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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

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**FORM 10-Q**

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(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, 2010

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

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**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.)

**Eight Greenway Plaza, Suite 930 Houston, Texas**  
(Address of principal executive offices)

**77046**  
(Zip Code)

**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 8,861,646 shares of the registrant's common stock, \$.001 par value, outstanding, as of May 14, 2010.

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EQUUS TOTAL RETURN, INC.  
(A Delaware Corporation)

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EQUUS TOTAL RETURN, INC.  
BALANCE SHEETS

	<u>March 31,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
(in thousands, except per share amounts)	(Unaudited)	
<u>Assets</u>		
Investments in portfolio securities at fair value:		
Control investments (cost at \$35,194 and \$35,315 respectively)	\$ 28,726	\$ 28,729
Affiliate investments (cost at \$8,973 and \$8,973 respectively)	1,310	2,128
Non-affiliate investments (cost at \$13,714 and \$13,350 respectively)	11,919	11,554
Total investments in portfolio securities at fair value	41,955	42,411
Restricted cash & temporary investments	21,209	30,299
Cash	377	535
Temporary cash investments	5,317	5,510
Accounts receivable and other	52	47
Accrued interest and dividends receivable due from portfolio companies	2,501	2,205
Total assets	<u>\$ 71,411</u>	<u>\$ 81,007</u>
<u>Liabilities and net assets</u>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 261	\$ 107
Borrowing under margin account	20,999	29,999
Total liabilities	<u>21,260</u>	<u>30,106</u>
Net assets:		
Preferred stock, \$.001 par value, 5,000 shares authorized, no shares outstanding	—	—
Common stock, \$.001 par value, 50,000 shares authorized, 8,862 and 8,862 shares issued and outstanding, respectively	9	9
Additional paid-in capital	70,553	70,604
Undistributed net investment losses	(4,485)	(4,485)
Unrealized depreciation of portfolio securities, net	(15,926)	(15,227)
Total net assets	<u>\$ 50,151</u>	<u>\$ 50,901</u>
Net assets per share	<u>\$ 5.66</u>	<u>\$ 5.74</u>

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

EQUUS TOTAL RETURN, INC.  
STATEMENTS OF OPERATIONS  
FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND 2009  
(Unaudited)

<u>(in thousands, except per share amounts)</u>	<u>2010</u>	<u>2009</u>
Investment income:		
Interest and dividend income from portfolio securities:		
Control investments	\$ 304	\$ 311
Affiliate investments	13	25
Non-affiliate investments	<u>530</u>	<u>548</u>
Total interest and dividend income	847	884
Interest from temporary cash investments	<u>4</u>	<u>21</u>
Total investment income	851	905
Expenses:		
Management fee	—	362
Administrative fees	—	113
Compensation expense	348	—
Professional fees	344	346
Director fees and expenses	100	105
Mailing, printing and other expenses	29	88
General and administrative expense	44	—
Interest expense	9	11
Taxes	<u>24</u>	<u>7</u>
Total expenses	<u>898</u>	<u>1,032</u>
Net investment income (loss)	(47)	(127)
Net realized gain (loss) on portfolio securities:		
Control investments	—	—
Affiliate investments	—	—
Non-affiliate investments	—	—
Temporary cash investments	<u>(4)</u>	<u>(24)</u>
Total net realized gain (loss) on portfolio securities	(4)	(24)
Net unrealized appreciation (depreciation) of portfolio securities:		
End of period	(15,926)	(1,941)
Beginning of period	<u>(15,227)</u>	<u>(3,055)</u>
Net change in unrealized appreciation (depreciation) of portfolio securities	<u>(699)</u>	<u>1,114</u>
Net increase (decrease) in net assets resulting from operations	<u>\$ (750)</u>	<u>\$ 963</u>
Net increase (decrease) in net assets resulting from operations per share:		
Basic and diluted	<u>\$ (0.08)</u>	<u>\$ 0.11</u>
Weighted average shares outstanding, in thousands		
Basic and diluted	<u>8,862</u>	<u>8,572</u>

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

EQUUS TOTAL RETURN, INC.  
STATEMENTS OF CHANGES IN NET ASSETS  
FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND 2009  
(Unaudited)

<u>(in thousands)</u>	<u>2010</u>	<u>2009</u>
Net increase (decrease) in net assets resulting from operations:	\$ (750)	\$ 963
Capital share transactions:		
Dividend declared	—	(921)
Shares issued in dividend	—	919
Net increase (decrease) in net assets resulting from capital share transactions	—	(2)
Increase (decrease) in net assets	(750)	961
Net assets at beginning of period	50,901	78,435
Net assets at end of period	<u>\$50,151</u>	<u>\$79,396</u>

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

EQUUS TOTAL RETURN, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND 2009  
(Unaudited)

<u>(in thousands)</u>	<u>2010</u>	<u>2009</u>
Net increase (decrease) in net assets resulting from operations	\$ (750)	\$ 963
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by (used in) operating activities:		
Net realized (gain) loss	4	24
Net change in unrealized (appreciation) depreciation of portfolio securities	699	(1,114)
Changes in operating assets and liabilities:		
Purchase of portfolio securities	(200)	(670)
Principal payments received from portfolio securities	122	—
Sales (purchases) of restricted temporary cash investments	9,086	2,975
(Increase) decrease in accounts receivable and other	(5)	(2)
Increase in accrued interest receivable due from portfolio securities	(461)	(508)
Decrease in accounts payable and accrued liabilities	154	47
Decrease in due to adviser	—	(93)
Net cash provided by (used in) operating activities	<u>8,649</u>	<u>1,622</u>
Cash flows from financing activities:		
Borrowings under margin account	20,999	42,000
Repayments under margin account	(29,999)	(44,969)
Dividends paid	—	(2)
Net cash provided by (used in) financing activities	<u>(9,000)</u>	<u>(2,971)</u>
Net decrease in cash and cash equivalents	(351)	(1,349)
Cash and cash equivalents at beginning of period	6,045	8,656
Cash and cash equivalents at end of period	<u>\$ 5,694</u>	<u>\$ 7,307</u>
Non-cash operating and financing activities:		
Shares issued in lieu of cash dividend	<u>\$ —</u>	<u>\$ 919</u>
Accrued interest or dividends exchanged for portfolio securities	<u>\$ 165</u>	<u>\$ 332</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 7</u>	<u>\$ 23</u>
Income taxes paid	<u>\$ 24</u>	<u>\$ —</u>

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

EQUUS TOTAL RETURN, INC.  
SUPPLEMENTAL INFORMATION—SELECTED PER SHARE DATA AND RATIOS  
FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND 2009  
(Unaudited)

	<u>2010</u>	<u>2009</u>
Investment income	\$ 0.10	\$ 0.10
Expenses	0.10	0.12
Net investment income (loss)	0.00	(0.02)
Net realized gain (loss) on portfolio securities	—	—
Net change in unrealized appreciation (depreciation) of portfolio securities	(0.08)	0.13
Net increase (decrease) in net assets resulting from operations	(0.08)	0.11
Capital transactions:		
Dividend declared	—	(0.11)
Dilutive effect of shares issued in common stock dividend	—	(0.20)
Decrease in net assets resulting from capital transactions	—	(0.31)
Net increase (decrease) in net assets	(0.08)	(0.20)
Net assets at beginning of period	5.74	9.16
Net assets at end of period, basic and diluted	<u>\$ 5.66</u>	<u>\$ 8.96</u>
Weighted average number of shares outstanding during period, in thousands	8,862	8,572
Market value per share at end of period	\$ 2.81	\$ 2.85
Selected ratios:		
Ratio of expenses to average net assets	1.78%	1.31%
Ratio of net investment gain (loss) to average net assets	(0.09)%	(0.16)%
Ratio of net increase (decrease) in net assets resulting from operations to average net assets	(1.48)%	1.22%
Total return on market price*	(12.19)%	(31.22)%

\* Adjusted for dividends and can be calculated as the March 31, 2009 market value plus year-to-date dividends declared less the December 31, 2008 market value, divided by the December 31, 2008 market value. There were no dividends paid in the quarter ending March 31, 2010.

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

**EQUUS TOTAL RETURN, INC.**  
**SCHEDULE OF PORTFOLIO SECURITIES**  
**March 31, 2010**  
**(Unaudited)**

Name and Location of Portfolio Company	Industry	Date of Initial Investment	Investment	Principal	Cost of Investment	Fair Value(1)
<i>(amounts in thousands)</i>						
<b>Control investments: Majority-owned (5):</b>						
Equus Media Development Company, LLC Houston, TX	Media	January 2007	Member interest (100%)	\$	5,000	\$ 5,000
Riptide Entertainment, LLC Miami, FL	Entertainment and leisure	December 2005	Member interest (64.67%) 8% promissory notes (4)	\$ 10,010	65 10,010	— 3,028
Sovereign Business Forms, Inc. Houston, TX	Business products and services	August 1996	1,214,630 shares of common stock 12% promissory notes(2)	3,129	5,080 3,129	4,648 3,129
Spectrum Management, LLC Carrollton, TX	Business products and services	December 1999	285,000 units of Class A member interest 16% subordinated promissory note(2)(3)	1,690	8,209 2,850 1,690	7,777 3,057 1,690
<b>Total Control investments: Majority-owned (represents 49.0% of total investments at fair value)</b>					<b>\$ 27,824</b>	<b>\$ 20,552</b>
<b>Control Investments: Non-majority owned(6):</b>						
ConGlobal Industries Holding, Inc. San Ramon, CA	Shipping products and services	February 1997	24,397,303 shares of common stock 7% promissory note (1)(2)	\$ 6,000	1,370 6,000	\$ 2,174 6,000
<b>Total Control Investments: Non-majority Owned (represents 19.5% of total investments at fair value)</b>					<b>\$ 7,370</b>	<b>\$ 8,174</b>
<b>Total Control Investments: (represents 68.5% of total investments at fair value)</b>					<b>\$ 35,194</b>	<b>\$ 28,726</b>
<b>Affiliate Investments(7):</b>						
Infinia Corporation Kennewick, WA	Alternative energy	June 2007	1,151,800 shares preferred stock  Option to purchase 16,000 shares of common stock at \$6.50 per share through December 19, 2012	\$	8,000 —	\$ 659 6
Nickent Golf, Inc. City of Industry, CA	Entertainment and leisure	June 2007	8% receivership certificate(4) 3,000,000 shares Class A convertible preferred stock Warrants to buy 15,000 shares of common stock at \$0.60 per share through March 17, 2013 Warrants to buy 1,434,149 shares of common stock at \$0.60 per share through August 16, 2010, warrant terms subject to change	\$ 50	8,000 50 — — — 50	665 50 — — — 50
PalletOne, Inc. Bartow, FL	Shipping products and services	October 2001	350,000 shares of common stock		350	—
RP&C International Investments LLC New York, NY	Healthcare	September 2006	Member interest (17.2%)		573	595
<b>Total Affiliate Investments (represents 3.1% of total investments at fair value)</b>					<b>\$ 8,973</b>	<b>\$ 1,310</b>

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

**EQUUS TOTAL RETURN, INC.**  
**SCHEDULE OF PORTFOLIO SECURITIES – (Continued)**  
**March 31, 2010**  
**(Unaudited)**

Name and Location of Portfolio Company	Industry	Date of Initial Investment	Investment	Principal	Cost of Investment	Fair Value(1)
<i>(amounts in thousands)</i>						
<b>Non-Affiliate Investments (less than 5% owned):</b>						
1848 Capital Partners LLC Miami, FL	Entertainment and leisure	January 2008	18% promissory note(2)(3)	\$ 3,658	\$ 3,658	\$ 3,658
Big Apple Entertainment Partners LLC New York, NY	Entertainment and leisure	October 2007	18% promissory note(2)(3)	3,193	3,193	3,193
London Bridge Entertainment Partners Ltd London UK	Entertainment and leisure	August 2008	18% promissory note(2)(3)	2,761	2,761	2,761
The Bradshaw Group Richardson, TX	Business products and services	May 2000	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 2016		1,795	—
					—	—
					—	—
					—	—
					—	—
					1,795	—
Trulite, Inc. El Dorado Hills, CA	Alternative energy	August 2008	18% promissory note(2) (3) Warrants to buy 8,934,211 shares of common stock ranging from \$0.01 - \$0.38 per share through November 2015	2,307	2,307	2,307
					—	—
					2,307	2,307
<b>Total Non-Affiliate Investments (represents 28.4% of total investments at fair value)</b>				<b>\$ 13,714</b>	<b>\$ 11,919</b>	<b>\$ 11,919</b>
<b>Total Investments</b>				<b>\$ 57,881</b>	<b>\$ 41,955</b>	<b>\$ 41,955</b>

- (1) See Note 3 to the financial statements, Valuation of Investments.
- (2) Income-producing.
- (3) Income on these securities is paid-in-kind by the issuance of additional securities, accrual to maturity or through accretion of original issue discount.
- (4) Non-income producing.
- (5) 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.
- (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) 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.

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

**EQUUS TOTAL RETURN, INC.**  
**SCHEDULE OF PORTFOLIO SECURITIES – (Continued)**  
**March 31, 2010**  
**(Unaudited)**

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 77.1% of the total value of the investments in portfolio companies as of March 31, 2010.

The Fund's investments in portfolio securities consist of the following types of securities as of March 31, 2010 (in thousands):

<u>Type of Securities</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Fair Value as Percentage of Net Assets</u>
Secured and subordinated debt	\$32,798	\$25,816	51.5%
Limited liability company investments	8,488	8,652	17.3%
Common stock	6,800	6,822	13.6%
Preferred stock	9,795	659	1.3%
Options and warrants	—	6	0.0%
Total	<u>\$57,881</u>	<u>\$41,955</u>	<u>83.7%</u>

Three notes receivable included in secured and subordinated debt with an estimated fair value of \$9.6 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 the secured and subordinated debt, cash payments of interest are currently being received and/or accrued on notes aggregating \$13.1 million in fair value, while notes totaling \$3.1 million are non-income producing.

The following is a summary by industry of the Fund's investments in portfolio securities as of March 31, 2010 (in thousands):

<u>Industry</u>	<u>Fair Value</u>	<u>Fair Value as Percentage of Net Assets</u>
Entertainment and leisure	\$12,690	25.4%
Business products and services	12,524	25.0%
Shipping products and services	8,174	16.3%
Media	5,000	10.0%
Alternative energy	2,972	5.9%
Healthcare	595	1.1%
Total	<u>\$41,955</u>	<u>83.7%</u>

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

**EQUUS TOTAL RETURN, INC.**  
**SCHEDULE OF PORTFOLIO SECURITIES**  
**DECEMBER 31, 2009**

Name and Location of Portfolio Company	Industry	Date of Initial Investment	Investment	Principal	Cost of Investment	Fair Value(1)
<i>(amounts in thousands)</i>						
<b>Control Investments: Majority-owned(5):</b>						
Equus Media Development Company, LLC Houston, TX	Media	January 2007	Member interest (100%)		\$ 5,000	\$ 5,000
Riptide Entertainment, LLC Miami, FL	Entertainment and leisure	December 2005	Member interest (64.67%) 8% promissory notes(4)	\$ 10,010	65	—
					10,010	3,151
Sovereign Business Forms, Inc. Houston, TX	Business products and services	August 1996	1,214,630 shares of common stock 12% promissory notes(2)	3,250	5,080	4,256
					3,250	3,250
					8,330	7,506
Spectrum Management, LLC Carrollton, TX	Business products and services	December 1999	285,000 units of Class A member interest 16% subordinated promissory note(2)(3)	1,690	2,850	3,208
					1,690	1,690
					4,540	4,898
<b>Total Control Investments: Majority-owned (represents 48.5% of total investments at fair value)</b>					<b>\$ 27,945</b>	<b>\$ 20,555</b>
<b>Control Investments: Non-majority owned(6):</b>						
ConGlobal Industries Holding, Inc. San Ramon, CA	Shipping products and services	February 1997	24,397,303 shares of common stock 7% promissory note(1)(2)	\$ 6,000	\$ 1,370	\$ 2,174
					6,000	6,000
					7,370	8,174
<b>Total Control Investments: Non-majority Owned (represents 19.3% of total investments at fair value)</b>					<b>\$ 7,370</b>	<b>\$ 8,174</b>
<b>Total Control Investments: (represents 67.8% of total investments at fair value)</b>					<b>\$ 35,315</b>	<b>\$ 28,729</b>
<b>Affiliate Investments(7):</b>						
Infinia Corporation Kennewick, WA	Alternative energy	June 2007	1,151,800 shares preferred stock Option to purchase 16,000 shares common stock at \$6.50 per share through December 19, 2012	\$ 8,000	\$ 1,479	11
					—	—
					8,000	1,490
Nickent Golf, Inc. City of Industry, CA	Entertainment and leisure	June 2007	8% receivership certificate(4)  3,000,000 shares Class A convertible preferred stock Warrants to buy 15,000 shares of common stock at \$0.60 per share through March 17, 2013 Warrants to buy 1,434,149 shares of common stock at \$0.60 per share through August 16, 2012, warrant terms subject to change	50	50	25
					—	—
					—	—
					50	25
PalletOne, Inc. Bartow, FL	Shipping products and services	October 2001	350,000 shares of common stock		350	—
RP&C International Investments LLC New York, NY	Healthcare	September 2006	Member interest (17.2%)		573	613
<b>Total Affiliate Investments (represents 5.0% of total investments at fair value)</b>					<b>\$ 8,973</b>	<b>\$ 2,128</b>

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



**EQUUS TOTAL RETURN, INC.**  
**SCHEDULE OF PORTFOLIO SECURITIES – (Continued)**  
**DECEMBER 31, 2009**

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 77.7% of the total value of the investments in portfolio securities as of December 31, 2009.

The Fund's investments in portfolio securities consist of the following types of securities at December 31, 2009 (in thousands):

<u>Type of Securities</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Fair Value as Percentage of Net Assets</u>
Secured and subordinated debt	\$32,555	\$25,671	50.5%
Limited liability company investments	8,488	8,820	17.3%
Common stock	6,800	6,430	12.6%
Preferred stock	9,795	1,479	2.9%
Options and warrants	—	11	0.0%
Total	<u>\$57,638</u>	<u>\$42,411</u>	<u>83.3%</u>

Three notes receivable included in secured and subordinated debt with an estimated fair value of \$9.4 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 and/or accrued on notes aggregating \$13.1 million in fair value, while notes totaling \$3.2 million are non-income producing.

The following is a summary by industry of the Fund's investments as of December 31, 2009 (in thousands):

<u>Industry</u>	<u>Fair Value</u>	<u>Fair Value as Percentage of Net Assets</u>
Entertainment and leisure	\$12,624	24.8%
Business products and services	12,403	24.4%
Shipping products and services	8,174	16.1%
Alternative energy	3,597	7.1%
Media	5,000	9.8%
Healthcare	613	1.1%
Total	<u>\$42,411</u>	<u>83.3%</u>

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

EQUUS TOTAL RETURN, INC.  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2010 AND 2009  
(Unaudited)

(1) Description of Business and Basis of Presentation

**Description of Business**—Equus Total Return, Inc. (the “Fund,” “EQS”), formerly Equus II Incorporated, a Delaware corporation, was formed by Equus Investments II, L.P. (the “Partnership”) on August 16, 1991. On July 1, 1992, the Partnership was reorganized and all of the assets and liabilities of the Partnership were transferred to the Fund in exchange for shares of common stock of the Fund. The shares of the Fund trade on the New York Stock Exchange under the symbol EQS. On August 11, 2006, shareholders of the Fund approved the change of the Fund’s investment strategy to a total return investment objective. This strategy seeks to provide the highest total return, consisting of capital appreciation and current income. In connection with this strategic investment change, the shareholders also approved the change of name from Equus II Incorporated to Equus Total Return, Inc.

The Fund seeks to achieve capital appreciation by making investments in equity and equity-oriented securities issued by privately-owned companies in transactions negotiated directly with such companies. The Fund seeks to invest primarily in companies which intend to grow either by acquiring other businesses, including leveraged buyouts, or organically. The Fund may also invest in recapitalizations of existing businesses or special situations from time to time. The Fund also invests in debt financing with the objective of generating regular interest income back to the Fund. Debt financing may also be used to create long-term capital appreciation through the exercise and sale of warrants received in connection with the financing. The Fund elected to be treated as a business development company under the Investment Company Act of 1940 (“1940 Act”). For tax purposes, the Fund has elected to be treated as a regulated investment company (“RIC”). With shareholder approval on June 30, 2005, the Fund entered into a new investment advisory agreement with Moore Clayton Capital Advisors, Inc. (the “Adviser”). Prior to this agreement, the Fund’s adviser was Equus Capital Management Corporation. On June 12, 2009, the Fund and its Board of Directors announced plans to “internalize” Fund management. The Fund’s investment advisory agreement with the Adviser terminated on June 30, 2009. The Fund now directly employs its management team and incurs the costs and expenses associated with Fund operations. There is no outside investment advisory organization providing services to the Fund under a fee-based advisory agreement, or an administrative organization charging the Fund for services rendered.

Effective August 11, 2006, the Fund began to employ a total return investment style. The total return style combines both growth and income investments and is intended to strike a balance between the potential for gain and the risk of loss. In the growth category, the Fund is a “growth-at-reasonable-price” investor. The Fund invests primarily in privately owned companies and is open to virtually any potential growth investment in the privately owned arena. However, the Fund’s primary aim is to identify and acquire only those equity securities that meet its criteria for selling at reasonable prices. The income investments made by the Fund consist principally of purchasing debt financing with the objective of generating regular interest income back to the fund as well as long-term capital appreciation through the exercise and sale of warrants received in connection with the financing.

**Basis of Presentation**—In accordance with Article 6 of Regulation S-X under the Securities Act of 1933 and Securities Exchange Act of 1934, the Fund does not consolidate portfolio company investments, including those in which it has a controlling interest. The Fund’s interim consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP, for interim financial information and in accordance with the requirements of reporting on Form 10-Q and Article 10 of Regulation S-X, under the Securities Exchange Act of 1934, as amended. Accordingly, they are unaudited and exclude some disclosures required for annual financial statements. Management believes it has made all adjustments, consisting solely of normal recurring accruals, necessary for the fair presentation of these interim financial statements.

The results of operations for the three months ended March 31, 2010 are not necessarily indicative of results that ultimately may be achieved for the year. The interim unaudited consolidated financial statements and notes thereto should be read in conjunction with the financial statements and notes thereto included in the Fund’s Form 10-K for the fiscal year ended December 31, 2009, as filed with the Security and Exchange Commission (“SEC”). Certain prior period information has been reclassified to conform to current year presentation.

(2) Liquidity and Financing Arrangements

**Liquidity**—There are several factors that may materially affect the Fund’s liquidity during the reasonably foreseeable future. The Fund views this period as the twelve month period from the date of the financial statements in this Form 10-Q, *i.e.*, the period through March 31, 2011.

Management is evaluating the impact of current market conditions on its portfolio company valuations and their ability to provide current income. Management has followed valuation techniques in a consistent manner; however, it is cognizant of current market conditions that might effect future valuations of portfolio securities. The Fund believes that its operating cash flow and cash on hand will be sufficient to meet operating requirements and to finance routine capital expenditures through the next twelve months.

**Cash and Temporary Investments**—As of March 31, 2010, the Fund had cash and temporary cash investments of \$5.7 million. The Fund had \$42.0 million of its net assets of \$50.2 million invested in portfolio securities. Restricted assets totaled \$21.2 million, of which \$21.0 million were invested in U.S. Treasury Bills for the purpose of satisfying the diversification requirement to maintain the Fund's pass-through tax treatment and \$0.2 million for the required 1% brokerage deposit. These securities are held by a securities brokerage firm and are pledged along with cash to secure the payment of the margin account balance. The U.S. Treasury bills were sold and the margin loan was repaid to the brokerage firm on April 1, 2010.

As of December 31, 2009, the Fund had cash and temporary cash investments of \$6.0 million. The Fund had \$42.4 million of its net assets of \$50.9 million invested in portfolio securities. Restricted assets totaled \$30.3, of which \$30.0 million were invested in U.S. Treasury Bills for the purpose of satisfying the diversification requirement to maintain the Fund's pass-through tax treatment and \$0.3 million for the required 1% brokerage deposit. These securities are held by a securities brokerage firm and are pledged along with cash to secure the payment of the margin account balance. The U.S. Treasury bills were sold and the margin loan was repaid to the brokerage firm on January 4, 2010.

**Dividends**— On March 24, 2009, the Fund announced that it suspended its managed distribution policy and payment of quarterly distributions for an indefinite period. As originally implemented, the policy provided for quarterly dividends at an annualized rate equal to 10% of the Fund's market value per share as at the end of the preceding calendar year. The Fund will continue to pay out net investment income and/or realized capital gains, if any, on an annual basis as required under the Investment Company Act of 1940.

**Revolving Line of Credit Agreement**— Effective February 15, 2010, the Fund modified and extended its revolving line of credit agreement (the "Credit Facility") with Amegy Bank of Texas. The Credit Facility was reduced to \$5.0 million from \$7.5 million and the maturity was extended to July 2011. The line of credit is intended to enable the Fund to make follow-on investments, when necessary. The Fund can borrow up to \$5.0 million under the Credit Facility, subject to a borrowing base equal to 20% of the value of the Fund's eligible portfolio assets. The Credit Facility bears a floating interest rate of the higher of (a) the Federal Funds Rate plus  $\frac{1}{2}$  of 1% and (b) the rate of interest in effect for such day as publicly announced from time to time by Lender as its "prime rate". The Credit Facility is secured by substantially all of the Fund's portfolio assets and securities. It contains certain restrictive covenants, including, but not limited to, the maintenance of certain financial ratios and certain limitations on indebtedness, liens, sales of assets, mergers and transactions with affiliates all of which the Fund is in compliance as of March 31, 2010. To date, the Fund has not borrowed any amounts under the Credit Facility.

**Investment Commitments**—As of March 31, 2010, the Fund had no outstanding commitments to its portfolio company investments.

Under certain circumstances, the Fund may be called on to make follow-on investments in certain portfolio companies. If the Fund does not have sufficient funds to make follow-on investments, the portfolio company in need of the investment may be negatively impacted. Also, the Fund's equity interest in the estimated fair value of the portfolio company could be reduced.

**RIC Borrowings, Restricted Cash and Temporary Investments**—As of March 31, 2010 and December 31, 2009, the Fund borrowed sufficient funds to maintain the Fund's RIC status by utilizing a margin account with a securities brokerage firm. There is no assurance that such arrangement will be available in the future. If the Fund is unable to borrow funds to make qualifying investments, it may no longer qualify as a RIC. The Fund would then be subject to corporate income tax on the Fund's net investment income and realized capital gains, and distributions to stockholders would be subject to income tax as ordinary dividends. Failure to continue to qualify as a RIC could be material to us and the Fund's stockholders.

As of March 31, 2010, the Fund borrowed \$21.0 million to make qualifying investments to maintain its RIC status by utilizing a margin account with a securities brokerage firm. The Fund collateralized such borrowings with restricted cash and temporary investments in U.S. Treasury bills of \$21.2 million. The U.S. Treasury bills were sold and the total amount borrowed was repaid on April 1, 2010.

As of December 31, 2009, the Fund borrowed \$30.0 million to make qualifying investments to maintain its RIC status by utilizing a margin account with a securities brokerage firm. The Fund collateralized such borrowings with restricted cash and temporary investments in U.S. Treasury bills of \$30.3 million. The U.S. Treasury bills were sold on January 4, 2010 and the total amount borrowed was repaid at that time.

**Certain Risks and Uncertainties**—Economic conditions during 2009 and 2008 and market dislocations resulted in the availability of debt and equity capital declining significantly. Generally, the limited amount of available debt financing has shorter maturities, higher interest rates and fees, and more restrictive terms than debt facilities available in the past. In addition, during 2009 the price of our common stock continued to fall well below our net asset value, thereby making it undesirable to issue additional shares of our common stock. Because of these challenges, our near-term strategies shifted from originating debt and equity investments to preserving liquidity necessary to meet our operational needs. Key initiatives that we undertook during 2009 to provide necessary liquidity include monetizations, the suspension of dividends and the internalization of management. Although there can be no assurances that such initiatives will be sufficient, we believe we have sufficient liquidity to meet our 2010 operating requirements.

### (3) Significant Accounting Policies

The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements:

**Use of Estimates**—The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Although management believes the estimates and assumptions used in preparing these interim financial statements and related notes are reasonable in light of known facts and circumstances, actual results could differ from those estimates.

**Valuation of Investments**—Portfolio investments are carried at fair value with the net change in unrealized appreciation or depreciation included in the determination of net assets. Valuations of portfolio securities are performed in accordance with accounting principles generally accepted in the United States of America and the financial reporting policies of the SEC. The applicable methods prescribed by such principles and policies are described below:

*Publicly-traded portfolio securities*—Investments in companies whose securities are publicly traded are generally valued at their quoted market price at the close of business on the valuation date.

*Privately-held portfolio securities*—The fair value of investments for which no market exists is determined on the basis of procedures established in good faith by the Board of Directors of the Fund. As a general principle, the current “fair value” of an investment would be the amount the Fund might reasonably expect to receive for it upon its current sale, in an orderly manner. Appraisal valuations are necessarily subjective and the estimated values arrived at by the Fund’s board of directors may differ materially from amounts actually received upon the disposition of portfolio securities.

Generally, cost is the primary factor used to determine fair value until significant developments affecting the portfolio company (such as results of operations or changes in general market conditions) provide a basis for use of an appraisal valuation. Appraised values are determined quarterly by management, subject to the approval of the Board of Directors.

Most of the Fund’s common equity investments of privately held companies are appraised at a multiple of free cash flow generated by the company in its most recent fiscal year, less outstanding funded indebtedness and other senior securities such as preferred stock. Projections of current year free cash flow may be utilized and adjustments for non-recurring items are considered. Multiples utilized are estimated based on past experience in the private company marketplace, and are necessarily subjective in nature.

From time to time, portfolio companies are in default of certain covenants in their loan agreements. When management has a reasonable belief that the portfolio company will be able to restructure the loan agreements to adjust for any defaults, the portfolio company’s securities continue to be valued assuming that the company is a going concern. In the event a portfolio company cannot generate adequate cash flow to meet the principal and interest payments on such indebtedness or is not successful in refinancing the debt upon its maturity, the Fund’s investment could be reduced or eliminated through foreclosure on the portfolio company’s assets or the portfolio company’s reorganization or bankruptcy.

The Fund may also use, when available, third-party transactions in a portfolio company’s securities as the basis of valuation (the “private market method”). The private market method will be used only with respect to completed transactions or firm offers made by sophisticated, independent investors.

For valuation purposes, the Fund uses the income approach to value its debt instruments. Since the Fund’s general intent is to hold its loans to maturity, the fair value will not exceed the cost of the investment. A change in the assumptions that the Fund uses to estimate the fair value of its debt securities using the yield analysis could have a material impact on the

determination of fair value. If there is deterioration in credit quality or a debt security is in workout status, the Fund may consider other factors in determining the fair value of the debt security, including the fair value attributable to the debt security from the enterprise value of the portfolio company or the proceeds that would be received in a liquidation analysis. The Fund's general intent is to hold its debt investments to maturity. Accordingly, the fair value of the debt investments will not exceed the cost of the investment. Certificates of deposit purchased by the Fund generally will be valued at their face value, plus interest accrued to the date of valuation.

The Audit Committee of the Board may engage independent, third-party valuation firms to conduct independent appraisals and review management's preliminary valuations in order to make their own independent assessment of each privately-held investment that the Fund (a) has held for more than one year and (b) holds on its books at a fair value of at least \$2.0 million. The Audit Committee will review and evaluate the preliminary valuations of management and those of any third-party valuation firms, if so retained, and will review and evaluate any third-party firm supplements to reflect any comments from management and/or Audit Committee members. Any third-party valuation data would be considered as one of many factors in a fair value determination. The Audit Committee then would recommend to the full Board fair values for all privately-held securities based on all relevant factors.

Because of the inherent uncertainty of the valuation of portfolio securities which do not have readily ascertainable market values, amounting to \$42.0 million and \$42.4 million as of March 31, 2010 and December 31, 2009, respectively, the Fund's fair value determinations may materially differ from the values that would have been used had a ready market existed for the securities. There were no publicly traded securities as of March 31, 2010 and December 31, 2009.

On a daily basis, the Fund adjusts its net asset value for the changes in the value of its publicly held securities and material changes in the value of its private securities and reports those amounts to Lipper Analytical Services, Inc. Weekly and daily net asset values appear in various publications, including Barron's and The Wall Street Journal.

**Investment Transactions**—Investment transactions are recorded on the accrual method. Realized gains and losses on investments sold are computed on a specific identification basis.

The Fund classifies its investments in accordance with the requirements of the 1940 Act. Under the 1940 Act, "Control Investments" are defined as investments in companies in which EQS owns more than 25% of the voting securities or maintains greater than 50% of the board representation. Under the 1940 Act, "Affiliate Investments" are defined as those non-control investments in companies in which EQS owns between 5% and 25% of the voting securities. Under the 1940 Act, "Non-affiliate Investments" are defined as investments that are neither Control Investments nor Affiliate Investments.

**Interest Income Recognition**—The Fund records interest income, adjusted for amortization of premium and accretion of discount, on an accrual basis to the extent that it expects to collect such amounts. The Fund accretes or amortizes discounts and premiums on securities purchased over the life of the respective security using the effective yield method. The amortized cost of investments represents the original cost adjusted for the accretion of discount and/or amortization of premium on debt securities. The Fund stops accruing interest on investments when it determines that interest is no longer collectible. If the Fund receives any cash after determining that interest is no longer collectible, it treats such cash as payment on the principal balance until the entire principal balance has been repaid, before it recognizes any additional interest income.

**Payment in Kind Interest**—The Fund has loans in its portfolio that may pay payment in kind ("PIK") interest. The Fund adds PIK interest, if any, computed at the contractual rate specified in each loan agreement, to the principal balance of the loan and recorded as interest income. To maintain its status as a RIC, the Fund must pay out to stockholders this non-cash source of income in the form of dividends even if it has not yet collected any cash in respect of such investments.

**Cash Flows**—For purposes of the Statements of Cash Flows, the Fund considers all highly liquid temporary cash investments purchased with an original maturity of three months or less to be cash equivalents. The Fund includes its investing activities within cash flows from operations. The Fund excludes "Restricted Cash & Temporary Investments" used for purposes of complying with RIC requirements from cash equivalents.

**Income Taxes**—The Fund intends to comply with the requirements of the Internal Revenue Code necessary to qualify as a regulated investment company and, as such, will not be subject to federal income taxes on otherwise taxable income (including net realized capital gains) which is distributed to stockholders. Therefore, no provision for federal income taxes is recorded in the financial statements. The Fund borrows money from time to time to maintain its tax status under the Internal Revenue Code as a RIC. See Note 2 for further discussion of the Fund's RIC borrowings.

Texas margin tax applies to legal entities conducting business in Texas, including previously non-taxable entities such as limited partnerships and limited liability partnerships. The margin tax is based on our Texas sourced taxable margin. The tax is calculated by applying a tax rate to a base that considers both revenue and expenses and therefore has the characteristics of an income tax.

**Fair Value Measurement** —In September 2006, the Financial Accounting Standard Board (FASB) issued guidance regarding Fair Value Measurements which defined fair value, establishes a framework for measuring fair value, outlined a fair value hierarchy based on inputs used to measure fair value and enhanced disclosure requirements for fair value measurements. The guidance did not change existing guidance as to whether an instrument is carried at fair value. The Fund adopted changes issued by the FASB to fair value disclosures of financial instruments which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Fund has categorized all investments recorded at fair value based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels, directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities, are as follows:

Level 1 — Inputs are unadjusted, quoted prices in active markets for identical assets at the measurement date. The types of assets carried at Level 1 fair value generally are equities listed in active markets.

Level 2 — Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset in connection with market data at the measurement date and for the extent of the instrument's anticipated life. Fair valued assets that are generally included in this category are warrants held in a public company.

Level 3 — Inputs reflect management's best estimate of what market participants would use in pricing the asset at the measurement date. It includes prices or valuations that require inputs that are both significant to the fair value measurement and unobservable. Generally, assets carried at fair value and included in this category are debt, warrants and/or other equity investments held in a private company. For loan and debt securities, the Fund has performed a yield analysis assuming a hypothetical current sale of the security. The yield analysis considers changes in interest rates and changes in leverage levels of the portfolio company as compared to the market interest rates and leverage levels. Assuming the credit quality of the portfolio company remains stable, the Fund will use the value determined by the yield analysis as the fair value for that security.

The Fund will record unrealized depreciation on investments when it determines that the fair value of a security is less than its cost basis, and will record unrealized appreciation when it determines that the fair value is greater than its cost basis.

As of March 31, 2010, investments measured at fair value on a recurring basis are categorized in the tables below based on the lowest level of significant input to the valuations:

		Fair Value Measurements As of March 31, 2010		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>(in thousands)</i>	Total			
<b>Assets</b>				
<b>Investments:</b>				
Control investments	\$28,726	\$ —	\$ —	\$ 28,726
Affiliate investments	1,310	—	—	1,310
Non-Affiliate investments	11,919	—	—	11,919
Total assets reported at fair value	<u>\$41,955</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 41,955</u>

		Fair Value Measurements As of December 31, 2009		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>(in thousands)</i>	Total			
<b>Assets</b>				
<b>Investments:</b>				
Control investments	\$28,729	\$ —	\$ —	\$ 28,729
Affiliate investments	2,128	—	—	2,128
Non-Affiliate investments	11,554	—	—	11,554
Total assets reported at fair value	<u>\$42,411</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 42,411</u>

The following table provides a reconciliation of fair value changes during the three months ending March 31, 2010 for all investments for which we determine fair value using unobservable (Level 3) factors:

<i>(in thousands)</i>	Fair value measurements using significant unobservable inputs (Level 3)			
	Control Investments	Affiliate Investments	Non-affiliate Investments	Total
Fair value as of December 31, 2009	\$ 28,729	\$ 2,128	\$ 11,554	\$ 42,411
Total realized losses	—	—	—	—
Change in unrealized appreciation (depreciation)	119	(818)	—	(699)
Purchases, issuances and settlements, net	(122)	—	365	243
Fair value as of March 31, 2010	<u>\$ 28,726</u>	<u>\$ 1,310</u>	<u>\$ 11,919</u>	<u>\$ 41,955</u>

The following table provides a reconciliation of fair value changes during the three months ending March 31, 2009 for all investments for which we determine fair value using unobservable (Level 3) factors:

<i>(in thousands)</i>	Fair value measurements using unobservable inputs (Level 3)			
	Control Investments	Affiliate Investments	Non-affiliate Investments	Total
Fair value as of December 31, 2008	\$ 36,885	\$ 20,974	\$ 10,135	\$ 67,994
Change in unrealized appreciation	(505)	1,479	—	974
Purchases, issuances and settlements, net	350	320	332	1,002
Fair value as of March 31, 2009	<u>\$ 36,730</u>	<u>\$ 22,773</u>	<u>\$ 10,467</u>	<u>\$ 69,970</u>

**Reclassification**—Certain amounts for the three months ended March 31, 2009 have been reclassified in the comparative financial statements to be comparable to the presentation in the three months ended March 31, 2010. These reclassifications had no effect on net assets, net income or cash flows from operating activities.

#### (4) Related Party Transactions and Agreements

The Fund had entered into an investment advisory agreement dated June 30, 2005 with Moore Clayton Capital Advisors, Inc., pursuant to which Moore Clayton Capital Advisors, Inc. provided investment advisory services in exchange for an advisory fee. The Fund also had entered into an administration agreement dated June 30, 2005 with Equus Capital Administration Company, Inc., pursuant to which Equus Capital Administration Company, Inc. provided administrative services in exchange for an administrative fee. The Fund's Board of Directors terminated the advisory agreement and the administrative agreement effective June 30, 2009. The Fund is now "internally" managed. This means that the Fund directly employs its management team and incur the costs and expenses associated with Fund operations. There is no outside investment advisory organization providing services to the Fund under a fee-based advisory agreement, or an administrative organization charging the Fund for services rendered since June 30, 2009.

As compensation for services to the Fund, each Independent Director receives an annual fee of \$20,000 paid quarterly in arrears, a fee of \$2,000 for each meeting of the Board of Directors attended in person, a fee of \$1,000 for participation in each telephonic meeting of the Board and a fee of \$1,000 for each committee meeting attended, and reimbursement of all out-of-pocket expenses relating to attendance at such meetings. A quarterly fee of \$2,500 is paid to the Chairman of the Independent Directors and the Chairman of the Audit Committee. An annual fee of \$15,000 is paid to the Chairman of the Board of Directors.

(5) Dividends

On February 27, 2009, the Fund announced the declaration of a first quarter dividend of \$0.1075 per share. The Fund issued 296,528 additional shares of its common stock at an effective price of \$3.10 per share and paid \$2,000 in cash for fractional shares. This dividend was 100% qualified and classified as 21% ordinary income and 79% return of capital.

On March 24, 2009, the Fund announced that it suspended its managed distribution policy and payment of quarterly distributions for an indefinite period, following the distribution of the first quarter dividend, paid on March 30, 2009. The Fund will continue to pay out net investment income and/or realized capital gains, if any, on an annual basis as required under the Investment Company Act of 1940.

(6) Portfolio Securities

During the three months ended March 31, 2010, the Fund had investment activity of \$0.4 million in several follow-on investments, including \$0.2 million in the form of accrued interest and dividends received in the form of paid-in-kind (PIK).

The following table includes significant investment activity during the quarter ended March 31, 2010 (in thousands):

<u>Portfolio Company</u>	<u>New Investments</u>		<u>Existing Investments</u>		<u>Total</u>
	<u>Cash</u>	<u>PIK</u>	<u>Follow-On</u>	<u>PIK</u>	
TruLite, Inc.	\$ —	\$ —	\$ 200	\$ —	\$200
1848 Capital Partners LLC	—	—	—	71	71
London Bridge Entertainment Partners Ltd	—	—	—	54	54
Big Apple Entertainment Partners LLC	—	—	—	40	40
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 200</u>	<u>\$ 165</u>	<u>\$365</u>

Net unrealized depreciation on investments increased by \$0.7 million during the three months ended March 31, 2010, to a net unrealized depreciation of \$15.9 million. Such increase in depreciation resulted primarily from decrease in estimated fair market value of Infinia Corporation of (\$0.8) million, Riptide Entertainment LLC of (\$0.1) million and Spectrum Management, LLC of (\$0.2) million, resulting from declining sales and trailing operations for the period. These decreases in estimated fair market value were partially offset by the increase in fair market value of Sovereign Business Forms, Inc. of \$0.4 million, resulting from an increase in operations.

During the three months ended March 31, 2009, the Fund had investment activity of \$1.0 million in several portfolio companies, including \$0.3 million in the form of accrued interest and dividends received in the form of paid-in-kind (PIK).

The following table includes significant investment activity during the quarter ended March 31, 2009 (in thousands):

<u>Portfolio Company</u>	<u>New Investments</u>		<u>Existing Investments</u>		<u>Total</u>
	<u>Cash</u>	<u>PIK</u>	<u>Follow-on</u>	<u>PIK</u>	
Riptide Entertainment, LLC	\$ —	\$ —	\$ 350	\$ —	\$ 350
Nickent Golf, Inc.	—	—	320	—	320
1848 Capital Partners LLC	—	—	—	244	244
London Bridge Entertainment Partners Ltd	—	—	—	50	50
Big Apple Entertainment Partners LLC	—	—	—	38	38
	<u>—</u>	<u>—</u>	<u>\$ 670</u>	<u>\$ 332</u>	<u>\$1,002</u>

Net unrealized depreciation on investments decreased by \$1.1 million during the three months ended March 31, 2009, from a net unrealized depreciation of \$3.0 million to a net unrealized depreciation of \$1.9 million. Such decrease in depreciation resulted primarily from increase in estimated fair market value of Infinia Corporation of \$1.8 million and Spectrum Management, Inc. of \$0.9 million, resulting from an increase in operations for the period. These increases were partially offset by the decrease in fair market value of Sovereign Business Forms, Inc. of (\$0.5) million and ConGlobal Industries Holdings, Inc. of \$(0.9) million, resulting from declining sales and trailing operations.

#### (9) Recent Accounting Pronouncements

Effective January 1, 2010, the Fund adopted changes issued by the FASB to add new requirements for disclosures about significant transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances and settlements relating to Level 3 measurements. In addition, the update clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. The adoption of this standard had no impact on our financial position and results of operations.

In January 2010, the FASB issued changes to disclosure requirements for fair value measurements. Specifically, the changes require a reporting entity to disclose, in the reconciliation of fair value measurements using significant unobservable inputs (Level 3), separate information about purchases, sales, issuances, and settlements (that is, on a gross basis rather than as one net number). These changes become effective for the Fund beginning January 1, 2011. Other than the additional disclosure requirements, the Fund does not anticipate that the adoption of this standard will have a material effect on our financial position and results of operations

#### (10) Subsequent Events

Management performed an evaluation of the Fund's events and transactions through the date the financial statements were available to be issued, noting the following subsequent events:

On April 1, 2010, the Fund sold U.S. Treasury bills for \$21.0 million and repaid the margin loan.

On April 30, 2010, the Fund received \$0.02 million from Sovereign Business Forms, Inc. in the form of a principal payment.

On May 12, 2010, the Fund held its annual meeting of shareholders. The purpose of the meeting was to elect nine directors and to ratify the appointment of UHY LLP as the Fund's independent auditor for fiscal year ending December 31, 2010. As of the filing of this Form 10-Q, the meeting results had not yet been certified.

### **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

#### **Overview**

Equus Total Return, Inc. is a business development company which invests in equity and equity-oriented securities issued by privately-owned companies in transactions negotiated directly with such companies. The Fund did not make any new investments other than follow-on investments during the three months ended March 31, 2010 and March 31, 2009.

The valuation of the Fund's investments is the most significant area of judgment impacting the financial statements. The Fund's portfolio investments are valued at estimates of fair value, with the net change in unrealized appreciation or depreciation included in the determination of net assets. Almost all of the long-term investments are in privately-held or restricted securities, the valuation of which is necessarily subjective. Actual values may differ materially from the Fund's estimated fair value.

Most of the Fund's portfolio companies utilize leverage, and the leverage magnifies the return on its investments. For example, if a portfolio company has a total enterprise value of \$10.0 million and \$7.5 million in funded indebtedness, its equity is valued at \$2.5 million. If the enterprise value increases or decreases by 20%, to \$12.0 million or \$8.0 million, respectively, the value of the equity increases or decreases by 80%, to \$4.5 million or \$0.5 million, respectively. This disproportionate increase or decrease adds a level of volatility to the Fund's equity-oriented portfolio securities.

On June 12, 2009, the Fund and its Board of Directors announced plans to "internalize" Fund management. The Fund's investment advisory agreement with the Adviser terminated June 30, 2009. The Fund now directly employs its management team and incurs the costs and expenses associated with Fund operations. There is no outside investment advisory organization providing services to the Fund under a fee-based advisory agreement, or an administrative organization charging the Fund for services rendered.

The Fund derives its cash flow from interest and dividends received and sales of securities from its investment portfolio. The Fund pays certain general and administrative fees and interest expense on its existing debt. The Fund also spends its cash on new investments, or follow-on investments which may be required by certain portfolio companies. Because the investments are illiquid, the Fund utilizes leverage to provide the required funds, and the leverage is then repaid from the sale of portfolio securities.

Since the Fund is a closed-end business development company, stockholders have no right to present their shares to the Fund for redemption. Because the shares continue to trade at a discount, the Board of Directors has determined that it would be in the best interest of the Fund's stockholders for the Fund to be authorized to attempt to reduce or eliminate the market value discount from net asset value. Accordingly, from time to time the Fund may, but is not required to, repurchase its shares (including by means of tender offers) to attempt to reduce or eliminate the discount or to increase the net asset value of those shares.

## Significant Accounting Policies

The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements:

**Use of Estimates**—The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Although management believes the estimates and assumptions used in preparing these interim financial statements and related notes are reasonable in light of known facts and circumstances, actual results could differ from those estimates.

**Valuation of Investments**—Portfolio investments are carried at fair value with the net change in unrealized appreciation or depreciation included in the determination of net assets. Valuations of portfolio securities are performed in accordance with accounting principles generally accepted in the United States of America and the financial reporting policies of the SEC. The applicable methods prescribed by such principles and policies are described below:

*Publicly-traded portfolio securities*—Investments in companies whose securities are publicly traded are generally valued at their quoted market price at the close of business on the valuation date.

*Privately-held portfolio securities*—The fair value of investments for which no market exists is determined on the basis of procedures established in good faith by the Board of Directors of the Fund. As a general principle, the current “fair value” of an investment would be the amount the Fund might reasonably expect to receive for it upon its current sale, in an orderly manner. Appraisal valuations are necessarily subjective and the estimated values arrived at by the Fund’s board of directors may differ materially from amounts actually received upon the disposition of portfolio securities.

Generally, cost is the primary factor used to determine fair value until significant developments affecting the portfolio company (such as results of operations or changes in general market conditions) provide a basis for use of an appraisal valuation. Appraised values are determined quarterly by management, subject to the approval of the Board of Directors.

Most of the Fund’s common equity investments of privately held companies are appraised at a multiple of free cash flow generated by the company in its most recent fiscal year, less outstanding funded indebtedness and other senior securities such as preferred stock. Projections of current year free cash flow may be utilized and adjustments for non-recurring items are considered. Multiples utilized are estimated based on past experience in the private company marketplace, and are necessarily subjective in nature.

From time to time, portfolio companies are in default of certain covenants in their loan agreements. When management has a reasonable belief that the portfolio company will be able to restructure the loan agreements to adjust for any defaults, the portfolio company’s securities continue to be valued assuming that the company is a going concern. In the event a portfolio company cannot generate adequate cash flow to meet the principal and interest payments on such indebtedness or is not successful in refinancing the debt upon its maturity, the Fund’s investment could be reduced or eliminated through foreclosure on the portfolio company’s assets or the portfolio company’s reorganization or bankruptcy.

The Fund may also use, when available, third-party transactions in a portfolio company’s securities as the basis of valuation (the “private market method”). The private market method will be used only with respect to completed transactions or firm offers made by sophisticated, independent investors.

For valuation purposes, the Fund uses the income approach to value its debt instruments. Since the Fund’s general intent is to hold its loans to maturity, the fair value will not exceed the cost of the investment. A change in the assumptions that the Fund uses to estimate the fair value of its debt securities using the yield analysis could have a material impact on the determination of fair value. If there is deterioration in credit quality or a debt security is in workout status, the Fund may consider other factors in determining the fair value of the debt security, including the fair value attributable to the debt security from the enterprise value of the portfolio company or the proceeds that would be received in a liquidation analysis. The Fund’s general intent is to hold its debt investments to maturity. Accordingly, the fair value of the debt investments will not exceed the cost of the investment. Certificates of deposit purchased by the Fund generally will be valued at their face value, plus interest accrued to the date of valuation.

The Audit Committee of the Board may engage independent, third-party valuation firms to conduct independent appraisals and review management’s preliminary valuations in order to make their own independent assessment of each privately-held investment that the Fund (a) has held for more than one year and (b) holds on its books at a fair value of at least \$2.0 million. The Audit Committee will review and evaluate the preliminary valuations of management and those of any third-party valuations firms, if so retained, and will review and evaluate any third-party firm supplements to reflect any comments from management and/or Audit Committee members. Any third-party valuation data would be considered as one of many factors in a fair value determination. The Audit Committee then would recommend to the full Board fair values for all privately-held securities based on all relevant factors.

Because of the inherent uncertainty of the valuation of portfolio securities which do not have readily ascertainable market values, amounting to \$42.0 million and \$42.4 million as of March 31, 2010 and December 31, 2009, respectively, the Fund's fair value determinations may materially differ from the values that would have been used had a ready market existed for the securities. There were no publicly traded securities as of March 31, 2010 and December 31, 2009.

On a daily basis, the Fund adjusts its net asset value for the changes in the value of its publicly held securities and material changes in the value of its private securities and reports those amounts to Lipper Analytical Services, Inc. Weekly and daily net asset values appear in various publications, including Barron's and The Wall Street Journal.

### **Federal Income Taxes**

The Fund intends to comply with the requirements of the Code necessary for us to qualify as a RIC. So long as it complies with these requirements, the Fund generally will not be subject to corporate-level federal income taxes on otherwise taxable income (including net realized capital gains) distributed to stockholders. Therefore, the Fund did not record a provision for federal income taxes in its financial statements. The Fund may borrow money from time to time to maintain its status as a RIC under the Code.

### **Interest Income Recognition**

The Fund records interest income, adjusted for amortization of premium and accretion of discount, on an accrual basis to the extent that it expects to collect such amounts. The Fund stops accruing interest on investments when it determines that interest is no longer collectible. If the Fund receives any cash after determining that interest is no longer collectible, it treats such cash as payment on the principal balance until the entire principal balance has been repaid, before it recognizes any additional interest income. The Fund accretes or amortizes discounts and premiums on securities purchased over the life of the respective security using the effective yield method. The amortized cost of investments represents the original cost adjusted for the accretion of discount and/or amortization of premium on debt securities.

### **Payment in Kind Interest**

The Fund has loans in its portfolio that may pay payment in kind ("PIK") interest. The Fund adds PIK interest, if any, computed at the contractual rate specified in each loan agreement, to the principal balance of the loan and recorded as interest income. To maintain its status as a RIC, the Fund must pay out to stockholders this non-cash source of income in the form of dividends even if it has not yet collected any cash in respect of such investments.

### **Current Market Conditions**

Since late 2007, the state of the economy in the U.S. remained in a recession as consumer confidence deteriorated and unemployment indices increased. Banks and other financial service companies continued to experience difficulties as the extending of credit suffered its largest single year decline during 2009 since the World War II era. Loan delinquency rates are at 26 year highs and bank failures increased and the threat of continued failures remains as concerns regarding commercial real estate have weighed on the financial industry. Stock market returns were stronger as the S&P 500 improved approximately 23% during the year ended December 31, 2009, despite reaching a 12 year low in the first quarter of 2009. Merger and acquisition activity was at its lowest level since 2004. In recent months, certain economic indicators have shown modest improvements.

To the extent that recessionary conditions continue or worsen, the financial results of middle-market companies, like those in which we invest, will continue to experience deterioration, which ultimately could lead to difficulty in meeting debt service requirements and an increase in defaults. Many of the companies have experienced difficult operating environments and access to capital has been limited.

Consistent with other companies in the financial services sector, the Fund's performance has been adversely affected. Between March 31, 2010 and March 31, 2009, the net asset value of the Fund declined from \$8.96 per share to \$5.66 per share. The Fund's common stock is trading at a 50% discount.

During 2009, we executed a management internalization strategy initiated to enhance liquidity, achieve a lower operational cost structure, provide more assistance to portfolio companies and enhance communication with shareholders. We believe these actions continue to be necessary to protect capital and liquidity during this turbulent economic period in order to preserve and enhance shareholder value.

## **Liquidity and Capital Resources**

Because of the nature and size of the portfolio investments, the Fund may periodically borrow funds to make qualifying investments to maintain its tax status as a RIC. During the three months ended March 31, 2010 and 2009, the Fund borrowed such funds by utilizing a margin account with a securities brokerage firm. There is no assurance that such arrangement will be available in the future. If the Fund is unable to borrow funds to make qualifying investments, it may no longer qualify as a RIC. The Fund would then be subject to corporate income tax on its net investment income and realized capital gains, and distributions to stockholders would be subject to income tax as ordinary dividends.

The Fund has the ability to borrow funds and issue forms of senior securities representing indebtedness or stock, such as preferred stock, subject to certain restrictions. Net taxable investment income and net taxable realized gains from the sales of portfolio investments are intended to be distributed at least annually, to the extent such amounts are not reserved for payment of expenses and contingencies or to make follow-on or new investments. Pursuant to the restrictions in the existing line of credit, the Fund is not allowed to incur additional indebtedness unless approved by the lender.

The Fund reserves the right to retain net long-term capital gains in excess of net short-term capital losses for reinvestment or to pay contingencies and expenses. Such retained amounts, if any, will be taxable to the Fund as long-term capital gains and stockholders will be able to claim their proportionate share of the federal income taxes paid on such gains as a credit against their own federal income tax liabilities. Stockholders will also be entitled to increase the adjusted tax basis of their Fund shares by the difference between their undistributed capital gains and their tax credit.

Management is currently evaluating the impact of current market conditions on its portfolio company valuations and their ability to provide current income. Management has followed valuation techniques in a consistent manner; however, it is cognizant of current market conditions that might effect future valuations of portfolio securities. The Fund has access to a \$5.0 million revolving line of credit facility with Amegy Bank. The Fund has not yet borrowed under this facility. The Fund believes that its operating cash flow and cash on hand will be sufficient to meet operating requirements and to finance routine capital expenditures through the next twelve months.

## **Results of Operations**

### **Investment Income and Expense**

Net investment loss after all expenses was \$0.05 and \$0.1 million for the three months ended March 31, 2010 and March 31, 2009, respectively. The decrease in net investment loss generated at March 31, 2010 compared to March 31, 2009 is due primarily to the decrease in total investment income offset by a greater decrease in total expenses for the three months ended March 31, 2010 as compared to the three months ended March 31, 2009.

Total income from portfolio securities was \$0.8 million and \$0.9 million for the three months ended March 31, 2010 and 2009, respectively.

Interest from temporary cash investments decreased from \$0.02 million for the three months ended March 31, 2009 to \$0.004 million for the three months ended March 31, 2010. The cash in temporary investments (excluding the margin account) decreased \$2.0 million from \$7.3 million as of March 31, 2009 to \$5.3 million as of March 31, 2010, primarily due to the increase in follow-on investments along with operating expenditures.

The former Adviser received management fee compensation at an annual rate of 2% of the net assets of the Fund paid quarterly in arrears. Such fees amounted to \$0.4 million for the three months ended March 31, 2009. The Fund also reimbursed the former Administrator, for the costs and expenses incurred in performing its obligations and providing personnel and facilities under the Administrative Agreement, provided that such reimbursements do not exceed \$450,000 per year. The former Administrator received \$0.1 million for the three months ended March 31, 2009.

Compensation expenses were \$0.3 million for the three months ended March 31, 2010. General and administrative fees were \$0.04 million for the three months ended March 31, 2010. As a result of the internalization management, the Fund assumed these obligations directly beginning July 1, 2009.

### **Realized Gains and Losses on Sales of Portfolio Securities**

During the three months ended March 31, 2010, the Fund realized net capital loss of \$0.004 million from the sale of U.S. Treasury Bills.

During the three months ended March 31, 2009, the Fund realized net capital loss of \$0.02 million from the sale of U.S. Treasury Bills.

## Changes in Unrealized Appreciation/Depreciation of Portfolio Securities

Net unrealized depreciation on investments increased by \$0.7 million during the three months ended March 31, 2010, to a net unrealized depreciation of \$15.9 million. Such increase in depreciation resulted primarily from decrease in estimated fair market value of Infinia Corporation, Riptide Entertainment LLC and Spectrum Management, LLC, resulting from declining sales and trailing operations for the period. These decreases in estimated fair market value were partially offset by the increase in fair market value of Sovereign Business Forms, Inc., resulting from an increase in operations.

Net unrealized depreciation on investments decreased by \$1.1 million during the three months ended March 31, 2009, from a net unrealized depreciation of \$3.0 million to a net unrealized depreciation of \$1.9 million. Such decrease in depreciation resulted primarily from increase in estimated fair market value of Infinia Corporation and Spectrum Management, Inc., resulting from an increase in operations for the period. These increases were partially offset by the decrease in fair market value of Sovereign Business Forms, Inc. and ConGlobal Industries Holdings, Inc, resulting from declining sales and trailing operations.

## Dividends

On February 27, 2009, the Fund announced the declaration of a first quarter dividend of \$0.1075 per share. The Fund issued 296,528 additional shares of its common stock at an effective price of \$3.10 per share and paid \$2,000 in cash for fractional shares. This dividend was 100% qualified and classified as 21% ordinary income and 79% return of capital.

On March 24, 2009, the Fund announced that it suspended its managed distribution policy and payment of quarterly distributions for an indefinite period, following the distribution of the first quarter dividend, paid on March 30, 2009. The Fund will continue to pay out net investment income and/or realized capital gains, if any, on an annual basis as required under the Investment Company Act of 1940.

## Portfolio Investments

The following table includes significant investment activity during the quarter ended March 31, 2010 (in thousands):

Portfolio Company	New Investments		Existing Investments		Total
	Cash	PIK	Follow-on	PIK	
TruLite, Inc.	\$ —	\$ —	\$ 200	\$ —	\$200
1848 Capital Partners LLC	—	—	—	71	71
London Bridge Entertainment Partners Ltd	—	—	—	54	54
Big Apple Entertainment Partners LLC	—	—	—	40	40
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 200</u>	<u>\$ 165</u>	<u>\$365</u>

The following table includes significant investment activity during the quarter ended March 31, 2009 (in thousands):

Portfolio Company	New Investments		Existing Investments		Total
	Cash	PIK	Follow-on	PIK	
Riptide Entertainment, LLC	\$ —	\$ —	\$ 350	\$ —	\$ 350
Nickent Golf, Inc.	—	—	320	—	320
1848 Capital Partners LLC	—	—	—	244	244
London Bridge Entertainment Partners Ltd	—	—	—	50	50
Big Apple Entertainment Partners LLC	—	—	—	38	38
	<u>—</u>	<u>—</u>	<u>\$ 670</u>	<u>\$ 332</u>	<u>\$1,002</u>

### **Item 1A. Risk Factors**

There have been no material changes in the Fund's risk factors from the disclosure set forth in the Annual Report on Form 10-K for the year ended December 31, 2009.

Readers should carefully consider these risks and all other information contained in the annual report on Form 10-K, including the Fund's consolidated financial statements and the related notes thereto. The risks and uncertainties described below are not the only ones facing the Fund. Additional risks and uncertainties not presently known to the Fund, or not presently deemed material by the Fund, may also impair its operations and performance.

### **Item 3. Quantitative and Qualitative Disclosure about Market Risk**

The Fund is subject to financial market risks, including changes in interest rates with respect to investments in debt securities and outstanding debt payable, as well as changes in marketable equity security prices. The Fund does not use derivative financial instruments to mitigate any of these risks. The return on investments is generally not affected by foreign currency fluctuations.

The Fund's investments in portfolio securities consist of some fixed rate debt securities. Since the debt securities are generally priced at a fixed rate, changes in interest rates do not directly impact interest income. In addition, changes in market interest rates are not typically a significant factor in the determination of fair value of these debt securities, since the securities are generally held to maturity. Their fair values are determined on the basis of the terms of the debt security and the financial condition of the issuer.

A major portion of the Fund's investment portfolio consists of debt and equity investments in private companies. Modest changes in public market equity prices generally do not significantly impact the estimated fair value of these investments. However, significant changes in market equity prices can have a longer-term effect on valuations of private companies, which could affect the carrying value and the amount and timing of gains or losses realized on these investments. A small portion of the investment portfolio also consists of common stocks in publicly traded companies. These investments are directly exposed to equity price risk, in that a hypothetical ten percent change in these equity prices would result in a similar percentage change in the fair value of these securities.

The Fund is classified as a "non-diversified" investment company under the Investment Company Act, which means the Fund is not limited in the proportion of its assets that may be invested in the securities of a single user. The value of one segment called Shipping Products and Services includes one portfolio companies and was 16.3% of the net asset value and 19.5% of the Fund's investments in portfolio company securities (at fair value) at March 31, 2010. Changes in business or industry trends or in the financial condition, results of operations, or the market's assessment of any single portfolio company will affect the net asset value and the market price of the Fund's common stock to a greater extent than would be the case if the Fund were a "diversified" company holding numerous investments.

### **Item 4. Controls and Procedures**

The Fund maintains disclosure controls and other procedures that are designed to ensure that information required to be disclosed by the Fund in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Fund's management, including its Chief Investment Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

The Fund's management, with the participation of the Fund's Chief Investment Officer and Chief Financial Officer, have evaluated the effectiveness of the design and operations of the Fund's "disclosure controls and procedures" (as defined in Rule 13a-15 (e) under the Securities Exchange Act of 1934) as of March 31, 2010. Based on their evaluation, the Fund's Chief Investment Officer (Principal Executive Officer) and Chief Financial Officer concluded that the Fund's disclosure controls and procedures were effective at a reasonable assurance level. There has been no change in the Fund's internal control over financial reporting during the quarter ended March 31, 2010, that has materially affected, or is reasonably likely to materially affect, the Fund's internal control over financial reporting.

## **Part II. Other Information**

### **Item 5. Legal Proceedings**

On June 30, 2009, the Fund received a "Wells" notice from the staff of the Securities and Exchange Commission ("SEC"). Based on discussions with the SEC staff, the Fund believes that the issues the staff intends to pursue relate to a one-time administrative fee that the Fund paid in 2005 and the compensation of a certain Fund officer during approximately the same time period. The Wells notice notified the Fund that the staff intends to recommend that the SEC bring a civil action against the Fund for possible violations of the securities laws. The Fund has been cooperating with the SEC in this inquiry. In accordance with SEC procedures, the Fund has presented its perspective on these issues to the staff. The SEC has not made a formal decision regarding an enforcement proceeding. The Fund also understands that three persons (two of whom are formerly associated with the Fund and the Fund's Former Adviser) received similar Wells notices relating to the 2005 activity. The Fund understands that these individuals also

will have an opportunity to present their perspectives on these issues before any formal decision is made on enforcement proceedings.

On April 26, 2010, the SEC also subpoenaed records of the Fund in connection with certain trades in the Fund's shares by SPQR Capital LLP, SAE Capital, Ltd., Versatile Systems, Inc., Mobiquity Investments, Ltd., and anyone associated with those entities. The Fund is fully cooperating with the SEC's request.

From time to time, the Fund is also a party to certain legal proceedings incidental to the normal course of our business including the enforcement of our rights under contracts with our portfolio companies. While the outcome of these legal proceedings cannot at this time be predicted with certainty, the Fund does not expect that these proceedings will have a material effect upon the Fund's financial condition or results of operations.

## **Item 6. Exhibits**

### 3. Articles of Incorporation and by-laws

- (a) Restated Certificate of Incorporation of the Fund, as amended. [Incorporated by reference to Exhibit 3(a) to Registrant's Annual Report on Form 10-K for the year ended December 31, 2007]
- (b) Certificate of Merger dated June 30, 1993, between the Fund and Equus Investments Incorporated [Incorporated by reference to Exhibit 3(c) to Registrant's Annual Report on Form 10-K for the year ended December 31, 2007]
- (c) Amended and Restated Bylaws of the Fund. [Incorporated by reference to Exhibit 3(c) to Registrant's Annual Report on Form 10-K for the year ended December 31, 2007]

### 10. Material Contracts.

- (c) Safekeeping Agreement between the Fund and Amegy Bank dated August 16, 2008. [Incorporated by reference to Exhibit 10(c) to Registrant's Annual Report on Form 10-K for the year ended December 31, 2008.]
- (d) Form of Indemnification Agreement between the Fund and its directors and certain officers. [Incorporated by reference to Exhibit 10(g) to Registrant's Annual Report on Form 10-K for the year ended December 31, 2004.]
- (e) Form of Release Agreement between the Fund and certain of its officers and former officers. [Incorporated by reference to Exhibit 10(h) to Registrant's Annual Report on Form 10-K for the year ended December 31, 2004.]
- (f) Code of Ethics of the Fund (Rule 17j-1) [Incorporated by reference to Exhibit 10(f) to Registrant's Annual Report on Form 10-K for the year ended December 31, 2009.]
- (g).1 Revolving Credit Note between the Fund and Amegy Bank National Association dated August 13, 2008. [Incorporated by reference to Exhibit 10 (g) to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008.]
- (g).2 First Extension and Modification Agreement between the Fund and Amegy Bank National Association dated February 15, 2010. [Filed herewith.]
- (h) Pledge and Security Agreement between the Fund and Amegy Bank National Association dated August 13, 2008. [Incorporated by reference to Exhibit 10 (h) to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008.]

### 31. Rule 13a-14(a)/15d-14(a) Certifications

1. Certification by Principal Executive Officer
2. Certification by Chief Financial Officer

### 32. Section 1350 Certifications

1. Certification by Principal Executive Officer
2. Certification by Chief Financial Officer

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has caused this report to be signed by the undersigned, thereunto duly authorized.

Date: May 17, 2010

EQUUS TOTAL RETURN, INC.

*/s/ Jay Brown*

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**Jay Brown**  
**Chief Investment Officer**

FIRST EXTENSION AND MODIFICATION AGREEMENT

This First Extension and Modification Agreement (this "Agreement") is dated effective as of February 15, 2010, between AMEGY BANK NATIONAL ASSOCIATION, a national banking association, ("Lender"), and EQUUS TOTAL RETURN, INC., a Delaware corporation ("Borrower").

R E C I T A L S:

A. Borrower has executed and delivered to Lender one certain revolving promissory note (the "Note") dated August 13, 2008, payable to the order of Lender in the original principal sum of \$7,500,000.00, with interest and principal payable as therein provided (the Note, the Loan Agreement and the Pledge and Security Agreement defined below, and all other documents executed by Borrower and/or any other party or parties evidencing or securing or otherwise in connection with the loan evidenced by the Note, collectively the "Loan Documents").

B. Borrower and Lender have executed a Loan Agreement (the "Loan Agreement") dated of even date with the Note providing for disbursement of the loan (the "Loan") evidenced by the Note.

C. Borrower has executed a Pledge and Security Agreement (the "Security Agreement") dated of even date with the Note in favor of Lender relating to Borrower's obligations under the Loan Documents.

D. The Note is due and payable on February 15, 2010.

E. Borrower desires to amend the Loan Documents to (i) reduce the availability under the Note from \$7,500,000 to \$5,000,000, (ii) extend the maturity date of the Note from February 15, 2010 to August 15, 2011, and (iii) amend certain other terms and provisions of the Loan Documents, and Lender is willing to do so on the terms and conditions herein set forth.

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Extension. The maturity date of the Note is extended to August 15, 2011. The liens, security interests, assignments and other rights evidenced by the Loan Documents are renewed and extended to secure payment of the Note as extended hereby.

2. Modification Fee. Contemporaneously with the execution hereof, Borrower shall pay to Lender a modification fee in the amount of \$12,500.

3. Balance of Note. Borrower and Lender acknowledge that the unpaid principal balance of the Note as of February 15, 2010 is \$0.00, with interest paid up to and including said date.

4. Modifications of Loan Documents. The Loan Documents are modified as follows:

(a) The Note. The Note is modified as follows:

(i) The figure "\$7,500,000.00" appearing above the first paragraph of the Note is hereby deleted and the figure "\$5,000,000.00" is substituted therefor.

(ii) The words and figure "SEVEN MILLION FIVE HUNDRED THOUSAND AND NO/100 DOLLARS (\$7,500,000.00)" appearing in the first paragraph of the Note are hereby deleted and "FIVE MILLION AND NO/100 DOLLARS (\$5,000,000.00)" is substituted therefor.

(iii) The definition of "Maturity Date" is hereby amended by deleting the reference to "February 15, 2010" and substituting "August 15, 2011" therefor."

(iv) Upon the effective date hereof, Lender shall be authorized to endorse on the Note the following legend or a legend of similar effect:

"The Maturity Date set forth in this Note has been extended until August 15, 2011, pursuant to that certain First Extension and Modification Agreement dated as of February 15, 2010, amending, among other things, the Loan Agreement referred to in this Note."

(b) The Loan Agreement. The Loan Agreement is modified as follows:

(i) The figure "\$7,500,000.00" in the second paragraph of Section 1 of the Loan Agreement is hereby deleting and the figure "\$5,000,000.00" is substituted therefor.

(ii) Section 5(d), Unused Fees, is hereby amended by deleting the figure "\$7,500,000" and substituting "\$5,000,000" therefor.

Section 8, Financial Covenants, is hereby amended in its entirety to read as follows:

"Until (i) the Note and all other obligations and liabilities of Borrower under this Loan Agreement and the other Loan Documents are fully paid and satisfied, and (ii) the Lender has no further commitment to lend hereunder:

Minimum Net Asset Value. Borrower will maintain, at all times, a Net Asset Value of not less than \$40,000,000.

Ratio of Total Liabilities to Net Asset Value. Borrower will maintain, at all times, a ratio of (a) total liabilities as reflected on the Borrower's balance sheet in accordance with generally accepted accounting principles to (b) Net Asset Value of not greater than 1.1 to 1.0.

As used herein, the term “Net Asset Value” means, as of any date, Borrower’s total assets less Borrower’s total liabilities, which, in each case would be required to be reflected on a balance sheet of Borrower in accordance with generally accepted accounting principles, except any of the foregoing that are Excluded Assets (as defined in the Pledge and Security Agreement).”

(iii) Section 7(i) of the Loan Agreement is amended to read in its entirety as follows:

“Dividends and Distributions. Make or declare any dividend or distribution to Borrower’s shareholders if an Event of Default exists, is continuing or will be created by such payments or use any proceeds of any Loan to pay or fund any contractual dividends at any time.”

(iv) Section 9, Reporting Requirements, is hereby amended by adding the following subparagraph (g):

“(g) Financial Reports. Borrower shall provide, or cause to be provided, to Lender the following financial reports:

<u>Requirement</u>	<u>Certified By</u>	<u>Frequency</u>	<u>Due Date</u>
Borrower’s operating statement	Representative of Borrower approved by Lender	Quarterly	45 days after end of each calendar quarter
Borrower’s balance sheet and operating statement	Independent public accountant approved by Lender	Annually	90 days following end of each calendar year

Said statements will be prepared in accordance with generally accepted accounting principles in scope and detail satisfactory to Lender. If, and as often as, reasonably requested by Lender, Borrower shall make further reports of operations in such form as Lender prescribes, setting out full data requested by Lender.

\*\*All financial statements delivered to Lender prior to the date hereof and all financial statements delivered hereunder shall be prepared, and all financial covenants contained herein shall be calculated, without giving effect to any election under Statement of Financial Accounting Standards 159 (or any similar accounting principle) permitting a Person to value its financial liabilities at the fair value thereof.”

(v) Exhibit A to the Loan Agreement is hereby amended to conform to the amendments set forth in Section 4(a) of this Agreement.

(vi) Exhibit B, Form of Borrowing Notice, Section 4, is hereby amended by deleting the figure “\$7,500,000” and substituting “\$5,000,000” therefor.

(vii) Exhibit C, Schedule 1 to the Compliance Certificate is amended to read as follows:

“For the Quarter ended \_\_\_\_\_ (“*Statement Date*”)

**SCHEDULE 1**  
to the Compliance Certificate

**I. *Minimum Net Asset Value***

A. Net Asset Value as of Statement Date	\$ _____
B. Required Net Asset Value	\$40,000,000
C. Is Line I.B. equal to or greater than Line I.A.	Yes/No

**II. *Ratio of Total Liabilities to Net Asset Value***

A. Total liabilities outstanding on Statement Date	\$ _____
B. Total assets outstanding on Statement Date	\$ _____
C. Net Asset Value (B minus A)	\$ _____
D. Ratio of Total liabilities to Net Asset Value (A to C)	_____ to 1.0
E. Is Ratio of total liabilities to Net Asset Value not greater than 1.1 to 1.0?	Yes/No

**II. *Key Financial Measures as of Statement Date***

A. Funded Total Debt	\$ _____
B. Funded Senior Debt	\$ _____
C. Aggregate Trailing 12-month EBITDA	
D. Trailing 12-month EBITDA for each investment listed in the Investment History and Valuation Report accompanying the Borrowing Base Report delivered contemporaneously with this No Default and Covenant Compliance Certificate	\$ _____

(viii) Exhibit D, Form of Borrowing Base Report, Section I, is hereby amended by deleting the figure “\$7,500,000” and substituting “\$5,000,000” therefor.

5. *Due Diligence*. Contemporaneously with the closing of the modification of the Loan, Borrower will:

- (a) provide to Lender certificates of good standing and existence for the Borrower from the jurisdiction of its organization;
- (b) pay \$12,500 modification fee; and

(c) pay of all other fees, including legal expenses.

6. Loan Decrease. To evidence reduction of Lender's commitment under the Loan, upon effective of this Agreement, any reference to Lender's commitment under the Loan or the Note, as set forth in the Loan Agreement and in all of the other Loan Documents, shall be a reference to the Loan in the amount of \$5,000,000. Notwithstanding anything to the contrary contained in the Loan Agreement, nothing herein shall be deemed to diminish Borrower's right to request and receive Advances under the Note so long as the total amount outstanding thereunder does not exceed \$5,000,000. Except as expressly provided otherwise herein, any such Advance shall be subject to all requirements and limitations on Advances set forth in the Loan Agreement.

7. Representations. Borrower represents and warrants to Lender that (a) Borrower is duly authorized to enter into this Agreement, (b) the representations and warranties contained within the Loan Documents are true and correct as of the date hereof, (c) no condition or event has occurred and is continuing which after notice and/or the lapse of time would constitute an Event of Default under the Loan Documents, (d) Borrower's organizational and governing entity documents have not been modified or amended since the closing of the Loan and (e) Borrower's resolutions attached to the Borrower's Secretary's Certificate dated August 13, 2008 remain in full force and effect and have not been modified or rescinded.

8. Other Documents. Borrower, upon request from Lender, each agree to execute such other and further documents as may be reasonably necessary or appropriate to consummate the transactions contemplated herein or to perfect the liens and security interests intended to secure the payment of the Loan.

9. Loan Document. This Agreement is included within the definition of "Loan Documents" in the Loan Documents.

10. Ratification. Except as specifically provided herein, the terms and provisions of the Loan Documents shall remain unchanged and shall remain in full force and effect. The Loan Documents as modified and amended hereby are ratified and confirmed in all respects. All liens, security interests and assignments granted or created by or existing under the Loan Documents remain unchanged and continue, unabated, in full force and effect, to secure Borrower's obligation to repay the Loan. Borrower acknowledges that there are no offsets, claims or defenses to its obligations under the Loan Documents.

11. Validity. Borrower acknowledges that the liens, security interests and assignments created and evidenced by the Security Instrument and the assignments created by the Assignment are valid and subsisting and further acknowledges and agrees that there are no offsets, claims or defenses to its obligations under the Loan Documents.

12. Past Acceptance. Lender acknowledges that Lender and its agents in the past may have accepted, without exercising the remedies to which Lender was entitled, payments and performance by Borrower that constituted Events of Default under the Loan Documents. Borrower acknowledges that no such acceptance or grace granted by Lender or its agents in the past, or Lender's agreement to the modifications evidenced hereby, has in any manner diminished Lender's right in the future to insist that Borrower strictly comply with the terms of

the Loan Documents, as modified by the terms hereof. Furthermore, Borrower specifically acknowledges that any future grace or forgiveness of Events of Default shall not constitute a waiver or diminishment of any right of Lender with respect to any future Event of Default of Borrower, whether or not similar to any Event of Default with respect to which Lender has in the past chosen, or may in the future choose, not to exercise all of the rights and remedies granted to it under the Loan Documents.

13. *No Modification.* This Agreement supersedes and merges all prior and contemporaneous promises and agreements. No modification of this Agreement or any other Loan Document, or any waiver of rights under any of the foregoing, shall be effective unless made by supplemental agreement, in writing, executed by Lender and Borrower. Lender and Borrower further agree that this Agreement may not in any way be explained or supplemented by a prior, existing or future course of dealings between the parties or by any prior, existing, or future performance between the parties pursuant to this Agreement or otherwise.

14. *Reference to and Effect on the Loan Documents.*

(a) Upon the effectiveness of Section 4 hereof, on and after the date hereof, each reference in the Loan Agreement to this Agreement, hereunder, hereof, herein or words of like import, and each reference in the Loan Documents shall mean and be a reference to the Loan Agreement, the Note and the Security Agreement, as amended hereby.

(b) Except as specifically amended above the Loan Agreement and the Note, and all other instruments securing or guaranteeing Borrower's obligations to Lender (the "Security Documents") shall remain in full force and effect and are hereby ratified and confirmed. Without limiting the generality of the foregoing, the Security Instruments and all collateral described therein do and shall continue to secure the payment of all obligations of Borrower under the Loan Agreement, the Note and the Security Agreement, as amended hereby, and under the other Security Documents.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of Lender under any of the Security Documents, nor constitute a waiver of any provision of any of the Security Documents.

15. *Waiver.* Borrower acknowledges that the execution of this Agreement by Lender is not intended nor shall it be construed as (i) an actual or implied waiver of any Event of Default under the Loan Documents or (ii) an actual or implied waiver of any condition or obligation imposed upon Borrower pursuant to the Loan Documents, except to the extent expressly set forth herein.

16. *Expenses.* Contemporaneously with the execution and delivery hereof, Borrower shall pay, or cause to be paid, all costs and expenses incident to the preparation hereof and the consummation of the transactions specified herein, including without limitation title insurance policy endorsement charges, recording fees and fees and expenses of legal counsel to Lender.

17. *Release.* Borrower releases, remises, acquits and forever discharges Lender, together with its employees, agents, representatives, consultants, attorneys, fiduciaries, servants, officers, directors, partners, predecessors, successors and assigns, subsidiary corporations, parent corporations, and related corporate divisions (all of the foregoing the “Released Parties”), from any and all actions and causes of action, judgments, executions, suits, debts, claims, counterclaims, defenses, demands, liabilities, obligations, damages and expenses of any and every character, known or unknown, direct and/or indirect, at law or in equity, of whatsoever kind or nature, whether heretofore or hereafter accruing, for or because of any matter or things done, omitted or suffered to be done by any of the Released Parties prior to and including the date hereof, and in any way directly or indirectly arising out of or in any way connected to this Agreement or the Loan Documents, or any of the transactions associated therewith, or the Property, including specifically but not limited to claims of usury, lack of consideration, fraudulent transfer and lender liability. **THE FOREGOING RELEASE INCLUDES ACTIONS AND CAUSES OF ACTION, JUDGMENTS, EXECUTIONS, SUITS, DEBTS, CLAIMS, DEMANDS, LIABILITIES, OBLIGATIONS, DAMAGES AND EXPENSES ARISING AS A RESULT OF THE NEGLIGENCE AND/OR THE STRICT LIABILITY OF ONE OR MORE OF THE RELEASED PARTIES.**

18. *Bankruptcy.* In consideration for the forbearance of Lender in exercising its remedies under the Loan Documents and in consideration for the modification of the Loan Documents as provided in this Agreement, Borrower agrees that, in the event Borrower files a petition for relief under the Federal Bankruptcy Code or any other present or future federal or state insolvency, bankruptcy or similar law (all of the foregoing hereinafter collectively called “applicable Bankruptcy Law”) or an involuntary petition for relief is filed against Borrower under any applicable Bankruptcy Law, or an order for relief naming Borrower is entered under any applicable Bankruptcy Law, or any composition, rearrangement, extension, reorganization or other relief of debtors now or hereafter existing is requested or consented to by Borrower, then Lender shall thereupon be entitled to immediate and absolute relief from any automatic stay imposed by Section 362 of the Federal Bankruptcy Code, or any other applicable Bankruptcy Law, on or against the exercise of the rights and remedies otherwise available to Lender under the Loan Documents (including but not limited to foreclosure) and/or at law or equity, and Borrower irrevocably waives its right to object to such relief from automatic stay and agrees not to oppose Lender’s motion to obtain such relief, and further agrees that this Agreement constitutes “cause” to lift the automatic stay pursuant to Section 362(d) of the Federal Bankruptcy Code.

19. *Counterparts.* This Agreement may be executed in any number of counterparts with the same effect as if all parties hereto had signed the same document. All such counterparts shall be construed together and shall constitute one instrument, but in making proof hereof it shall only be necessary to produce one such counterpart.

20. *Severability.* If any covenant, condition, or provision herein contained is held to be invalid by final judgment of any court of competent jurisdiction, the invalidity of such covenant, condition, or provision shall not in any way affect any other covenant, condition or provision herein contained.

21. *Time is of the Essence.* It is expressly agreed by the parties hereto that time is of the essence with respect to this Agreement.

22. *Construction.* The parties acknowledge and confirm that each of their respective attorneys have participated jointly in the review and revision of this Agreement and that it has not been written solely by counsel for one party. The parties hereto therefore stipulate and agree that the rule of construction to the effect that any ambiguities are to or may be resolved against the drafting party shall not be employed in the interpretation of this Agreement to favor either party against the other.

23. *Applicable Law.* This Agreement and the rights and duties of the parties hereunder shall be governed for all purposes by the law of the State of Texas and the law of the United States applicable to transactions within said State.

24. *Successors.* The terms and provisions hereof shall be binding upon and inure to the benefit of the parties hereto, their successors and assigns.

25. *Dispute Resolution.* This section replaces all agreements to arbitrate claims and jury waiver provisions within the Loan Documents and contains a jury waiver, arbitration clause, and a class action waiver. READ IT CAREFULLY.

**(a) JURY TRIAL WAIVER. AS PERMITTED BY APPLICABLE LAW, EACH PARTY WAIVES THEIR RESPECTIVE RIGHTS TO A TRIAL BEFORE A JURY IN CONNECTION WITH ANY DISPUTE (AS HEREINAFTER DEFINED), AND DISPUTES SHALL BE RESOLVED BY A JUDGE SITTING WITHOUT A JURY. IF A COURT DETERMINES THAT THIS PROVISION IS NOT ENFORCEABLE FOR ANY REASON AND AT ANY TIME PRIOR TO TRIAL OF THE DISPUTE, BUT NOT LATER THAN 30 DAYS AFTER ENTRY OF THE ORDER DETERMINING THIS PROVISION IS UNENFORCEABLE, ANY PARTY SHALL BE ENTITLED TO MOVE THE COURT FOR AN ORDER COMPELLING ARBITRATION AND STAYING OR DISMISSING SUCH LITIGATION PENDING ARBITRATION (“ARBITRATION ORDER”).**

(b) *Arbitration.*

(i) If a claim, dispute, or controversy arises between us with respect to this Agreement, related agreements, or any other agreement or business relationship between any of us whether or not related to the subject matter of this Agreement (all of the foregoing, a “*Dispute*”), and only if a jury trial waiver is not permitted by applicable law or ruling by a court, any of us may require that the *Dispute* be resolved by binding arbitration before a single arbitrator at the request of any party. By agreeing to arbitrate a *Dispute*, each party gives up any right that party may have to a jury trial, as well as other rights that party would have in court that are not available or are more limited in arbitration, such as the rights to discovery and to appeal.

(ii) Arbitration shall be commenced by filing a petition with, and in accordance with the applicable arbitration rules of, JAMS or National Arbitration Forum (“Administrator”) as selected by the initiating party. If the parties agree, arbitration may be commenced by appointment of a licensed attorney who is selected by the parties and who agrees to conduct the arbitration without an Administrator. Disputes include matters (A) relating to a deposit account, application for or denial of credit, enforcement of any of the obligations we have to each other, compliance with applicable laws and/or regulations, performance or services provided under any agreement by any party, (B) based on or arising from an alleged tort, or (C) involving either of our employees, agents, affiliates, or assigns of a party. However, Disputes do not include the validity, enforceability, meaning, or scope of this arbitration provision and such matters may be determined only by a court. If a third party is a party to a Dispute, we each will consent to including the third party in the arbitration proceeding for resolving the Dispute with the third party. Venue for the arbitration proceeding shall be at a location determined by mutual agreement of the parties or, if no agreement, in the city and state where lender or bank is headquartered.

(iii) After entry of an Arbitration Order, the non-moving party shall commence arbitration. The moving party shall, at its discretion, also be entitled to commence arbitration but is under no obligation to do so, and the moving party shall not in any way be adversely prejudiced by electing not to commence arbitration. The arbitrator: (A) will hear and rule on appropriate dispositive motions for judgment on the pleadings, for failure to state a claim, or for full or partial summary judgment; (B) will render a decision and any award applying applicable law; (C) will give effect to any limitations period in determining any Dispute or defense; (D) shall enforce the doctrines of compulsory counterclaim, res judicata, and collateral estoppel, if applicable; (E) with regard to motions and the arbitration hearing, shall apply rules of evidence governing civil cases; and (F) will apply the law of the state specified in the agreement giving rise to the Dispute. Filing of a petition for arbitration shall not prevent any party from (G) seeking and obtaining from a court of competent jurisdiction (notwithstanding ongoing arbitration) provisional or ancillary remedies including but not limited to injunctive relief, property preservation orders, foreclosure, eviction, attachment, replevin, garnishment, and/or the appointment of a receiver, (H) pursuing non-judicial foreclosure, or (I) availing itself of any self-help remedies such as setoff and repossession. The exercise of such rights shall not constitute a waiver of the right to submit any Dispute to arbitration.

(iv) Judgment upon an arbitration award may be entered in any court having jurisdiction except that, if the arbitration award exceeds \$4,000,000, any party shall be entitled to a de novo appeal of the award before a panel of three arbitrators. To allow for such appeal, if the award (including Administrator, arbitrator, and attorney’s fees and costs) exceeds \$4,000,000, the arbitrator will issue a written, reasoned decision supporting the award, including a statement of authority and its application to the Dispute. A request for de novo appeal must be filed with the arbitrator within 30 days following the date of the arbitration award;

if such a request is not made within that time period, the arbitration decision shall become final and binding. On appeal, the arbitrators shall review the award de novo, meaning that they shall reach their own findings of fact and conclusions of law rather than deferring in any manner to the original arbitrator. Appeal of an arbitration award shall be pursuant to the rules of the Administrator or, if the Administrator has no such rules, then the JAMS arbitration appellate rules shall apply.

(v) Arbitration under this provision concerns a transaction involving interstate commerce and shall be governed by the Federal Arbitration Act, 9 U.S.C. § 1 et seq. This arbitration provision shall survive any termination, amendment, or expiration of this Agreement. If the terms of this provision vary from the Administrator's rules, this arbitration provision shall control.

**(c) CLASS ACTION WAIVER. EACH PARTY WAIVES THE RIGHT TO LITIGATE IN COURT OR ARBITRATE ANY CLAIM OR DISPUTE AS A CLASS ACTION, EITHER AS A MEMBER OF A CLASS OR AS A REPRESENTATIVE, OR TO ACT AS A PRIVATE ATTORNEY GENERAL.**

(d) Reliance. Each party (i) certifies that no one has represented to such party that the other party would not seek to enforce jury and class action waivers in the event of suit, and (ii) acknowledges that it and the other party have been induced to enter into this Agreement by, among other things, the mutual waivers, agreements, and certifications in this section.

26. Notice and Agreement. Borrower and Lender take notice of and agree to the following:

(a) PURSUANT TO SUBSECTION 26.02(b) OF THE TEXAS BUSINESS AND COMMERCE CODE, A LOAN AGREEMENT IN WHICH THE AMOUNT INVOLVED THEREIN EXCEEDS \$50,000 IN VALUE IS NOT ENFORCEABLE UNLESS THE AGREEMENT IS IN WRITING AND SIGNED BY THE PARTY TO BE BOUND OR BY THAT PARTY'S AUTHORIZED REPRESENTATIVE.

(b) PURSUANT TO SUBSECTION 26.02(c) OF THE TEXAS BUSINESS AND COMMERCE CODE, THE RIGHTS AND OBLIGATIONS OF THE PARTIES TO THE LOAN DOCUMENTS SHALL BE DETERMINED SOLELY FROM THE LOAN DOCUMENTS, AND ANY PRIOR ORAL AGREEMENTS BETWEEN THE PARTIES ARE SUPERSEDED BY AND MERGED INTO THE LOAN DOCUMENTS.

(c) THE LOAN DOCUMENTS AND THIS AGREEMENT REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES THERETO AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES THERETO. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

[END OF TEXT—SIGNATURE BLOCKS ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the undersigned have executed this Agreement to be effective as of the date first set forth above.

BORROWER:

EQUUS TOTAL RETURN, INC.,  
A Delaware corporation

By: /s/ L'Sheryl Hudson,  
L'Sheryl Hudson,  
Chief Financial Officer

LENDER:

AMEGY BANK NATIONAL ASSOCIATION,  
a national banking association

By: /s/ Timothy Zawinsky  
Name: Timothy Zawinsky  
Title: Assistant Vice President

Signature Page

**Form of Quarterly Certification Required  
by Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934**

I, Jay Brown, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Equus Total Return, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation;
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's first fiscal quarter in the case of a quarterly report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting, and;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

Date: May 14, 2010

\_\_\_\_\_  
/s/ Jay Brown  
**Jay Brown**  
**Chief Investment Officer**

**Form of Quarterly Certification Required  
by Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934**

I, L'Sheryl D. Hudson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Equus Total Return, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation;
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's first fiscal quarter in the case of a quarterly report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting, and;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

Date: May 14, 2010

/s/ L'Sheryl D. Hudson

**L'Sheryl D. Hudson**  
**Chief Financial Officer**



**CERTIFICATION PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002  
(18 U.S.C. SECTION 1350)**

In connection with the accompanying Quarterly Report of Equus Total Return, Inc. (the "Fund") on Form 10-Q for the quarter ended March 31, 2010 (the "Report"), I, L'Sheryl D. Hudson, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) To my knowledge, the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Fund.

Dated: May 14, 2010

/s/ L'Sheryl D. Hudson

**L'Sheryl D. Hudson**  
**Chief Financial Officer**