**SEPTEMBER 30, 2018 (UNAUDITED)**

| AFFILIATE/<br>CONTROLLED<br>INVESTMENT*                  | PURCHASES/<br>MERGER | SALES/<br>MATURITY/<br>EXPIRATION | REALIZED<br>GAIN/<br>LOSS | CHANGE IN<br>APPRECIATION/<br>DEPRECIATION | VALUE<br>9/30/18 | SHARES/<br>PAR VALUE<br>HELD AT<br>9/30/18 |            |
|--|----------------------|-----------------------------------|---------------------------|--|------------------|--|------------|
| IntraOp<br>Medical<br>Corp.<br>Series<br>C<br>Preferred* | \$479,677            | \$                                | \$                        | \$   | \$ 5,966,639     | \$ 17,446,316                              | 26,856,187 |
| IntraOp<br>Medical<br>Corp.<br>Convertible<br>Note*      | 1,000,000            | 178,662                           |                           |  |                  | 1,000,000                                  | 1,000,000  |
| IntraOp<br>Medical<br>Corp.<br>Convertible<br>Note*      | 1,000,000            | 112,192                           |                           |  |                  | 1,000,000                                  | 1,000,000  |
| IntraOp<br>Medical<br>Corp.<br>Convertible<br>Note*      | 1,500,000            | 174,124                           |                           |  |                  | 1,500,000                                  | 1,500,000  |
| IntraOp<br>Medical<br>Corp.<br>Convertible<br>Note*      | 1,000,000            | 117,123                           |                           |  |                  | 1,000,000                                  | 1,000,000  |
| IntraOp<br>Medical<br>Corp.<br>Convertible<br>Note*      | 2,000,000            | 159,452                           |                           |  |                  | 2,000,000                                  | 2,000,000  |
| IntraOp<br>Medical<br>Corp.<br>Convertible<br>Note*      | 1,500,000            | 10,479                            |                           |  |                  | 1,500,000                                  | 1,500,000  |
| IntraOp<br>Medical<br>Corp.<br>Term                      | 3,000,000            | 179,507                           |                           |  |                  | 3,000,000                                  | 3,000,000  |

Note\*

IntraOp

Medical

Corp.

Term

|       |           |         |           |           |
|-------|-----------|---------|-----------|-----------|
| Note* | 2,000,000 | 119,671 | 2,000,000 | 2,000,000 |
|-------|-----------|---------|-----------|-----------|

**Firsthand Technology Value Fund, Inc.**

Consolidated Notes to Financial Statements - continued

**SEPTEMBER 30, 2018 (UNAUDITED)**

| AFFILIATE/<br>CONVULSED<br>INVESTMENTS*                  | SALES/<br>Maturity/<br>EXPIRATION | REALIZED<br>GAIN<br>(LOSS) | CHANGE IN<br>APPRECIATION/<br>DEPRECIATION | VALUE<br>9/30/18 | SHARES/<br>PAR VALUE<br>HELD AT<br>9/30/18 |
|--|-----------------------------------|----------------------------|--|------------------|--|
| Phunware,<br>Inc.<br>Preferred<br>Stock<br>-             |                                   |                            |  |                  |  |
| Series<br>E \$12,018,563                                 | \$                                | \$                         | \$   | \$ (1,256,677)   | \$10,761,886                               |
| Pivotal<br>Systems,<br>Series<br>A<br>Preferred          |                                   | (6,000,047)                |  | (2,453,567)      |  |
| Pivotal<br>Systems,<br>Series<br>B<br>Preferred          |                                   | (6,321,483)                |  | (2,948,825)      |  |
| Pivotal<br>Systems,<br>Series<br>C<br>Preferred          |                                   | (2,657,862)                |  | 97,608           |  |
| Pivotal<br>Systems,<br>Series<br>D<br>Preferred          |                                   | (3,975,801)                |  | (1,033,919)      |  |
| Pivotal<br>Systems,<br>Series<br>D<br>Warrants           |                                   |                            |  | (618,392)        |  |
| Pivotal<br>Systems,<br>Common<br>Stocks<br>Warrants<br>- |                                   |                            |  |                  |  |
| Class<br>B* 8,741,172                                    |                                   |                            |  | (8,741,172)      |  |

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|   |            |             |              |             |             |            |
|---|------------|-------------|--------------|-------------|-------------|------------|
| Pivotal<br>Systems,<br>Common<br>Stock*     | 21,869,876 | (2,914,684) | 491,004      | 77,820,466  | 97,266,662  | 53,758,441 |
| QMAT,<br>Preferred<br>Stock<br>Series<br>A* | 17,394,341 | 24,290,124  | (24,290,124) | (6,319,935) | (3,972,379) | 7,102,027  |
| QMAT,<br>Preferred<br>Stock<br>Series<br>B* | 2,132,600  |             |              | (431,000)   | 1,701,600   | 2,000,000  |
| QMAT,<br>Series<br>A<br>Warrant             | 1,086,600  |             |              | (847,000)   | 239,600     | 2,000,000  |

**Firsthand Technology Value Fund, Inc.**

Consolidated Notes to Financial Statements - continued

**SEPTEMBER 30, 2018 (UNAUDITED)**

| AFFILIATE/<br>CONTROLLED<br>INVESTMENTS*     | ADDED PURCHASES/<br>MERGER | SALES/<br>INTEREST | REALIZED<br>MATURITY/<br>EXPIRATION | CHANGE<br>IN<br>GAIN/<br>LOSS/<br>DEPRECIATION | IN<br>APPRECIATION/<br>DEPRECIATION | VALUE<br>9/30/18 | SHARES/<br>PAR<br>VALUE<br>HELD AT<br>9/30/18 |
|--|----------------------------|--------------------|-------------------------------------|--|-------------------------------------|------------------|---|
| QMAT,<br>Preferred<br>Stock<br>Warrants<br>- |                            |                    |                                     |  |                                     |                  |   |
| Series<br>C*                                 | \$                         | \$                 | \$                                  | \$   | \$ 149,038                          | \$ 149,038       | 3,482,208                                     |
| QMAT,<br>Preferred<br>Stock<br>Warrant<br>-  |                            |                    |                                     |  |                                     |                  |   |
| Series<br>C*                                 |                            |                    |                                     |  | 4,280                               | 4,280            | 100,000                                       |
| QMAT,<br>Preferred<br>Stock<br>Warrants<br>- |                            |                    |                                     |  |                                     |                  |   |
| Series<br>C*                                 |                            |                    |                                     |  | 14,980                              | 14,980           | 350,000                                       |
| QMAT,<br>Preferred<br>Stock<br>Warrants<br>- |                            |                    |                                     |  |                                     |                  |   |
| Series<br>C*                                 |                            |                    |                                     |  | 42,800                              | 42,800           | 1,000,000                                     |
| QMAT,<br>Convertible<br>Note*                | 350,000                    | 3,375              | (350,000)                           |  |                                     |                  |   |
| QMAT,<br>Convertible<br>Note*                | 100,000                    | 153                | (100,000)                           |  |                                     |                  |   |
| QMAT<br>Convertible<br>Note*                 | 3,482,208                  | 168,771            |                                     |  |                                     | 3,482,208        | 3,482,208                                     |
| QMAT,<br>Convertible                         | 2,745,485                  | 31,291             | (2,745,485)                         |  |                                     |                  |   |

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|             |           |        |           |           |
|-------------|-----------|--------|-----------|-----------|
| Note*       |           |        |           |           |
| QMAT        |           |        |           |           |
| Convertible |           |        |           |           |
| Note*       | 350,000   | 15,443 | 350,000   | 350,000   |
| QMAT        |           |        |           |           |
| Convertible |           |        |           |           |
| Note*       | 1,000,000 | 31,342 | 1,000,000 | 1,000,000 |
| QMAT        |           |        |           |           |
| Convertible |           |        |           |           |
| Note*       | 100,000   | 1,447  | 100,000   | 100,000   |
| QMAT        |           |        |           |           |
| Convertible |           |        |           |           |
| Note*       | 100,000   | 1,052  | 100,000   | 100,000   |
| QMAT        |           |        |           |           |
| Convertible |           |        |           |           |
| Note*       | 200,000   | 1,403  | 200,000   | 200,000   |

**Firsthand Technology Value Fund, Inc.**

Consolidated Notes to Financial Statements - continued

**SEPTEMBER 30, 2018 (UNAUDITED)**

| AFFILIATE/<br>CONVERTIBLE/<br>INVESTMENTS*                     | SALES/<br>MATURETY/<br>EXPIRATION | REALIZED<br>GAIN (LOSS) | CHANGE IN<br>APPRECIATION/<br>DEPRECIATION | VALUE<br>9/30/18 | SHARES/<br>PAR<br>VALUE<br>HELD AT<br>9/30/18 |           |
|--|-----------------------------------|-------------------------|--|------------------|---|-----------|
| QMAT<br>Convertible<br>Note*                                   | \$ 300,000                        | \$ 1,184                | \$   | \$               | \$ 300,000                                    | 300,000   |
| Revasum,<br>Preferred<br>Stock,<br>Series<br>B* 2,550,033      |                                   |                         |  | 1,269,935        | 3,819,968                                     | 313,719   |
| Revasum,<br>Term<br>Note*,000,000                              | 30,383                            | (1,000,000)             |  |                  |   |           |
| Revasum,<br>Common<br>Stock* 29,908                            |                                   |                         |  | 53,716           | 83,624  | 10,000    |
| Revasum,<br>Common<br>Stock<br>Warrants*                       | 500,000                           |                         |  | 1,448,375        | 1,948,375                                     | 650,000   |
| Revasum,<br>Convertible<br>Note*                               | 1,846,397                         | 9,611                   |  |                  | 1,846,397                                     | 1,846,397 |
| Revasum,<br>Preferred<br>Stock<br>-<br>Series<br>Seed8,966,760 | 6,725,070                         | (6,725,070)             | (9,075)                                    | 13,898,115       | 22,855,800                                    | 2,200,000 |
| Revasum,<br>Preferred<br>Stock<br>Series<br>A* 2,256,355       |                                   |                         |  | 2,572,208        | 4,828,563                                     | 441,998   |
| Silicon<br>Genesis<br>Corp.,<br>Common<br>Stock* 16,871        |                                   |                         |  | (9,496)          | 7,375   | 921,892   |
| Silicon<br>Genesis<br>357                                      |                                   |                         |  | (213)            | 144   | 37,982    |

|   |         |       |           |  |
|---|---------|-------|-----------|--|
| Corp.,<br>Common<br>Warrants*                           |         |       |           |  |
| Silicon<br>Genesis<br>Corp.,<br>Common<br>Warrants†,000 | (7,000) | 4,000 | 5,000,000 |  |
| Silicon<br>Genesis<br>Corp.,<br>Common<br>Warrants‡,600 | (4,200) | 2,400 | 3,000,000 |  |



**Firsthand Technology Value Fund, Inc.**

Consolidated Notes to Financial Statements - continued

**SEPTEMBER 30, 2018 (UNAUDITED)**

| AFFILIATE/<br>CONTRACT/<br>INVESTMENT                      | ACQUIRED/<br>PURCHASES/<br>MERGER INTEREST | SALES/<br>MATURITY/<br>EXPIRATION | REALIZED<br>GAIN<br>(LOSS) | CHANGE<br>IN<br>APPRECIATION/<br>DEPRECIATION | VALUE<br>9/30/18 | SHARES/<br>PAR VALUE<br>HELD AT<br>9/30/18 |            |
|--|--|-----------------------------------|----------------------------|---|------------------|--|------------|
| Silicon<br>Genesis<br>Corp.,<br>Series<br>1-C<br>Preferred | 71,258                                     | \$                                | \$                         | \$  | \$ (36,283)      | \$ 37,975                                  | 82,914     |
| Silicon<br>Genesis<br>Corp.,<br>Series<br>1-D<br>Preferred | 205,646                                    |                                   |                            |   | (102,015)        | 103,631                                    | 850,830    |
| Silicon<br>Genesis<br>Corp.,<br>Series<br>1-E<br>Preferred | 2,063,310                                  |                                   | (87,402)                   |   | (507,575)        | 1,468,333                                  | 5,704,480  |
| Silicon<br>Genesis<br>Corp.,<br>Series<br>1-F<br>Preferred | 456,318                                    |                                   | (19,285)                   |   | (115,758)        | 321,275                                    | 912,453    |
| Silicon<br>Genesis<br>Corp.,<br>Series<br>1-G<br>Preferred | 3,025,658                                  | 1,658,300                         | (1,740,736)                | (620,377)                                     | (479,030)        | 1,841,815                                  | 48,370,793 |
| Silicon<br>Genesis<br>Corp.,<br>Series<br>1-H<br>Preferred | 236,551                                    |                                   | (9,606)                    |   | (62,876)         | 164,069                                    | 837,942    |
| SVXR,<br>Inc.,<br>Convertible<br>Note                      | 1,000,000                                  | 1,000,000                         | 54,521                     | (2,000,000)                                   |                  |  |            |

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|  |           |           |             |          |           |           |
|--|-----------|-----------|-------------|----------|-----------|-----------|
| SVXR,<br>Inc.<br>Preferred<br>Stock<br>Series<br>A             | 1,000,000 | 3,082,192 |             | (23,097) | 4,059,095 | 8,219,454 |
| SVXR,<br>Inc.<br>Convertible<br>Note                           | 1,000,000 | 24,658    | (1,000,000) |          |           |           |
| Telepathy<br>Investors,<br>Inc.<br>Convertible<br>Note*302,140 |           | 187,680   |             | 154,520  | 456,660   | 2,000,000 |

**Firsthand Technology Value Fund, Inc.**

Consolidated Notes to Financial Statements - continued

**SEPTEMBER 30, 2018 (UNAUDITED)**

| AFFILIATE/<br>CONTROLLED<br>INVESTMENTS*                    | ADDED<br>PURCHASES/<br>MERGER INTERESTS* | SALES<br>MATURITY/EXPIRATION | REALIZED<br>GAIN (LOSS) | CHANGE IN<br>APPRECIATION/<br>DEPRECIATION | VALUE<br>9/30/18 | SHARES/<br>PAR VALUE<br>HELD AT<br>9/30/18 |
|---|--|------------------------------|-------------------------|--|------------------|--|
| Telepathy<br>Investors,<br>Inc.<br>Convertible<br>Note*     | \$ 45,321                                | \$ 22,750                    | \$                      | \$ 23,178                                  | \$ 68,499        | 300,000                                    |
| Telepathy<br>Investors,<br>Inc.<br>Convertible<br>Note*     | 22,661                                   | 12,802                       |                         | 11,588                                     | 34,249           | 150,000                                    |
| Telepathy<br>Investors,<br>Inc.<br>Convertible<br>Note*     | 75,535                                   | 41,137                       |                         | 38,630                                     | 114,165          | 500,000                                    |
| Telepathy<br>Investors,<br>Inc.<br>Convertible<br>Note*     | 45,321                                   | 26,904                       |                         | 23,178                                     | 68,499           | 300,000                                    |
| Telepathy<br>Investors,<br>Inc.<br>Convertible<br>Note*     | 75,535                                   | 43,608                       |                         | 38,630                                     | 114,165          | 500,000                                    |
| Telepathy<br>Investors,<br>Inc.,<br>Convertible<br>Note     | 200,000                                  | 1,315                        |                         | (154,334)                                  | 45,666           | 200,000                                    |
| Telepathy<br>Investors,<br>Inc.<br>Series<br>A<br>Preferred | 37,137                                   |                              |                         | 345,903                                    | 1,283,040        | 15,238,000                                 |
| UCT<br>Coatings,<br>Inc.<br>Common                          | 922,050                                  |                              |                         | 39,150                                     | 961,200          | 1,500,000                                  |

Stock  
UCT  
Coatings,  
Inc.  
Common  
Stock  
Warrants

4

(67)

63

38

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**Firsthand Technology Value Fund, Inc.**

Consolidated Notes to Financial Statements - continued

**SEPTEMBER 30, 2018 (UNAUDITED)**

| AFFILIATE/<br>CONVERTIBLE/<br>INVESTMENT                    | ACQUISITION/<br>PURCHASES/<br>MERGER INTEREST | SALES/<br>MATURITY/<br>EXPIRATION | REALIZED<br>GAIN<br>(LOSS) | CHANGE IN<br>APPRECIATION/<br>DEPRECIATION | VALUE<br>9/30/18 | SHARES/<br>PAR VALUE<br>HELD AT<br>9/30/18 |
|---|---|-----------------------------------|----------------------------|--|------------------|--|
| Vufine,<br>Inc.,<br>Convertible<br>Note*                    | \$ 1,229,280                                  | \$ 134,630                        | \$                         | \$ (749,880)                               | \$ 479,400       | 1,500,000                                  |
| Vufine,<br>Inc.,<br>Convertible<br>Note*                    | 204,880                                       | 22,438                            |                            | (124,980)                                  | 79,900           | 250,000                                    |
| Vufine,<br>Inc.,<br>Convertible<br>Note*                    | 350,000                                       | 27,962                            |                            | (238,140)                                  | 111,860          | 350,000                                    |
| Vufine,<br>Inc.<br>Common<br>Stock*                         |   |                                   |                            |  |                  | 750,000                                    |
| Vufine,<br>Inc.<br>Convertible<br>Note*                     | 300,000                                       | 10,258                            |                            | (204,120)                                  | 95,880           | 300,000                                    |
| Vufine,<br>Inc.<br>Convertible<br>Note*                     | 100,000                                       | 592                               |                            | (68,040)                                   | 31,960           | 100,000                                    |
| Vufine,<br>Inc.<br>Series<br>A<br>Preferred<br>Stock*       |   |                                   |                            |  |                  | 22,500,000                                 |
| Wrightspeed,<br>Inc.,<br>Series<br>C<br>Preferred<br>Stock* | 5,704,296                                     | 368,088                           | (368,088)                  | (4,915,008)                                | (293,351)        | 495,937                                    |
| Wrightspeed,<br>Inc.,<br>Series<br>D                        | 3,161,018                                     |                                   |                            | (2,849,551)                                | 311,467          | 1,100,978                                  |

|  |             |         |         |  |
|--|-------------|---------|---------|--|
| Preferred Stock                                      |             |         |         |  |
| Wrightspeed, Inc., Series E Preferred Stock, 350,323 | (1,213,276) | 137,047 | 450,814 |  |
| Wrightspeed, Inc., Series F Preferred Stock, 471,295 | (429,851)   | 41,444  | 90,707  |  |
| Wrightspeed, Inc. Convertible Note, 28,703           | (28,672)    | 31      | 18,141  |  |

**Firsthand Technology Value Fund, Inc.**

Consolidated Notes to Financial Statements - continued

**SEPTEMBER 30, 2018 (UNAUDITED)**

| AFFILIATE/<br>CONTROLLED<br>INVESTMENT          | ACQUISITION/<br>PURCHASES/<br>MERGER | INTEREST   | SALES<br>MATURITY/<br>EXPIRATION | REALIZED<br>GAIN<br>(LOSS) | CHANGE IN<br>APPRECIATION/<br>DEPRECIATION | VALUE<br>9/30/18 | SHARES/<br>PAR VALUE<br>HELD AT<br>9/30/18 |
|---|--------------------------------------|------------|----------------------------------|----------------------------|--|------------------|--|
| Wrightspeed,<br>Inc.<br>Convertible<br>Note     | \$ 3,700,000                         | \$ 188,700 | \$                               | \$                         | \$ (3,502,235)                             | \$ 197,765       | 3,700,000                                  |
| Wrightspeed,<br>Inc.<br>Convertible<br>Note     | 2,000,000                            | 68,000     |                                  |                            | (1,893,100)                                | 106,900          | 2,000,000                                  |
| Wrightspeed,<br>Inc.<br>Convertible<br>Note     | 3,000,000                            | 52,000     |                                  |                            | (2,839,650)                                | 160,350          | 3,000,000                                  |
| Wrightspeed,<br>Inc.<br>Series<br>F<br>Warrants |                                      |            |                                  |                            | 23   | 23               | 13,606                                     |
| Wrightspeed,<br>Inc.<br>Series<br>F<br>Warrants |                                      |            |                                  |                            | 12   | 12               | 6,803                                      |
| Wrightspeed,<br>Inc.<br>Series<br>F<br>Warrants |                                      |            |                                  |                            | 3,374,400                                  | 3,374,400        | 7,400,000                                  |
| Wrightspeed,<br>Inc.<br>Series<br>F<br>Warrants |                                      |            |                                  |                            | 1,824,000                                  | 1,824,000        | 4,000,000                                  |
| Wrightspeed,<br>Inc.<br>Series<br>F<br>Warrants |                                      |            |                                  |                            | 2,736,000                                  | 2,736,000        | 6,000,000                                  |
| Wrightspeed,<br>Inc.<br>Series                  |                                      |            |                                  |                            | 8,658                                      | 8,658            | 7,400,000                                  |

|  |       |       |           |
|--|-------|-------|-----------|
| F<br>Warrants<br>Wrightspeed,<br>Inc.<br>Series<br>F<br>Warrants | 4,680 | 4,680 | 4,000,000 |
| Wrightspeed,<br>Inc.<br>Series<br>F<br>Warrants                  | 7,020 | 7,020 | 6,000,000 |
| Wrightspeed,<br>Inc.<br>Series<br>F<br>Warrants                  | 19    | 19    | 11,338    |



**Firsthand Technology Value Fund, Inc.**

Consolidated Notes to Financial Statements - continued

**SEPTEMBER 30, 2018 (UNAUDITED)**

| <b>AFFILIATE/<br/>CONTROLLED<br/>INVESTMENTS*</b>       | <b>SALES/<br/>PURCHASES/<br/>MERGER INTEREST</b> | <b>SALES/<br/>MATURITY/<br/>EXPIRATION</b> | <b>REALIZED<br/>GAIN<br/>(LOSS)</b> | <b>CHANGE IN<br/>APPRECIATION/<br/>DEPRECIATION</b> | <b>VALUE<br/>9/30/18</b> | <b>SHARES/<br/>PAR<br/>VALUE<br/>HELD<br/>AT<br/>9/30/18</b> |
|---|--|--|-------------------------------------|---|--------------------------|--|
| Wrightspeed<br>Convertible<br>Note                      | \$ 300,000                                       | \$ 2,170                                   | \$ (300,000)                        | \$  | \$                       |  |
| Wrightspeed<br>Convertible<br>Note                      | 150,000  | 247  | (150,000)                           |   |                          |  |
| Wrightspeed<br>Promissory<br>Note                       | 250,000  | 6,822                                      | (250,000)                           |   |                          |  |
| Total<br>Affiliates<br>and<br>Controlled<br>Investments | \$1,648,470                                      | \$2,328,359                                | \$ (11,373,458)                     | \$72,987,399  | \$219,928,993            |  |
| Total<br>Affiliate<br>Investments                       | \$1,656,252                                      | \$ 397,118                                 | \$ (4,915,075)                      | \$ (6,335,435)                                      | \$ 25,187,934            |  |
| Total<br>Controlled<br>Investments                      | \$1,092,218                                      | \$1,931,241                                | \$ (6,458,383)                      | \$79,322,834  | \$194,741,059            |  |

\* *Controlled Investments.*

As of September 30, 2018, Kevin Landis represents the Company and sits on the board of directors of Hera Systems, Inc.; IntraOp Medical, Inc.; Pivotal Systems, Inc.; QMAT, Inc.; Revasum, Inc.; Silicon Genesis Corp.; Telepathy Investors, Inc.; Vufine, Inc.; and Wrightspeed, Inc. Serving on boards of directors of portfolio companies may cause conflicts of interest. The Adviser has adopted various procedures to ensure that the Company will not be unfavorably affected by these potential conflicts.

**NOTE 11. SUBSEQUENT EVENTS**

Management has evaluated the impact of all subsequent events on the Company through the date that financial statements were issued and has determined that there were no subsequent events requiring recognition or disclosure in the financial statements.

On October 24, 2018, the Fund completed the open market share repurchase plan described above in Note 9. Through that date the Fund repurchased 123,376 shares at an average price of \$16.21 per share, for total consideration of \$2.0 million. As of October 24, 2018, the Fund had 7,178,770 shares outstanding.

## 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 "continue" or the negative of these terms or other similar words. Important assumptions include our ability to originate new investments and to achieve certain margins and levels of profitability and the availability of additional capital. In light of these and other uncertainties, the inclusion of a projection or forward-looking statement in this report should not be regarded as a representation by us that our plans or objectives will be achieved. The forward-looking statements contained in this report include, without limitations, statements as to:

- our future operating results;
- our business prospects and the prospects of our prospective portfolio companies;
- the impact of investments that we expect to make;
- the impact of a protracted decline in the liquidity of the credit markets on our business;
- our informal relationships with third parties;
- the expected market for venture capital investments and our addressable market;
- the dependence of our future success on the general economy and its impact on the industries in which we invest;
- our ability to access the equity market;
- the ability of our portfolio companies to achieve their objectives;
- our expected financings and investments;
- our regulatory structure and tax status;
- our ability to operate as a business development company and a regulated investment company;
- the adequacy of our cash resources and working capital;
- the timing of cash flows, if any, from the operation of our portfolio companies;

- the timing, form, and amount of any dividend distributions;
- impact of fluctuation of interest rates on our business;
- valuation of any investments in portfolio companies particularly those having no liquid trading market; and
- our ability to recover unrealized losses.

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

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

## OVERVIEW

We are an externally managed, closed-end, non-diversified management investment company organized as a Maryland corporation that has elected to be treated as a BDC under the 1940 Act. As such, we are required to comply with certain regulatory requirements. For instance, we generally have to invest at least 70% of our total assets in "qualifying assets," including securities of private or micro-cap public U.S. companies, cash, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year or less. In addition, for tax purposes we are treated as a corporation and are subject to federal and state taxes on our income. 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 preferred stock, and convertible and term notes. The fair value of our investment portfolio was approximately \$243.0 million as of September 30, 2018, as compared to approximately \$174.8 million as of December 31, 2017.

The following table summarizes the fair value of our investment portfolio by industry sector as of September 30, 2018, and December 31, 2017.

|                         | <b>September 30, 2018</b> | <b>December 31, 2017</b> |
|-------------------------|---------------------------|--------------------------|
| Semiconductor Equipment | 64.9%                     | 29.6%                    |
| Medical Devices         | 14.3%                     | 12.1%                    |
| Advanced Materials      | 7.4%                      | 13.9%                    |
| Networking              | 1.2%                      | 9.3%                     |
| Consumer Electronics    | 10.0%                     | 8.4%                     |
| Mobile Computing        | 5.1%                      | 6.9%                     |

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|                                       |         |        |
|---------------------------------------|---------|--------|
| Automotive                            | 4.4%    | 6.2%   |
| Intellectual Property                 | 1.9%    | 3.5%   |
| Equipment Leasing                     | 1.5%    | 2.3%   |
| Aerospace                             | 3.2%    | 1.2%   |
| Semiconductor                         | 0.6%    | 1.2%   |
| Cloud Computing                       | 0.0%    | 4.9%   |
| Water Purification                    | 0.0%    | 0.0%   |
| Exchange-Traded/Money Market<br>Funds | 0.0%    | 1.0%   |
| (Liabilities)/Other Assets            | (14.5%) | (0.5%) |
| Net Assets                            | 100.0%  | 100.0% |

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

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

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

### **EARLY STAGE**

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

### **MIDDLE STAGE**

Established product, customers, business model; limited revenues.

### **LATE STAGE**

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

## RESULTS OF OPERATIONS

*Comparison of the three months ended September 30, 2018 to the three months ended September 30, 2017.*

### INVESTMENT INCOME

For the three months ended September 30, 2018, we had investment income of \$975,350 primarily attributable to interest accrued on convertible/term note investments with Telepathy Investors, IntraOp Medical, Revasum, Hera, Vufine, Wrightspeed and QMAT.

For the three months ended September 30, 2017, we had investment income of \$433,367 primarily attributable to interest accrued on convertible/term note investments with Telepathy Investors, IntraOp Medical, Revasum and QMAT.

The higher level of interest income in the three months ended September 30, 2018 compared to the three months ended September 30, 2017 was due to increased investments in convertible notes, particularly IntraOp, QMAT, Wrightspeed, Hera, Vufine and Revasum.

### OPERATING EXPENSES

Net operating expenses totaled approximately \$11,054,177 during the three months ended September 30, 2018 and \$1,076,922 during the three months ended September 30, 2017.

Significant components of net operating expenses for the three months ended September 30, 2018, were management fee expense of \$1,124,398, incentive fees (which were accrued but are not payable until gains in the portfolio are realized) of \$9,633,974 and professional fees (audit, legal, accounting, and consulting) of \$94,916. Significant components of net operating expenses for the three months ended September 30, 2017, were management fee expense of \$707,865 and professional fees (audit, legal, accounting, and consulting) of \$128,954.

The higher level of net operating expenses for the three months ended September 30, 2018, compared to the three months ended September 30, 2017, is primarily attributable to two factors: (1) the incentive fee accrual in the three months ended September 30, 2018, which is a quarterly accrual based on what the incentive fee would be if the entire portfolio were liquidated at fair market value, and (2) an increase in our total net assets, on which the investment advisory fees are based.



**NET INVESTMENT LOSS**

Net investment loss before taxes was \$10,078,827 for the three months ended September 30, 2018 versus a net investment loss of \$643,555 for the three months ended September 30, 2017.

The greater net investment loss before taxes in the three months ended September 30, 2018, compared to the three months ended September 30, 2017, is primarily attributable to two factors: (1) the incentive fee accrual in the three months ended September 30, 2018, which is a quarterly accrual based on what the incentive fee would be if the entire portfolio were liquidated at fair market value, and (2) an increase in our total net assets, on which the investment advisory fees are based.

**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, 2018, and September 30, 2017, is shown below.

|  | <b>Three Months Ended<br/>September 30, 2018</b> |
|--|--|
| Realized losses  | \$ (12,107,728)                                  |
| Net change in unrealized appreciation on investments                     | 60,459,559                                       |
| Deferred tax   | (10,153,906)                                     |
| Net realized and unrealized losses on investments, net of deferred taxes | \$ 38,197,925                                    |
|  | <b>As of September 30, 2018</b>                  |
| Gross unrealized appreciation on portfolio investments                   | \$ 130,571,132                                   |
| Gross unrealized depreciation on portfolio investments                   | (47,716,331)                                     |
| Net unrealized depreciation on portfolio investments                     | \$ 82,854,801                                    |

|  | <b>Three Months Ended<br/>September 30, 2017</b> |
|--|--|
| Realized gains   | \$ 207,196                                       |
| Net change in unrealized depreciation on investments   | (23,555)   |
| Net realized and unrealized gains on investments       | \$ 183,641                                       |
|  | <b>As of September 30, 2017</b>                  |
| Gross unrealized appreciation on portfolio investments | \$ 23,926,315                                    |
| Gross unrealized depreciation on portfolio investments | (59,521,451)                                     |
| Net unrealized depreciation on portfolio investments   | \$ (35,595,136)                                  |

During the three months ended September 30, 2018, we recognized net realized losses of approximately \$12,107,728. Realized losses were higher than those in the year-ago period primarily due to the write-off of our investment in Aliphcom and the transfer of securities from our controlled foreign corporations (CFCs) to the Fund.

During the three months ended September 30, 2018, net unrealized appreciation on total investments increased by \$60,459,559. The change in net unrealized appreciation and depreciation of our private investments is based on portfolio asset valuations determined in good faith by our Board of Directors. This change in net unrealized appreciation was primarily caused by an increase in the valuations of our Pivotal Systems and Revasum investments.

During the three months ended September 30, 2017, we recognized net realized gains of approximately \$207,196 with the release of escrowed proceeds from the previous sale of our Turn investment.

During the three months ended September 30, 2017, net unrealized depreciation on total investments increased by \$23,555. 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.

## INCOME AND EXCISE TAXES

Beginning on June 30, 2018, we were no longer able to qualify as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"). This change in tax status resulted from the increase in the value of a single holding, Pivotal Systems Corp., which meant that we were no longer able to satisfy the diversification requirements for qualification as a RIC. As a result of this change, we will be taxed as a corporation for our fiscal year ended

December 31, 2018, and will continue to be taxed in that manner for future fiscal years, paying federal and applicable state corporate taxes on our taxable income, unless and until we are able to once again qualify as a RIC, based on changes in the composition of our portfolio. Consequently, at the close of each fiscal quarter beginning with the quarter ended June 30, 2018, we will record a deferred tax liability for any net realized gains and net ordinary income for the year-to-date period plus net unrealized gains as of the end of the quarter. For the three months ending September 30, 2018, we have booked a deferred tax expense of \$11,565,319. For the three months ended September 30, 2017, we qualified as a RIC and, therefore, made no provision for income taxes.

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

For the three months ended September 30, 2018, the net increase in net assets resulting from operations (net of deferred taxes) totaled \$26,707,685 and the basic and fully diluted net change in net assets per share for the three months ended September 30, 2018 was \$3.68.

For the three months ended September 30, 2017, the net decrease in net assets resulting from operations totaled \$459,914 and the basic and fully diluted net change in net assets per share for the three months ended September 30, 2017 was (\$0.07).

The greater increase in net assets resulting from operations for the three months ended September 30, 2018, as compared to the three months ended September 30, 2017, is due primarily to an increase in the valuation of certain of our investments, particularly Pivotal Systems and Revasum.

*Comparison of the nine months ended September 30, 2018 to the nine months ended September 30, 2017.*

## **INVESTMENT INCOME**

For the nine months ended September 30, 2018, we had investment income of \$2,354,260 primarily attributable to interest accrued on convertible/term note investments with Telepathy Investors, IntraOp Medical, Revasum, Hera, Vufine, Wrightspeed and QMAT.

For the nine months ended September 30, 2017, we had investment income of \$1,043,461 primarily attributable to interest accrued on convertible/term note investments with Telepathy Investors, IntraOp Medical, Revasum and QMAT.

The higher level of interest income in the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017 was due to increased investments in convertible notes, particularly with IntraOp, QMAT, Wrightspeed, Hera, Vufine and Revasum.

## **OPERATING EXPENSES**

Net operating expenses totaled approximately \$18,665,062 during the nine months ended September 30, 2018 and \$3,099,817 during the nine months ended September 30, 2017.

Significant components of net operating expenses for the nine months ended September 30, 2018, were management fee expense of \$2,972,059, incentive fees (which were accrued but are not payable until gains in the portfolio are realized) of \$14,808,766 and professional fees (audit, legal, accounting, and consulting) of \$288,557. Significant components of net operating expenses for the nine months ended September 30, 2017, were management fee expense of \$2,175,267, and professional fees (audit, legal, accounting, and consulting) of \$374,257.

The higher level of net operating expenses for the nine months ended September 30, 2018, compared to the nine months ended September 30, 2017, is primarily attributable to two factors: (1) the incentive fee accrual in the nine months ended September 30, 2018, which is a quarterly accrual based on what the incentive fee would be if the entire portfolio were liquidated at fair market value, and (2) an increase in our total net assets, on which the investment advisory fees are based.

**NET INVESTMENT LOSS**

Net investment loss before taxes was \$16,310,802 for the nine months ended September 30, 2018 and \$2,056,356 for the nine months ended September 30, 2017.

The greater net investment loss in the nine months ended September 30, 2018, compared to the nine months ended September 30, 2017, is primarily attributable to two factors: (1) the incentive fee accrual in the nine months ended September 30, 2018, which is a quarterly accrual based on what the incentive fee would be if the entire portfolio were liquidated at fair market value, and (2) an increase in our total net assets, on which the investment advisory fees are based.

**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, 2018, and September 30, 2017, is shown below.

|  | <b>Nine Months Ended<br/>September 30, 2018</b> |
|--|---|
| Realized losses  | \$ (11,234,818)                                 |
| Net change in unrealized appreciation on investments   | 82,955,135                                      |
| Deferred tax expense                                   | (17,097,124)                                    |
| Net realized and unrealized gains on investments       | \$ 54,623,193                                   |
|  | <b>As of September 30, 2018</b>                 |
| Gross unrealized appreciation on portfolio investments | \$ 130,571,132                                  |
| Gross unrealized depreciation on portfolio investments | (47,716,331)                                    |
| Net unrealized appreciation on portfolio investments   | \$ 82,854,801                                   |

|  | <b>Nine Months Ended<br/>September 30, 2017</b> |
|--|---|
| Realized gains   | \$ 767,988                                      |
| Net change in unrealized depreciation on investments   | (8,338,836)                                     |
| Net realized and unrealized losses on investments      | \$ (7,570,848)                                  |
|  | <b>As of September 30, 2017</b>                 |
| Gross unrealized appreciation on portfolio investments | \$ 23,926,315                                   |
| Gross unrealized depreciation on portfolio investments | (59,521,451)                                    |
| Net unrealized depreciation on portfolio investments   | \$ (35,595,136)                                 |

During the nine months ended September 30, 2018, we recognized net realized losses of approximately \$11,234,818 from the sale/transfer of securities. During the nine months ended September 30, 2017, we recognized net realized gains of approximately \$767,988 from the sale/transfer of securities. Realized losses were more than those during the nine months ended September 30, 2017 due to the losses realized on the write-off of our investment in Aliphcom and the transfer of securities from our controlled foreign corporations (CFCs) to the Fund.

During the nine months ended September 30, 2018, net unrealized appreciation on total investments increased by \$82,955,135 compared to an increase of \$8,338,836 in unrealized depreciation on the total investments during the nine months ended September 30, 2017. The change in net unrealized appreciation and depreciation of our private investments is based on portfolio asset valuations determined in good faith by our Board of Directors. This change in net unrealized appreciation was primarily caused by an increase in the valuations of our Pivotal Systems and Revasum investments.

## **INCOME AND EXCISE TAXES**

Beginning on June 30, 2018, we were no longer able to qualify as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"). This change in tax status resulted from the increase in the value of a single holding, Pivotal Systems Corp., which meant that we were no longer able to satisfy the diversification requirements for qualification as a RIC. As a result of this change, we will be taxed as a corporation for our fiscal year ended December 31, 2018, and will continue to be taxed in that manner for future fiscal years, paying federal and applicable state corporate taxes on our taxable income, unless and until we are able to once again qualify as a RIC, based on changes in the composition of our portfolio. Consequently, at the close of each fiscal quarter beginning with the quarter ended June 30, 2018, we will record a deferred tax liability for any net realized gains and net ordinary income for the year-to-date period plus net unrealized gains as of the end of the quarter. For the nine months ending September 30, 2018, we have booked a deferred tax liability of \$16,648,916. For the nine months ended September 30, 2017, we qualified as a RIC and, therefore, made no provision for income taxes.

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

For the nine months ended September 30, 2018, the net increase in net assets resulting from operations (net of deferred taxes) totaled \$38,760,599 and for the nine months ended September 30, 2017, the net decrease in net assets resulting from operations totaled \$9,627,204. The basic and fully diluted net change in net assets per share for the nine months ended September 30, 2018 was \$5.33 and the basic and fully diluted net change in net assets per share for the nine months ended September 30, 2017 was (\$1.30). The greater increase in net assets resulting from operations for the nine months ended September 30, 2018, as compared to the nine months ended September 30, 2017, is due primarily to an increase in the valuation of certain of our investments, primarily Pivotal Systems and Revasum.

## **DISTRIBUTION POLICY**

Our board of directors will determine the timing and amount, if any, of our distributions. We are not required to pay any minimum level of distributions of our income or capital gains.

## **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, 2018, 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 \$950 thousand. We have also sold public securities with an aggregate value of approximately \$2.5 million.

On October 24, 2018, the Fund completed the open market share repurchase plan described above in Note 9 of the Consolidated Notes to Financial Statements. Through that date the Fund repurchased 123,376 shares at an average price of \$16.21 per share, for total consideration of \$2.0 million. As of October 24, 2018, the Fund had 7,178,770 shares outstanding.

## **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, 2018, a portion of the Company's assets was 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, 2018, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

**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 September 30, 2018, 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.

Date: November 9, 2018

By:

Kevin Landis  
Chief Executive Officer

Date: November 9, 2018

By:

Omar Billawala  
Chief Financial Officer

## EXHIBIT INDEX

### EXHIBIT NUMBER

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