

EQUUS TOTAL RETURN, INC.

Form 10-Q

November 14, 2008

[Index to Financial Statements](#)

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, 2008

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)

Edgar Filing: EQUUS TOTAL RETURN, INC. - Form 10-Q

Delaware
(State or other jurisdiction of
incorporation or organization)

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

2727 Allen Parkway, 13th Floor Houston, Texas
(Address of principal executive offices)

77019
(Zip Code)

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

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** **Smaller Reporting Company**
Indicate by check mark whether the registrant is a shell company. Yes No

There were 8,260,671 shares of the registrant's common stock, \$.001 par value, outstanding, as of November 14, 2008. The net asset value of a share at September 30, 2008 was \$11.41.

Index to Financial Statements

EQUUS TOTAL RETURN, INC.

(A Delaware Corporation)

INDEX

	PAGE
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements	
<u>Balance Sheets</u> September 30, 2008 and December 31, 2007	3
<u>Statements of Operations</u> For the three months ended September 30, 2008 and 2007	4
<u>Statements of Operations</u> For the nine months ended September 30, 2008 and 2007	5
<u>Statements of Changes in Net Assets</u> For the nine months ended September 30, 2008 and 2007	6
<u>Statements of Cash Flows</u> For the nine months ended September 30, 2008 and 2007	7
<u>Selected Per Share Data and Ratios</u> For the nine months ended September 30, 2008 and 2007	8
<u>Schedule of Portfolio Securities</u> September 30, 2008	9
<u>Schedule of Portfolio Securities</u> December 31, 2007	12
<u>Notes to Financial Statements</u>	15
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	24
<u>Item 3. Quantitative and Qualitative Disclosure about Market Risk</u>	28
<u>Item 4. Controls and Procedures</u>	29
PART II. OTHER INFORMATION	
<u>Item 6. Exhibits</u>	29
<u>SIGNATURE</u>	31

Index to Financial StatementsEQUUS TOTAL RETURN, INC.BALANCE SHEETSSEPTEMBER 30, 2008 AND DECEMBER 31, 2007

<u>(in thousands, except per share amounts)</u>	<u>September 30,</u> <u>2008</u> <u>(unaudited)</u>	<u>December 31,</u> <u>2007</u>
<u>Assets</u>		
Investments in portfolio securities at fair value:		
Control investments (cost at \$36,378 and \$23,444 respectively)	\$ 38,477	\$ 25,646
Affiliate investments (cost at \$18,173 and \$14,721 respectively)	34,564	32,111
Non-affiliate investments (cost at \$16,795 and \$17,118 respectively)	11,000	14,345
Total investments in portfolio securities at fair value	84,041	72,102
Restricted cash & temporary investments, at cost which approximates fair value	55,544	30,296
Cash	53	28
Temporary cash investments, at cost which approximates fair value	9,048	30,912
Accounts receivable	8	107
Accrued interest and dividends receivable due from portfolio companies	1,179	1,023
Escrowed receivables, at fair value		262
Total assets	\$ 149,873	\$ 134,730
<u>Liabilities and net assets</u>		
<u>Liabilities:</u>		
Accounts payable and accrued liabilities	\$ 56	\$ 108
Due to adviser	588	1,410
Borrowing under margin account	54,994	29,996
Total liabilities	55,638	31,514
<u>Commitments and contingencies</u>		
<u>Net assets:</u>		
Preferred stock, \$.001 par value, 5,000 shares authorized, no shares outstanding		8
Common stock, \$.001 par value, 50,000 shares authorized, 8,261 and 8,401 shares outstanding	8	8
Additional paid-in capital	87,931	89,021
Undistributed net investment losses	(7,376)	(3,772)
Undistributed net capital gains	977	1,141
Unrealized appreciation of portfolio securities, net	12,695	16,818
Total net assets	\$ 94,235	\$ 103,216
Net assets per share	\$ 11.41	\$ 12.29

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

Index to Financial StatementsEQUUS TOTAL RETURN, INC.STATEMENTS OF OPERATIONSFOR THE THREE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

(Unaudited)

(in thousands, except per share amounts)	2008	2007
Investment income:		
Interest and dividend income from portfolio securities:		
Control investments	\$ 221	\$ 407
Affiliate investments	216	184
Non-affiliate investments	(233)	158
Total interest and dividend income	204	749
Interest from temporary cash investments	88	402
Total investment income	292	1,151
Expenses:		
Management fee	463	304
Incentive fee	14	(3)
Professional fees	179	242
Administrative fees	113	113
Director fees and expenses	89	93
Mailing, printing and other expenses	55	38
Interest expense	4	23
Taxes		21
Offering costs		609
Total expenses	917	1,440
Net investment gain (loss)	(625)	(289)
Net realized gain (loss) on portfolio securities:		
Control investments	(1)	106
Affiliate investments		
Non-affiliate investments		
Total net realized gain (loss) on portfolio securities	(1)	106
Net unrealized appreciation of portfolio securities:		
End of period	12,695	1,319
Beginning of period	17,129	4,935
Net change in unrealized appreciation of portfolio securities	(4,434)	(3,616)
Net decrease in net assets resulting from operations	\$ (5,060)	\$ (3,799)
Net decrease in net assets resulting from operations, per share:		
Basic and diluted	\$ (0.60)	\$ (0.46)

Edgar Filing: EQUUS TOTAL RETURN, INC. - Form 10-Q

Weighted average shares outstanding, in thousands		
Basic and diluted	8,497	8,270

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

Index to Financial StatementsEQUUS TOTAL RETURN, INC.STATEMENTS OF OPERATIONSFOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

(Unaudited)

(in thousands, except per share amounts)	2008	2007
Investment income:		
Interest and dividend income from portfolio securities:		
Control investments	\$ 605	\$ 1,259
Affiliate investments	677	496
Non-affiliate investments	611	464
Total interest and dividend income	1,893	2,219
Interest from temporary cash investments	480	1,414
Total investment income	2,373	3,633
Expenses:		
Management fee	1,485	1,225
Incentive fee	124	1,216
Professional fees	566	591
Administrative fees	338	338
Director fees and expenses	323	263
Mailing, printing and other expenses	226	255
Interest expense	20	66
Taxes	10	65
Offering costs		609
Total expenses	3,092	4,628
Net investment loss	(719)	(995)
Net realized gain (loss) on portfolio securities:		
Control investments	626	1,492
Affiliate investments	351	3,747
Non-affiliate investments		19
Total net realized gain on portfolio securities	977	5,258
Net unrealized appreciation of portfolio securities:		
End of period	12,695	1,319
Beginning of period	16,818	9,292
Net change in unrealized appreciation of portfolio securities	(4,123)	(7,973)
Net decrease in net assets resulting from operations	\$ (3,865)	\$ (3,710)
Net decrease in net assets resulting from operations per share:		
Basic and diluted	\$ (0.46)	\$ (0.45)

Edgar Filing: EQUUS TOTAL RETURN, INC. - Form 10-Q

Weighted average shares outstanding, in thousands		
Basic and diluted	8,475	8,219

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

Index to Financial StatementsEQUUS TOTAL RETURN, INC.STATEMENTS OF CHANGES IN NET ASSETSFOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

(Unaudited)

(in thousands)	2008	2007
Operations:		
Net investment loss	\$ (719)	\$ (995)
Net realized gain on portfolio securities	977	5,258
Net change in unrealized appreciation of portfolio securities	(4,123)	(7,973)
Net increase (decrease) in net assets resulting from operations	(3,865)	(3,710)
Capital share transactions:		
Dividends declared	(4,026)	(3,081)
Shares issued in lieu of cash dividend	1,920	1,417
Repurchase of common stock	(3,010)	
Decrease in net assets resulting from capital share transactions	(5,116)	(1,664)
Decrease in net assets	(8,981)	(5,374)
Net assets at beginning of period	103,216	93,236
Net assets at end of period	\$ (94,235)	\$ 87,862

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

Index to Financial Statements

EQUUS TOTAL RETURN, INC.

STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

(Unaudited)

(in thousands)	2008	2007
Reconciliation of increase (decrease) in net assets resulting from operations to net cash used in operating activities:		
Net decrease in net assets resulting from operations	\$ (3,865)	\$ (3,710)
Adjustments to reconcile increase (decrease) in net assets resulting from operations to net cash used in operating activities:		
Net realized gain on dispositions of portfolio securities	(977)	(5,258)
Net change in unrealized appreciation of portfolio securities	4,123	7,973
Amortization of original issue discount	166	44
Change in operating assets and liabilities:		
Purchase of portfolio securities	(18,808)	(24,469)