

EQUUS TOTAL RETURN, INC.

Form 10-Q/A

November 18, 2008

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A
Amendment No. 1

(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, 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.

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(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.)

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 8,260,671 shares of the registrant's common stock, \$.001 par value, outstanding, as of November 14, 2008. The net asset value of a share at September 30, 2008 was \$11.41.

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Explanatory Note

This Form 10-Q/A is being filed to amend the Form 10-Q for the quarter ended September 30, 2008 to correct an error in the Statements of Changes in Net Assets included in the financial statements of Equus Total Return, Inc. (the Fund) for the nine months ended September 30, 2008 and September 30, 2007. Specifically, in the Form 10-Q for the quarter ended September 30, 2008 as originally filed on November 14, 2008, in the section captioned Statements of Changes in Net Assets, the Fund's net assets at the end of the period ended September 30, 2008 incorrectly reported a negative value of \$94,235 (in thousands). This figure has been corrected in this Form 10-Q/A to report a positive value of \$94,235 (in thousands). This error had no effect on the Fund's financial condition, results of operations or margins.

For purposes of this Form 10-Q/A, and in accordance with Rule 12b-15 under the Securities Exchange Act of 1934, as amended, each item of the Form 10-Q for the quarter ended September 30, 2008, as originally filed on November 14, 2008, that was affected by the error has been amended and restated in its entirety. Unless otherwise indicated, this report speaks only as of the date that the original report was filed. No attempt has been made in this Form 10-Q/A to update other disclosures presented in the original report on Form 10-Q. This Form 10-Q/A does not reflect events occurring after the filing of the original Form 10-Q or modify or update those disclosures, including the exhibits to the Form 10-Q affected by subsequent events; however, this Form 10-Q/A includes as exhibits 31.1, 31.2, 32.1 and 32.2 new certifications by the Fund's chief executive officer and chief financial officer as required by Rule 12b-15.

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EQUUS TOTAL RETURN, INC.

(A Delaware Corporation)

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Index to Financial StatementsEQUUS TOTAL RETURN, INC.BALANCE SHEETSSEPTEMBER 30, 2008 AND DECEMBER 31, 2007

(in thousands, except per share amounts)	September 30, 2008 (unaudited)	December 31, 2007
<u>Assets</u>		
Investments in portfolio securities at fair value:		
Control investments (cost at \$36,378 and \$23,444 respectively)	\$ 38,477	\$ 25,646
Affiliate investments (cost at \$18,173 and \$14,721 respectively)	34,564	32,111
Non-affiliate investments (cost at \$16,795 and \$17,118 respectively)	11,000	14,345
 Total investments in portfolio securities at fair value	 84,041	 72,102
Restricted cash & temporary investments, at cost which approximates fair value	55,544	30,296
Cash	53	28
Temporary cash investments, at cost which approximates fair value	9,048	30,912
Accounts receivable	8	107
Accrued interest and dividends receivable due from portfolio companies	1,179	1,023
Escrowed receivables, at fair value		262
 Total assets	 \$ 149,873	 \$ 134,730
<u>Liabilities and net assets</u>		
<u>Liabilities:</u>		
Accounts payable and accrued liabilities	\$ 56	\$ 108
Due to adviser	588	1,410
Borrowing under margin account	54,994	29,996
 Total liabilities	 55,638	 31,514
 Commitments and contingencies		
<u>Net assets:</u>		
Preferred stock, \$.001 par value, 5,000 shares authorized, no shares outstanding		8
Common stock, \$.001 par value, 50,000 shares authorized, 8,261 and 8,401 shares outstanding	8	8
Additional paid-in capital	87,931	89,021
Undistributed net investment losses	(7,376)	(3,772)
Undistributed net capital gains	977	1,141
Unrealized appreciation of portfolio securities, net	12,695	16,818
 Total net assets	 \$ 94,235	 \$ 103,216
 Net assets per share	 \$ 11.41	 \$ 12.29

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

Index to Financial StatementsEQUUS TOTAL RETURN, INC.STATEMENTS OF OPERATIONSFOR THE THREE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

(Unaudited)

(in thousands, except per share amounts)	2008	2007
Investment income:		
Interest and dividend income from portfolio securities:		
Control investments	\$ 221	\$ 407
Affiliate investments	216	184
Non-affiliate investments	(233)	158
Total interest and dividend income	204	749
Interest from temporary cash investments	88	402
Total investment income	292	1,151
Expenses:		
Management fee	463	304
Incentive fee	14	(3)
Professional fees	179	242
Administrative fees	113	113
Director fees and expenses	89	93
Mailing, printing and other expenses	55	38
Interest expense	4	23
Taxes		21
Offering costs		609
Total expenses	917	1,440
Net investment gain (loss)	(625)	(289)
Net realized gain (loss) on portfolio securities:		
Control investments	(1)	106
Affiliate investments		
Non-affiliate investments		
Total net realized gain (loss) on portfolio securities	(1)	106
Net unrealized appreciation of portfolio securities:		
End of period	12,695	1,319
Beginning of period	17,129	4,935
Net change in unrealized appreciation of portfolio securities	(4,434)	(3,616)
Net decrease in net assets resulting from operations	\$ (5,060)	\$ (3,799)
Net decrease in net assets resulting from operations, per share:		
Basic and diluted	\$ (0.60)	\$ (0.46)

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Weighted average shares outstanding, in thousands		
Basic and diluted	8,497	8,270

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

Index to Financial Statements**EQUUS TOTAL RETURN, INC.****STATEMENTS OF OPERATIONS****FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007**

(Unaudited)

(in thousands, except per share amounts)	2008	2007
Investment income:		
Interest and dividend income from portfolio securities:		
Control investments	\$ 605	\$ 1,259
Affiliate investments	677	496
Non-affiliate investments	611	464
Total interest and dividend income	1,893	2,219
Interest from temporary cash investments	480	1,414
Total investment income	2,373	3,633
Expenses:		
Management fee	1,485	1,225
Incentive fee	124	1,216
Professional fees	566	591
Administrative fees	338	338
Director fees and expenses	323	263
Mailing, printing and other expenses	226	255
Interest expense	20	66
Taxes	10	65
Offering costs		609
Total expenses	3,092	4,628
Net investment loss	(719)	(995)
Net realized gain (loss) on portfolio securities:		
Control investments	626	1,492
Affiliate investments	351	3,747
Non-affiliate investments		19
Total net realized gain on portfolio securities	977	5,258
Net unrealized appreciation of portfolio securities:		
End of period	12,695	1,319
Beginning of period	16,818	9,292
Net change in unrealized appreciation of portfolio securities	(4,123)	(7,973)
Net decrease in net assets resulting from operations	\$ (3,865)	\$ (3,710)
Net decrease in net assets resulting from operations per share:		
Basic and diluted	\$ (0.46)	\$ (0.45)

Weighted average shares outstanding, in thousands		
Basic and diluted	8,475	8,219

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

Index to Financial StatementsEQUUS TOTAL RETURN, INC.STATEMENTS OF CHANGES IN NET ASSETSFOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

(Unaudited)

(in thousands)	2008	2007
Operations:		
Net investment loss	\$ (719)	\$ (995)
Net realized gain on portfolio securities	977	5,258
Net change in unrealized appreciation of portfolio securities	(4,123)	(7,973)
Net increase (decrease) in net assets resulting from operations	(3,865)	(3,710)
Capital share transactions:		
Dividends declared	(4,026)	(3,081)
Shares issued in lieu of cash dividend	1,920	1,417
Repurchase of common stock	(3,010)	
Decrease in net assets resulting from capital share transactions	(5,116)	(1,664)
Decrease in net assets	(8,981)	(5,374)
Net assets at beginning of period	103,216	93,236
Net assets at end of period	\$ 94,235	\$ 87,862

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

Index to Financial StatementsEQUUS TOTAL RETURN, INC.STATEMENTS OF CASH FLOWSFOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

(Unaudited)

(in thousands)	2008	2007
Reconciliation of increase (decrease) in net assets resulting from operations to net cash used in operating activities:		
Net decrease in net assets resulting from operations	\$ (3,865)	\$ (3,710)
Adjustments to reconcile increase (decrease) in net assets resulting from operations to net cash used in operating activities:		
Net realized gain on dispositions of portfolio securities	(977)	(5,258)
Net change in unrealized appreciation of portfolio securities	4,123	7,973
Amortization of original issue discount	166	44
Change in operating assets and liabilities:		
Purchase of portfolio securities	(18,808)	(24,469)
Proceeds from dispositions of portfolio securities	3,915	6,658
Principal payments from portfolio securities		4,697
Purchases of restricted temporary cash investments	(25,248)	(7)
Decrease in accounts receivable	99	27
Increase in accrued interest and dividends receivable due from portfolio companies	(514)	(1,303)
Decrease in deferred offering costs		609
Decrease in accrued escrowed receivables	262	
Decrease in accounts payable and accrued liabilities	(52)	(117)
Decrease in due to adviser	(822)	(782)
Net cash used in operating activities	\$ (41,721)	\$ (15,638)
Cash flows from financing activities:		
Borrowings under margin account	140,992	89,947
Repayments under margin account	(115,994)	(89,940)
Dividends paid	(2,106)	(1,664)
Repurchase of common stock	(3,010)	
Cash paid for deferred offering costs		(25)
Net cash provided by (used in) financing activities	19,882	(1,682)
Net decrease in cash and cash equivalents	(21,839)	(17,320)
Cash and cash equivalents at beginning of period	30,940	51,499
Cash and cash equivalents at end of period	\$ 9,101	\$ 34,179
Non-cash financing activities:		
Shares issued in lieu of cash dividend	\$ 1,920	\$ 1,417
Accrued interest or dividends exchanged for portfolio securities	\$ 358	\$ 481
Supplemental disclosure of cash flow information:		
Interest paid	\$ 16	\$ 48

Income taxes paid	\$	10	\$	51
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The accompanying notes are an integral part of these financial statements.

Index to Financial StatementsEQUUS TOTAL RETURN, INC.SUPPLEMENTAL INFORMATION - SELECTED PER SHARE DATA AND RATIOSFOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

(Unaudited)

	2008	2007
Investment income	\$ 0.28	\$ 0.44
Expenses	0.36	0.56
Net investment loss	(0.08)	(0.12)
Net realized gain on portfolio securities	0.12	0.66
Net change in unrealized appreciation of portfolio securities	(0.49)	(0.98)
Net decrease in net assets resulting from operations	(0.45)	(0.44)
Capital Transactions:		
Dividend declared	(0.47)	(0.38)
Share Repurchase	(0.36)	
Dilutive effect of shares issued in common stock dividend	0.40	(0.06)
Decrease in net assets resulting from capital transactions	(0.43)	(0.44)
Net decrease in net assets	(0.88)	(0.88)
Net assets at beginning of period	12.29	11.42
Net assets at end of period, basic and diluted	\$ 11.41	\$ 10.54
Weighted average number of shares outstanding during period, in thousands	8,475	8,219
Market value per share at end of period	\$ 6.20	\$ 7.63
Ratio of expenses to average net assets	3.13%	5.11%
Ratio of net investment loss to average net assets	(0.73)%	(1.10)%
Ratio of net increase in net assets resulting from operations to average net assets	(3.91)%	4.10%
Total return on market price	5.77%*	6.26%

* Total return equals the change in the ending market value over the beginning of period price per share plus dividends declared per share during the period, divided by the beginning price.

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

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EQUUS TOTAL RETURN, INC.

SCHEDULE OF PORTFOLIO SECURITIES

SEPTEMBER 30, 2008

(unaudited)

Name and Location of

Portfolio Company	Industry	Date of Initial Investment	Investment	Principal Investment (amounts in thousands)	Cost of Investment	Fair Value(3)
Control investments: Majority-owned (7):						
Equus Media Development Company, LLC Houston, TX	Media	January 2007	Member Interest	\$ 5,000	\$ 5,000	\$ 5,000
Riptide Entertainment, LLC Miami, FL	Entertainment and leisure	December 2005	Member interest (64.67%) 8% promissory notes	\$ 9,435	65 9,435	65 9,435
Sovereign Business Forms, Inc. Houston, TX	Business products and services	August 1996(4)	1,214,630 shares of common stock(1) 12% promissory notes(1)	3,250	5,080 3,250	4,405 3,250
Spectrum Management, LLC Carrollton, TX	Business products and services	December 1999(4)	285,000 units of Class A equity interest 16% subordinated promissory note(1)	1,690	2,850 1,690	6,103 1,690
Total Control investments: Majority-owned (represents 35.6% of total investments at fair value)				\$ 27,370	\$ 29,948	
Control Investments: Non-majority owned (6):						
ConGlobal Industries Holding, Inc. San Ramon, CA	Shipping products and services	February 1997(4)	24,397,303 shares of common stock 7% Promissory note Member interest in CCI-ANI Finance, LLC Member interest (66.7%) in JL Madre, LLC(1)	\$ 3,266	1,370 3,266 2,734 865	\$ 444 3,494 2,926 892
HealthSPAC, LLC El Segundo, CA	Healthcare	December 2006	Member interest (40%)		773	773
Total Control Investments: Non-majority Owned (represents 10.2% of total investments at fair value)				\$ 9,008	\$ 8,529	
Total Control Investments: (represents 45.8% of total investments at fair value)				\$ 36,378	\$ 38,477	
Affiliate Investments (5):						
Infinia Corporation Kennewick, WA	Alternative energy	June 2007	666,667 Class A Shares Preferred Stock	\$ 3,000	\$ 20,741	

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			160,720 Class B Shares Preferred Stock		5,000	5,000
Nickent Golf, Inc. City of Industry, CA	Entertainment and leisure	June 2007	13% Promissory Note(1)(2) 3,000,000 shares Class A Convertible Preferred Stock Warrants to buy 15,000 shares of common stock at \$1 per share through March 17, 2013 Warrants to buy 463,917 shares of common stock at \$0.97 per share through August 4, 2010, warrant terms subject to change	\$ 6,250	6,250 3,000	6,250 2,000
PalletOne, Inc. Bartow, FL	Shipping products and services	October 2001(4)	350,000 shares of common stock		350	
RP&C International Investments LLC New York, NY	Healthcare	September 2006	Membership Interest (17.2%)		573	573
Total Affiliate Investments (represents 41.1% of total investments at fair value)					\$ 18,173	\$ 34,564

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

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EQUUS TOTAL RETURN, INC.

SCHEDULE OF PORTFOLIO SECURITIES

SEPTEMBER 30, 2008

(unaudited)

(continued)

Name and Location of Portfolio Company	Industry	Date of Initial Investment	Investment	Principal	Cost of Investment	Fair Value(3)
				<i>(amounts in thousands)</i>		
Non-Affiliate Investments (less than 5% owned):						
1848 Capital Partners LLC Miami, FL	Entertainment and leisure	January 2008	18% Promissory note(1)(2)	\$ 3,000	\$ 3,000	\$ 3,000
Big Apple Entertainment Partners LLC New York, NY	Entertainment and leisure	October 2007	18% Promissory note(1)	3,000	3,000	3,000
Creekstone Florida Holdings, LLC Houston, TX	Real Estate	December 2005	17-19.8% subordinated promissory note(2)	4,000	4,000	
London Bridge Entertainment Partners LLC New York, NY	Entertainment and leisure	August 2008	18% Promissory note(1)	2,500	2,500	2,500
Metic Solutions, PLC London, UK	Business products and services	August 2008	Promissory note convertible into common stock (2)(9)	1,000	1,000	1,000
The Bradshaw Group Richardson, TX	Business products and services	May 2000(4)	576,828 Class B Shares 12.25% preferred stock 38,750 Class C shares preferred stock 788,649 Class D shares 15% preferred stock 2,218,109 Class E shares 8% preferred stock Warrant to buy 2,229,450 shares of common stock through May 2008		1,795	
Trulite, Inc. Houston, TX	Alternative energy	August 2008	15% Promissory note(1)	1,500	1,500	1,500
Total Non-Affiliate Investments (represents 13.1% of total investments at fair value)				\$ 16,795	\$ 11,000	
Total Investments				\$ 71,346	\$ 84,041	

(1) Income-producing. All other securities are considered non-income producing.

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- (2) Income on these securities is paid-in-kind by the issuance of additional securities, accrued as interest for conversion to common stock or accreted through original issue discount.
- (3) See Business Valuation.
- (4) Investments prior to June 30, 2005 were not selected by the current Adviser.
- (5) Affiliate investments are generally defined under the Investment Company Act of 1940 as companies in which the Fund owns at least 5% but not more than 25% voting securities of the company.
- (6) Non-majority owned control investments are generally defined under the Investment Company Act of 1940 as companies in which the Fund owns more than 25% but not more than 50% of the voting securities of the company.
- (7) Majority owned investments are generally defined under the Investment Company Act of 1940 as companies in which the Fund owns more than 50% of the voting securities of the company.
- (8) In May 2008, Sovereign restructured its ownership and debt. As a result, the Fund's ownership interest increased to majority-owned control investment.
- (9) Note to accrue interest at a rate equal to the Bank of Scotland plus 2%. All accrued interest to convert with the note.

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

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(Unaudited)

(Continued)

Substantially all of the Fund's portfolio securities are restricted from public sale without prior registration under the Securities Act of 1933. The Fund negotiates certain aspects of the method and timing of the disposition of the Fund's investment in each portfolio company, including registration rights and related costs.

As defined in the Investment Company Act of 1940, all of the Fund's investments are in eligible portfolio companies. The Fund provides significant managerial assistance to all of the portfolio companies in which it has invested. The Fund provides significant managerial assistance to portfolio companies that comprise 90% of the total value of the investments in portfolio companies as of September 30, 2008.

The Fund's investments in portfolio securities consist of the following types of securities as of September 30, 2008 (in thousands):

Type of Securities	Cost	Fair Value	Fair Value as Percentage of Net Assets
Secured and subordinated debt	\$ 38,891	\$ 35,119	37.4%
Preferred stock	12,795	27,741	29.4%
Limited liability company investments	12,860	16,332	17.3%
Common stock	6,800	4,849	5.1%
Options and warrants			0.0%
Total	\$ 71,346	\$ 84,041	89.2%

Four notes receivable included in secured and subordinated debt with an estimated fair value of \$10.5 million provide that all or a portion of interest is paid-in-kind or the original issue discount is accreted over the life of the notes, by adding such amount to the principal of the notes. For the remainder of secured and subordinated debt, cash payments of interest are currently being received on notes aggregating \$11.9 million in fair value, while no cash payments are being received for notes totaling \$12.9 million.

The following is a summary by industry of the Fund's investments in portfolio securities as of September 30, 2008 (in thousands):

Industry	Fair Value	Fair Value as Percentage of Net Assets
Alternative energy	\$ 27,241	28.9%
Entertainment and leisure	26,250	27.9%
Business products and services	16,448	17.5%
Shipping products and services	7,756	8.2%
Media	5,000	5.3%
Real estate		
Healthcare	1,346	1.4%
Total	\$ 84,041	89.2%

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

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EQUUS TOTAL RETURN, INC.

SCHEDULE OF PORTFOLIO SECURITIES

DECEMBER 31, 2007

Name and Location of

Portfolio Company	Industry	Date of Initial Investment	Type of Securities	Principal	Cost of Investment	Fair Value(3)
<i>(amounts in thousands)</i>						
Control Investments: Majority-owned(7): Equus Media Development Company, LLC Houston, TX	Media	January 2007(4)	Member Interest (100%)		\$ 5,000	\$ 5,000