

EQUUS TOTAL RETURN, INC.
Form 10-Q
May 14, 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 March 31, 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 May 14, 2015.

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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, 2015	December 31, 2014
	(Unaudited)	
(in thousands, except per share amounts)		
Assets		
Investments in portfolio securities at fair value:		
Control investments (cost at \$10,050 and \$16,058 respectively)	\$ 9,215	\$ 13,173
Affiliate investments (cost at \$350 and \$350 respectively)	2,208	960
Non-affiliate investments - related party (cost at \$5,760 and \$5,706 respectively)	3,890	3,981
Non-affiliate investments (cost at \$915 and \$1,097 respectively)	915	1,532
Total investments in portfolio securities at fair value	16,228	19,646
Cash and cash equivalents	18,971	15,697
Restricted cash and temporary cash investments	—	15,149
Accounts receivable from investments	616	614
Accrued interest receivable	30	764
Accrued dividend receivable	—	54
Accounts receivable and other	22	114
Total assets	35,867	52,038
Liabilities and net assets		
Accounts payable and accrued liabilities	222	664
Accounts payable to related parties	283	174
Borrowing under margin account	—	14,999
Total liabilities	505	15,837
Commitments and contingencies (see Note 2)		
Net assets	\$ 35,362	\$ 36,201
Net assets consist of:		
Common stock, par value	\$ 13	\$ 13
Capital in excess of par value	54,227	56,049
Undistributed net investment losses	(18,031)	(16,956)
Undistributed net capital gains	—	660
Unrealized appreciation (depreciation) of portfolio securities, net	1,023	(1,840)
Unrealized depreciation of portfolio securities - related party, net	(1,870)	(1,725)

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Total net assets	\$ 35,362	\$ 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	\$ 2.79	\$ 2.86

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,	
	2015	2014
Investment income:		
Interest and dividend income:		
Control investments	\$—	\$198
Non-affiliate investments	44	59
Total interest and dividend income	44	257
Interest from temporary cash investments	—	—
Total investment income	44	257
Expenses:		
Professional fees	327	291
Compensation expense	624	212
Director fees and expenses	95	96
General and administrative expense	41	100
Mailing, printing and other expenses	23	21
Taxes	7	6
Interest expense	1	—
Total expenses	1,118	726
Net investment loss	(1,074)	(469)
Net realized gain (loss):		
Control investments	(2,850)	—
Non-affiliate investments	372	—
Temporary cash investments	(5)	(1)
Net realized loss	(2,483)	(1)
Net unrealized appreciation (depreciation) of portfolio securities:		
End of period	1,023	(4,024)
Beginning of period	(1,840)	(3,956)
Net change in unrealized appreciation (depreciation) of portfolio securities	2,863	(68)
Net unrealized depreciation of portfolio securities - related party:		
End of period	(1,870)	—
Beginning of period	(1,725)	—
Net change in unrealized depreciation of portfolio securities - related party	(145)	—
Net decrease in net assets resulting from operations	\$(839)	\$(538)
Net decrease in net assets resulting from operations per share:		
Basic and diluted	\$(0.07)	\$(0.05)

Weighted average shares outstanding:

Basic and diluted

12,674 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,	
	2015	2014
Net decrease in net assets resulting from operations	\$(839)	\$(538)
Net assets at beginning of period	36,201	33,217
Net assets at end of period	\$35,362	\$32,679

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,	
	2015	2014
Reconciliation of decrease in net assets resulting from operations to net cash provided by operating activities:		
Net decrease in net assets resulting from operations	\$(839)	\$(538)
Adjustments to reconcile net decrease in net assets resulting from operations to net cash provided by operating activities:		
Net realized loss	2,483	1
Net change in unrealized depreciation of portfolio securities	(2,863)	68
Net change in unrealized depreciation of portfolio securities - related party	145	
Changes in operating assets and liabilities:		
Purchase of portfolio securities	—	(74)
Net proceeds from dispositions of portfolio securities	372	—
Principal payments received from portfolio securities	4,255	—
Sales of temporary cash investments, net	15,144	15,149
Decrease (increase) in accounts receivable from investments	(2)	(4)
Increase in accrued interest receivable	(181)	(216)
Increase (decrease) in accounts receivable and other	92	(8)
(Decrease) increase in accounts payable and accrued liabilities	(442)	148
(Decrease) increase in accounts payable to related parties	109	99
Net cash provided by operating activities	18,273	14,625
Cash flows from financing activities:		
Repayments under margin account	(14,999)	(15,000)
Net cash used in financing activities	(14,999)	(15,000)
Net increase (decrease) in cash and cash equivalents	3,274	(375)
Cash and cash equivalents at beginning of period	15,697	19,065
Cash and cash equivalents at end of period	\$18,971	\$18,690
Non-cash operating and financing activities:		
Accrued interest or dividends exchanged for portfolio securities	\$915	\$—
Accrued interest or dividends exchanged for portfolio securities - related party	\$54	\$—
Supplemental disclosure of cash flow information:		
Interest paid	\$1	\$—
Income taxes paid	\$7	\$11

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 ending March 31,	
	2015	2014
Investment income	\$0.00	\$0.03
Expenses	0.09	0.07
Net investment loss	(0.09)	(0.04)
Net realized loss	(0.20)	—
Net change in unrealized depreciation	0.23	(0.01)
Net change in unrealized depreciation - related party	(0.01)	—
Net decrease in net assets	(0.07)	(0.05)
Net assets at beginning of period	2.86	3.14
Net assets at end of period, basic and diluted	\$2.79	\$3.09
Weighted average number of shares outstanding during period, in thousands	12,674	10,562
Market price per share:		
Beginning of period	\$2.10	\$1.99
End of period	\$1.95	\$1.92
Selected information and ratios:		
Ratio of expenses to average net assets	3.12 %	2.20 %
Ratio of net investment loss to average net assets	(3.00 %)	(1.48 %)
Ratio of net decrease in net assets resulting from operations to average net assets	(2.34 %)	(1.63 %)
Total return on market price ⁽¹⁾	(7.14 %)	(3.52 %)

⁽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 statement

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EQUUS TOTAL RETURN, INC.**SCHEDULE OF INVESTMENTS****MARCH 31, 2015****(Unaudited)***(in thousands, except share data)*

Name and Location of Portfolio Company Control	Industry	Date of Initial Investment	Investment	Principal	Cost of Investment	Fair Value ⁽¹⁾
Investments: Majority-owned ⁽³⁾ : Equus Energy, LLC	Energy	December 2011	Member interest (100%)		7,050	9,000
Houston, TX Equus Media Development Company, LLC	Media	January 2007	Member interest (100%)		3,000	215
Houston, TX Total Control Investments: Majority-owned (represents 56.8% of total investments at fair value)					\$ 10,050	\$ 9,215
Affiliate Investments ⁽⁴⁾ :						
PalletOne, Inc.	Shipping products and services	October 2001	350,000 shares of common stock (18.8%)	\$ 350		\$ 2,208
Bartow, FL						
Total Affiliate Investments (represents 13.6% of total investments at fair value)				\$ 350		\$ 2,208
Non-Affiliate Investments - Related Party (less than 5% owned):						
MVC Capital, Inc.	Financial services	September 2014	410,360 shares of common stock (1.7%) ⁽⁵⁾	\$ 5,760		\$ 3,890
Purchase, NY						
Total Non-Affiliate Investments - Related Party (represents 24.0% of total investments at fair value)				\$ 5,760		\$ 3,890
Non-Affiliate Investments (less than 5% owned):						
5 TH Element Tracking LLC Boston, MA	Business products and services	January 2015	14% promissory note due 1/16 ⁽²⁾	\$ 915	\$ 915	\$ 915
Total Non-Affiliate Investments (represents 5.6% of total investments at fair value)				\$ 915		\$ 915
Total Investment in Portfolio Securities				\$ 17,075		\$ 16,228

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