

EQUUS TOTAL RETURN, INC.

Form 10-Q

May 15, 2008

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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, 2008

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 0-19509

EQUUS TOTAL RETURN, INC.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

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

2727 Allen Parkway, 13th Floor Houston, Texas
(Address of principal executive offices)

77019
(Zip Code)

Registrant's telephone number, including area code: (713) 529-0900

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 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 8,496,202 shares of the registrant's common stock, \$.001 par value, outstanding, as of May 15, 2008. The net asset value of a share at March 31, 2008 was \$ 12.20.

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EQUUS TOTAL RETURN, INC.

(A Delaware Corporation)

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Table of Contents**EQUUS TOTAL RETURN, INC.****BALANCE SHEETS**

(in thousands, except per share amounts)	March 31, 2008 (unaudited)	December 31, 2007
<u>Assets</u>		
Investments in portfolio securities at fair value:		
Control investments (cost at \$29,062 and \$27,610, respectively)	\$ 31,771	29,812
Affiliate investments (cost at \$18,050 and \$14,721, respectively)	35,440	32,111
Non-affiliate investments (cost at \$16,126 and \$12,952, respectively)	13,145	\$ 10,179
Total investments in portfolio securities at fair value	80,356	72,102
Restricted cash & temporary investments, at cost which approximates fair value	35,349	30,296
Cash		28
Temporary cash investments, at cost which approximates fair value	22,846	30,912
Accounts receivable	8	107
Accrued interest and dividends receivable due from portfolio companies	1,377	1,023
Escrowed receivables, at fair value	262	262
Total assets	\$ 140,198	\$ 134,730
<u>Liabilities and net assets</u>		
Liabilities:		
Bank overdraft	\$ 262	\$
Accounts payable and accrued liabilities	110	108
Due to adviser	1,166	1,410
Borrowing under margin account	34,999	29,996
Total liabilities	36,537	31,514
<u>Commitments and contingencies</u>		
Net assets:		
Preferred stock, \$.001 par value, 5,000 shares authorized, no shares outstanding		8
Common stock, \$.001 par value, 50,000 shares authorized, 8,496 and 8,401 shares outstanding, respectively	8	8
Additional paid-in capital	89,658	89,021
Undistributed net investment losses	(3,548)	(3,772)
Undistributed net capital gains	425	1,141
Net unrealized appreciation of portfolio securities	17,118	16,818
Total net assets	\$ 103,661	\$ 103,216
Net assets per share	\$ 12.20	\$ 12.29

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

Table of ContentsEQUUS TOTAL RETURN, INC.STATEMENTS OF OPERATIONSFOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007

(Unaudited)

(in thousands, except per share amounts)	2008	2007
Investment income:		
Interest and dividend income from portfolio securities:		
Control investments	\$ 395	\$ 422
Affiliate investments	247	73
Non-affiliate investments	441	183
Total interest and dividend income	1,083	678
Interest from temporary cash investments	251	533
Total investment income	1,334	1,211
Expenses:		
Management fee	502	460
Incentive fee	17	263
Professional fees	173	160
Administrative fees	113	113
Director fees and expenses	90	88
Mailing, printing and other expenses	24	100
Interest expense	6	22
Total expenses	925	1,206
Net investment income	409	5
Net realized gain on portfolio securities		
Control investments	74	1,472
Affiliate investments	351	124
Non-affiliate investments		
Total net realized gain on portfolio securities	425	1,596
Net unrealized appreciation of portfolio securities:		
End of period	17,118	7,119
Beginning of period	16,818	9,292
Net change in unrealized appreciation of portfolio securities	300	(2,173)
Net increase (decrease) in net assets resulting from operations	\$ 1,134	\$ (572)
Net increase (decrease) in net assets resulting from operations per share:		
Basic and diluted	\$ 0.13	\$ (0.07)
Weighted average shares outstanding, in thousands		

Basic and diluted

8,402

8,165

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

Table of ContentsEQUUS TOTAL RETURN, INC.STATEMENTS OF CHANGES IN NET ASSETSFOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007

(Unaudited)

(in thousands)	2008	2007
Operations:		
Net investment income	\$ 409	\$ 5
Net realized gain on portfolio securities	425	1,596
Net change in unrealized appreciation of portfolio securities	300	(2,173)
Net increase (decrease) in net assets resulting from operations	1,134	(572)
Capital share transactions:		
Dividends declared	(1,327)	(1,021)
Shares issued in dividend	638	455
Decrease in net assets from capital share transactions	(689)	(566)
Increase (decrease) in net assets	445	(1,138)
Net assets at beginning of period	103,216	93,236
Net assets at end of period	\$ 103,661	\$ 92,098

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

Table of ContentsEQUUS TOTAL RETURN, INC.STATEMENTS OF CASH FLOWSFOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007

(Unaudited)

(in thousands)	2008	2007
Reconciliation of increase (decrease) in net assets from operations to net cash provided by (used in) operating activities:		
Net increase (decrease) in net assets resulting from operations	\$ 1,134	\$ (572)
Adjustments to reconcile increase (decrease) in net assets resulting from operations to net cash provided by (used in) operating activities:		
Net realized gain on portfolio securities	(425)	(1,596)
Net change in unrealized appreciation of portfolio securities	(300)	2,173
Increase in accrued interest and dividends receivable due from portfolio companies	(354)	(166)
Increase in escrowed receivables		(1,308)
Decrease in accounts receivable and other	99	130
Accrued interest or dividends exchanged for portfolio securities	(221)	(112)
Increase (decrease) in accounts payable and accrued liabilities	2	(49)
Decrease in due to adviser	(244)	(1,500)
Purchase of portfolio securities	(10,600)	(7,619)
Proceeds from dispositions of portfolio securities	3,292	1,596
Principal payments from portfolio securities		1,697
(Purchases) sales of restricted temporary cash investments	(5,053)	3
Net cash used in operating activities	\$ (12,670)	\$ (7,323)
Cash flows from financing activities:		
Bank overdraft	262	98
Borrowings under margin account	34,999	29,976
Repayments under margin account	(29,996)	(29,979)
Dividends paid	(689)	(566)
Cash paid for deferred costs		(93)
Net cash provided by (used in) financing activities	4,576	(564)
Net decrease in cash and cash equivalents	(8,094)	(7,887)
Cash and cash equivalents at beginning of period	30,940	51,499
Cash and cash equivalents at end of period	\$ 22,846	\$ 43,612
Non-cash financing activities:		
Shares issued in lieu of cash dividend	\$ 638	\$ 455
Supplemental disclosure of cash flow information		
Interest paid	\$ 11	\$ 30

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

Table of ContentsEQUUS TOTAL RETURN, INC.SUPPLEMENTAL INFORMATION - SELECTED PER SHARE DATA AND RATIOSFOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007

(Unaudited)

	2008	2007
Investment income	\$ 0.16	\$ 0.15
Expenses	0.11	0.15
Net investment income	0.05	0.00
Net realized gain on portfolio securities	0.05	0.20
Net change in unrealized appreciation of portfolio securities	0.04	(0.27)
Increase (decrease) in net assets resulting from operations	0.14	(0.07)
Capital Transactions:		
Dividend declared	(0.16)	(0.13)
Dilutive effect of shares issued in common stock dividend and exercise of options	(0.07)	(0.01)
Decrease in net assets from capital transactions	(0.23)	(0.14)
Net decrease in net assets	(0.09)	(0.21)
Net assets at beginning of period	12.29	11.42
Net assets at end of period	\$ 12.20	\$ 11.21
Weighted average number of shares outstanding during period, in thousands	8,402	8,165
Market value per share at end of period	\$ 6.75	\$ 8.7