

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 (State or Other Jurisdiction of Incorporation or Organization) 150 Almaden Boulevard, Suite 1250 San Jose, California (Address of Principal Executive Offices)	27-3008946 (I.R.S. Employer Identification No) 95113 (Zip Code) Registrant's Telephone Number, Including Area Code: (408) 886-7096
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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
(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 SEPTEMBER 30, 2018 (UNAUDITED)	AS OF DECEMBER 31, 2017
ASSETS		
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
LIABILITIES		
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
NET ASSETS	\$ 212,333,730	\$ 173,993,589
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)
NET ASSETS	\$ 212,333,730	\$ 173,993,589
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)

	FOR THE THREE MONTHS ENDED		FOR THE NINE MONTHS ENDED	
	SEPTEMBER 30,	SEPTEMBER 30,	SEPTEMBER 30,	SEPTEMBER 30,
	2018	2017	2018	2017
INVESTMENT INCOME				
Affiliated/Controlled loan origination income	\$	\$	\$ 21,000	\$
Unaffiliated interest	793	5,820	4,901	35,085
Affiliated/Controlled interest	974,557	427,547	2,328,359	1,008,376
TOTAL INVESTMENT INCOME	975,350	433,367	2,354,260	1,043,461
EXPENSES				
Investment advisory fees (Note 4)	1,124,398	707,865	2,972,059	2,175,267
Administration fees	58,652	48,398	168,831	142,049
Custody fees	8,171	7,587	27,482	18,209
Transfer agent fees	7,058	9,114	23,817	23,815
Registration and 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 fees	22,653	28,021	68,020	75,257
TOTAL GROSS EXPENSES	1,420,203	1,076,922	3,856,296	3,099,817
Incentive fee adjustments (Note 4)	9,633,974		14,808,766	
TOTAL NET EXPENSES	11,054,177	1,076,922	18,665,062	3,099,817
NET INVESTMENT LOSS, BEFORE TAXES	(10,078,827)	(643,555)	(16,310,802)	(2,056,356)
Deferred tax 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

	FOR THE THREE MONTHS ENDED		FOR THE NINE MONTHS ENDED	
	SEPTEMBER 30,	SEPTEMBER 30,	SEPTEMBER 30,	SEPTEMBER 30,
	2018	2017	2018	2017
Net Realized and Unrealized Gain (Loss) on Investments:				
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)
Net Realized and Unrealized Gains (Losses) on Investments, Net of Deferred Taxes				
	38,197,925	183,641	54,623,193	(7,570,848)
Net Increase (Decrease) In Net Assets Resulting From Operations, Net of Deferred Taxes				
	\$ 26,707,685	\$ (459,914)	\$ 38,760,599	\$ (9,627,204)

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

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

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

See accompanying notes to financial statements

Firsthand Technology Value Fund, Inc.

Consolidated Statements of Changes in Net Assets (Unaudited)

	FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2018	FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017	FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018	FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017
FROM OPERATIONS:				
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)
FROM CAPITAL SHARE TRANSACTIONS:				
Value for shares repurchased	(420,458)		(420,458)	
Net decrease in net assets from capital share transactions	(420,458)		(420,458)	
TOTAL INCREASE/(DECREASE)	26,287,227	(459,914)	38,340,141	(9,627,204)

**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

	FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018* (UNAUDITED)	FOR THE YEAR ENDED DECEMBER 31, 2017*	FOR THE YEAR ENDED DECEMBER 31, 2016*	FOR THE YEAR ENDED DECEMBER 31, 2015*	FOR THE YEAR ENDED DECEMBER 31, 2014	FOR THE YEAR ENDED DECEMBER 31, 2013
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) ⁽¹⁾	(0.62)	(0.52)	(0.06) ⁽¹⁾	(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)					