VIASAT INC
Form 424B3
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PROSPECTUS

ViaSat, Inc.
744,104 Shares of Common Stock

This prospectus relates to the offer and sale of up to 744,104 shares of our common stock by the selling stockholders identified in this prospectus. The shares offered by the selling stockholders in this prospectus were originally issued by us to the selling stockholders in connection with our acquisition of all of the outstanding capital stock of Enerdyne Technologies, Inc. under the terms of an agreement and plan of merger and reorganization dated June 20, 2006. The selling stockholders may offer and sell from time to time all or any part of such shares in amounts and on terms to be determined at the time of sale. We will not receive any of the proceeds from the sale of shares of our common stock by the selling stockholders.

Our common stock is quoted on the Nasdaq Global Market under the symbol VSAT.

On August 11, 2006, the last reported sale price of our common stock on the Nasdaq Global Market was $ 25.30 per share.

Before investing in shares of our common stock, please refer to the section in this prospectus entitled Risk Factors beginning on page 2.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is August 15, 2006.

You should rely only on the information contained or incorporated by reference in this prospectus. Neither we nor the selling stockholders have authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. The selling stockholders are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate as of the date on the front cover of this prospectus only. Our business, financial condition, results of operations and prospects may have subsequently changed.

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Whenever we refer to ViaSat, we, our or us in this prospectus, we mean ViaSat, Inc. and its consolidated subsidiari unless the context suggests otherwise. When we refer to you or yours, we mean the persons to whom offers are made hereunder.

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VIASAT

We are a leading provider of advanced wireless and satellite communications equipment and services to the government and commercial markets. We are organized principally in two segments: government and commercial. Our government business encompasses specialized products principally serving defense customers and includes:

Tactical Data Links. Our Tactical Data Links product line primarily consists of our multifunction information distribution system (MIDS) product. The MIDS terminal operates as part of the Link-16 line-of-sight tactical radio system, which enables real time data networking among ground and airborne military users providing an electronic picture of the entire battlefield to each user in the network. We are also currently in the development phase of a MIDS terminal for the U.S. Department of Defense s (DoD) JTRS airborne radio program, referred to as MIDS-JTRS. We are one of only two current U.S. government certified providers of MIDS production units.

Tactical Networking and Information Assurance. Tactical Networking and Information Assurance products include our information security and ViaSat Data Controller (VDC) products. Our information security products enable military and government communicators to secure information up to Top Secret levels. Our VDC products provide reliable military tactical communication channels using innovative error correction technology. Technology from some of these products are integrated into some of our existing tactical radio products (such as MIDS and UHF DAMA satellite products) as well as sold on a stand-alone basis.

Government Satellite Communication Systems. We have a 15 year history of leadership in the UHF satellite communication terminal market. This includes the design and development of modems, terminals and test and training equipment operating over the military UHF satellite band. These products are used in manpack satellite communication terminals as well as airborne, ship, shore and mobile applications. We generally focus on opportunities for high-speed satellite communications products which operate in higher frequencies.

The commercial segment comprises two business product groups: satellite networks and antenna systems. Our commercial business comprises an end-to-end capability to provide customers with satellite communication equipment solutions and includes:

Consumer Broadband. Our consumer products include the development of equipment and technology across multiple satellite standards, including the development of DOCSIS® (Data Over Cable Service Interface Specification)-based terminals and gateways.

Mobile Broadband. Our mobile broadband products include the design and development of airborne, maritime and ground mobile terminals and systems. Existing certified systems in the in-flight broadband market include Connexion by Boeing® and SKYLink for ARINC. We are also developing systems for the maritime and ground mobile markets.

Enterprise VSAT. Our Enterprise VSAT (Very Small Aperture Terminal) satellite communication products and services comprises a wide range of terminals, hubs, and networks control systems as well as network management services for customers in North America and internationally.

Satellite Networking Systems Design and Technology Development. We perform leading-edge research and development for satellite communications systems and have developed an extensive portfolio of technologies. Technologies include satellite networking, beam forming modems, coding, voice and video encoding, IP and ATM via satellite, satellite ground terminals, onboard processing, advanced satellite design, and antennas.

Integrated Circuit Design and Development. We specialize in the design of integrated circuits, packaged components, and modules for commercial, military and space applications. Areas of expertise include high frequency communication technology, MMIC semiconductor design, high-power transceiver design, high levels of functional integration, high-frequency packaging and design for low-cost manufacturing.

We were incorporated in California in 1986 and reincorporated in Delaware in 1996. Our principal executive offices are located at 6155 El Camino Real, Carlsbad, California 92009, and our telephone number is (760) 476-2200.

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RISK FACTORS

An investment in the common stock offered by this prospectus involves a high degree of risk. In addition to the other information in this prospectus, you should carefully consider the following risks before making an investment decision. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently consider immaterial may also impair our business operations. If any of the following risks actually occur, our business and financial results could be harmed. In that case, the trading price of our common stock could decline. You should also refer to the other information set forth in our most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q.

A Significant Portion of Our Revenues Is Derived from a Few of Our Contracts

A small number of our contracts account for a significant percentage of our revenues. Our largest revenue producing contracts are related to our tactical data links (which includes multifunction information distribution systems, or MIDS) products generating approximately 24% of our revenues in fiscal year 2006, 22% of our revenues in fiscal year 2005 and 15% of our revenues in fiscal year 2004. Our five largest contracts generated approximately 44% of our revenues in fiscal year 2006, 27% of our revenues in fiscal year 2005 and 24% of our revenues in fiscal year 2004. Further, we derived approximately 19% of our revenues in fiscal year 2006, 26% of our revenues in fiscal year 2005 and 28% of our revenues in fiscal year 2004 from sales of VSAT communications networks. The failure of these customers to place additional orders or to maintain these contracts with us for any reason, including any downturn in their business or financial condition, or our inability to renew our contracts with these customers or obtain new contracts when they expire, could materially harm our business and impair the value of our common stock.

If Our Customers Experience Financial or Other Difficulties, Our Business Could Be Materially Harmed

A number of our commercial customers have in the past, and may in the future experience financial difficulties. Many of our commercial customers face risks that are similar to those we encounter, including risks associated with market growth, product defects, acceptance by the market of products and services, and the ability to obtain sufficient capital. Further, many of our customers that provide satellite based services (including WildBlue, Telesat, Intelsat, Shin Satellite, Boeing and AIRINC) could be materially affected by a satellite failure and/or satellite launch failure. We cannot assure you that our customers will be successful in managing these risks. If our customers do not successfully manage these types of risks, it could impair our ability to generate revenues, collect amounts due from these customers and materially harm our business.

Major communications infrastructure programs, such as proposed satellite communications systems, are important sources of our current and planned future revenues. We also participate in a number of defense programs. Programs of these types often cannot proceed unless the customer can raise substantial funds, from either governmental or private sources. As a result, our expected revenues can be adversely affected by political developments or by conditions in private and public capital markets. They can also be adversely affected if capital markets are not receptive to a customer s proposed business plans. If our customers are unable to raise adequate funds it could materially harm our business and impair the value of our common stock.

Our Development Contracts May Be Difficult for Us to Comply With and May Expose Us to Third-Party Claims for Damages

We are often party to government and commercial contracts involving the development of new products. We derived approximately 25% of our revenues in fiscal year 2006, 24% of our revenues in fiscal year 2005 and 29% of our revenues in fiscal year 2004 from these development contracts. These contracts typically contain strict performance obligations and project milestones. We cannot assure you we will comply with these performance obligations or meet these project milestones in the future. If we are unable to comply with these performance obligations or meet these milestones, our customers may terminate these contracts and, under some circumstances, recover damages or other penalties from us. We are not currently, nor have we always been, in compliance with all outstanding performance obligations and project milestones. In the past, when we have not complied with the performance obligations or project milestones in a contract, generally, the other party has not elected to terminate the contract or seek damages from us. However, we cannot assure you in the future other parties will not terminate their contracts or seek damages from us. If other parties elect to terminate their contracts or seek damages from us, it could materially harm our business and impair the value of our common stock.

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We Face Potential Product Liability Claims

We may be exposed to legal claims relating to the products we sell or the services we provide. Our agreements with our customers generally contain terms designed to limit our exposure to potential product liability claims. We also maintain a product liability insurance policy for our business. However, our insurance may not cover all relevant claims or may not provide sufficient coverage. If our insurance coverage does not cover all costs resulting from future product liability claims, it could materially harm our business and impair the value of our common stock.

We May Experience Losses from Our Fixed-Price Contracts

Approximately 88% of our revenues in fiscal year 2006, 88% of our revenues in fiscal year 2005 and 89% of our revenues in fiscal year 2004 were derived from government and commercial contracts with fixed prices. We assume greater financial risk on fixed-price contracts than on other types of contracts because if we do not anticipate technical problems, estimate costs accurately or control costs during performance of a fixed-price contract, it may significantly reduce our net profit or cause a loss on the contract. In the past, we have experienced significant cost overruns and losses on fixed price contracts. We believe a high percentage of our contracts will be at fixed prices in the future. Although we attempt to accurately estimate costs for fixed-price contracts, we cannot assure you our estimates will be adequate or that substantial losses on fixed-price contracts will not occur in the future. If we are unable to address any of the risks described above, it could materially harm our business and impair the value of our common stock.

Changes in Financial Accounting Standards or Practices or Existing Taxation Rules or Practices May Cause Adverse Unexpected Fluctuations and Affect Our Reported Results of Operations.

Financial accounting standards in the U.S. are constantly under review and may be changed from time to time. We are required to apply these changes when adopted. Once implemented, these changes could result in material fluctuations in our financial results of operations on a quarterly or annual basis and the manner in which such results of operations are reported. Similarly, we are subject to taxation in the U.S. and a number of foreign jurisdictions. Rates of taxation, definitions of income, exclusions from income, and other tax policies (i.e. research credits and manufacturing deductions) are subject to change over time. Changes in tax laws in a jurisdiction in which we have reporting obligations could have a material impact on our results of operations and impair the value of our common stock.

Our Reliance on a Limited Number of Third Parties to Manufacture and Supply Our Products Exposes Us to Various Risks

Our internal manufacturing capacity is limited and we do not intend to expand our capability in the foreseeable future. We rely on a limited number of contract manufacturers to produce our products and expect to rely increasingly on these manufacturers in the future. In addition, some components, subassemblies and services necessary for the manufacture of our products are obtained from a sole supplier or a limited group of suppliers.

Our reliance on contract manufacturers and on sole suppliers or a limited group of suppliers involves several risks. We may not be able to obtain an adequate supply of required components, and our control over the price, timely delivery, reliability and quality of finished products may be reduced. The process of manufacturing our products and some of our components and subassemblies is extremely complex. We have in the past experienced and may in the future experience delays in the delivery of and quality problems with products and components and subassemblies from vendors. Some of the suppliers we rely upon have relatively limited financial and other resources. Some of our vendors have manufacturing facilities in areas that may be prone to natural disasters and other natural occurrence that may affect their ability to perform and deliver under our contract. If we are not able to obtain timely deliveries of components and subassemblies of acceptable quality or if we are otherwise required to seek alternative sources of supply, or to manufacture our finished products or components and subassemblies internally, it could delay or prevent us from delivering our systems promptly and at high quality. This failure could damage relationships with current or prospective customers, which, in turn, could materially harm our business and impair the value of our common stock.

The Markets We Serve Are Highly Competitive and Our Competitors May Have Greater Resources Than Us

The wireless and satellite communications industry is highly competitive and competition is increasing. In addition, because the markets in which we operate are constantly evolving and characterized by rapid technological change, it is difficult for us to predict whether, when and who may introduce new competing technologies, products or services into our markets. Currently, we face substantial competition from domestic and international wireless and ground-based communications service providers in the commercial and government industries. Many of our competitors and potential competitors have significant competitive advantages, including strong customer relationships, more experience with regulatory compliance, greater financial and management resources, and control over central communications networks. In addition, some of our customers continuously evaluate whether to develop and manufacture their own products and could elect to compete with us at any time. Increased competition from any of these or other entities could materially harm our business and impair the value of our common stock.

We Depend on a Limited Number of Key Employees Who Would Be Difficult to Replace

We depend on a limited number of key technical, marketing and management personnel to manage and operate our business. In particular, we believe our success depends to a significant degree on our ability to attract and retain highly skilled personnel, including our Chairman and Chief Executive Officer, Mark D. Dankberg, and those highly skilled design, process and test engineers involved in the manufacture of existing products and the development of new products and processes. The competition for these types of personnel is intense, and the loss of key employees could materially harm our business and impair the value of our common stock. We do not have employment agreements with any of our officers.

Because We Conduct Business Internationally, We Face Additional Risks Related to Global Political and Economic Conditions and Currency Fluctuations

Approximately 18% of our revenues in fiscal year 2006, 27% of our revenues in fiscal year 2005 and 24% of our revenues in fiscal year 2004 were derived from international sales. We anticipate international sales will account for an increasing percentage of our revenues over the next several years. Many of these international sales may be denominated in foreign currencies. Because we do not currently engage in nor do we anticipate engaging in material foreign currency hedging transactions related to international sales, a decrease in the value of foreign currencies relative to the U.S. dollar could result in losses from transactions denominated in foreign currencies. This decrease in value could also make our products less price-competitive.

There are additional risks in conducting business internationally, including:

unexpected changes in regulatory requirements,

increased cost of localizing systems in foreign countries,

increased sales and marketing and research and development expenses,

availability of suitable export financing,

timing and availability of export licenses,

tariffs and other trade barriers,

political and economic instability,

challenges in staffing and managing foreign operations,

difficulties in managing distributors,

potentially adverse tax consequences,

potential difficulty in making adequate payment arrangements, and

potential difficulty in collecting accounts receivable.

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In addition, some of our customer purchase agreements are governed by foreign laws, which may differ significantly from U.S. laws. We may be limited in our ability to enforce our rights under these agreements and to collect damages, if awarded. If we are unable to address any of the risks described above, it could materially harm our business and impair the value of our common stock.

Our Operating Results Have Varied Significantly from Quarter to Quarter in the Past and, if They Continue to do so, the Market Price of Our Common Stock Could Be Impaired

Our operating results have varied significantly from quarter to quarter in the past and may continue to do so in the future. The factors that cause our quarter-to-quarter operating results to be unpredictable include:

- a complex and lengthy procurement process for most of our customers or potential customers,
- changes in the levels of research and development spending, including the effects of associated tax credits,
- cost overruns on fixed price development contracts,
- the difficulty in estimating costs over the life of a contract, which may require adjustment in future periods,
- the timing, quantity and mix of products and services sold,
- price discounts given to some customers,
- market acceptance and the timing of availability of our new products,
- the timing of customer payments for significant contracts,
- one time charges to operating income arising from items such as acquisition expenses and write-offs of assets related to customer non-payments or obsolescence,
- the failure to receive an expected order or a deferral of an order to a later period, and
- general economic and political conditions.

As a result, we believe period-to-period comparisons of our operating results are not necessarily meaningful and you should not rely upon them as indicators of future performance. If we are unable to address any of the risks described above, it could materially impair the value of our common stock. In addition, it is likely that in one or more future quarters our results may fall below the expectations of analysts and investors. In this event, the trading price of our common stock would likely decrease.

Our Reliance on U.S. Government Contracts Exposes Us to Significant Risks

Our government segment revenues were approximately 49% of our revenues in fiscal year 2006, 51% of our revenues in fiscal year 2005 and 46% of our revenues in fiscal year 2004, and were derived from U.S. government applications. Our U.S. government business will continue to represent a significant portion of our revenues for the foreseeable future. U.S. government business exposes us to various risks, including:

- unexpected contract or project terminations or suspensions,
- unpredictable order placements, reductions or cancellations,
- reductions in government funds available for our projects due to government policy changes, budget cuts and contract adjustments,

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- the ability of competitors to protest contractual awards,
- penalties arising from post-award contract audits,
- cost audits in which the value of our contracts may be reduced,
- higher-than-expected final costs, particularly relating to software and hardware development, for work performed under contracts where we commit to specified deliveries for a fixed price,
- limited profitability from cost-reimbursement contracts under which the amount of profit is limited to a specified amount, and
- unpredictable cash collections of unbilled receivables that may be subject to acceptance of contract deliverables by the customer and contract close-out procedures, including government approval of final indirect rates.

In addition, substantially all of our U.S. government backlog scheduled for delivery can be terminated at the convenience of the U.S. government because our contracts with the U.S. government typically provide that orders may be terminated with limited or no penalties. If we are unable to address any of the risks described above, it could materially harm our business and impair the value of our common stock.

Our Credit Facility Contains Restrictions that Could Limit Our Ability to Implement Our Business Plan

The restrictions contained in our line of credit may limit our ability to implement our business plan, finance future operations, respond to changing business and economic conditions, secure additional financing, and engage in opportunistic transactions, such as strategic acquisitions. In addition, if we fail to meet the covenants contained in our line of credit, our ability to borrow under our line of credit may be restricted. The line of credit, among other things, restricts our ability to do the following:

- incur additional indebtedness,
- create liens on our assets,
- make certain payments, including payments of dividends in respect of capital stock,
- consolidate, merge and sell assets,
- engage in certain transactions with affiliates, and
- make acquisitions.

In addition, the line of credit requires us to satisfy the following financial tests:

- minimum EBITDA (income from operations plus depreciation and amortization) for the twelve-month period ending on the last day of any fiscal quarter of $30 million,
- minimum tangible net worth as of the last day of any fiscal quarter of $135 million, and
- minimum quick ratio (sum of cash and cash equivalents, accounts receivable and marketable securities, divided by current liabilities) as of the last day of any fiscal quarter of 1.50 to 1.00.

In the past we have violated our credit facility covenants and received waivers for these violations. We cannot assure that we will be able to comply with our financial or other covenants or that any covenant violations will be waived in the future. Any violation not waived could result in an event of default, permitting the lenders to suspend commitments to make any advance, to declare notes and interest thereon due and payable, and to require any outstanding letters of credit to be collateralized by an interest bearing cash account, any or all of which could have a material adverse effect on our business, financial condition and results of operations. In addition, if we fail to comply with our financial or other covenants, we may need additional financing in order to service or extinguish our indebtedness. We may not be able to obtain financing or refinancing on terms acceptable to us, if at all.

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Our Success Depends on the Development of New Satellite and Other Wireless Communications Products and Our Ability to Gain Acceptance of These Products

The wireless and satellite communications markets are subject to rapid technological change, frequent new and enhanced product introductions, product obsolescence and changes in user requirements. Our ability to compete successfully in these markets depends on our success in applying our expertise and technology to existing and emerging satellite and other wireless communications markets. Our ability to compete in these markets also depends in large part on our ability to successfully develop, introduce and sell new products and enhancements on a timely and cost-effective basis that respond to ever-changing customer requirements. Our ability to successfully introduce new products depends on several factors, including:

- successful integration of various elements of our complex technologies and system architectures,
- timely completion and introduction of new product designs,
- achievement of acceptable product costs,
- timely and efficient implementation of our manufacturing and assembly processes and cost reduction efforts,
- establishment of close working relationships with major customers for the design of their new wireless communications systems incorporating our products,
- development of competitive products and technologies by competitors,
- marketing and pricing strategies of our competitors with respect to competitive products, and
- market acceptance of our new products.

We cannot assure you our product or technology development efforts for communications products will be successful or any new products and technologies we develop, including ArcLight, KG-250, MIDS-Joint Tactical Radio System, Surfbeam (our Data Over Cable Service Interface System-based consumer broadband product), DVB-S2 and LinkStar, will achieve sufficient market acceptance. We may experience difficulties that could delay or prevent us from successfully selecting, developing, manufacturing or marketing new products or enhancements. In addition, defects may be found in our products after we begin deliveries that could result in the delay or loss of market acceptance. If we are unable to design, manufacture, integrate and market profitable new products for existing or emerging communications markets, it could materially harm our business and impair the value of our common stock.

We Expect to Incur Research and Development Costs, Which Could Significantly Reduce Our Profitability

Our future growth depends on penetrating new markets, adapting existing communications products to new applications, and introducing new communications products that achieve market acceptance. Accordingly, we are actively applying our communications expertise to design and develop new hardware and software products and enhance existing products. We spent $15.8 million in fiscal year 2006, $8.1 million in fiscal year 2005 and $10.0 million in fiscal year 2004 in research and development activities. We expect to continue to spend discretionary funds on research and development in the near future. The amount of funds spent on research and development projects is dependent on the amount and mix of customer funded development, the types of technology being developed and the affordability of the technology being developed. Because we account for research and development as an operating expense, these expenditures will adversely affect our earnings in the near future. Our research and development program may not produce successful results, which could materially harm our business and impair the value of our common stock.

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Our Ability to Protect Our Proprietary Technology is Limited and Infringement Claims Against Us Could Restrict Our Ability to Conduct Business

Our success depends significantly on our ability to protect our proprietary rights to the technologies we use in our products and services. If we are unable to protect our proprietary rights adequately, our competitors could use the intellectual property we have developed to enhance their own products and services, which could materially harm our business and impair the value of our common stock. We currently rely on a combination of patents, trade secret laws, copyrights, trademarks, service marks and contractual rights to protect our intellectual property. We cannot assure you the steps we have taken to protect our proprietary rights are adequate. Also, we cannot assure you our issued patents will remain valid or that any pending patent applications will be issued. Additionally, the laws of some foreign countries in which our products are or may be sold do not protect our intellectual property rights to the same extent as do the laws of the United States.

Litigation may often be necessary to protect our intellectual property rights and trade secrets, to determine the validity and scope of the proprietary rights of others or to defend against claims of infringement or invalidity. We believe infringement, invalidity, right to use or ownership claims by third parties or claims for indemnification resulting from infringement claims will likely be asserted against us in the future. If any claims or actions are asserted against us, we may seek to obtain a license under a third party s intellectual property rights. We cannot assure you, however, that a license will be available under reasonable terms or at all. Litigation of intellectual property claims could be extremely expensive and time consuming, which could materially harm our business, regardless of the outcome of the litigation. If our products are found to infringe upon the rights of third parties, we may be forced to incur substantial costs to develop alternative products. We cannot assure you we would be able to develop alternative products or, if these alternative products were developed, they would perform as required or be accepted in the applicable markets. Also, we have delivered certain technical data and information to the U.S. government under procurement contracts, and it may have unlimited rights to use that technical data and information. There can be no assurance that the U.S. government will not authorize others to use that data and information to compete with us. If we are unable to address any of the risks described above relating to the protection of our proprietary rights or the U.S. government s rights with respect to certain technical data and information, it could materially harm our business and impair the value of our common stock.

Compliance with Changing Regulation of Corporate Governance and Public Disclosure May Result in Additional Expenses

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, new Securities and Exchange Commission (SEC) regulations and Nasdaq Stock Market rules, are creating uncertainty for companies such as ours. These new or changed laws, regulations and standards are subject to varying interpretations in many cases due to their lack of specificity, and as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies, which could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We are committed to maintaining high standards of corporate governance and public disclosure. As a result, our efforts to comply with evolving laws, regulations and standards have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. In particular, our efforts to comply with Section 404 of the Sarbanes-Oxley Act of 2002 and the related regulations regarding our required assessment of our internal control over financial reporting and our independent registered public accounting firm s audit of that assessment has required, and is likely to continue to require, the commitment of significant financial and managerial resources, which could materially harm our business and impair the value of our common stock.

We May Identify Material Weaknesses in the Future

In the past we have identified a material weakness in internal control over financial reporting. From time to time, we have also experienced deficiencies in internal control over financial reporting that have not risen to the level of a material weakness. Although we have been able to remediate the material weakness and certain internal control deficiencies in the past, we cannot assure you in the future that a material weakness will not exist. If this would be the case, and we cannot timely remediate such material weakness, management may conclude that our internal control over financial reporting is not operating effectively or our independent registered public accounting firm may be required to issue an adverse opinion on our internal control over financial reporting, which could in either case adversely affect investor confidence and impair the value of our common stock.

Changes in Financial Accounting Standards Related to Stock Option Expenses Are Expected to Have a Significant Effect on Our Reported Results

The Financial Accounting Standards Board (FASB) issued a revised standard that requires that we record compensation expense in the statement of operations for employee stock options using the fair value method. The adoption of the new standard is expected to have a significant effect on our reported earnings and could adversely impact our ability to provide accurate guidance on our future reported financial results due to the variability of the factors used to establish the value of stock options. As a result, the adoption of the new standard in fiscal year 2007 could impair the value of our common stock and result in greater stock price volatility.

Any Failure to Successfully Integrate Strategic Acquisitions Could Adversely Affect Our Business

In order to position ourselves to take advantage of growth opportunities, we have made, and may continue to make, strategic acquisitions that involve significant risks and uncertainties. These risks and uncertainties include:

- the difficulty in integrating newly-acquired businesses and operations in an efficient and effective manner,
- the challenges in achieving strategic objectives, cost savings and other benefits expected from acquisitions,
- the risk our markets do not evolve as anticipated and the technologies acquired do not prove to be those needed to be successful in those markets,
- the potential loss of key employees of the acquired businesses,
- the risk of diverting the attention of senior management from the operations of our business,
- the risks of entering markets in which we have less experience, and
- the risks of potential disputes concerning indemnities and other obligations that could result in substantial costs and further divert management s attention and resources.

Any failure to successfully integrate strategic acquisitions could harm our business and impair the value of our common stock. Furthermore, to complete future acquisitions we may issue equity securities, incur debt, assume contingent liabilities or have amortization expenses and write-downs of acquired assets, which could cause our earnings per share to decline.

Exports of Our Defense Products are Subject to the International Traffic in Arms Regulations and Require a License from the U.S. Department of State Prior to Shipment

We must comply with the United States Export Administration Regulations and the International Traffic in Arms Regulations, or ITAR. Our products that have military or strategic applications are on the munitions list of the ITAR and require an individual validated license in order to be exported to certain jurisdictions. Any changes in export regulations may further restrict the export of our products, and we may cease to be able to procure export licenses for our products under existing regulations. The length of time required by the licensing process can vary, potentially delaying the shipment of products and the recognition of the corresponding revenue. Any restriction on the export of a significant product line or a significant amount of our products could cause a significant reduction in net sales.

Adverse Regulatory Changes Could Impair Our Ability to Sell Products

Our products are incorporated into wireless communications systems that must comply with various government regulations, including those of the Federal Communications Commission (FCC). In addition, we operate and provide services to customers through the use of several satellite earth hub stations, which are licensed by the FCC. Regulatory changes, including changes in the allocation of available frequency spectrum and in the military standards and specifications that define the current satellite networking environment, could materially harm our business by (1) restricting development efforts by us and our customers, (2) making our current products less attractive or obsolete, or (3) increasing the opportunity for additional competition. Changes in, or our failure to comply with, applicable regulations could materially harm our business and impair the value of our common stock. In addition, the increasing demand for wireless communications has exerted pressure on regulatory bodies worldwide to adopt new standards for these products and services, generally following extensive investigation of and deliberation over competing technologies. The delays inherent in this government approval process have caused and may continue to cause our customers to cancel, postpone or reschedule their installation of communications systems. This, in turn, may have a material adverse effect on our sales of products to our customers.

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Our Executive Officers and Directors Own a Large Percentage of Our Common Stock and Exert Significant Influence Over Matters Requiring Stockholder Approval

As of August 11, 2006, our executive officers and directors and their affiliates beneficially owned an aggregate of approximately 18.6% of our common stock. Accordingly, these stockholders may be able to significantly influence the outcome of corporate actions requiring stockholder approval, such as mergers and acquisitions. These stockholders may exercise this ability in a manner that advances their best interests and not necessarily those of other stockholders. This ownership interest could also have the effect of delaying or preventing a change in control.

We Have Implemented Anti-Takeover Provisions That Could Prevent an Acquisition of Our Business at a Premium Price

Some of the provisions of our certificate of incorporation and bylaws could discourage, delay or prevent an acquisition of our business at a premium price. These provisions:

- permit the Board of Directors to increase its own size and fill the resulting vacancies,
- provide for a Board comprised of three classes of directors with each class serving a staggered three-year term,
- authorize the issuance of preferred stock in one or more series, and
- prohibit stockholder action by written consent.

In addition, Section 203 of the Delaware General Corporation Law imposes restrictions on mergers and other business combinations between us and any holder of 15% or more of our common stock.

Risks Related to Our Common Stock

Future Sales of Our Common Stock in the Public Market Could Lower the Stock Price

We may, in the future, sell additional shares of common stock in subsequent public offerings. We may also issue additional shares of common stock to finance future acquisitions, including acquisitions larger than those we have done in the past, through the use of equity. Additionally, a substantial number of shares of our common stock are available for future sale pursuant to stock options and warrants. We cannot predict the size of future issuances of our common stock or the effect, if any, that future sales and issuances of shares of our common stock will have on the market price of our common stock. Sales of substantial amounts of our common stock (including shares issued upon the exercise of stock options and warrants or in connection with acquisition financing), or the perception that such sales could occur, may adversely affect prevailing market prices for our common stock.

We Expect Our Stock Price to Be Volatile

The market price of our common stock has been volatile in the past. For example, since April 2, 2001, the market price of our common stock has ranged from $3.91 to $30.83. Trading prices may continue to fluctuate in response to a number of events and factors, including the following:

- quarterly variations in operating results and announcements of innovations,
- new products, services and strategic developments by us or our competitors,
- developments in our relationships with our customers, distributors and suppliers,
- regulatory developments,
- changes in our revenues, expense levels or profitability,

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- changes in financial estimates and recommendations by securities analysts,
- failure to meet the expectations of securities analysts,
- changes in the wireless communications industry, and
- changes in the economy.

Any of these events may cause the market price of our common stock to fall. In addition, the stock market in general and the market prices for technology companies in particular have experienced significant volatility that often has been unrelated to the operating performance of these companies. These broad market and industry fluctuations may adversely affect the market price of our common stock, regardless of our operating performance.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains and incorporates by reference forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements include, but are not limited to, statements about our plans, objectives, expectations and intentions and other statements contained in this prospectus that are not historical facts. When used in this prospectus, the words expects, anticipates, intends, plans, believes, seeks, estimates, could, should, may, wi expressions are generally intended to identify forward-looking statements. These forward-looking statements are subject to a number of risks, uncertainties and assumptions about us, including, among other things:

- the ability to successfully grow our commercial business, while maintaining our significant government business,
- the ability to successfully develop, introduce and sell new satellite and other wireless communications products,
- the ability to successfully develop technologies according to anticipated schedules that meet performance expectations,
- the ability to successfully integrate strategic acquisitions,
- changes in product supply, pricing and customer demand,
- changes in relationships with key suppliers, and
- increased competition and other factors affecting the telecommunications market generally.

We have described other risks concerning us under the caption entitled Risk Factors. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this prospectus may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements.

USE OF PROCEEDS

We will not receive any proceeds from the sale by the selling stockholders of the common stock offered by this prospectus.

SELLING STOCKHOLDERS

Merger Agreement. Under the terms of an agreement and plan of merger and reorganization dated June 20, 2006, we acquired all of the outstanding capital stock of Enerdyne Technologies, Inc. Enerdyne is now our wholly owned subsidiary. As part of the aggregate purchase price, we issued to the selling stockholders an aggregate of 744,104 shares of our common stock. We also agreed to register for resale the 744,104 shares of our common stock offered by the selling stockholders in this prospectus (of which 97,055 shares are only transferable to the selling stockholders under the make whole provision described below). In connection with the acquisition, we entered into an escrow agreement with the selling stockholders under which 67,226 of the shares of common stock issued to the selling stockholders were placed in escrow to secure the indemnification obligations of the selling stockholders under the merger agreement.

Make Whole. To the extent that the value of the shares of our common stock issued to HPLX Funding, LLC (the sole former preferred stockholder of Enerdyne), together with the amount of any proceeds from the sale of such shares within 45 days after the effectiveness of the registration statement of which this prospectus is a part, is less than the value of the shares when issued, we have agreed to transfer to HPLX up to 71,967 additional shares of our common stock to cover such difference. Likewise, to the extent that the value of the shares of our common stock issued to HPLX, together with the amount of any proceeds from the sale of such shares within 45 days after the effectiveness of the registration statement, is greater than the value of the shares when issued, HPLX has agreed to return to us for cancellation up to 71,967 shares of our common stock to cover such difference. In the case of the former common stockholders of Enerdyne (Messrs. Nixon, Gardner, Wickman and Kulinski listed below), who have agreed not to sell any shares of our common stock issued to them at closing prior to the later of (a) the effective date of the registration statement of which this prospectus is a part or (b) July 20, 2006 (the Make Whole Deadline), to the extent that the value of such shares on the Make Whole Deadline is less than 80% of the value of the shares when issued, we have agreed to transfer to the common stockholders up to 25,088 additional shares of our common stock to cover such difference (i.e., the difference between the value of the shares on the Make Whole Deadline and 80% of the value of the shares when issued); and to the extent that the value of such shares on the Make Whole Deadline is greater than 120% of the value of the shares when issued, the common stockholders have agreed to return to us for cancellation up to 25,088 shares of our common stock to cover such difference (i.e., the difference between the value of the shares on the Make Whole Deadline and 120% of the value of the shares when issued).

The following table sets forth information with respect to the shares beneficially owned by the selling stockholders. The information regarding shares owned after the offering assumes the sale of all shares offered by the selling stockholders. Other than as described above or in the footnotes to the table below, none of the selling stockholders has held a position or office or had a material relationship with us or any of our affiliates within the past three years other than as a result of the ownership of our common stock. The address of each the selling stockholders is c/o Enerdyne Technologies, Inc. 1935 Cordell Court, San Diego, CA 92020.

Name of Selling Stockholder	Number of Shares Beneficially Owned Prior to the Offering	Number of Shares Being Offered	Shares Beneficially Owned After Offering	
			Number	Percentage
HPLX Funding, LLC(1)	551,751(3)	551,751	0	*
Brandon L. Nixon(2)	104,489(4)	104,489	0	*
Steven H. Gardner(2)	52,244(5)	52,244	0	*
Paul P. Wickman(2)	24,222(6)	24,222	0	*

Michael B. Kulinski(2)	11,398(7)	11,398	0	*

(1) The members of HPLX are Housatonic Micro Fund, L.P., Housatonic Micro Fund SBIC, L.P. and Lexington Funding LLC. The members of the board of directors of HPLX Funding LLC are Brandon Nixon, chairman, Joseph Niehaus and Harvey Gettleson.

(2) The selling stockholder is currently an officer of Enerdyne, a wholly owned subsidiary of ViaSat.

(3) The shares being offered include 71,967 shares of common stock transferable to the selling stockholder under the make whole provision described above.

(4) The shares being offered include 13,629 shares of common stock

transferable to the selling stockholder under the make whole provision described above.

(5) The shares being offered include 6,814 shares of common stock transferable to the selling stockholder under the make whole provision described above.

(6) The shares being offered include 3,159 shares of common stock transferable to the selling stockholder under the make whole provision described above.

(7) The shares being offered include 1,486 shares of common stock transferable to the selling stockholder under the make whole provision described above.

The selling stockholders listed in the above table may have sold or transferred, in transactions pursuant to this prospectus or exempt from the registration requirements of the Securities Act, some or all of their shares since the date as of which the information is presented in the above table. Information concerning the selling stockholders may change from time to time and any such changed information will be set forth in supplements to this prospectus or amendments to the registration statement of which this prospectus is a part if and when necessary.

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PLAN OF DISTRIBUTION

The selling stockholders, which as used herein includes donees, pledgees, transferees or other successors in interest selling shares received after the date of this prospectus from a selling stockholder as a gift, pledge, partnership distribution or other transfer, may, from time to time, sell, transfer or otherwise dispose of any or all of their shares on any stock exchange, market or trading facility on which the shares are traded or in private transactions. These dispositions may be at fixed prices, at prevailing market prices at the time of sale, at prices related to the prevailing market price, at varying prices determined at the time of sale, or at negotiated prices.

The selling stockholders may use any one or more of the following methods when disposing of shares:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- block trades in which the broker-dealer will attempt to sell the shares as agent, but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- short sales effected after the date the registration statement of which this prospectus is a part is declared effective by the SEC;
- through the writing or settlement of options or other hedging transactions, whether through an options exchange or otherwise;
- broker-dealers may agree with the selling stockholders to sell a specified number of such shares at a stipulated price per share;
- a combination of any such methods of sale; or
- any other method permitted pursuant to applicable law.

The selling stockholders may also sell shares under Rule 144 under the Securities Act, if available, rather than under this prospectus. The selling stockholders are not obligated to, and there is no assurance that the selling stockholders will, sell all or any of the shares we are registering. The selling stockholders may transfer, devise or gift such shares by other means not described in this prospectus.

In connection with the sale of our shares, the selling stockholders may enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of the common stock in the course of hedging the positions they assume. The selling stockholders may also sell shares of our common stock short and deliver these securities to close out their short positions, or loan or pledge the common stock to broker-dealers that in turn may sell these securities. The selling stockholders may also enter into option or other transactions with broker-dealers or other financial institutions or the creation of one or more derivative securities which require the delivery to such broker-dealer or other financial institution of shares offered by this prospectus, which shares such broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction).

The aggregate proceeds to the selling stockholders from the sale of the common stock offered by them will be the purchase price of the common stock less discounts or commissions, if any. Each of the selling stockholders reserves the right to accept and, together with their agents from time to time, to reject, in whole or in part, any proposed purchase of common stock to be made directly or through agents. We will not receive any of the proceeds from this offering. We are required to pay certain fees and expenses incurred by us incident to the registration of the shares.

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Broker-dealers engaged by the selling stockholders may arrange for other brokers-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the selling stockholders (or, if any broker-dealer acts as agent for the purchaser of shares, from the purchaser) in amounts to be negotiated. The selling stockholders do not expect these commissions and discounts to exceed what is customary in the types of transactions involved. Any profits on the resale of shares by a broker-dealer acting as principal might be deemed to be underwriting discounts or commissions under the Securities Act. Discounts, concessions, commissions and similar selling expenses, if any, attributable to the sale of shares will be borne by a selling stockholder. The selling stockholders may agree to indemnify any agent, dealer or broker-dealer that participates in transactions involving sales of the shares if liabilities are imposed on that person under the Securities Act.

The selling stockholders, broker-dealers or agents that participate in the sale of the common stock may be underwriters within the meaning of Section 2(11) of the Securities Act. Any discounts, commissions, concessions or profit they earn on any resale of the shares may be underwriting discounts and commissions under the Securities Act. Selling stockholders who are underwriters within the meaning of Section 2(11) of the Securities Act will be subject to the prospectus delivery requirements of the Securities Act. There is no underwriter or coordinating broker acting in connection with the proposed sale of the resale shares by the selling stockholders.

The selling stockholders may from time to time pledge or grant a security interest in some or all of the shares owned by them and, if they default in the performance of any of their secured obligations, the pledgees or secured parties may offer and sell the shares from time to time under this prospectus as it may be supplemented from time to time, or under an amendment to this prospectus under Rule 424(b)(3) or other applicable provision of the Securities Act amending the list of selling stockholders to include the pledgee, transferee or other successors in interest as selling stockholders under this prospectus.

To the extent required, the shares to be sold, the names of the selling stockholders, the respective purchase prices and public offering prices, the names of any agents, dealer or underwriter, any applicable commissions or discounts with respect to a particular offer will be set forth in an accompanying prospectus supplement or, if appropriate, a post-effective amendment to the registration statement that includes this prospectus.

In order to comply with the securities laws of some states, if applicable, the common stock may be sold in these jurisdictions only through registered or licensed brokers or dealers. In addition, in some states the common stock may not be sold unless it has been registered or qualified for sale or an exemption from registration or qualification requirements is available and is complied with.

The anti-manipulation rules of Regulation M under the Exchange Act may apply to sales of shares in the market and to the activities of the selling stockholders and their affiliates. In addition, we will make copies of this prospectus (as it may be supplemented or amended from time to time) available to the selling stockholders for the purpose of satisfying the prospectus delivery requirements of the Securities Act. The selling stockholders may indemnify any broker-dealer that participates in transactions involving the sale of the shares against certain liabilities, including liabilities arising under the Securities Act.

We have agreed with the selling stockholders to keep the registration statement of which this prospectus constitutes a part effective until the sale of all the shares registered thereby or until all of such shares may be continuously sold by each selling stockholder within a 90 day period under Rule 144 of the Securities Act.

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DESCRIPTION OF CAPITAL STOCK

General

This prospectus describes the general terms of our capital stock. For a more detailed description of these securities, you should read the applicable provisions of Delaware law and our certificate of incorporation and bylaws.

Under our certificate of incorporation, the total number of shares of all classes of stock that we have authority to issue is 105,000,000, consisting of 5,000,000 shares of preferred stock, par value $.0001 per share, and 100,000,000 shares of common stock, par value $.0001 per share.

Common Stock

As of August 11, 2006, we had 28,576,116 shares of common stock outstanding. The holders of our common stock are entitled to one vote for each share on all matters voted on by stockholders. The holders of our common stock do not have cumulative voting rights, which mean that holders of more than one-half of the shares voting for the election of directors can elect all of the directors then being elected. Subject to the preferences of any of our outstanding preferred stock, the holders of our common stock are entitled to a proportional distribution of any dividends that may be declared by the board of directors. In the event of our liquidation or dissolution, the holders of our common stock are entitled to share equally in all assets remaining after payment of liabilities and any payments due to holders of any outstanding shares of our preferred stock. The outstanding shares of our common stock are fully paid and nonassessable. The rights, preferences and privileges of holders of our common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any of our outstanding preferred stock.

Preferred Stock

We currently have no outstanding shares of preferred stock. Under our certificate of incorporation, our board of directors is authorized to issue shares of our preferred stock from time to time, in one or more classes or series, without stockholder approval. Prior to the issuance of shares of each series, the board of directors is required by the General Corporation Law of the State of Delaware, known as the DGCL, and our certificate of incorporation to adopt resolutions and file a certificate of designation with the Secretary of State of the State of Delaware. The certificate of designation fixes for each class or series the designations, powers, preferences, rights, qualifications, limitations and restrictions, including the following:

- the number of shares constituting each class or series;
- voting rights;
- rights and terms of redemption, including sinking fund provisions;
- dividend rights and rates;
- dissolution;
- terms concerning the distribution of assets;
- conversion or exchange terms;
- redemption prices; and
- liquidation preferences.

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Anti-Takeover Provisions

As a corporation organized under the laws of the State of Delaware, we are subject to Section 203 of the DGCL, which restricts our ability to enter into business combinations with an interested stockholder or a stockholder owning 15% or more of our outstanding voting stock, or that stockholder s affiliates or associates, for a period of three years. These restrictions do not apply if:

- prior to becoming an interested stockholder, our board of directors approves either the business combination or the transaction in which the stockholder becomes an interested stockholder;

- upon consummation of the transaction in which the stockholder becomes an interested stockholder, the interested stockholder owns at least 85% of our voting stock outstanding at the time the transaction commenced, subject to exceptions; or

- on or after the date a stockholder becomes an interested stockholder, the business combination is both approved by our board of directors and authorized at an annual or special meeting of our stockholders by the affirmative vote of at least two-thirds of the outstanding voting stock not owned by the interested stockholder.

Some provisions of our certificate of incorporation and bylaws could also have anti-takeover effects. These provisions:

- permit the board of directors to increase its own size and fill the resulting vacancies;

- provide for a board comprised of three classes of directors with each class serving a staggered three-year term;

- authorize the issuance of preferred stock in one or more series; and

- prohibit stockholder action by written consent.

These provisions are intended to enhance the likelihood of continuity and stability in the composition of the policies formulated by the board of directors. In addition, these provisions are intended to ensure that the board of directors will have sufficient time to act in what it believes to be in the best interests of us and our stockholders. These provisions also are designed to reduce our vulnerability to an unsolicited proposal for a takeover of us that does not contemplate the acquisition of all of our outstanding shares or an unsolicited proposal for the restructuring or sale of all or part of us. The provisions are also intended to discourage some tactics that may be used in proxy fights.

Classified Board of Directors

The certificate of incorporation provides for the board of directors to be divided into three classes of directors, with each class as nearly equal in number as possible, serving staggered three-year terms. As a result, apprm" width="1%" style="TEXT-ALIGN: left"> 32,657

Registration and filing fees	9,725	4,537	21,208	13,463
Professional fees	155,463	158,848	651,689	349,187
Printing fees	136,713	28,121	239,588	82,657
Trustees fees	15,000	15,000	45,000	60,000
Settlement fees	–	–	838,000	–
Miscellaneous fees	13,067	23,308	50,547	69,165
TOTAL GROSS EXPENSES	1,738,313	1,391,369	5,921,181	3,830,054
Incentive fee adjustments (Note 4)	5,659,108	–	4,226,169	–

TOTAL NET EXPENSES	7,397,421	1,391,369	10,147,350	3,830,054
NET INVESTMENT LOSS	(6,521,575)	(1,083,973)	(8,353,857)	(2,960,006)
Net Realized and Unrealized Gains (Losses) on Investments:				
Net realized gains from security transactions				
Non-affiliated and other assets	26,779,485	5,794,244	26,779,617	5,754,741
Net realized gains from purchased option transactions (1)	15,290,438	–	15,290,438	–
Net realized gains (losses) from written option transactions (1)	54,928	(4,399,124)	54,928	(2,794,531)
Net change in unrealized appreciation on other assets	–	–	–	27,370
Net change in unrealized appreciation (depreciation) on investments	(9,092,761)	10,541,083	(17,423,461)	27,060,997
Net change in unrealized appreciation (depreciation) on warrants transactions (1)	4,786	1,139,258	(2,418,528)	1,175,756
Net change in unrealized depreciation on purchased options (1)	(4,794,453)	–	(1,470,000)	–
Net change in unrealized appreciation on written options (1)	45,257	23,829	70,011	–
Net Realized and Unrealized Gains (Losses) on Investments	28,287,680	13,099,290	20,883,005	31,224,333
Net Increase In Net Assets Resulting From Operations	$21,766,105	$12,015,317	$12,529,148	$28,264,327
Net Increase In Net Assets Per Share Resulting From Operations (2)	$2.40	$1.40	$1.38	$3.30

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

See accompanying notes to financial statements

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

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

See accompanying notes to financial statements

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

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

(1) Net of underwriting fees and offering expenses.

See accompanying notes to financial statements

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

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

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

See accompanying notes to financial statements

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

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

See accompanying notes to financial statements

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

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

(0.7%)				
TURN, INC. (5.6%)	Advertising Technology	Preferred Stock - Series E (1)	1,798,562	15,000,007

See accompanying notes to financial statements

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

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

See accompanying notes to financial statements

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

PORTFOLIO COMPANY (% OF NET ASSETS)	INDUSTRY	TYPE OF INVESTMENT	CONTRACTS	VALUE
WRITTEN OPTIONS — (0.3)%				
TWITTER, INC. (0.3%)	Social Networking	Written Call Options, Expiring October 31, 2014, Strike Price $54.00	(2,501)	$ (687,775)
Total WRITTEN OPTIONS (proceeds ($757,786)) — (0.3)%				$ (687,775)

*Non-income producing security.
(1)Restricted security. Fair Value is determined by or under the direction of the Company's Board of Directors (See note 3).
(2)Controlled Investments.
(3)Affiliated issuer.
(4)Security held in connection with open written call options.

See accompanying notes to financial statements

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Firsthand Technology Value Fund, Inc. (the "Company")
Notes to Financial Statements
SEPTEMBER 30, 2014 (UNAUDITED)

NOTE 1. THE COMPANY

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

PORTFOLIO INVESTMENT VALUATIONS. Investments are stated at "value" as defined in the 1940 Act and in the applicable regulations of the Securities and Exchange Commission and in accordance with GAAP. Value, as defined in Section 2(a)(41) of the 1940 Act, is (i) the market value of those securities for which a market quotation is readily available and (ii) the fair value as determined in good faith by, or under the direction of, the board of directors for all other securities and assets. On September 30, 2014, our financial statements include venture capital investments valued at approximately $118.9 million. The fair values of our venture capital investments were determined in good faith by, or under the direction of, the Board of Directors of the Company (the “Board” or the “Board of Directors”). Upon sale of these investments, the values that are ultimately realized may be different from what is presently estimated. The difference could be material. Also see Note 6 regarding the fair value of the Company’s investments.

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

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

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

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

INCOME RECOGNITION. Dividend income is recorded on the ex-dividend date. Interest income is accrued as earned. Discounts and premiums on securities purchased are amortized over the lives of the respective securities. Other non-cash dividends are recognized as investment income at the fair value of the property received. When debt securities are determined to be non-income producing, the Company ceases accruing interest and writes off any previously accrued interest. These write-offs are recorded as a debit to interest income. During the quarter ended September 30, 2014, the Company earned $1,461 in interest on interest-bearing accounts. During the quarter ended September 30, 2014, the Company recorded $523,058 of bridge/term note interest and $351,327 on royalty income.

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

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

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

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

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

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

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

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

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

The market value of the Company's purchased and written options as of September 30, 2014, can be found on the Schedule of Investments. The net realized gains/(loss) from purchased and written options and the net change in unrealized appreciation (depreciation) on purchased and written options for the quarter ended September 30, 2014 can be found on the Statement of Operations.

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

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

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

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

NOTE 3. BUSINESS RISKS AND UNCERTAINTIES

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

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

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

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

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

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

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

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

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

NOTE 4. INVESTMENT MANAGEMENT FEE

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

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

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

The incentive fee is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Management Agreement, as of the termination date), commencing on April 15, 2011, and equals 20% of the Company's realized capital gains, if any, on a cumulative basis from inception through the end of each calendar year, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid incentive fees, provided that the incentive fee determined as of December 31, 2014, will be calculated for a period of shorter than twelve calendar months to take into account any realized gains computed net of all realized capital losses and unrealized capital depreciation from inception. As of September 30, 2014, accrued incentive fees totaled $12,537,368.

NOTE 5. DEBT

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

NOTE 6. FAIR VALUE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 7. FEDERAL INCOME TAXES

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

NOTE 8. INVESTMENT TRANSACTIONS

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

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

NOTE 9. INVESTMENTS IN AFFILIATES AND CONTROLLED INVESTMENTS

Under the 1940 Act, the Company is required to identify investments where it owns greater than 5% (but less than 25%) of the portfolio company’s outstanding voting shares as an affiliate of the Company. Also, under the 1940 Act, the Company is required to identify investments where it owns greater than 25% of the portfolio company’s outstanding voting shares as a controlled investment of the Company. A summary of the Company’s investments in affiliates and controlled investments for the period from December 31, 2013 through September 30, 2014, is noted below:

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

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

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

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

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

* Controlled investment.

As of September 30, 2014, Kevin Landis represented the Company and sat on the boards of directors of IntraOp Medical Corp.; Phunware, Inc.; Pivotal Systems, Inc.; QMAT, Inc.; Silicon Genesis Corporation; Telepathy Investors, Inc.; and Wrightspeed, Inc. Serving on boards of directors of portfolio companies may cause conflicts of interest. The Adviser has adopted various procedures to ensure that the Company will not be unfavorably affected by these potential conflicts.

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

FORWARD-LOOKING STATEMENTS

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

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

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

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

OVERVIEW

We are an externally managed, closed-end, non-diversified management investment company organized as a Maryland corporation that has elected to be treated as a BDC under the 1940 Act. As such, we are required to comply with certain regulatory requirements. For instance, we generally have to invest at least 70% of our total assets in "qualifying assets," including securities of private or micro-cap public U.S. companies, cash, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year or less. In addition, for tax purposes we have elected to be treated as a RIC under Subchapter M of the Code. FCM serves as our investment adviser and manages the investment process on a daily basis.

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

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

PORTFOLIO COMPOSITION

We make investments in securities of both public and private companies. Our portfolio investments consist principally of equity and equity-like securities, including common and preferred stock, warrants for the purchase of common and stock, and convertible/term debt. The fair value of our investment portfolio was approximately $197.9 million as of September 30, 2014 as compared to approximately $181.9 million as of December 31, 2013.

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

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

Other Assets in Excess of Liabilities	26.6%	29.2%
Net Assets	100.0%	100.0%

MATURITY OF PRIVATE COMPANIES IN THE CURRENT PORTFOLIO

The Fund invests in private companies at various stages of maturity. As our portfolio companies mature, they move from the “early (development) stage” to the “middle (revenue) stage” and then to the “late stage.” We expect that this continuous progression may create a pipeline of potential exit opportunities through initial public offerings (IPOs) or acquisitions.

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

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

RESULTS OF OPERATIONS

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

INVESTMENT INCOME

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

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

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

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

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

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

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

The greater net investment loss in the three months ended September 30, 2014 compared to the three months ended September 30, 2013 is primarily due to the incentive fee adjustment. Each quarter that we are in a net realized/unrealized gain position, we must accrue for an incentive fee and adjust the fee quarterly based on investment appreciation/depreciation in that quarter. In the three months ended September 30, 2014, we increased our incentive fee accrual by $5,659,108 due to appreciation of our investments and realized gains during the quarter.

NET INVESTMENT REALIZED GAINS AND LOSSES AND UNREALIZED APPRECIATION AND DEPRECIATION
A summary of the net realized and unrealized gains and loss on investments for the three month periods ended September 30, 2014, and September 30, 2013, is shown below.

	Three Months Ended September 30, 2014
Realized gains	$42,124,851
Net change in unrealized appreciation on investments	(13,837,171)
Net realized and unrealized gains on investments	$28,287,680

	As of September 30, 2014
Gross unrealized appreciation on portfolio investments	$37,984,639
Gross unrealized depreciation on portfolio investments	(20,098,507)
Net unrealized appreciation on portfolio investments	$17,886,132

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	Three Months Ended September 30, 2013
Realized gains	$1,395,120
Net change in unrealized appreciation on investments	11,704,170
Net realized and unrealized gain on investments	$13,099,290

	As of September 30, 2013
Gross unrealized appreciation on portfolio investments	$19,508,918
Gross unrealized depreciation on portfolio investments	(12,300,709)
Net unrealized appreciation on portfolio investments	$7,208,209

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

During the three months ended September 30, 2014, net unrealized appreciation on total investments decreased by $13,837,171. The change in net unrealized appreciation and depreciation of our private investments is based on portfolio asset valuations determined in good faith by our Board of Directors. The decrease in unrealized appreciation on total investments during the quarter is due primarily to the sale of Facebook securities, which had the effect of reducing unrealized appreciation and increasing realized gains for the Fund.

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

During the three months ended September 30, 2013, net unrealized appreciation on total investments increased by $11,704,170. The change in net unrealized appreciation and depreciation of our private investments is based on portfolio asset valuations determined in good faith by our Board of Directors. This change in net unrealized depreciation was primarily composed of an increase in the fair value of our portfolio companies, notably Facebook and Twitter.

INCOME AND EXCISE TAXES

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

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

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

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

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

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

INVESTMENT INCOME

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

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

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

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

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

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

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

The greater net investment loss in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013 is primarily due to the incentive fee adjustment. Each quarter that we are in a net realized/unrealized gain position, we must accrue for an incentive fee and adjust the fee quarterly based on investment appreciation/depreciation in that quarter. In the nine months ended September 30, 2014, we increased our incentive fee accrual by $4,226,169 due to appreciation of our investments during the nine months.

NET INVESTMENT REALIZED GAINS AND LOSSES AND UNREALIZED APPRECIATION AND DEPRECIATION
A summary of the gross and net realized and unrealized gains and losses on investments for the nine-month periods ended September 30, 2014, and September 30, 2013, is shown below.

	Nine Months Ended September 30, 2014
Realized gains	$42,124,983
Net change in unrealized appreciation on investments	(21,241,978)
Net realized and unrealized gain on investments	$20,883,005

	As of September 30, 2014
Gross unrealized appreciation on portfolio investments	$37,984,639
Gross unrealized depreciation on portfolio investments	(20,098,507)
Net unrealized appreciation on portfolio investments	$17,886,132

	Nine Months Ended September 30, 2013
Realized gains	$2,960,210
Net change in unrealized depreciation on investments	28,264,123
Net realized and unrealized gain on investments	$31,224,333

	As of September 30, 2013
Gross unrealized appreciation on portfolio investments	$19,508,918
Gross unrealized depreciation on portfolio investments	(12,300,709)
Net unrealized depreciation on portfolio investments	$7,208,209

Realized gains or losses are measured by the difference between the net proceeds from the repayment or sale and the cost basis of the investment without regard to unrealized appreciation or depreciation previously recognized, and includes investments charged off during the period, net of recoveries. Net change in unrealized appreciation or depreciation primarily reflects the change in portfolio investment values during the reporting period, including the reversal of previously recorded unrealized appreciation or depreciation when gains or losses are realized.

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

During the nine months ended September 30, 2014, net unrealized appreciation on total investments decreased by $21,241,978 compared to an increase of $28,264,123 in unrealized appreciation on the total investments during the nine months ended September 30, 2013. The change in net unrealized appreciation and depreciation of our private investments is based on portfolio asset valuations determined in good faith by our Board of Directors. This decrease in net unrealized appreciation was primarily as a result of the Facebook common stock sale, which transfers all the appreciation that Facebook had into realized gains during the nine months ended September 30, 2014 and an increase in the fair value of Facebook and Twitter during the nine months ended September 30, 2013.

INCOME AND EXCISE TAXES

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

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

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

DISTRIBUTION POLICY

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

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

OFF-BALANCE SHEET ARRANGEMENTS
The Fund does not have any Off-Balance Sheet Arrangements.

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

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

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

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

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

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

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

SUBSEQUENT EVENTS

Subsequent to the close of the fiscal quarter on September 30, 2014, and through the date of the issuance of the financial statements included herein, a number of material events related to our portfolio of investments occurred, consisting primarily of purchased and sale of securities. Since that date, we have purchased public and private securities with an aggregate cost of approximately $61.5 million. Since that date we have also sold public and private securities with an aggregate value of approximately $123.0 million.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

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

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

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

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

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

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

WE CURRENTLY HOLD A PORTION OF OUR ASSETS IN CASH
As of September 30, 2014, a portion of the Company's assets (approximately 25%) is invested in cash and/or cash equivalents, which are expected to earn low yields. Given the current low interest rate environment, to the extent the management fee and other operating expenses exceed interest income on the cash holdings of the Company, the Company may experience losses. Furthermore, the investment advisory fee payable by us will not be reduced while our assets are invested in cash-equivalent securities.

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

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

ITEM 4. CONTROLS AND PROCEDURES.

(a) Evaluation of Disclosure Controls and Procedures	As of the end of the period covered by this Quarterly Report on Form 10-Q, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective and provided reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.
(b) Changes in Internal Control Over Financial Reporting	There have been no changes in our internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act, that occurred during the fiscal quarter ended September 30, 2014, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

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ITEM 1. LEGAL PROCEEDINGS.

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

ITEM 1A. RISK FACTORS.

There have been no material changes from risk factors as previously disclosed in our Form 10-K for the period ended December 31, 2013 in response to Item 1A of Part 1 of Form 10-K.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

None.

ITEM 5. OTHER INFORMATION.

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

ITEM 6. EXHIBITS.

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

SIGNATURES

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

	FIRSTHAND TECHNOLOGY VALUE FUND, INC.	
Dated: November 10, 2014		
	By:	/s/ Kevin Landis Kevin Landis Chief Executive Officer
Dated: November 10,2014		
	By:	/s/ Omar Billawala Omar Billawala Chief Financial Officer

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