

EQUUS TOTAL RETURN, INC.  
Form 10-Q  
November 14, 2007  
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**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 September 30, 2007

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 0-19509

\_\_\_\_\_  
**EQUUS TOTAL RETURN, INC.**

(Exact name of registrant as specified in its charter)

\_\_\_\_\_

Delaware  
(State or other jurisdiction of  
incorporation or organization)

76-0345915  
(I.R.S. Employer  
Identification No.)

2727 Allen Parkway, 13th Floor

Houston, Texas

77019

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(Address of principal executive offices)

(Zip Code)

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 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

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

There were 8,333,428 shares of the registrant's common stock, \$.001 par value, outstanding, as of November 14, 2007. The net asset value of a share at September 30, 2007 was \$10.54.

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EQUUS TOTAL RETURN, INC.

(A Delaware Corporation)

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Index to Financial StatementsEQUUS TOTAL RETURN, INC.BALANCE SHEETSSEPTEMBER 30, 2007 AND DECEMBER 31, 2006

	2007 (Unaudited)	2006
<u>Assets</u>		
Investments in portfolio securities at fair value (cost \$52,127,857 and \$33,334,824 respectively)	\$ 53,446,608	\$ 42,626,576
Restricted cash & temporary investments, at cost which approximates fair value	30,285,658	30,278,588
Cash	24,106	171,150
Temporary cash investments, at cost which approximates fair value	34,155,242	51,327,938
Accounts receivable	120,226	146,885
Accrued interest and dividends receivable due from portfolio companies	1,305,876	527,877
Deferred Costs		584,265
Escrowed receivables, at fair value	262,500	202,980
 Total assets	 \$ 119,600,216	 \$ 125,866,259
<u>Liabilities and net assets</u>		
<u>Liabilities:</u>		
Accounts payable and accrued liabilities	\$ 69,144	\$ 229,535
Dividends payable	43,069	
Due to adviser	1,640,548	2,422,061
Borrowing under margin account	29,985,800	29,978,800
 Total liabilities	 31,738,561	 32,630,396
<u>Commitments and contingencies</u>		
<u>Net assets:</u>		
Preferred stock, \$.001 par value, 5,000,000 shares authorized, no shares outstanding		
Common stock, \$.001 par value, 25,000,000 shares authorized, 8,333,428 and 8,164,249 shares outstanding, respectively	8,333	8,164
Additional paid-in capital	98,801,750	97,385,267
Undistributed net investment losses	(26,778,983)	(22,703,320)
Undistributed net capital gains	14,511,804	9,254,000
Unrealized appreciation of portfolio securities, net	1,318,751	9,291,752
 Total net assets	 \$ 87,861,655	 \$ 93,235,863
 Net assets per share	 \$ 10.54	 \$ 11.42

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

Index to Financial StatementsEQUUS TOTAL RETURN, INC.STATEMENTS OF OPERATIONSFOR THREE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006(Unaudited)

	2007	2006
Investment income:		
Interest income from portfolio securities	\$ 684,832	\$ 768,949
Dividend income from portfolio securities	64,200	163,616
Interest from temporary cash investments	401,744	448,123
Total investment income	1,150,776	1,380,688
Expenses:		
Management fee	303,433	464,718
Incentive fee	(289)	267,772
Director fees and expenses	92,544	126,070
Professional fees	241,551	433,263
Administrative fees	112,500	112,500
Mailing, printing and other expenses	37,264	54,991
Interest expense	22,574	69,260
Franchise taxes	20,707	(47,069)
Offering costs	609,200	
Total expenses	1,439,484	1,481,505
Net investment loss	(288,708)	(100,817)
Net realized gain (loss) on portfolio securities	105,520	(10,034,921)
Net unrealized appreciation (depreciation) of portfolio securities:		
End of period	1,318,751	10,106,637
Beginning of period	4,934,765	(8,665,335)
Net change in unrealized appreciation (depreciation) of portfolio securities	(3,616,014)	18,771,972
Net increase (decrease) in net assets resulting from operations	\$ (3,799,202)	\$ 8,636,234
Net increase (decrease) in net assets resulting from operations per share:		
Basic	\$ (0.46)	\$ 1.07
Diluted	\$ (0.46)	\$ 1.07
Weighted average shares outstanding, in thousands		
Basic	8,270	8,106
Diluted	8,270	8,106

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

Index to Financial StatementsEQUUS TOTAL RETURN, INC.STATEMENTS OF OPERATIONSFOR NINE MONTHS ENDED SEPTEMBER 30, 2007 and 2006(Unaudited)

	2007	2006
Investment income:		
Interest income from portfolio securities	\$ 2,030,881	\$ 2,296,165
Dividend income from portfolio securities	188,500	486,949
Interest from temporary cash investments	1,413,521	1,209,058
Total investment income	3,632,902	3,992,172
Expenses:		
Management fee	1,224,743	1,286,259
Incentive fee	1,215,491	1,653,309
Director fees and expenses	263,150	349,360
Professional fees	591,204	826,486
Administrative fees	337,500	337,500
Mailing, printing and other expenses	254,957	193,913
Interest expense	66,096	120,609
Franchise taxes	65,353	100,376
Offering costs	609,200	
Total expenses	4,627,694	4,867,812
Net investment loss	(994,792)	(875,640)
Net realized gain on portfolio securities	5,257,805	18,129,416
Net unrealized appreciation of portfolio securities:		
End of period	1,318,751	10,106,637
Beginning of period	9,291,752	14,043,262
Net change in unrealized appreciation of portfolio securities	(7,973,001)	(3,936,625)
Net increase (decrease) in net assets resulting from operations	\$ (3,709,988)	\$ 13,317,151
Net increase (decrease) in net assets resulting from operations per share:		
Basic	\$ (0.45)	\$ 1.69
Diluted	\$ (0.45)	\$ 1.69
Weighted average shares outstanding, in thousands		
Basic	8,219	7,890
Diluted	8,219	7,890

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





Index to Financial StatementsEQUUS TOTAL RETURN, INC.STATEMENTS OF CHANGES IN NET ASSETSFOR NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006(Unaudited)

	2007	2006
Operations:		
Net investment loss	\$ (994,792)	\$ (875,640)
Net realized gain on portfolio securities	5,257,805	18,129,416
Net change in appreciation of portfolio securities	(7,973,001)	(3,936,625)
Net (decrease) increase in net assets resulting from operations	(3,709,988)	13,317,151
Capital share transactions:		
Dividends declared	(3,080,872)	(18,441,480)
Shares issued in dividend	1,416,652	5,465,555
Decrease in net assets from capital share transactions	(1,664,220)	(12,975,925)
(Decrease) increase in net assets	(5,374,208)	341,226
Net assets at beginning of period	93,235,863	92,602,338
Net assets at end of period	\$ 87,861,655	\$ 92,943,564

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

**Index to Financial Statements****EQUUS TOTAL RETURN, INC.****STATEMENTS OF CHANGES IN CASH FLOWS****FOR NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006****(Unaudited)**

	<b>2007</b>	<b>2006</b>
Cash flows from operating activities:		
Interest and dividends received	\$ 2,374,177	\$ 3,051,634
Offering costs expense	609,200	
Cash paid to adviser, directors, banks and suppliers	(5,499,866)	(3,790,917)
Purchase of portfolio securities	(24,468,963)	(8,652,295)
Proceeds from dispositions of portfolio securities, net	6,657,917	35,034,329
Principal payments from portfolio securities	4,697,020	3,199,440
(Purchase) sale of restricted temporary cash investments	(7,070)	10,078,341
<b>Net cash provided by (used in) operating activities</b>	<b>(15,637,585)</b>	<b>38,920,532</b>
Cash flows from financing activities:		
Borrowings under margin account	89,947,300	99,889,625
Repayments under margin account	(89,940,300)	(109,868,181)
Dividends paid	(1,664,220)	(12,975,925)
Cash paid for deferred costs	(24,935)	(378,423)
<b>Net cash (used in) financing activities</b>	<b>(1,682,155)</b>	<b>(23,332,904)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(17,319,740)</b>	<b>15,587,628</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>51,499,088</b>	