

EQUUS TOTAL RETURN, INC.  
Form 10-Q  
May 11, 2016

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended March 31, 2016

or

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

For the transition period to

Commission File Number 814-00098

**EQUUS TOTAL RETURN, INC.**

(Exact name of registrant as specified in its charter)

<b>Delaware</b> (State or other jurisdiction of incorporation or organization)	<b>76-0345915</b> (I.R.S. Employer Identification No.)
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**700 Louisiana St., 48<sup>th</sup> Floor**

<b>Houston, Texas</b> (Address of principal executive offices)	<b>77002</b> (Zip Code)
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(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

**Registrant's telephone number, including area code: (713) 529-0900**

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company. Yes No

There were 12,673,646 shares of the registrant’s common stock, \$.001 par value, outstanding, as of May 11, 2016.

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EQUUS TOTAL RETURN, INC.

(A Delaware Corporation)

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IndexEQUUS TOTAL RETURN, INC.BALANCE SHEETS(Unaudited)**Part I. Financial Information****Item 1. Financial Statements**

	March 31, 2016	December 31, 2015
(in thousands, except per share amounts)		
Assets		
Investments in portfolio securities at fair value:		
Control investments (cost at \$10,050 and \$10,050 respectively)	\$4,715	\$5,715
Affiliate investments (cost at \$350 and \$350 respectively)	11,600	9,600
Non-affiliate investments - related party (cost at \$5,829 and \$5,698 respectively)	3,267	3,159
Non-affiliate investments (cost at \$2,940 and \$915 respectively)	2,940	915
Total investments in portfolio securities at fair value	22,522	19,389
Temporary cash investments	15,000	15,000
Cash and cash equivalents	14,430	17,036
Restricted cash	149	150
Accounts receivable from investments	611	614
Accrued interest receivable	214	128
Accrued dividend receivable	—	130
Accounts receivable and other	40	83
Total assets	52,966	52,530
Liabilities and net assets		
Accounts payable and accrued liabilities	349	36
Accounts payable to related parties	68	186
Borrowing under margin account	14,999	15,000
Total liabilities	15,416	15,222
Commitments and contingencies (See Note 2)		
Net assets	\$37,550	\$37,308
Net assets consist of:		
Common stock, par value	\$13	\$13
Capital in excess of par value	54,224	54,226
Undistributed net investment losses	(20,040)	(19,307)

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Undistributed net capital gains	—	—
Unrealized appreciation (depreciation) of portfolio securities, net	5,915	4,915
Unrealized depreciation of portfolio securities - related party, net	(2,562 )	(2,539 )
Total net assets	\$37,550	\$37,308
Shares of common stock issued and outstanding, \$.001 par value, 50,000 shares authorized	12,674	12,674
Shares of preferred stock issued and outstanding, \$.001 par value, 5,000 shares authorized	—	—
Net asset value per share	\$2.96	\$2.94

The accompanying notes are an integral part of these financial statements.

IndexEQUUS TOTAL RETURN, INC.STATEMENTS OF OPERATIONS

(Unaudited)

(in thousands, except per share amounts)	Three Months Ended March 31,	
	2016	2015
Investment income:		
Interest and dividend income:		
Non-affiliate investments	\$136	\$44
Total interest and dividend income	136	44
Interest from temporary cash investments	2	—
Total investment income	138	44
Expenses:		
Compensation expense	272	624
Professional fees	368	327
Director fees and expenses	120	95
General and administrative expense	84	41
Mailing, printing and other expenses	26	23
Taxes	—	7
Interest expense	1	1
Total expenses	871	1,118
Net investment loss	(733 )	(1,074 )
Net realized gain (loss):		
Control investments	—	(2,850 )
Non-affiliate investments	—	372
Temporary cash investments	(2 )	(5 )
Net realized loss	(2 )	(2,483 )
Net unrealized appreciation (depreciation) of portfolio securities:		
End of period	5,915	1,023
Beginning of period	4,915	(1,840 )
Net change in unrealized appreciation (depreciation) of portfolio securities	1,000	2,863
Net unrealized depreciation of portfolio securities - related party:		
End of period	(2,562 )	(1,870 )
Beginning of period	(2,539 )	(1,725 )
Net change in unrealized depreciation of portfolio securities - related party	(23 )	(145 )
Net increase (decrease) in net assets resulting from operations	\$242	\$(839 )
Net increase (decrease) in net assets resulting from operations per share:		
Basic and diluted	\$0.02	\$(0.07 )

Weighted average shares outstanding:

Basic and diluted

12,674 12,674

The accompanying notes are an integral part of these financial statements.



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EQUUS TOTAL RETURN, INC.

STATEMENTS OF CHANGES IN NET ASSETS

(Unaudited)

(in thousands)	Three months ended March 31,	
	2016	2015
Net increase (decrease) in net assets resulting from operations	\$242	\$(839 )
Net assets at beginning of period	37,308	36,201
Net assets at end of period	\$37,550	\$35,362

The accompanying notes are an integral part of these financial statements.

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IndexEQUUS TOTAL RETURN, INC.STATEMENTS OF CASH FLOWS

(Unaudited)

(in thousands)	Three months ended March 31,	
	2016	2015
Reconciliation of net increase (decrease) in net assets resulting from operations to net cash (used in) provided by operating activities:		
Net increase (decrease) in net assets resulting from operations	\$242	\$(839 )
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash (used in) provided by operating activities:		
Net realized loss	2	2,483
Net change in unrealized depreciation of portfolio securities	(1,000 )	(2,863 )
Net change in unrealized depreciation of portfolio securities - related party	23	145
Changes in operating assets and liabilities:		
Purchase of portfolio securities	(2,000 )	—
Net proceeds from dispositions of portfolio securities	—	372
Principal payments received from portfolio securities	—	4,255
Sales of temporary cash investments, net	(2 )	15,144
Decrease (increase) in accounts receivable from investments	3	(2 )
Increase in accrued interest receivable	(111 )	(181 )
Decrease in accounts receivable and other	43	92
Increase (decrease) in accounts payable and accrued liabilities	313	(442 )
(Decrease) increase in accounts payable to related parties	(118 )	109
Net cash (used in) provided by operating activities	(2,605 )	18,273
Cash flows from financing activities:		
Borrowings under margin account	14,999	—
Repayments under margin account	(15,000)	(14,999)
Net cash used in financing activities	(1 )	(14,999)
Net (decrease) increase in cash and cash equivalents	(2,606 )	3,274
Cash and cash equivalents at beginning of period	17,036	15,697
Cash and cash equivalents at end of period	\$14,430	\$18,971
Non-cash operating and financing activities:		
Accrued interest or dividends exchanged for portfolio securities	\$25	\$915
Accrued interest or dividends exchanged for portfolio securities - related party	\$130	\$54
Supplemental disclosure of cash flow information:		
Interest paid	\$1	\$1
Income taxes paid	\$4	\$7

The accompanying notes are an integral part of these financial statements.

IndexEQUUS TOTAL RETURN, INC.SUPPLEMENTAL INFORMATION—SELECTED PER SHARE DATA AND RATIOS

(Unaudited)

	Three months ending March 31,	
	2016	2015
Investment income	\$0.01	\$—
Expenses	0.07	0.09
Net investment loss	(0.06 )	(0.09 )
Net realized loss	—	(0.20 )
Net change in unrealized appreciation	0.08	0.23
Net change in unrealized depreciation - related party	—	(0.01 )
Net increase (decrease) in net assets	0.02	(0.07 )
Net assets at beginning of period	2.94	2.86
Net assets at end of period, basic and diluted	\$2.96	\$2.79
Weighted average number of shares outstanding during period, in thousands	12,674	12,674
Market price per share:		
Beginning of period	\$1.79	\$2.10
End of period	\$1.60	\$1.95
Selected information and ratios:		
Ratio of expenses to average net assets	2.33 %	3.12 %
Ratio of net investment loss to average net assets	(1.96 %)	(3.00 %)
Ratio of net increase (decrease) in net assets resulting from operations to average net assets	0.65 %	(2.34 %)
Total return on market price <sup>(1)</sup>	(10.61 %)	(7.14 %)

<sup>(1)</sup> Total return = [(ending market price per share - beginning price per share) / beginning market price per share].

The accompanying notes are an integral part of these financial statements.



Index**EQUUS TOTAL RETURN, INC.****SCHEDULE OF INVESTMENTS****MARCH 31, 2016****(Unaudited)***(in thousands, except share data)*

Name and Location of Portfolio Company Control	Industry	Date of Initial Investment	Investment	Principal	Cost of Investment	Fair Value <sup>(1)</sup>
Investments: Majority-owned (3):						
<b>Equus Energy, LLC</b>	<b>Energy</b>	<b>December 2011</b>	<b>Member interest (100%)</b>	<b>\$ 7,050</b>	<b>\$ 4,500</b>	
<b>Houston, TX</b>						
<b>Equus Media Development Company, LLC</b>	<b>Media</b>	<b>January 2007</b>	<b>Member interest (100%)</b>	<b>3,000</b>	<b>215</b>	
<b>Houston, TX</b>						
Total Control Investments: Majority-owned (represents 12.6% of total investments at fair value)				\$ 10,050	\$ 4,715	
Affiliate Investments <sup>(4)</sup> :						
PalletOne, Inc.	Shipping products and services	October 2001	350,000 shares of common stock (18.7%)	\$ 350	\$ 11,600	
Bartow, FL						
Total Affiliate Investments (represents 30.9% of total investments at fair value)				\$ 350	\$ 11,600	
Non-Affiliate Investments - Related Party (less than 5% owned):						
MVC Capital, Inc.	Financial services	May 2014	445,744 shares of common stock (1.7%)	\$ 5,829	\$ 3,267	
Purchase, NY						
Total Non-Affiliate Investments - Related Party (represents 8.7% of total investments at fair value)				\$ 5,829	\$ 3,267	
Non-Affiliate Investments (less than 5% owned):						
5 <sup>TH</sup> Element Tracking, LLC	Business products and services	January 2015	14% promissory note due 7/16 <sup>(2)</sup>	\$ 940	940	940
Boston, MA						
Biogenic Reagents, LLC	Energy	January 2016	16% promissory note due 5/16 <sup>(2)</sup>			