

EQUUS TOTAL RETURN, INC.
Form 10-Q
November 14, 2017

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, 2017

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	Emerging Growth Company
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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company. Yes No

There were 13,518,146 shares of the registrant's common stock, \$.001 par value, outstanding, as of November 14, 2017.

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EQUUS TOTAL RETURN, INC.

(A Delaware Corporation)

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EQUUS TOTAL RETURN, INC.

BALANCE SHEETS

(Unaudited)

Part I. Financial Information**Item 1. Financial Statements**

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	September 30, 2017	December 31, 2016
(in thousands, except per share amounts)		
Assets		
Investments in portfolio securities at fair value:		
Control investments (cost at \$10,050 and \$10,050 respectively)	\$6,712	\$6,462
Affiliate investments (cost at \$350 and \$350 respectively)	16,686	16,200
Non-affiliate investments - related party (cost at \$6,203 and \$6,011 respectively)	4,899	4,021
Non-affiliate investments (cost at \$977 and \$2,978 respectively)	977	2,978
Total investments in portfolio securities at fair value	29,274	29,661
Temporary cash investments	17,991	29,994
Cash and cash equivalents	12,390	11,961
Restricted cash	180	300
Accounts receivable - due from affiliates	586	611
Accrued interest receivable	375	542
Other assets	145	77
Total assets	60,941	73,146
Liabilities and net assets		
Accounts payable	927	269
Accounts payable to related parties	23	143
Borrowing under margin account	17,992	29,994
Total liabilities	18,942	30,406
Commitments and contingencies (see Note 2)		
Net assets	\$41,999	\$42,740
Net assets consist of:		
Common stock, par value	\$13	\$13
Capital in excess of par value	55,304	54,213
Undistributed net investment losses	(25,012)	(21,758)
Unrealized appreciation of portfolio securities, net	12,998	12,262

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Unrealized depreciation of portfolio securities - related party	(1,304)	(1,990)
Total net assets	\$41,999	\$42,740
Shares of common stock issued and outstanding, \$.001 par value, 50,000 shares authorized	13,518	12,674
Shares of preferred stock issued and outstanding, \$.001 par value, 5,000 shares authorized	—	—
Net asset value per share	\$3.11	\$3.37

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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 September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Investment income:				
Interest and dividend income:				
Non-affiliate investments - related party	\$65	61	\$192	\$121
Non-affiliate investments	45	128	240	428
Total interest and dividend income	110	189	432	549
Interest from temporary cash investments	2	2	7	7
Total investment income	112	191	439	556
Expenses:				
Transaction costs	(204)	—	2,501	—
Compensation expense	292	527	1,899	791
Professional fees	314	292	977	809
Director fees and expenses	46	58	453	323
General and administrative expense	81	108	263	270
Mailing, printing and other expenses	17	27	77	96
Taxes	4	15	13	15
Interest expense	4	4	10	7
Total expenses before merger termination fee	554	761	6,193	2,311
Merger termination fee (See Note 6)	—	—	(2,500)	—
Total expenses, net of merger termination fee	554	761	3,693	2,311
Net investment loss	(442)	(570)	(3,254)	(1,755)
Net realized loss:				
Temporary cash investments	(1)	(6)	(5)	(9)
Net realized loss	(1)	(6)	(5)	(9)
Net unrealized appreciation of portfolio securities:				
End of period	12,998	10,463	12,998	10,463
Beginning of period	12,749	8,113	12,262	4,915
Net change in net unrealized appreciation of portfolio securities	249	2,350	736	5,548
Net unrealized depreciation of portfolio securities - related party:				
End of period	(1,304)	(2,125)	(1,304)	(2,125)
Beginning of period	(1,375)	(2,240)	(1,990)	(2,539)
	71	115	686	414

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Net change in net unrealized depreciation of portfolio securities - related party

Net (decrease) increase in net assets resulting from operations	\$(123)	\$1,889	\$(1,837)	\$4,198
Net (decrease) increase in net assets resulting from operations per share:				
Basic and diluted	\$(0.01)	\$0.16	\$(0.14)	\$0.33
Weighted average shares outstanding:				
Basic and diluted	13,518	12,674	13,286	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)	Common Stock						
	Number of Shares	Par Value	Capital in Excess of Par Value	Undistributed Net Investment Losses	Unrealized Appreciation of Portfolio Securities, net	Unrealized Depreciation of Portfolio Securities - Related Party	Total Net Assets
Balances at December 31, 2016	12,674	\$ 13	\$54,213	\$ (21,758)	\$ 12,262	\$ (1,990)	\$42,740
Share-based incentive compensation	844	—	1,096	—	—	—	1,096
Net (decrease) increase in net assets resulting from operations	—	—	(5)	(3,254)	736	686	(1,837)
Balances at September 30, 2017	13,518	\$ 13	\$55,304	\$ (25,012)	\$ 12,998	\$ (1,304)	\$41,999

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

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EQUUS TOTAL RETURN, INC.

STATEMENTS OF CASH FLOWS

(Unaudited)

	Nine Months Ended September 30,	
(in thousands)	2017	2016
Reconciliation of (decrease) increase in net assets resulting from operations to net cash provided by (used in) operating activities:		
Net (decrease) increase in net assets resulting from operations	\$(1,837)	\$4,198
Adjustments to reconcile net (decrease) increase in net assets resulting from operations to net cash used in operating activities:		
Net realized loss	5	9
Net change in unrealized appreciation of portfolio securities	(736)	(5,548)
Net change in unrealized depreciation of portfolio securities - related party	(686)	(414)
Share-based incentive compensation	1,096	—
Changes in operating assets and liabilities:		
Purchase of portfolio securities	—	(2,000)
Net proceeds from dispositions of portfolio securities	2,013	—
Purchases of temporary cash investments, net	11,998	(15,157)
Decrease in accounts receivable from affiliates	25	3
Increase in accrued interest receivable	(37)	(363)
Increase in accrued dividend receivable	—	(121)
Increase in accounts receivable and other	(68)	(34)
Increase in accounts payable and accrued liabilities	658	91
Decrease in accounts payable to related parties	(120)	(81)
Net cash provided by (used in) operating activities	12,311	(19,417)
Cash flows from financing activities:		
Borrowings under margin account	87,944	72,983
Repayments under margin account	(99,946)	(57,985)
Net cash (used in) provided by financing activities	(12,002)	14,998
Net increase (decrease) in cash and cash equivalents	309	(4,419)
Cash and cash equivalents at beginning of period	12,261	17,036
Cash and cash equivalents at end of period	\$12,570	\$12,617
Non-cash operating and financing activities:		
Accrued interest or dividends exchanged for portfolio securities	\$12	\$63
Accrued interest or dividends exchanged for portfolio securities - related party	\$192	\$251
Supplemental disclosure of cash flow information:		
Interest paid	\$10	\$5
Income taxes paid	\$21	\$15

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,	
	2017	2016
Investment income	\$0.03	\$0.04
Expenses	0.28	0.18
Net investment loss	(0.25)	(0.14)
Net change in unrealized appreciation	0.06	0.44
Net change in unrealized depreciation - related party	0.05	