

EQUUS TOTAL RETURN, INC.
Form 10-Q
August 12, 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 June 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 x 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 August 12, 2016.

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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**

	June 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)	\$4,213	\$5,715
Affiliate investments (cost at \$350 and \$350 respectively)	14,300	9,600
Non-affiliate investments - related party (cost at \$5,888 and \$5,698 respectively)	3,648	3,159
Non-affiliate investments (cost at \$2,978 and \$915 respectively)	2,978	915
Total investments in portfolio securities at fair value	25,139	19,389
Temporary cash investments	27,986	15,000
Cash and cash equivalents	13,250	17,036
Restricted cash	280	150
Accounts receivable from investments	611	614
Accrued interest receivable	300	128
Accrued dividend receivable	—	130
Accounts receivable and other	157	83
Total assets	67,723	52,530
Liabilities and net assets		
Accounts payable and accrued liabilities	47	36
Accounts payable to related parties	73	186
Borrowing under margin account	27,986	15,000
Total liabilities	28,106	15,222
Commitments and contingencies (See Note 2)		
Net assets	\$39,617	\$37,308
Net assets consist of:		
Common stock, par value	\$13	\$13
Capital in excess of par value	54,223	54,226
Undistributed net investment losses	(20,492)	(19,307)

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Undistributed net capital gains	—	—
Unrealized appreciation (depreciation) of portfolio securities, net	8,113	4,915
Unrealized depreciation of portfolio securities - related party, net	(2,240)	(2,539)
Total net assets	\$39,617	\$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	\$3.13	\$2.94

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

Table of ContentsEQUUS TOTAL RETURN, INC.STATEMENTS OF OPERATIONS

(Unaudited)

(in thousands, except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Investment income:				
Interest and dividend income:				
Non-affiliate investments - related party	\$60	\$55	\$60	55
Non-affiliate investments	164	32	300	76
Total interest and dividend income	224	87	360	131
Interest from temporary cash investments	3	2	5	2
Total investment income	227	89	365	133
Expenses:				
Compensation expense	262	239	534	863
Professional fees	149	109	517	436
Director fees and expenses	145	116	265	211
General and administrative expense	78	135	162	176
Mailing, printing and other expenses	43	66	69	89
Taxes	—	18	—	25
Interest expense	2	—	3	1
Total expenses	679	683	1,550	1,801
Net investment loss	(452)	(594)	(1,185)	(1,668)
Net realized gain (loss):				
Control investments	—	—	—	(2,850)
Non-affiliate investments	—	—	—	372
Temporary cash investments	(1)	—	(3)	(5)
Net realized loss	(1)	—	(3)	(2,483)
Net unrealized appreciation (depreciation) of portfolio securities:				
End of period	8,113	3,942	8,113	3,942
Beginning of period	5,915	1,023	4,915	(1,840)
Net change in unrealized appreciation (depreciation) of portfolio securities	2,198	2,919	3,198	5,782
Net unrealized depreciation of portfolio securities - related party:				
End of period	(2,240)	(1,572)	(2,240)	(1,572)
Beginning of period	(2,562)	(1,870)	(2,539)	(1,725)
Net change in unrealized depreciation of portfolio securities - related party	322	298	299	153
Net increase in net assets resulting from operations	\$2,067	\$2,623	\$2,309	\$1,784
Net increase in net assets resulting from operations per share:				

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Basic and diluted	\$0.17	\$0.21	\$0.19	\$0.14
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)	Six months ended	
	June 30, 2016	2015
Net increase in net assets resulting from operations	\$2,309	\$1,784
Net assets at beginning of period	37,308	36,201
Net assets at end of period	\$39,617	\$37,985

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)

	Six months ended June 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 (decrease) in net assets resulting from operations	\$2,309	\$1,784
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by (used in) operating activities:		
Net realized loss	3	2,483
Net change in unrealized depreciation of portfolio securities	(3,198)	(5,782)
Net change in unrealized depreciation of portfolio securities - related party	(299)	(153)
Net realized loss		
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) sales of temporary cash investments, net	(13,119)	15,144
Decrease in accounts receivable from investments	3	—
Increase in accrued interest receivable	(235)	(268)
Increase in accrued dividend receivable	(60)	—
Decrease in accounts receivable and other	(74)	(55)
Increase (decrease) in accounts payable and accrued liabilities	11	(577)
(Decrease) increase in accounts payable to related parties	(113)	76
Net cash (used in) provided by operating activities	(16,772)	17,279
Cash flows from financing activities:		
Borrowings under margin account	42,985	—
Repayments under margin account	(29,999)	(14,999)
Net cash provided (used in) financing activities	12,986	(14,999)
Net (decrease) increase in cash and cash equivalents	(3,786)	2,280
Cash and cash equivalents at beginning of period	17,036	15,697
Cash and cash equivalents at end of period	\$13,250	\$17,977
Non-cash operating and financing activities:		
Accrued interest or dividends exchanged for portfolio securities	\$63	\$915
Accrued dividends exchanged for portfolio securities - related party	\$190	\$110
Supplemental disclosure of cash flow information:		
Interest paid	\$3	\$1
Income taxes paid	\$11	\$22

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)

	Six months ended June 30,	
	2016	2015
Investment income	\$0.03	\$0.01
Expenses	0.12	