

EQUUS TOTAL RETURN, INC.
Form 10-Q
November 12, 2015

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, 2015

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)

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

Houston, Texas (Address of principal executive offices)	77002 (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 November 12, 2015.

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EQUUS TOTAL RETURN, INC.

(A Delaware Corporation)

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

	September 30, 2015	December 31, 2014
(in thousands, except per share amounts)		
Assets		
Investments in portfolio securities at fair value:		
Control investments (cost at \$10,050 and \$16,058 respectively)	\$7,715	\$13,173
Affiliate investments (cost at \$350 and \$350 respectively)	7,500	960
Non-affiliate investments - related party (cost at \$5,871 and \$5,706 respectively)	3,463	3,981
Non-affiliate investments (cost at \$915 and \$1,097 respectively)	915	1,532
Total investments in portfolio securities at fair value	19,593	19,646
Temporary cash investments	15,000	14,996
Cash and cash equivalents	17,282	15,697
Restricted cash	151	153
Accounts receivable from investments	614	614
Accrued interest receivable	95	764
Accrued dividend receivable	—	54
Accounts receivable and other	125	114
Total assets	52,860	52,038
Liabilities and net assets		
Accounts payable and accrued liabilities	11	664
Accounts payable to related parties	196	174
Borrowing under margin account	15,001	14,999
Total liabilities	15,208	15,837
Commitments and contingencies (see Note 2)		
Net assets	\$37,652	\$36,201
Net assets consist of:		
Common stock, par value	\$13	\$13
Capital in excess of par value	54,226	56,049

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Undistributed net investment losses	(18,994)	(16,956)
Undistributed net capital gains	—	660
Unrealized appreciation (depreciation) of portfolio securities, net	4,815	(1,840)
Unrealized depreciation of portfolio securities - related party, net	(2,408)	(1,725)
Total net assets	\$37,652	\$36,201
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	\$2.97	\$2.86

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

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Table of ContentsEQUUS TOTAL RETURN, INC.STATEMENTS OF OPERATIONS

(Unaudited)

(in thousands, except per share amounts)	Three months ended		Nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Investment income:				
Interest and dividend income:				
Control investments	\$—	\$—	\$—	\$198
Non-affiliate investments - related party	56	53	111	53
Non-affiliate investments	33	56	109	178
Total interest and dividend income	89	109	220	429
Interest from temporary cash investments	2	—	4	—
Total investment income	91	109	224	429
Expenses:				
Professional fees	81	215	517	743
Compensation expense	215	209	1,078	646
Director fees and expenses	68	66	279	323
General and administrative expense	76	29	252	198
Mailing, printing and other expenses	17	20	106	118
Taxes	4	3	29	17
Interest expense	—	—	1	—
Total expenses	461	542	2,262	2,045
Net investment loss	(370)	(433)	(2,038)	(1,616)
Net realized gain (loss):				
Control investments	—	—	(2,850)	—
Non-affiliate investments	—	—	372	660
Temporary cash investments	—	—	(5)	—
Net realized gain (loss)	—	—	(2,483)	660
Net unrealized appreciation (depreciation) of portfolio securities:				
End of period	4,815	(1,618)	4,815	(1,618)
Beginning of period	3,942	(2,502)	(1,840)	(3,956)
Net change in unrealized appreciation (depreciation) of portfolio securities	873	884	6,655	2,338
Net unrealized depreciation of portfolio securities - related party:				
End of period	(2,408)	(1,346)	(2,408)	(1,346)
Beginning of period	(1,572)	(458)	(1,725)	—

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Net change in unrealized depreciation of portfolio securities - related party	(836)	(888)	(683)	(1,346)
Net increase (decrease) in net assets resulting from operations	\$(333)	\$(437)	\$1,451	\$36
Net increase (decrease) in net assets resulting from operations per share:				
Basic and diluted	\$(0.03)	\$(0.03)	\$0.11	\$0.00
Weighted average shares outstanding:				
Basic and diluted	12,674	12,537	12,674	11,645

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)	Nine months ended September 30,	
	2015	2014
Net increase in net assets resulting from operations	\$ 1,451	\$ 36
Shares issued for portfolio securities - related party	—	4,351
Increase in net assets	1,451	4,387
Net assets at beginning of period	36,201	33,217
Net assets at end of period	\$37,652	\$37,604

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

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Table of ContentsEQUUS TOTAL RETURN, INC.STATEMENTS OF CASH FLOWS

(Unaudited)

(in thousands)	Nine months ended September 30,	
	2015	2014
Reconciliation of increase in net assets resulting from operations to net cash provided by operating activities:		
Net increase in net assets resulting from operations	\$1,451	\$36
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:		
Net realized loss (gain)	2,483	(660)
Net change in unrealized appreciation (depreciation) of portfolio securities	(6,655)	(2,338)
Net change in unrealized depreciation of portfolio securities - related party	683	1,346
Changes in operating assets and liabilities:		
Purchase of portfolio securities	—	(730)
Net proceeds from dispositions of portfolio securities	372	62
Principal payments received from portfolio securities	4,255	11
(Purchases) sales of temporary cash investments, net	(7)	15,149
Increase in accounts receivable from investments	—	(216)
Increase in accrued interest receivable	(357)	(347)
(Increase) decrease in accounts receivable and other	(11)	4
(Decrease) increase in accounts payable and accrued liabilities	(653)	74
Increase in accounts payable to related parties	22	9
Net cash provided by operating activities	1,583	12,400
Cash flows from financing activities:		
Borrowings under margin account	15,001	—
Repayments under margin account	(14,999)	(15,000)
Net cash provided by (used in) financing activities	2	(15,000)
Net increase (decrease) in cash and cash equivalents	1,585	(2,600)
Cash and cash equivalents at beginning of period	15,697	19,065
Cash and cash equivalents at end of period	\$17,282	\$16,465
Non-cash operating and financing activities:		
Shares issued in lieu of cash for portfolio securities	\$—	\$4,351
Accrued interest or dividends exchanged for portfolio securities	\$915	\$114
Accrued interest or dividends exchanged for portfolio securities - related party	\$165	\$56
Supplemental disclosure of cash flow information:		
Interest paid	\$1	\$—
Income taxes paid	\$29	\$17

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

Table of ContentsEQUUS TOTAL RETURN, INC.SUPPLEMENTAL INFORMATION—SELECTED PER SHARE DATA AND RATIOS

(Unaudited)

	Nine months ended September 30,	
	2015	2014
Investment income	\$0.02	\$0.04
Expenses	0.18	(0.19)
Net investment loss	(0.16)	(0.15)
Net realized (loss) gain	(0.20)	0.06
Net change in unrealized appreciation (depreciation)	0.52	0.20
Net change in unrealized depreciation - related party	(0.05)	(0.11)
Net increase (decrease) in net assets from operations	0.11	—
Capital transactions:		
Shares issued for portfolio securities	—	0.37
Dilutive effect of shares issued	—	(0.54)
Decrease in net assets resulting from capital transactions	—	(0.17)
Net increase (decrease) in net assets	0.11	(0.17)
Net assets at beginning of period	2.86	3.14
Net assets at end of period, basic and diluted	\$2.97	\$