

EQUUS TOTAL RETURN, INC.
Form 10-Q
May 15, 2014

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
X ACT OF 1934**

For the quarterly period ended March 31, 2014

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

Eight Greenway Plaza, Suite 930 Houston, Texas	77046
(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 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 15, 2014.

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EQUUS TOTAL RETURN, INC.

(A Delaware Corporation)

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EQUUS TOTAL RETURN, INC.BALANCE SHEETS**Part I. Financial Information****Item 1. Financial Statements**

	March 31, 2014 (unaudited)	December 31, 2013
(in thousands, except per share amounts)		
Assets		
Investments in portfolio securities at fair value:		
Control investments (cost at \$15,863 and \$15,789 respectively)	\$ 11,179	\$ 11,105
Affiliate investments (cost at \$350 and \$350 respectively)	250	250
Non-affiliate investments (cost at \$1,321 and \$1,321 respectively)	2,081	2,149
Total investments in portfolio securities at fair value	13,510	13,504
Cash and cash equivalents	18,690	19,065
Restricted cash and temporary cash investments	—	15,150
Accounts receivable from investments	386	372
Accrued interest receivable	444	228
Accounts receivable and other	28	30
Total assets	33,058	48,349
Liabilities and net assets		
Accounts payable and accrued liabilities	254	106
Accounts payable to related parties	125	26
Borrowing under margin account	—	15,000
Total liabilities	379	15,132
Commitments and contingencies		
Net assets	\$ 32,679	\$ 33,217
Net assets consist of:		
Common stock, par value	\$ 10	\$ 10
Capital in excess of par value	51,700	51,701
Undistributed net investment losses	(15,007)	(14,538)
Unrealized depreciation of portfolio securities, net	(4,024)	(3,956)
Total net assets	\$ 32,679	\$ 33,217
Shares of common stock issued and outstanding, \$.001 par value, 50,000 shares authorized	10,562	10,562
Shares of preferred stock issued and outstanding, \$.001 par value, 5,000 shares authorized	—	—
Net asset value per share	\$ 3.09	\$ 3.14

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

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EQUUS TOTAL RETURN, INC.STATEMENTS OF OPERATIONS

(Unaudited)

(in thousands, except per share amounts)	Three months ended March 31,	
	2014	2013
Investment income (loss):		
Interest income (loss), net:		
Control investments	\$ 198	\$(132)
Non-affiliate investments	59	36
Total interest income	257	(96)
Interest from temporary cash investments	—	—
Total investment income (loss)	257	(96)
Expenses:		
Professional fees	291	268
Compensation expense	212	239
General and administrative expense	100	38
Director fees and expenses	96	102
Mailing, printing and other expenses	21	23
Taxes	6	5
Total expenses	726	675
Net investment loss	(469)	(771)
Net realized loss:		
Temporary cash investments	(1)	—
Net realized loss	(1)	—
Net unrealized depreciation of portfolio securities:		
End of period	(4,024)	(17,910)
Beginning of period	(3,956)	(17,222)
Net change in unrealized depreciation of portfolio securities	(68)	(688)
Net decrease in net assets resulting from operations	\$(538)	\$(1,459)
Net decrease in net assets resulting from operations per share:		
Basic and diluted	\$(0.05)	\$(0.14)
Weighted average shares outstanding:		
Basic and diluted	10,562	10,562

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,	
	2014	2013
Net decrease in net assets resulting from operations	\$(538)	\$(1,459)
Net assets at beginning of period	33,217	32,875
Net assets at end of period	\$32,679	\$31,416

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

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EQUUS TOTAL RETURN, INC.STATEMENTS OF CASH FLOWS

(Unaudited)

(in thousands)	Three months ended March 31,	
	2014	2013
Reconciliation of decrease in net assets resulting from operations to net cash provided by (used in) operating activities:		
Net decrease in net assets resulting from operations	\$(538)	\$(1,459)
Adjustments to reconcile net decrease in net assets resulting from operations to net cash provided by (used in) operating activities:		
Net realized loss	1	—
Net change in unrealized depreciation of portfolio securities	68	688
Changes in operating assets and liabilities:		
Purchase of portfolio securities	(74)	(90)
Principal payments received from portfolio securities	—	9
Sales of temporary cash investments, net	15,149	—
Increase in accounts receivable from investments	(4)	—
Increase in accounts receivable and other	(8)	(150)
(Increase) decrease in accrued interest receivable	(216)	126
Increase in accounts payable and accrued liabilities	148	107
Increase (decrease) in accounts payable to related parties	99	(157)
Net cash provided by (used in) operating activities	14,625	(926)
Cash flows from financing activities:		
Repayments under margin account	(15,000)	—
Net cash used in financing activities	(15,000)	—
Net decrease in cash and cash equivalents	(375)	(926)
Cash and cash equivalents at beginning of period	19,065	23,687
Cash and cash equivalents at end of period	\$18,690	\$22,761
Supplemental disclosure of cash flow information:		
Income taxes paid	\$11	\$5

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

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

(Unaudited)

	Three months ended March 31,	
	2014	2013
Investment income (loss)	\$0.03	\$(0.01)
Expenses	0.07	0.06
Net investment loss	(0.04)	(0.07)
Net realized loss	(0.00)	—
Net change in unrealized depreciation of portfolio securities	(0.01)	(0.07)
Net decrease in net assets resulting from operations	(0.05)	(0.14)
Net assets at beginning of period	3.14	3.11
Net assets at end of period	\$3.09	\$2.97
Weighted average number of shares outstanding during period, in thousands	10,562	10,562
Market price per share:		
Beginning of period	\$1.99	\$2.36
End of period	\$1.92	\$2.16
Selected information and ratios:		
Ratio of expenses to average net assets	2.20 %	2.10 %
Ratio of net investment loss to average net assets	(1.42 %)	(2.40 %)
Ratio of net decrease in net assets resulting from operations to average net assets	(1.63 %)	(4.54 %)
Total return on market price ⁽¹⁾	(3.52 %)	(8.47 %)

⁽¹⁾ 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.

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EQUUS TOTAL RETURN, INC.**SCHEDULE OF INVESTMENTS****MARCH 31, 2014****(Unaudited)***(in thousands, except share data)*

Name and Location of Portfolio Company	Industry	Date of Initial Investment	Investment	Principal	Cost of Investment	Fair Value ⁽¹⁾
Control Investments: Majority-owned (3):						
Equus Energy, LLC	Energy	December 2011	Member interest (100%)		\$ 7,050	\$ 8,000
Houston, TX Equus Media Development Company, LLC	Media	January 2007	Member interest (100%)		3,000	
Houston, TX Spectrum Management, Carrolton, TX	Business products and services	December 1999	285,000 units of Class A member interest (92.1%/82.5% fully diluted)		2,850	
			16% subordinated promissory note due 11/11 (2)	\$ 2,963	2,963	2,963
Total Control Investments: Majority-owned (represents 82.7% of total investments at fair value)					\$ 15,863	\$ 11,179
Affiliate Investments (4):						
PalletOne, Inc. Bartow, FL	Shipping products and services	October 2001	350,000 shares of common stock (18.70%)		\$ 350	\$ 250
Total Affiliate Investments (represents 1.9% of total investments at fair value)					\$ 350	\$ 250
Non-Affiliate Investments (less than 5% owned):						
Orco Property Group		April 2011			\$ 125	\$ 101

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Paris, France	Real estate	73,666 shares common stock					
		10% promissory note due 2/18 ⁽²⁾	\$	696	696		
				821			
Security Monitor Holding, LLC	Business products and services	November 2013	14% promissory note due 6/14 ⁽²⁾	500	500		
Boston, MA							
Total Non-Affiliate Investments (represents 15.4% of total investments at fair value)				\$	1,321	\$	2,081
Total Investment in Portfolio Securities				\$	17,534	\$	13,510

(1) See Note 3 to the financial statements, Valuation of Investments.