

EQUUS TOTAL RETURN, INC.
Form 10-Q
November 10, 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 September 30, 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)

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 10, 2016.

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EQUUS TOTAL RETURN, INC.

(A Delaware Corporation)

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

	September 30, 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)	\$5,463	\$5,715
Affiliate investments (cost at \$350 and \$350 respectively)	15,400	9,600
Non-affiliate investments - related party (cost at \$5,949 and \$5,698 respectively)	3,824	3,159
Non-affiliate investments (cost at \$2,978 and \$915 respectively)	2,978	915
Total investments in portfolio securities at fair value	27,665	19,389
Temporary cash investments	29,998	15,000
Cash and cash equivalents	12,617	17,036
Restricted cash	300	150
Accounts receivable from investments	611	614
Accrued interest receivable	428	128
Accrued dividend receivable	—	130
Accounts receivable and other	117	83
Total assets	71,736	52,530
Liabilities and net assets		
Accounts payable and accrued liabilities	127	36
Accounts payable to related parties	105	186
Borrowing under margin account	29,998	15,000
Total liabilities	30,230	15,222
Commitments and contingencies (See Note 2)		
Net assets	\$41,506	\$37,308
Net assets consist of:		
Common stock, par value	\$13	\$13
Capital in excess of par value	54,217	54,226
Undistributed net investment losses	(21,062)	(19,307)
Undistributed net capital gains	—	—

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Unrealized appreciation of portfolio securities, net	10,463	4,915
Unrealized depreciation of portfolio securities - related party, net	(2,125)	(2,539)
Total net assets	\$41,506	\$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	\$3.27	\$2.94

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

Table of Contents**EQUUS TOTAL RETURN, INC.****STATEMENTS OF OPERATIONS****(Unaudited)**

	Three Months Ended		Nine Months Ended	
	September 30, 2016	2015	September 30, 2016	2015
(in thousands, except per share amounts)				
Investment income:				
Interest and dividend income:				
Non-affiliate investments - related party	\$61	\$56	\$121	111
Non-affiliate investments	128	33	428	109
Total interest and dividend income	189	89	549	220
Interest from temporary cash investments	2	2	7	4
Total investment income	191	91	556	224
Expenses:				
Compensation expense	257	215	791	1,078
Professional fees	292	81	809	517
Director fees and expenses	58	68	323	279
General and administrative expense	108	76	270	252
Mailing, printing and other expenses	27	17	96	106
Taxes	15	4	15	29
Interest expense	4	—	7	1
Total expenses	761	461	2,311	2,262
Net investment loss	(570)	(370)	(1,755)	(2,038)
Net realized gain (loss):				
Control investments	—	—	—	(2,850)
Non-affiliate investments	—	—	—	372
Temporary cash investments	(6)	—	(9)	(5)
Net realized loss	(6)	—	(9)	(2,483)
Net unrealized appreciation (depreciation) of portfolio securities:				
End of period	10,463	4,815	10,463	4,815
Beginning of period	8,113	3,942	4,915	(1,840)
Net change in unrealized appreciation (depreciation) of portfolio securities	2,350	873	5,548	6,655
Net unrealized depreciation of portfolio securities - related party:				
End of period	(2,125)	(2,408)	(2,125)	(2,408)
Beginning of period	(2,240)	(1,572)	(2,539)	(1,725)
Net change in unrealized depreciation of portfolio securities - related party	115	(836)	414	(683)
Net increase (decrease) in net assets resulting from operations	\$1,889	\$(333)	\$4,198	\$1,451

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Net increase (decrease) in net assets resulting from operations per share:				
Basic and diluted	\$0.16	\$(0.03)	\$0.33	\$0.11
Weighted average shares outstanding:				
Basic and diluted	12,674	12,674	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)	Nine months ended September 30,	
	2016	2015
Net increase in net assets resulting from operations	\$4,198	\$1,451
Net assets at beginning of period	37,308	36,201
Net assets at end of period	\$41,506	\$37,652

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

Table of Contents**EQUUS TOTAL RETURN, INC.****STATEMENTS OF CASH FLOWS****(Unaudited)**

	Nine months ended September 30,	
(in thousands)	2016	2015
Reconciliation of increase in net assets resulting from operations to net cash (used in) provided by operating activities:		
Net increase in net assets resulting from operations	\$4,198	\$1,451
Adjustments to reconcile net increase in net assets resulting from operations to net cash (used in) provided by operating activities:		
Net realized loss	9	2,483
Net change in unrealized appreciation of portfolio securities	(5,548)	(6,655)
Net change in unrealized depreciation of portfolio securities - related party	(414)	683
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
Purchases of temporary cash investments, net	(15,157)	(7)
Decrease in accounts receivable from investments	3	—
Increase in accrued interest receivable	(363)	(357)
Increase in accrued dividend receivable	(121)	—
Increase in accounts receivable and other	(34)	(11)
(Increase) decrease in accounts payable and accrued liabilities	91	(653)
Decrease (increase) in accounts payable to related parties	(81)	22
Net cash (used in) provided by operating activities	(19,417)	1,583
Cash flows from financing activities:		
Borrowings under margin account	72,983	15,001
Repayments under margin account	(57,985)	(14,999)
Net cash provided by financing activities	14,998	2
Net (decrease) increase in cash and cash equivalents	(4,419)	1,585
Cash and cash equivalents at beginning of period	17,036	15,697
Cash and cash equivalents at end of period	\$12,617	\$17,282
Non-cash operating and financing activities:		
Accrued interest or dividends exchanged for portfolio securities	\$63	\$915
Accrued dividends exchanged for portfolio securities - related party	\$251	\$165
Supplemental disclosure of cash flow information:		
Interest paid	\$5	\$1
Income taxes paid	\$15	\$29

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)

	Nine months ended September 30,	
	2016	2015
Investment income	\$0.04	\$0.02
Expenses	0.18	0.18
Net investment loss	(0.14)	(0.16)
Net realized loss	—	(0.20)
Net change in unrealized appreciation	0.44	0.52
Net change in unrealized depreciation - related party	0.03	(0.05)
Net increase in net assets	0.33	0.11
Net assets at beginning of period	2.94	2.86
Net assets at end of period, basic and diluted	\$3.27	\$2.97
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	\$1.86	\$1.75
Selected information and ratios:		
Ratio of expenses to average net assets		