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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2009

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period _____ to _____

Commission File Number 0-19509

EQUUS TOTAL RETURN, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

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

77019
(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant 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 August 14, 2009. The net asset value of a share at June 30, 2009 was \$8.24.

EQUUS TOTAL RETURN, INC.
(A Delaware Corporation)

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EQUUS TOTAL RETURN, INC.
BALANCE SHEETS

	<u>June 30,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
(in thousands, except per share amounts)		
<u>Assets</u>		
Investments in portfolio securities at fair value:		
Control investments (cost at \$37,074 and \$36,808 respectively).....	\$ 36,183	\$ 37,190
Affiliate investments (cost at \$18,722 and \$18,353 respectively).....	18,365	20,974
Non-affiliate investments (cost at \$17,419 and \$16,930 respectively).....	10,624	10,872
Total investments in portfolio securities at fair value.....	65,172	69,036
Restricted cash & temporary investments, at cost which approximates fair value	41,451	45,419
Cash	98	71
Temporary cash investments, at cost which approximates fair value	6,629	8,585
Accounts receivable and other	28	8
Accrued interest and dividends receivable due from portfolio securities	1,106	944
Total assets	<u>\$ 114,484</u>	<u>\$ 124,063</u>
<u>Liabilities and net assets</u>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 94	\$ 204
Due to adviser	352	455
Borrowing under margin account.....	41,041	44,969
Total liabilities.....	<u>41,487</u>	<u>45,628</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 8,565 shares outstanding, respectively.....	9	9
Additional paid-in capital.....	85,932	85,966
Undistributed net investment losses	(4,901)	(4,485)
Unrealized depreciation of portfolio securities, net.....	(8,043)	(3,055)
Total net assets.....	<u>\$ 72,997</u>	<u>\$ 78,435</u>
Net assets per share.....	<u>\$ 8.24</u>	<u>\$ 9.16</u>

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

EQUUS TOTAL RETURN, INC.
STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED JUNE 30, 2009 AND 2008
(Unaudited)

(in thousands, except per share amounts)	2009	2008
Investment income:		
Interest and dividend income from portfolio securities:		
Control investments	\$ 241	\$ (49)
Affiliate investments	(1)	214
Non-affiliate investments	461	441
Total interest and dividend income.....	701	606
Interest from temporary cash investments	14	141
Total investment income	715	747
Expenses:		
Management fee	352	519
Incentive fee	—	93
Professional fees	293	214
Administrative fees.....	113	113
Director fees and expenses	140	143
Mailing, printing and other expenses.....	72	148
Interest expense	11	11
Taxes.....	23	10
Total expenses.....	1,004	1,251
Net investment loss	(289)	(504)
Net realized gain (loss) on portfolio securities:		
Control investments	—	554
Affiliate investments.....	—	—
Non-affiliate investments.....	—	—
Temporary cash investments	(8)	—
Total net realized gain (loss) on portfolio securities	(8)	554
Net unrealized appreciation (depreciation) of portfolio securities:		
End of period	(8,043)	17,129
Beginning of period.....	(1,941)	17,118
Net change in unrealized appreciation (depreciation) of portfolio securities	(6,102)	11
Net increase (decrease) in net assets resulting from operations	\$ (6,399)	\$ 61
Net increase (decrease) in net assets resulting from operations per share:		
Basic and diluted	\$ (0.72)	\$ 0.01
Weighted average shares outstanding, in thousands		
Basic and diluted.....	8,862	8,497

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

EQUUS TOTAL RETURN, INC.
STATEMENTS OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008
(Unaudited)

(in thousands, except per share amounts)	2009	2008
Investment income:		
Interest and dividend income from portfolio securities:		
Control investments	\$ 552	\$ 384
Affiliate investments	24	461
Non-affiliate investments	1,009	844
Total interest and dividend income.....	1,585	1,689
Interest from temporary cash investments	35	392
Total investment income	1,620	2,081
Expenses:		
Management fee	714	1,022
Incentive fee	—	110
Professional fees	639	387
Administrative fees.....	226	225
Director fees and expenses	245	234
Mailing, printing and other expenses.....	160	171
Interest expense	22	16
Taxes.....	30	10
Total expenses.....	2,036	2,175
Net investment loss	(416)	(94)
Net realized gain (loss) on portfolio securities:		
Control investments	—	627
Affiliate investments.....	—	351
Non-affiliate investments.....	—	—
Temporary cash investments	(32)	—
Total net realized gain (loss) on portfolio securities	(32)	978
Net unrealized appreciation (depreciation) of portfolio securities:		
End of period	(8,043)	17,129
Beginning of period.....	(3,055)	16,818
Net change in unrealized appreciation (depreciation) of portfolio securities	(4,988)	311
Net increase (decrease) in net assets resulting from operations	\$ (5,436)	\$ 1,195
Net increase (decrease) in net assets resulting from operations per share:		
Basic and diluted	\$ (0.62)	\$ 0.14
Weighted average shares outstanding, in thousands		
Basic and diluted.....	8,717	8,450

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

EQUUS TOTAL RETURN, INC.
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008
(Unaudited)

(in thousands)	<u>2009</u>	<u>2008</u>
Increase (decrease) in net assets from operations:		
Net investment loss	\$ (416)	\$ (94)
Net realized gain (loss) on portfolio securities.....	(32)	978
Net change in unrealized appreciation (depreciation) of portfolio securities	(4,988)	311
Net increase (decrease) in net assets resulting from operations	<u>(5,436)</u>	<u>1,195</u>
Capital share transactions:		
Dividends declared.....	(921)	(2,670)
Shares issued in dividend	919	1,235
Decrease in net assets resulting from capital share transactions	<u>(2)</u>	<u>(1,435)</u>
Decrease in net assets	(5,438)	(240)
Net assets at beginning of period.....	78,435	103,216
Net assets at end of period	<u>\$ 72,997</u>	<u>\$ 102,976</u>

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

EQUUS TOTAL RETURN, INC.
STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008
(Unaudited)

(in thousands)	<u>2009</u>	<u>2008</u>
Reconciliation of increase (decrease) in net assets resulting from operations to net cash provided by (used in) operating activities:		
Net increase (decrease) in net assets resulting from operations	\$ (5,436)	\$ 1,195
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	32	(978)
Net change in unrealized (appreciation) depreciation of portfolio securities	4,988	(311)
Amortization of original issue discount and origination fees	—	23
Changes in operating assets and liabilities:		
Purchase of portfolio securities	(720)	(13,681)
Proceeds from dispositions of securities	142	3,915
Sales (purchases) of restricted temporary cash investments.....	3,936	(21,213)
(Increase) decrease in accounts receivable and other	(20)	99
Increase in accrued interest receivable due from portfolio securities.....	(708)	(634)
Decrease in accrued escrowed receivables.....	—	262
Decrease in accounts payable and accrued liabilities	(110)	(69)
Decrease in due to adviser.....	(103)	(773)
Net cash provided by (used in) operating activities	<u>2,001</u>	<u>(32,165)</u>
Cash flows from financing activities:		
Borrowings under margin account	83,040	85,998
Repayments under margin account	(86,968)	(64,995)
Dividends paid	(2)	(1,435)
Net cash provided by (used in) financing activities	<u>(3,930)</u>	<u>19,568</u>
Net decrease in cash and cash equivalents.....	(1,929)	(12,597)
Cash and cash equivalents at beginning of period	<u>8,656</u>	<u>30,940</u>
Cash and cash equivalents at end of period	<u>\$ 6,727</u>	<u>\$ 18,343</u>
Non-cash financing activities:		
Shares issued in lieu of cash dividend.....	\$ 919	\$ 1,235
Accrued interest or dividends exchanged for portfolio securities	\$ 546	\$ 295
Supplemental disclosure of cash flow information:		
Interest paid.....	\$ 41	\$ 11
Income taxes paid.....	\$ 17	\$ 10

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 SIX MONTHS ENDED JUNE 30, 2009 AND 2008
(Unaudited)

	<u>2009</u>	<u>2008</u>
Investment income.....	\$ 0.19	\$ 0.25
Expenses.....	(0.23)	(0.26)
Net investment loss.....	(0.04)	(0.01)
Net realized gain (loss) on portfolio securities	(0.00)	0.12
Net change in unrealized appreciation (depreciation) of portfolio securities	(0.57)	0.03
Net increase (decrease) in net assets resulting from operations.....	(0.61)	0.14
Capital share transactions:		
Dividend declared	(0.11)	(0.32)
Dilutive effect of shares issued in common stock dividend	(0.20)	(0.11)
Decrease in net assets resulting from capital transactions	(0.31)	(0.43)
Net decrease in net assets	(0.92)	(0.29)
Net assets at beginning of period.....	9.16	12.29
Net assets at end of period, basic and diluted	<u>\$ 8.24</u>	<u>\$ 12.00</u>
Weighted average number of shares outstanding during period, in thousands.....	8,717	8,450
Market value per share at end of period	\$ 3.23	\$ 7.01
Ratio of expenses to average net assets	2.69%	2.11%
Ratio of net investment loss to average net assets	(0.55)%	(0.09)%
Ratio of net increase (decrease) in net assets resulting from operations to average net assets	(7.18)%	1.16%
Total return on market price*	(22.33)%	16.10%

* Adjusted for dividends and can be calculated as the June 30, 2009 market value plus year-to-date dividends declared less the December 31, 2008 market value, divided by the December 31, 2008 market value.

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

EQUUS TOTAL RETURN, INC.
SCHEDULE OF PORTFOLIO SECURITIES
June 30, 2009
(Unaudited)

Name and Location of Portfolio Company	Industry	Date of Initial Investment	Investment	Principal	Cost of Investment	Fair Value(3)
<i>(amounts in thousands)</i>						
Control investments: Majority-owned (6):						
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		65	—
				\$ 9,910	9,910	7,870
Sovereign Business Forms, Inc. Houston, TX	Business products and services	August 1996	1,214,630 shares of common stock 12% promissory notes(1)		5,080	3,640
				3,250	3,250	3,250
Spectrum Management, LLC Carrollton, TX	Business products and services	December 1999	285,000 units of Class A member interest 16% subordinated promissory note(1)		2,850	5,883
				1,690	1,690	1,690
Total Control investments: Majority-owned (represents 41.9% of total investments at fair value)					\$ 27,845	\$ 27,333
Control Investments: Non-majority owned(5):						
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) Member interest (100%) in CCI-ANI Finance, LLC Member interest (67.95%) in JL Madre, LLC	\$ 3,666	\$ 1,370	\$ 1,019
					3,666	3,666
					2,696	3,069
					723	787
HealthSPAC, LLC El Segundo, CA	Healthcare	December 2006	Member interest (40%) 12% promissory note		40	—
				734	734	309
Total Control Investments: Non-majority Owned (represents 13.6% of total investments at fair value)					\$ 9,229	\$ 8,850
Total Control Investments: (represents 55.5% of total investments at fair value)					\$ 37,074	\$ 36,183
Affiliate Investments(4):						
Infinia Corporation Kennewick, WA	Alternative energy	June 2007	666,667 Class A shares preferred stock 160,720 Class B shares preferred stock Option to purchase 16,000 shares of common stock at \$6.35 per share through December 19, 2012		\$ 3,000	\$ 12,276
					5,000	5,000
					—	264
Nickent Golf, Inc. City of Industry, CA	Entertainment and leisure	June 2007	13% promissory note 8% promissory note 3,000,000 shares Class A convertible preferred stock Warrants to buy 15,000 shares of common stock at \$1 per share through March 17, 2013 Warrants to buy 600,815 shares of common stock at \$1.00 per share through August 16, 2010, warrant terms subject to change	\$ 6,750	\$ 6,750	200
				50	50	50
					3,000	—
					—	—
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%)		572	575
Total Affiliate Investments (represents 28.2% of total investments at fair value)					\$ 18,722	\$ 18,365

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

EQUUS TOTAL RETURN, INC.
SCHEDULE OF PORTFOLIO SECURITIES – (Continued)
June 30, 2009
(Unaudited)

Name and Location of Portfolio Company	Industry	Date of Initial Investment	Investment	Principal	Cost of Investment	Fair Value(3)
<i>(amounts in thousands)</i>						
Non-Affiliate Investments (less than 5% owned):						
1848 Capital Partners LLC Miami, FL	Entertainment and leisure	January 2008	18% promissory note(1)(2)	\$ 3,447	\$ 3,447	\$ 3,447
Big Apple Entertainment Partners LLC New York, NY	Entertainment and leisure	October 2007	18% promissory note(1)(2)	3,076	3,076	3,076
Creekstone Florida Holdings, LLC Houston, TX	Real estate	December 2005	17-19.8% subordinated promissory note	4,000	4,000	—
London Bridge Entertainment Partners Ltd London UK	Entertainment and leisure	August 2008	18% promissory note(1)(2)	2,601	2,601	2,601
Metic Group, PLC London, UK	Commercial building products	August 2008	1,830,660 shares common stock		1,000	—
The Bradshaw Group Richardson, TX	Business products and services	May 2000	576,828 Class B Shares 38,750 Class C shares preferred stock 788,649 Class D shares 2,218,109 Class E shares Warrant to buy 2,229,450 shares of common stock through May 2016		1,795 — — — —	— — — — —
Trulite, Inc. Houston, TX	Alternative energy	August 2008	15% promissory note(1) Warrant to buy 3,947,368 shares of common stock through July 2013	1,500	1,500 —	1,500 —
Total Non-Affiliate Investments (represents 16.3% of total investments at fair value)					\$ 17,419	\$ 10,624
Total Investments					\$ 73,215	\$ 65,172

- (1) Income-producing. All other securities are considered non-income producing.
- (2) Income on these securities is paid-in-kind by the issuance of additional securities or through accretion of original issue discount.
- (3) See "Business—Valuation."
- (4) 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.
- (5) 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.
- (6) 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.

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

EQUUS TOTAL RETURN, INC.
SCHEDULE OF PORTFOLIO SECURITIES – (Continued)
June 30, 2009
(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 85.4% of the total value of the investments in portfolio securities as of June 30, 2009.

The Fund's investments in portfolio securities consist of the following types of securities as of June 30, 2009 (in thousands):

Type of Securities	Cost	Fair Value	Fair Value as Percentage of Net Assets
Secured and subordinated debt.....	\$ 40,674	\$ 27,659	37.9%
Preferred stock	12,795	17,276	23.6%
Limited liability company investments	11,945	15,314	21.0%
Common stock	7,801	4,659	6.4%
Options and warrants.....	—	264	0.4%
Total.....	\$ 73,215	\$ 65,172	89.3%

Four notes receivable included in secured and subordinated debt with an estimated fair value of \$12.8 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 on notes aggregating \$6.5 million in fair value, while no cash payments are being received on notes aggregating \$8.4 million in fair value.

The following is a summary by industry of the Fund's investments in portfolio securities as of June 30, 2009 (in thousands):

Industry	Fair Value	Fair Value as Percentage of Net Assets
Alternative energy	\$ 19,040	26.1%
Entertainment and leisure	17,244	23.6%
Business products and services	14,463	19.8%
Shipping products and services	8,541	11.7%
Media	5,000	6.9%
Healthcare	884	1.2%
Total	\$ 65,172	89.3%

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

EQUUS TOTAL RETURN, INC.
SCHEDULE OF PORTFOLIO SECURITIES
DECEMBER 31, 2008

Name and Location of Portfolio Company	Industry	Date of Initial Investment	Investment	Principal	Cost of Investment	Fair Value(3)
<i>(amounts in thousands)</i>						
Control investments: Majority-owned(6):						
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	\$ 9,560	65 9,560	— 7,437
Sovereign Business Forms, Inc.(7) Houston, TX	Business products and services	August 1996	1,214,630 shares of common stock(1) 12% promissory notes(1)	3,250	5,080 3,250	4,800 3,250
Spectrum Management, LLC Carrollton, TX	Business products and services	December 1999	285,000 units of Class A member interest 16% subordinated promissory note(1)	1,690	2,850 1,690	6,419 1,690
Total Control investments: Majority-owned (represents 41.4% of total investments at fair value)					\$ 27,495	\$ 28,596
Control Investments: Non-majority owned(5):						
ConGlobal Industries Holding, Inc. San Ramon, CA	Shipping products and services	February 1997	24,397,303 shares of common stock 7% promissory note Member interest in (100%) CCI-ANI Finance, LLC Member interest (66.7%) in JL Madre, LLC(1)	3,570	\$ 1,370 3,570 2,734 865	\$ 790 3,570 2,989 936
HealthSPAC, LLC El Segundo, CA	Healthcare	December 2006	Member interest (40%) 12% promissory note	734	40 734	40 269
Total Control Investments: Non-majority Owned (represents 12.5% of total investments at fair value)					\$ 9,313	\$ 8,594
Total Control Investments: (represents 53.9% of total investments at fair value)					\$ 36,808	\$ 37,190
Affiliate Investments(4):						
Infinia Corporation Kennewick, WA	Alternative energy	June 2007	666,667 Class A shares preferred stock 160,720 Class B shares preferred stock Option to purchase 16,000 shares of common stock at \$6.35 per share through December 19, 2012	\$ 3,000	3,000 5,000 —	\$ 14,973 5,000 336
Nickent Golf, Inc. City of Industry, CA	Entertainment and leisure	June 2007	13% promissory note 3,000,000 shares Class A Convertible preferred stock Warrants to buy 15,000 shares of common stock at \$1 per share through March 17, 2013 Warrants to buy 600,815 shares of common stock at \$1.00 per share through August 16, 2010, warrant terms subject to change	\$ 6,430	6,430 3,000 — —	180 — — —
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	485
Total Affiliate Investments (represents 30.4% of total investments at fair value)					\$ 18,353	\$ 20,974

EQUUS TOTAL RETURN, INC.
SCHEDULE OF PORTFOLIO SECURITIES
DECEMBER 31, 2008 – (Continued)

Name and Location of Portfolio Company	Industry	Date of Initial Investment	Investment	Principal	Cost of Investment	Fair Value(3)
<i>(amounts in thousands)</i>						
Non-Affiliate Investments (less than 5% owned):						
1848 Capital Partners LLC Miami, FL	Entertainment and leisure	January 2008	18% promissory note(1)(2)	\$ 3,135	\$ 3,135	\$ 3,135
Big Apple Entertainment Partners LLC New York, NY	Entertainment and leisure	October 2007	18% promissory note(1)	3,000	3,000	3,000
Creekstone Florida Holdings, LLC Houston, TX	Real estate	December 2005	17-19.8% subordinated promissory note	4,000	4,000	—
London Bridge Entertainment Partners Ltd New York, NY	Entertainment and leisure	August 2008	18% promissory note(1)	2,500	2,500	2,500
Metic Group, PLC London, UK	Commercial building products	August 2008	1,830,660 shares common of stock(2)	—	1,000	737
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	—
Trulite, Inc. Houston, TX	Alternative energy	August 2008	15% promissory note(1) Warrant to buy 3,947,368 shares of common stock through July 2013	1,500	1,500	1,500
Total Non-Affiliate Investments (represents 15.7% of total investments at fair value)					\$ 16,930	\$ 10,872
Total Investments					\$ 72,091	\$ 69,036

- (1) Income-producing. All other securities are considered non-income producing.
- (2) Income on these securities is paid-in-kind by the issuance of additional securities or through accretion of original issue discount.
- (3) See "Business—Valuation."
- (4) 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.
- (5) 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.
- (6) 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.
- (7) In May 2008, Sovereign restructured its ownership and debt. As a result, the Fund's ownership interest increased to majority-owned control investment.

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

EQUUS TOTAL RETURN, INC.
SCHEDULE OF PORTFOLIO SECURITIES – (Continued)
DECEMBER 31, 2008

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 86.4% of the total value of the investments in portfolio securities as of December 31, 2008.

The Fund's investments in portfolio securities consist of the following types of securities at December 31, 2008 (in thousands):

Type of Securities	Cost	Fair Value	Fair Value as Percentage of Net Assets
Secured and subordinated debt.....	\$ 39,369	\$ 26,531	33.8%
Preferred stock	12,795	19,973	25.5%
Limited liability company investments	12,127	15,869	20.2%
Common stock	7,800	6,327	8.1%
Options and warrants.....	—	336	0.4%
Total.....	<u>\$ 72,091</u>	<u>\$ 69,036</u>	<u>88.0%</u>

Two notes receivable included in secured and subordinated debt with an estimated fair value of \$3.1 million provide that all or a portion interest is paid-in-kind or the original issue discount is accreted over the life of the notes, by adding such amount to the principal of the notes. For the remainder of secured and subordinated debt, cash payments of interest are currently being received on notes aggregating \$12.1 million in fair value, while no cash payments are being received for notes totaling \$11.3 million.

The following is a summary by industry of the Fund's investments as of December 31, 2008 (in thousands):

Industry	Fair Value	Fair Value as Percentage of Net Assets
Alternative energy	\$ 21,809	27.8%
Entertainment and leisure	16,252	20.7%
Business products and services.....	16,159	20.6%
Shipping products and services	8,285	10.6%
Media.....	5,000	6.4%
Healthcare.....	794	1.0%
Commercial building products	737	0.9%
Total.....	<u>\$ 69,036</u>	<u>88.0%</u>

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

EQUUS TOTAL RETURN, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 AND 2008
(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 new 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 internally. The Fund may also invest in recapitalizations of existing businesses or special situations from time to time. The Fund’s investments in portfolio companies consist principally of equity securities such as common and preferred stock, but also include other equity-oriented securities such as debt convertible into common or preferred stock or debt combined with warrants, options or other rights to acquire common or preferred stock. 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”). Following shareholder approval on June 30, 2005, the Fund entered into an 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.

The Fund has decided to further the total return investment objective, with authorization from the Board of Directors (which includes all of the Fund’s independent directors) and approval of a majority of the shareholders, by amending the Fund’s Restated Certificate of Incorporation to change the name of the Fund from “Equus II Incorporated” to “Equus Total Return, Inc.” This proposal was approved by a majority of the shareholders on August 11, 2006.

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 and six months ended June 30, 2009 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, 2008, as filed with the SEC. Certain prior period information has been reclassified to conform to current period 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 June 30, 2010.

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. If necessary to meet the Fund’s investment commitment of \$3.2 million, the Fund has a secured \$7.5 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 capital commitments through the next twelve months.

On June 12, 2009, the Fund and its Board of Directors announced plans to “internalize” Fund management. The Fund now directly employs its management team and incurs the costs and expenses associated with Fund operations. In pursuing the course of internalized management, the Board, among other things, seeks to enhance the Fund’s liquidity position, achieve a lower operational cost structure.

Cash and Temporary Investments—As of June 30, 2009, the Fund had cash and temporary cash investments of \$6.7 million. The Fund had \$65.2 million of its net assets of \$73.0 million invested in portfolio securities. Restricted assets totaled \$41.4 million, of which \$41.0 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 \$0.4 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 July 1, 2009.

As of December 31, 2008, the Fund had cash and temporary cash investments of \$8.7 million. The Fund had \$69.0 million of its net assets of \$78.4 million invested in portfolio securities. Restricted assets totaled \$45.4 million, of which \$45.0 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 \$0.4 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 2, 2009.

Dividends—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. 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.

On February 27, 2009, the Fund announced the declaration of a first quarter dividend of \$0.1075 per share in accordance with the Fund’s revised managed distribution policy, pursuant to which it intends to pay quarterly dividends at an annualized rate equal to 10% of the Fund’s market value based on the 2008 year-end closing price of \$4.30. A dividend in the amount of \$0.9 million was payable on March 30, 2009 to shareholders of record as of March 9, 2009. 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. The classification of this dividend as between ordinary income, capital gain and return of capital will not be known until December 31, 2009, since any purchase or sale of a portfolio company during the remainder of the year will affect the classification.

The Fund paid a \$0.158 dividend for shareholders of record as of the close of business on February 29, 2008 on March 31, 2008. The Fund paid \$ 0.7 million in cash, and issued 95,023 additional shares of its common stock at an effective price of \$6.71 per share, in payment of such dividend.

Revolving Line of Credit Agreement—On August 13, 2008, the Fund entered into a \$7.5 million revolving line of credit agreement (the “Credit Facility”) with Amegy Bank. The Fund can borrow up to \$7.5 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 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 June 30, 2009. To date, the Fund has not borrowed any amounts under the Credit Facility.

Commitments—As of June 30, 2009, the Fund had a total commitment of \$3.2 million to HealthSPAC in the healthcare sector.

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 June 30, 2009 and December 31, 2008, 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 June 30, 2009, the Fund borrowed \$41.0 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 \$41.4 million. The U.S. Treasury bills were sold and the total amount borrowed was repaid on June 1, 2009.

As of December 31, 2008, the Fund borrowed \$45.0 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 \$45.4 million. The U.S. Treasury bills were sold on January 2, 2009 and the total amount borrowed was repaid at that time.

Certain Risks and Uncertainties—Economic conditions during 2008 and 2009 along with 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 this period, the price of our common stock fell 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 deleveraging our balance sheet, and 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 renegotiation of our debt agreements. Although there can be no assurances that such initiatives will be sufficient, we believe we have sufficient liquidity to meet our 2009 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 Securities and Exchange Commission ("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. Fair valuations are necessarily subjective and management's estimate of values 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.

Appraisal valuations are based upon such factors as a portfolio company's earnings, cash flow and net worth, the market prices for similar securities of comparable companies, an assessment of the company's current and future financial prospects, any data from third-party valuation firms, and various other factors and assumptions. In the case of unsuccessful operations, the appraisal may be based upon liquidation value.

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 the Adviser's 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 \$65.2 million and \$69.0 million as of June 30, 2009 and December 31, 2008, 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. As of December 31, 2008, one of the Fund's portfolio securities, Metic Group plc, was publicly listed on the AIM. The securities were subsequently de-listed as of June 30, 2009. Fair values do not reflect brokers' fees or other normal selling costs which might become payable on disposition of such investments. 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 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 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.

In May 2006, the State of Texas enacted a bill that replaced the existing franchise tax with a margin tax. Effective January 1, 2007, the 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.

(4) Fair Value Measurement

The Fund follows Statement of Financial Accounting Standard (SFAS) No. 157, *Fair Value Measurements* (“SFAS 157”). SFAS 157 defines fair value, establishes a framework for measuring fair value, outlines a fair value hierarchy based on inputs used to measure fair value and enhances disclosure requirements for fair value measurements. SFAS 157 does not change existing guidance as to whether an instrument is carried at fair value. The Fund adopted SFAS 157 for the quarter ending March 31, 2008. SFAS 157 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 in accordance with SFAS 157 based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels, defined by SFAS 157 and 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.

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 June 30, 2009		
<i>(in thousands)</i>	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investments:				
Control investments	\$ 36,183	\$ —	\$ —	\$ 36,183
Affiliate investments	18,365	—	—	18,365
Non-Affiliate investments	10,624	—	—	10,624
Total assets reported at fair value	<u>\$ 65,172</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 65,172</u>

The following table provides a reconciliation of fair value changes for all investments for which we determine fair value using unobservable (Level 3) factors:

		Fair value measurements using unobservable inputs (Level 3)			
<i>(in thousands)</i>		Control Investments	Affiliate Investments	Non-affiliate Investments	Total
Fair value as of December 31, 2008	\$	37,190	20,974	10,135	\$ 68,299
Total realized gains		—	—	—	—
Change in unrealized appreciation (depreciation).....		(1,273)	(2,978)	(737)	(4,988)
Purchases, issuances and settlements, net.....		266	369	489	1,124
Transfers in (out) of Level 3		—	—	737	737
Fair value as of June 30, 2009	<u>\$</u>	<u>36,183</u>	<u>18,365</u>	<u>10,624</u>	<u>\$ 65,172</u>

Reclassification—Certain amounts for the six months ended June 30, 2008 have been reclassified in the comparative financial statements to be comparable to the presentation in the six months ended June 30, 2009. These reclassifications had no effect on net assets, net income or cash flows from operating activities.

(5) Related Party Transactions and Agreements

The Fund entered into an investment advisory agreement dated June 30, 2005 (the “Advisory Agreement”) with Moore Clayton Capital Advisors, Inc. (the “Adviser”) pursuant to which the Adviser performed certain investment advisory services in exchange for which the Adviser received a base advisory fee at an annual rate of 2% of the net assets of the Fund, paid quarterly in arrears, as well as incentive fees in the following amounts: (i) 20% of the excess, if any, of the Fund’s net investment income for a quarter that exceeds a quarterly hurdle rate equal to 2% (8% annualized) of the Fund’s net assets, and (ii) 20% of the Fund’s net realized capital gain less unrealized capital depreciation paid on an annual basis. The advisory fees that the Fund paid under the Advisory Agreement represented the Adviser’s primary source of revenue. The Adviser is a group company of Moore, Clayton & Co., Inc., an international private equity investment and advisory firm. The Adviser is controlled by Anthony R. Moore and Kenneth I. Denos (the latter of whom is a directors of the Fund), who hold non-dividend super voting preferred shares in the Adviser. The Advisory Agreement was terminated effective June 30, 2009.

The Fund also entered into an administration agreement dated June 30, 2005 (“Administration Agreement”) with Equus Capital Administration Company, Inc. (the “Administrator”). Pursuant to the Administration Agreement, the Administrator provided (or arranged for suitable third parties to provide) all administrative services necessary for the operation of the Fund. The Fund reimbursed the Administrator for the costs and expenses incurred by the Administrator in performing its obligations and providing personnel and facilities under the Administrative Agreement, provided that such reimbursements did not exceed \$0.5 million per year. The Administration Agreement was terminated effective 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.

(6) Contractual Obligations

The Fund has entered into a contract under which it expects to have a material future commitment. The remaining commitment as of June 30, 2009 relates to the Fund’s portfolio company investments and is summarized as follows (in thousands):

<u>Portfolio Company</u>	<u>Original Commitment</u>	<u>Remaining Commitment</u>
HealthSPAC, LLC (1)	\$ 5,000	\$ 3,227

(1) Funding of the remaining commitment has been postponed until 2010 as a result of a restructuring.

(7) Federal Income Tax Matters

The Fund is required to make distributions of any net taxable investment income on an annual basis, and may elect to distribute or retain net taxable realized capital gains. The Internal Revenue Service approved the Fund’s request, effective October 31, 1998, to change its year end for determining capital gains for purposes of Section 4982 of the Internal Revenue Code from December 31 to October 31.

The Fund was not required to make a distribution of ordinary income for 2008 under income tax regulations. For the year ended December 31, 2008, the Fund had a net investment loss for book purposes of \$1.0 million and \$1.0 million for tax purposes. During 2008, the Fund had a net capital gain for book purposes of \$0.9 million and a net capital gain for tax purposes of \$1.0 million. As of December 31, 2008, the Fund has no capital loss carry-forward. The aggregate cost of investments for federal income tax purposes as of December 31, 2008 was \$69.2 million. Such investments had unrealized appreciation of \$15.6 and unrealized depreciation of \$18.7 for book purposes, or net unrealized depreciation of \$3.1 million.

The Fund follows Financial Accounting Standards Board (FASB) Interpretation No. 48 entitled “Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109,” referred to as “FIN 48,” as of January 1, 2007. FIN 48 clarifies the accounting for uncertain tax positions that may have been taken by an entity. Specifically, FIN 48 prescribes a more-likely-than-not recognition threshold to measure a tax position taken or expected to be taken in a tax return through a two-step process: (1) determining whether it is more likely than not that a tax position will be sustained upon examination by taxing authorities, after all appeals, based upon the technical merits of the position; and (2) measuring to determine the amount of benefit/expense to recognize in the financial statements, assuming taxing authorities have all relevant information concerning the issue. The tax position is measured at the largest amount of benefit/expense that is greater than 50 percent likely of being realized upon ultimate settlement. This pronouncement also specifies how to present a liability for unrecognized tax benefits in a classified balance sheet, but does not change the classification requirements for deferred taxes. Under FIN 48, if a tax position previously failed the more-likely-than-not recognition threshold, it should be recognized in the first subsequent financial reporting period in which the threshold is met. Similarly, a position that no longer meets this recognition threshold should no longer be recognized in the first financial reporting period that the threshold is no longer met.

The Fund is a flow-through, non-tax paying entity; further, the Fund’s net operating loss carry-forwards have been exhausted. Based upon an examination of the Fund’s tax position, the Fund determined that the aggregate exposure under FIN 48 did not have a material impact on its financial statements at December 31, 2008 or June 30, 2009. Therefore, the Fund has not recorded an adjustment to its financial statements related to the adoption of FIN 48. The Fund will continue to evaluate its tax positions in accordance with FIN 48, and recognize any future impact under FIN 48 as a charge to income in the applicable period in accordance with the standard.

The Fund’s accounting policy related to income tax penalties and interest assessments is to accrue for these costs and record a charge to expenses during the period that the Fund takes an uncertain tax position through resolution with the taxing authorities or expiration of the applicable statute of limitations.

(8) Portfolio Securities

During the six months ended June 30, 2009, the Fund made follow-on investments of \$1.3 million in several portfolio companies, including \$0.6 million in the form of interest and dividends paid-in-kind or original issue discount/premium amortization.

The following table includes significant new and follow-on investments during the six months ended June 30, 2009 (in thousands):

Portfolio Company	New		Follow-On		Total
	Cash	Noncash	Cash	Noncash	
Nickent Golf, Inc.....	\$ —	\$ —	\$ 370	\$ —	\$ 370
Riptide Entertainment, LLC.....	—	—	350	—	350
1848 Capital Partners LLC.....	—	—	—	312	312
Big Apple Entertainment Partners LLC.....	—	—	—	76	76
ConGlobal Industries Holdings, Inc.....	—	—	—	57	57
London Bridge Entertainment Partners Ltd.....	—	—	—	101	101
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 720</u>	<u>\$ 546</u>	<u>\$ 1,266</u>

During the six months ended June 30, 2009, the Fund realized a net capital loss of \$0.03 million from the sale of U. S. Treasury Bills.

Net unrealized depreciation on investments increased by \$5.0 million during the six months ended June 30, 2009, from a net unrealized depreciation of \$3.0 million to a net unrealized depreciation of \$8.0 million. Such decrease in depreciation resulted primarily from decrease in estimated fair market value of Infinia Corporation, Sovereign Business Forms, Inc., Spectrum Management, Inc., and Metic Group plc, resulting primarily from decreases in operations for the period.

During the six months ended June 30, 2008, the Fund invested \$3.0 million in a new portfolio company and made follow-on investments of \$10.9 million in several follow-on investments, including \$0.3 million in the form of interest and dividends paid in kind or original issue discount/premium amortization.

The following table includes significant new and follow-on investments during the six months ended June 30, 2008 (in thousands):

Portfolio Company	New		Follow-On		Total
	Cash	Noncash	Cash	Noncash	
Infinia Corporation.....	\$ —	\$ —	\$ 5,000	\$ —	\$ 5,000
Riptide Entertainment, LLC.....	—	—	4,600	—	4,600
1848 Capital Partners LLC.....	3,000	—	—	—	3,000
Nickent Golf, Inc.....	—	—	1,000	122	1,122
HealthSpac, LLC.....	—	—	81	—	81
Various others.....	—	—	—	150	150
	<u>\$ 3,000</u>	<u>\$ —</u>	<u>\$ 10,681</u>	<u>\$ 272</u>	<u>\$ 13,953</u>

During the six months ended June 30, 2008, the Fund realized net capital gains of \$1.0 million, including the following significant transactions (in thousands):

Portfolio Company	Industry	Type	Realized Gain
JL Madre Equipment, LLC.....	Shipping products and services	Control, non-majority	\$ 625
RP&C International Investments LLC..	Healthcare	Affiliate	351
Alenco Window Holdings, LLC.....	Residential building products	Control	2
			<u>\$ 978</u>

Net unrealized appreciation on investments increased by \$0.3 million during the six months ended June 30, 2008, from a net unrealized appreciation of \$16.8 million to a net unrealized appreciation of \$17.1 million. Such increase in appreciation resulted primarily from the increase in estimated fair market values of ConGlobal Industries Holding, Inc., due to an increase in operations for the period, and the increase in fair market value of Sovereign Business Forms, Inc, resulting from improved operations. These increases were partially offset by the decrease in fair market value of Spectrum Management, LLC, resulting from declining sales.

(9) Recent Accounting Pronouncements

Fair Value Measurements—On February 12, 2008, FASB Staff Position No. FAS 157-2—Effective Date of FASB No. 157, or FSP 157-2, was issued. FSP 157-2 deferred the effective date of SFAS 157 for nonfinancial assets and nonfinancial liabilities to fiscal years beginning after November 15, 2008, with early adoption permitted in certain cases. Our adoption of this standard effective January 1, 2009 did not affect our financial position or results of operations.

On October 10, 2008, FASB Staff Position No. FAS 157-3—Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active, or FSP 157-3, was issued. FSP 157-3 provides an illustrative example of how to determine the fair value of a financial asset in an inactive market. This FSP does not change the fair value measurement principles set forth in SFAS 157. Since adopting SFAS 157 in January 2008, our practices for determining the fair value of our investment portfolio have been, and continue to be, consistent with the guidance provided in the example in FSP 157-3. Therefore, our adoption of FSP 157-3 did not affect our practices for determining the fair value of our investment portfolio and did not have a material effect on our financial position or results of operations.

On April 9, 2009, FASB Staff Position No. FAS 157-4—Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly, or FSP 157-4, was issued. This FSP provides guidance for determining whether normal market activity exists for Level 2 assets and liabilities. In addition, FSP 157-4 expands disclosure requirements for fair value reporting and requires a categorization of investments consistent with that required for SFAS 115—Accounting for Certain Investments in Debt and Equity Securities. FSP 157-4 is effective for periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. We have adopted this standard effective for our period ended June 30, 2009. The adoption of FSP 157-4 did not have a material effect on our financial position or results of operations.

On April 9, 2009, FASB Staff Position No. FAS 107-1 and APB 28-1—Interim Disclosures about Fair Value of Financial Instruments, or FSP 107-1, was issued. This FSP requires disclosures about financial instruments, including fair value, carrying amount, and method and significant assumptions used to estimate the fair value. We adopted this standard as of June 30, 2009. Our adoption of this standard did not affect our financial position or results of operations.

Standard on Subsequent Events—On May 28, 2009, the Financial Accounting Standards Board issued SFAS 165—*Subsequent Events*, or SFAS 165. SFAS 165 provides guidance on management’s assessment of subsequent events and requires additional disclosure about the timing of management’s assessment of subsequent events. SFAS 165 does not significantly change the accounting requirements for the reporting of subsequent events. SFAS 165 is effective for interim or annual financial periods ending after June 15, 2009. We adopted this standard as of June 30, 2009. Our adoption of this standard did not affect our financial position or results of operations.

Codification of Accounting Standards—In June 2009, the Financial Accounting Standards Board issued SFAS No. 168—*The FASB Accounting Standards Codification and Hierarchy of Generally Accepted Accounting Principles*, or SFAS 168. When SFAS 168 is effective, the Codification will supersede all then-existing non-SEC literature and all reporting standards. SFAS 168 is not expected to change existing accounting standards, but rather changes the way that companies will refer to accounting standards. SFAS 168 is effective for interim and annual periods ending after September 15, 2009. We will adopt SFAS 168 for our financial statements covering the period ending September 30, 2009. We do not expect that our adoption of this standard will have a material impact on our financial position or results of operations.

(10) Subsequent Events

Management performed an evaluation of the Fund’s activity through August 14, 2009, the date the financial statements were issued, noting the following subsequent events:

On July 1, 2009, the Fund sold U.S. Treasury bills for \$41.0 million and repaid the margin loan.

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 six months ended June 30, 2009 and made one new investment other than follow-on investments during the six months ended June 30, 2008.

The valuation of the Fund’s investments is the most significant area of judgment impacting the financial statements. The Fund’s portfolio securities 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. Portfolio valuations are determined quarterly by management, subject to the approval of the Board of Directors, and are based on a number of relevant factors.

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.

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 expenses 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.

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.

Current Market Conditions

The state of the economy in the U.S. and abroad continued to deteriorate to what many believe is a recession, which could be long-term. Banks and others in the financial services industry have continued to report significant write-downs in fair value of their assets. The failure of a number of banks and investment companies, distressed mergers and acquisitions, and the government take-over of the nation's two largest government-sponsored mortgage companies led to the passage of the \$700 billion *Emergency Economic Stabilization Act* in early October 2008. In addition, the stock market has declined significantly, with the S&P 500 and the NYSE (on which EQS trades) declining 28% and 32% respectively between June 30, 2008 and June 30, 2009. As the recession deepened, unemployment rose and consumer confidence declined, which led to significant reductions in spending by both consumers and businesses. These events have significantly constrained the availability of debt and equity capital for the market as a whole, and the financial services sector in particular.

These and other events have also led to rising unemployment, deteriorating consumer confidence and a general reduction in spending by both consumers and business, adversely affecting a number of industries including those in which the Fund's portfolio companies operate. Further, consistent with other companies in the financial services sector, the Fund has been adversely affected by many of these events. Between June 30, 2008 and June 30, 2009, the closing price of the Fund's common stock has declined approximately 53% and is trading at a 60% discount.

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 six months ended June 30, 2009 and 2008, 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.

Results of Operations

Investment Income and Expense

Net investment loss after all expenses was \$0.4 million and \$0.1 million for the six months ended June 30, 2009 and 2008, respectively, and \$0.3 million and \$0.5 million for the three months ended June 30, 2009 and 2008, respectively. Total income from portfolio securities was \$1.6 million and \$1.7 million for the six months ended June 30, 2009 and 2008, respectively, and \$0.7 million and \$0.6 million for the three months ended June 30, 2009 and 2008 respectively. The net investment loss generated at June 30, 2008 compared to 2009 is due primarily to the decline in interest and dividend income of \$0.4 million for the six months ended June 30, 2008, compared to \$0.04 million for the six months ended June 30, 2009.

The cash in temporary investments (excluding the margin account) decreased from \$18.3 million as of June 30, 2008 to \$6.7 million as of June 30, 2009, primarily due to the increase in new and follow-on investments. Interest earned on these investments also declined sharply.

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 \$0.7 million and \$1.0 million for the six months ended June 30, 2009 and 2008 respectively, and \$0.4 million and \$0.5 million for the three months ended June 30, 2009 and 2008. The decline in management fees is due to the overall decline in the net assets for the corresponding periods.

Incentive fees are calculated as follows: (i) 20% of the excess, if any, of the Fund's net investment income for a quarter that exceeds a quarterly hurdle rate equal to 2% (8% annualized) of the Fund's net assets, and (ii) 20% of the Fund's net realized capital gain less unrealized capital depreciation paid on an annual basis. The proceeds of any sale are compared to the fair market valuation of the Fund's portfolio companies at March 31, 2005. Incentive fee expense was \$0 for the three and six months ended June 30, 2009 as compared to the \$0.1 million for the six months ended June 30, 2008, and \$0.09 million for the three months ended June 30, 2008, as net realized capital gains were \$0 during the 2009 periods.

Professional fees increased to \$0.6 million for the six months ended June 30, 2009 from \$0.4 million for the six months ended June 30, 2008 and to \$0.3 million for the three months ended June 30, 2009 from \$0.2 million for the three months ended June 30, 2008.

Administrative fees were unchanged for the three and six months ended June 30, 2009 and 2008, respectively. The Fund reimbursed the Administrator, ECAC, for the costs and expenses incurred in performing its obligations and providing personnel and facilities under the Administrative Agreement, provided that such reimbursements did not exceed \$450,000 per year. The administrator received \$112,500 per quarter.

Realized Gains and Losses on Sales of Portfolio Securities

During the six months ended June 30, 2009, the Fund realized net capital losses of \$0.03 million from the sale of U.S. Treasury Bills.

During the three months ended June 30, 2009, the Fund realized net capital losses of \$0.01 million from the sale of U.S. Treasury Bills.

During the six months ended June 30, 2008, the Fund realized net capital gains of \$1.0 million, including the following significant transactions (in thousands):

Portfolio Company	Industry	Type	Realized Gain
JL Madre Equipment, LLC.....	Shipping products and services	Control, non-majority	\$ 625
RP&C International Investments LLC..	Healthcare	Affiliate	351
Alenco Window Holdings, LLC.....	Residential building products	Control	2
			<u>\$ 978</u>

During the three months ended June 30, 2008, the Fund realized net capital gains of \$0.6 million from the sale of JL Madre Equipment, LLC.

Changes in Unrealized Appreciation/Depreciation of Portfolio Securities

Net unrealized depreciation on investments increased by \$5.0 million during the six months ended June 30, 2009, from a net unrealized depreciation of \$3.0 million to a net unrealized depreciation of \$8.0 million. Such increase in depreciation resulted primarily from the decrease in estimated fair market value of Infinia Corporation, Spectrum Management, Inc., Sovereign Business Forms, Inc. and Metic Group plc, resulting primarily from a decrease in operations for the period.

Net unrealized appreciation on investments increased by \$0.3 million during the six months ended June 30, 2008, from a net unrealized appreciation of \$16.8 million to a net unrealized appreciation of \$17.1 million. Such increase in appreciation resulted primarily from the increase in estimated fair market values of ConGlobal Industries Holding, Inc., due to an increase in operations for the period, and the increase in fair market value of Sovereign Business Forms, Inc, resulting from improved operations. These increases were partially offset by the decrease in fair market value of Spectrum Management, LLC, resulting from declining sales.

Dividends

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. 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.

On February 27, 2009, the Fund announced the declaration of a first quarter dividend of \$0.1075 per share in accordance with the Fund's revised managed distribution policy, pursuant to which it intends to pay quarterly dividends at an annualized rate equal to 10% of the Fund's market value based on the 2008 year-end closing price of \$4.30. A dividend in the amount of \$0.9 million was payable on March 30, 2009 to shareholders of record as of March 9, 2009. 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. The classification of this dividend as between ordinary income, capital gain and return of capital will not be known until December 31, 2009, since any purchase or sale of a portfolio company during the remainder of the year will affect the classification.

The Fund paid a \$0.158 dividend for shareholders of record as of the close of business on February 29, 2008 on March 31, 2008. The Fund paid \$ 0.7 million in cash, and issued 95,023 additional shares of its common stock at an effective price of \$6.71 per share, in payment of such dividend.

Portfolio Investments

The following table includes significant new and follow-on investments during the six months ended June 30, 2009 (in thousands):

Portfolio Company	New		Follow-On		Total
	Cash	Noncash	Cash	Noncash	
Nickent Golf, Inc.....	\$ —	\$ —	\$ 370	\$ —	\$ 370
Riptide Entertainment, LLC.....	—	—	350	—	350
1848 Capital Partners LLC.....	—	—	—	312	312
Big Apple Entertainment Partners LLC.....	—	—	—	76	76
ConGlobal Industries Holdings, Inc.	—	—	—	57	57
London Bridge Entertainment Partners Ltd	—	—	—	101	101
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 720</u>	<u>\$ 546</u>	<u>\$ 1,266</u>

The following table includes significant new and follow-on investments during the six months ended June 30, 2008 (in thousands):

Portfolio Company	New		Follow-on		Total
	Cash	Noncash	Cash	Noncash	
Infinia Corporation	\$ —	\$ —	\$ 5,000	\$ —	\$ 5,000
Riptide Entertainment, LLC.....	—	—	4,600	—	4,600
1848 Capital Partners LLC	3,000	—	—	—	3,000
Nickent Golf, Inc.	—	—	1,000	122	1,122
HealthSpac, LLC	—	—	81	—	81
Various others	—	—	—	150	150
	<u>\$ 3,000</u>	<u>\$ —</u>	<u>\$ 10,681</u>	<u>\$ 272</u>	<u>\$ 13,953</u>

Subsequent Events

Management performed an evaluation of the Fund’s activity through August 14, 2009, the date the financial statements were issued, noting the following subsequent events:

On July 1, 2009, the Fund sold U.S. Treasury bills for \$41.0 million and repaid the margin loan.

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 Alternative Energy includes two portfolio companies and was 26.1% of the net asset value and 30.7% of the Fund’s investments in portfolio company securities (at fair value) at June 30, 2009. 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 Executive 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 Executive 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 June 30, 2009. Based on their evaluation, the Fund’s

Chief 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 June 30, 2009, that has materially affected, or is reasonably likely to materially affect, the Fund’s internal control over financial reporting.

Part II. Other Information

Item 4. Submission of Matters to a Vote of Security Holders

The Fund held its annual meeting of shareholders on May 13, 2009. At the meeting, shareholders voted on the election of nine directors, each for a term of one year.

The table set forth below shows, with respect to each nominee, the number of shares voted for such nominee and shares for which authority was withheld:

<u>Name of Nominee</u>	<u>For</u>	<u>Withheld</u>
Richard F. Bergner.....	5,080,588	1,099,059
Charles M. Boyd, M.D.....	5,104,330	1,075,317
Kenneth I. Denos	4,205,090	1,947,556
Sam P. Douglass	5,101,655	1,077,991
Alan D. Feinsilver.....	5,074,491	1,105,156
Gregory J. Flanagan.....	5,136,795	1,042,851
Henry W. Hankinson	5,031,623	1,148,023
Robert L. Knauss	5,037,364	1,142,282
Dr. Francis D. Tuggle	5,056,520	1,123,126

All nominees to the Registrant’s Board of Directors were elected.

Item 5. Other Information

On June 30, 2009, the Fund received a “Wells” notice from 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 notifies 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 will have an opportunity to present its perspective on these issues before any formal decision is made on an enforcement proceeding. The Fund also understands that three persons (two of whom are formerly associated with the Fund and the Fund’s prior investment adviser) have received similar Wells notices relating to the 2005 activity. The Fund understands that these individuals will have an opportunity to present their perspectives on these issues before any formal decision is made on enforcement proceedings.

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.
 - (a) Investment Advisory Agreement dated June 30, 2005, between the Fund and Moore, Clayton Capital Advisors, Inc. [Incorporated by reference to Exhibit 10(a) to Registrant’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2005.]
 - (b) Administration Agreement dated June 30, 2005, between the Fund and Equus Capital Administration Company. [Incorporated by reference to Exhibit 10(b) to Registrant’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2005.]

- (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) [Filed herewith.]
- (g) 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.]
- (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 Chairman and Chief Executive Officer
- 2. Certification by Chief Financial Officer

32. Section 1350 Certifications

- 1. Certification by Chairman and Chief 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.

EQUUS TOTAL RETURN, INC.

Date: August 14, 2009

/s/ Gregory J. Flanagan

Gregory J. Flanagan
Chief Executive Officer

EQUUS TOTAL RETURN, INC.

CODE OF ETHICS

(Last revised August 7, 2009)

Applicability

This Code of Ethics (the “Code”) has been adopted by the Board of Directors of Equus Total Return, Inc. (the “Fund”), including a majority of the Independent Directors, of the Fund in order to satisfy the requirements of Rule 17j-1 under the 1940 Act. The purpose of the Code is to establish standards and procedures that are reasonably designed for the detection and prevention of activities by which persons having knowledge of the investments and investment intentions of the Fund may abuse their fiduciary duties to the Fund and otherwise deal with the types of conflicts of interest situations to which Rule 17j-1 is addressed.

1. Definitions

1.1. “Access Person” means any (a) Board Member, (b) Advisory Person, or (c) officer of the Fund. A person does not become an Access Person solely by reason of (a) normally assisting in the preparation of public reports or receiving public reports, but not receiving information about current recommendations or trading activity or (b) a single instance of obtaining knowledge of current recommendations or trading activity, or infrequently and inadvertently obtaining such knowledge.

1.2. “Advisory Person” means any (a) employee of the Fund who, in connection with his or her regular functions or duties, makes, participates in, or obtains current information regarding the purchase or sale of any security by the Fund, or which functions relate to the making of any recommendation concerning any security held or to be purchased or sold by the Fund, and (b) any natural person in a Control relationship to the Fund who obtains current information concerning recommendations made to the Fund with regard to the purchase of sale of any Security.

1.3 “Annual Certification” means an Annual Certification of Compliance with Code of Ethics, in the form attached as Schedule F.

1.4 “Beneficial Ownership” has the meaning set forth in paragraph (a)(2) of Rule 16a-1 under the Securities Exchange Act of 1934, and for purposes of this Code includes any interest by which an Access Person or any Immediate Family Member of an Access Person can directly or indirectly derive monetary or other economic benefit from the purchase, sale (or other acquisition or disposition), or ownership of a security, including any such interest that arises as a result of: a general partnership interest in a general or limited partnership, an interest in a trust, a right to dividends that is separated or separate from the underlying security, a right to acquire equity securities through the exercise or conversion of a derivative security (whether or not presently exercisable), and a performance related advisory fee (other than an asset based fee).

1.5 “Board Member” means each individual who serves as a director of the Fund.

1.6 “Committee of Independent Directors” means a committee comprised of all of the directors of the Fund who are not “interested persons” of the Fund as defined in Section 2(a)(19) of the 1940 Act acting as a committee of the whole.

1.7 “Compliance Officer” means the person designated by the Board to serve as the chief compliance officer of the Fund.

1.8 “Control” has the meaning set forth in Section 2(a)(9) of the 1940 Act, and includes the power to exercise a controlling influence over the management or policies of a company, unless such power is solely the result of an official position with the company. Control shall be presumed to exist where a person owns beneficially, either directly or through one or more companies, more than 25% of the voting securities of a company.

1.9 “Fund Employee” means any person who: (1) is an Access Person or (2) is a director or officer of the Fund and provides services to the Fund or in the course of his or her duties obtains information regarding investment recommendations made to the Fund or the Fund’s investment transactions.

1.10 “Immediate Family Member” means a person who shares the same household as the Access Person and is related to the Access Person by blood, marriage, or adoption.

1.11 “Independent Board Member” means each individual who serves as an individual director of the Fund who is not an “interested person,” as defined in Section 2(a)(19) of the 1940 Act.

1.12 “Initial Certification” means an Initial Certification of Compliance with Code of Ethics, in the form attached as Schedule E.

1.13 “Initial Public Offering” means an offering of securities registered under the Securities Act of 1933, the issuer of which, immediately before the registration was not subject to the reporting requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934.

1.14 “Limited Offering” means an offering that is exempt from registration pursuant to Section 4(2) or Section 4(6) of the Securities Act of 1933 or Rule 504, 505, or 506 thereunder.

1.15 “Security” has the meaning set forth in Section 2(a)(36) of the 1940 Act and includes any and all stock, debt obligations, and similar instruments of whatever kind, including any right or warrant to purchase a security, or option to acquire or sell a security, a group or index of securities. References to a security in this Code shall be deemed to refer to and include any warrant for, option in, or security immediately convertible into that security, and shall also include any financial instrument that has an investment return or value that is based, in whole or in part, on that security (collectively “derivatives”).

A security is “being considered for purchase or sale” when a recommendation to purchase or sell the security has been made or communicated and, with respect to the person making the recommendation, when such person seriously considers making such a recommendation.

1.16 “Securities that are not eligible for purchase by the Fund” unless the Fund otherwise notifies any Access Person to the contrary, include (a) any security issued by an investment company; (b) any security that is registered on a national securities exchange; (c) any security that has unlisted trading privileges on a national securities exchange; (d) any OTC margin stock or bond as defined in Regulation T issued by the Board of Governors of the Federal Reserve System pursuant to the Securities Exchange Act of 1934 (“Regulation T”); (e) any other margin security as defined in Regulation T; (f) the purchase and sale of commodities or commodities contracts; (g) any put, call, straddle, option, or privilege related to any of the foregoing and (h) any other security other than common or preferred stock or notes, bonds or debentures convertible into common or preferred stock or notes, bonds, or debentures combined with warrants, options, or other rights to acquire common or preferred stock.

The Compliance Officer shall maintain a list (the “Ineligible Security List”) of securities that fall within the foregoing categories but are being considered for purchase or sale by the Fund or are held by the Fund. The Ineligible Security List shall be provided to each Access Person.

2. Statement of General Principles

The general fiduciary principles that govern the trading activities by an Access Person are as follows:

2.1 The duty at all times to place the interests of the stockholders of the Fund first.

2.2 The requirement that all personal securities transactions be conducted in a manner that does not interfere with the Fund’s portfolio transactions so as to avoid any actual or potential conflict of interest or any abuse of an individual’s position of trust and responsibility.

2.3 The fundamental standard that Access Persons should not take inappropriate or unfair advantage of their relationship with the Fund.

Covered Persons must adhere to these general principles as well as comply with the Code’s specific provisions.

3. Prohibited Purchases and Sales.

3.1 Except as permitted pursuant to Section 4 or 5 below, no Access Person shall purchase or sell, directly or indirectly, any security in which he or she has, or by reason of such transaction acquires, any direct or indirect beneficial ownership and which he or she knows or should know at the time of such purchase or sale: (a) has been purchased or sold by the Fund within the last 15 calendar days or held by the Fund for less than 60 calendar days, (b) is currently being purchased or sold by the Fund, or (c) is being, or within the most recent 15 calendar days has been, considered for purchase or sale by the Fund. These prohibitions shall continue until the time that the management of the Fund (“Management”) or any such Access Person decides not to recommend such purchase or sale, or if such

recommendation is made, until the time that the Fund decides not to enter into, or completes, such recommended purchase or sale.

3.2 No Access Person shall recommend any securities transaction by the Fund without having disclosed his interest, if any, in such securities or the issuer of the securities, including without limitation: (a) his or her direct or indirect beneficial ownership of any securities of any such issuer, (b) any contemplated transaction by such person in such securities, (c) any position with such issuer or its affiliates, or (d) any present or proposed business relationship between such issuer or its affiliates and such person or any party in which such person has a significant interest.

3.3 No Access Person shall, directly or indirectly in connection with the purchase or sale of any securities held or to be acquired by the Fund: (a) employ any device, scheme, or artifice to defraud the Fund, (b) make to the Fund any untrue statement of a material fact or omit to state to the Fund a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading, (c) engage in any act, practice, or course of business that operates or would operate as a fraud or deceit upon the Fund, or (d) engage in any manipulative practice with respect to the Fund.

3.4 No Access Person shall: (a) purchase, directly or indirectly, or by reason of such transaction acquire, any direct or indirect beneficial ownership of any securities of any securities in an Initial Public Offering or a Limited Offering eligible for purchase by the Fund without prior approval in accordance with this Code or (b) accept any gift or other thing of more than *de minimus* value from any person or entity that does business with or on behalf of the Fund.

4. Exempt Purchases and Sales.

The prohibitions in Section 3 of this Code shall not apply to:

- (a) Purchases or sales effected in any account over which an Access Person has no direct or indirect influence or control;
- (b) Purchases or sales of securities that are not eligible for purchase by the Fund, except any such securities that are listed on the Ineligible Security List;
- (c) Purchases or sales of securities that are U.S. Treasury obligations, commercial paper and high quality debt instruments (including repurchase agreements) with a stated maturity of 12 months or less, bankers' acceptances, and bank certificates of deposit;
- (d) Purchases and redemptions of shares of registered open-end investment companies (mutual funds);
- (e) Purchases effected upon exercise of rights issued by an issuer pro rata to all holders of a class of its securities to the extent such rights were acquired from such issuer, and sales of such rights to be acquired;
- (f) Involuntary (*i.e.*, non-volitional) purchases and sales of securities;
- (g) Any securities transaction, or series of related transaction, involving 500 shares or less in the aggregate, if the issuer has a market capitalization (outstanding shares multiplied by the current price per share) greater than \$1 billion;
- (h) Purchases that are part of an automatic dividend reinvestment plan;
- (g) Joint investments permitted pursuant to an exemptive order issued by the Securities and Exchange Commission; or
- (h) Purchases or sales for which the Access Person has received prior approval from the Compliance Officer in accordance with this Code.

5. Prior Clearance of Transactions.

No Access Person other than Independent Board Members (unless they have actual knowledge of the matters described in Paragraph 3.1) shall effect a purchase or sale directly or indirectly, of any security in which he has, or by reason of such transaction acquires, any direct or indirect beneficial ownership, other than purchases or sales permitted under Section 4 of this Code, without obtaining prior written clearance from the Compliance Officer or a person designated by the Compliance Officer to pre-clear transactions. The Compliance Officer and these designated persons are referred to as a "Clearing Officer." A Clearing Officer seeking pre-clearance with respect to his or her own transaction shall obtain such clearance from another Clearing Officer.

Any Access Person who effects a purchase or sale after obtaining such prior written clearance shall be deemed not to be in violation of Section 3 of this Code by reason of such purchase or sale. Upon written request from an Access Person as provided in Paragraph 5.1 below, a Clearing Officer shall have the sole discretion to pre-approve a personal securities transaction, and thereby exempt such transaction from the restrictions of this Code. The Clearing Officer shall make such determination in accordance with the following:

5.1 Prior approval shall be granted only if a purchase or sale of securities is consistent with the purposes of this Code and Section 17(j) of the 1940 Act. To illustrate, a purchase or sale shall be considered consistent with those purposes if such purchase or sale is only remotely potentially harmful to the Fund because such purchase or sale would be unlikely to affect a highly institutional market, or because such purchase or sale is clearly not related economically to the securities held, purchased, or sold by the Fund.

5.2 Prior approval shall take into account, among other factors:

- (a) Whether the investment opportunity should be reserved for the Fund and whether the opportunity is being offered to the Access Person by virtue of the Access Person's position with the Fund;
- (b) Whether the amount or nature of the transaction or person making it is likely to affect the price or market for the security;
- (c) Whether the Access Person making the proposed purchase or sale is likely to benefit from purchases or sales being made or being considered by the Fund;
- (d) Whether the security proposed to be purchased or sold is one that would qualify for purchase or sale by the Fund;
- (e) Whether the transaction is non-volitional on the part of the individual, such as receipt of a stock dividend or a sinking fund call;
- (f) Whether the chance of a conflict of interest is remote; and
- (g) Whether the transaction is likely to effect the Fund adversely.

5.3 Access Persons must submit in writing a completed and executed Request for Permission to Engage in a Personal Securities Transaction (a form of which is attached hereto as Schedule A), which shall set forth the details of the proposed transaction. Approval of the transaction as described on such form shall be evidenced by the signature of the Clearing Officer thereon. A copy of all prior approval forms, with all required signatures, shall be retained by the Compliance Officer.

5.4 If approval is given to the Access Person in accordance with this Code to engage in a securities transaction, the Access Person is under an affirmative obligation to disclose that position if such Access Person plays a material role in the Fund's subsequent investment decision regarding the same issuer. In such circumstances, an independent review of the Fund's investment decision to purchase securities of the issuer by investment personnel with no personal interest in the issuer shall be conducted.

5.5 Approval granted to the Covered Person in accordance with this Code is only effective for seven days from the date of such approval; provided, however, that a pre-clearance expires upon the Access Person receiving pre-clearance becoming aware of facts or circumstances that would prevent a proposed trade from being pre-cleared were such facts or circumstances made known to a Clearing Officer. Accordingly, if an Access Person becomes aware of new or changed facts or circumstances that give rise to a question as to whether pre-clearance could be obtained if a Clearing Officer was aware of such facts or circumstances, the Access Person shall be required to so advise a Clearing Officer and obtain a new pre-clearance before proceeding with such transaction.

6. Reporting.

6.1 Every Access Person must submit an Initial Holdings Report, Quarterly Transactions Reports and Annual Holdings Reports on such dates as shall be determined by the Compliance Officer containing the information set forth below about each transaction, if any, by which the Access Person acquires any direct or indirect beneficial ownership of a security; provided, however, that:

- (a) An Access Person shall not be required to include in such reports any transaction effected for any account over which such Access Person does not have any direct or indirect influence or control; and

- (b) Independent Board Members of the Fund shall not be required to submit an Initial Holdings Report or Annual Holdings Reports, and shall be required to submit a Quarterly Transaction Report of a transaction only if such person, at the time of that transaction, knew, or in the ordinary course of fulfilling his official duties as a director of the Fund should have known, that during the 15-day period immediately preceding or after the date of the transaction by such person, the security such person purchased or sold is or was purchased or sold by the Fund or was being considered for purchase or sale by the Fund.

6.2 Each Access Person within ten days of the date that he or she becomes an Access Person shall furnish to the Compliance Officer an Initial Holdings Report in the form attached as Schedule B containing the following information: (a) the title, number of shares, and principal amount of all securities that he or she beneficially owns, directly or indirectly, except securities specified in Section 4(a) and (c) of this Code, (b) the name of any broker, dealer, or bank with whom the Access Person maintained an account in which any securities held, purchased, or sold (“personal securities account”) for the direct or indirect benefit of the Access Person as of the date the person became an Access Person, and (c) the date the report is submitted by the Access Person.

Timely submission of an Initial Holdings Report, along with a copy of the most recent monthly statement for each personal securities account and copies of all confirmation of transactions effected after the date of such statement, shall satisfy the requirements of this Section 6.2 regarding submission of an Initial Holdings Report.

6.3 An Access Person must submit (a) no later than thirty days after the end of each calendar quarter to the Compliance Officer a report containing the name of any broker, dealer or bank with whom the Access Person established an account in which any securities were held during the quarter for such person’s direct or indirect benefit, the date the account was established and the date the report is submitted, and (b) a Quarterly Transactions Report in the form attached as Schedule C to the Compliance Officer no later than thirty days after the end of each calendar quarter containing the following information with respect to any transaction during the quarter in a security in which the Access Person had any direct or indirect beneficial ownership except purchases and sales specified in Section 4(a) and (c) of this Code:

- (1) The date of the transaction, the title, the interest rate and maturity date (if applicable) and the number of shares, and the principal amount of each security involved;
- (2) The nature of the transaction (*i.e.*, purchase, sale or other acquisition or disposition);
- (3) The price at which the transaction was effected;
- (4) The name of the broker, dealer or bank with or through whom the transaction was effected; and
- (5) The date that the report is submitted by the Access Person.

An Access Person need not file a Quarterly Transaction Report for a calendar quarter if the Compliance Officer is being furnished with (a) confirmations and statements for all personal securities accounts of such Access Person, (b) duplicate monthly brokerage statements for all personal securities accounts on all transactions required to be reported hereunder, or (c) the requisite information on all transactions required to be reported hereunder through a transaction monitoring system, which may or may not be automated, in a manner acceptable to the Compliance Officer, provided that the Access Person has no reportable transactions other than those reflected in the confirmations and statements for such accounts.

6.4 Every Access Person must submit an Annual Holdings Report in the form attached as Schedule D to the Compliance Officer, which information must be current as of a date no more than forty-five days before the report is submitted containing the following information:

- (a) The title and the number of shares, and the principal amount of each security in which the Access Person had any direct or indirect beneficial ownership;
- (b) The name of any broker, dealer or bank with whom the Access Person maintains an account, provided that transaction effected in accounts as to which the Compliance Officer is being furnished with confirmations and statements need not be included in the Quarterly Transaction Report, provided that the report includes a certification that there are not reportable transactions other than those set forth in the Quarterly Transaction Report and in confirmations and statements for such accounts; and
- (c) The date that the report is submitted by the Access Person.

Submission of the Annual Holdings Report, along with copies of the most recent monthly statement for each personal securities account, shall satisfy the requirements of this Section 6.4 regarding submission of an Annual Holdings Report.

6.5 Any report may also contain a statement declaring that the reporting or recording of any such transaction shall not be construed as an admission that the Access Person making the report has any direct or indirect beneficial ownership in the security to which the report relates.

7. Administration and Procedural Matters

7.1 The Compliance Officer shall:

- (a) Maintain a current list of the names of all Access Persons, with an appropriate description in each case of the titles or employment of such persons, including a notation of any directorships held by Access Persons, and the date each such person became an Access Person.
- (b) On an annual basis, furnish a copy of this Code to each Access Person;
- (c) Notify each Access Person of his or her obligation to file reports as provided by this Code;
- (d) Obtain Initial and Annual Holdings Reports from Access Persons and review Initial and Annual Holdings Reports;
- (e) Report to the Board Members of the Fund the facts contained in any reports filed with the Compliance Officer pursuant to this Code when any such report indicates that a Access Person purchased or sold a security held or to be acquired by the Fund;
- (f) Supervise the implementation of this Code by Management and the enforcement of the terms hereof;
- (g) Determine whether any particular securities transaction should be exempted pursuant to the provisions of this Code;
- (h) Issue either personally or with the assistance of counsel as may be appropriate, any interpretation of this Code that may appear consistent with the objectives of Rule 17j-1 and this Code;
- (i) Conduct such inspections or investigations as shall reasonably be required to detect and report any apparent violations of this Code to the Board Members of the Fund;
- (j) Review reports submitted pursuant to this Code;
- (k) Maintain and cause to be maintained in an easily accessible place, the following records:
 - (1) A copy of any Code adopted pursuant to Rule 17j-1 which has been in effect during the past five years;
 - (2) A record of any violation of any such Code and of any action taken as a result of such violation;
 - (3) A copy of each report made by the Compliance Officer during the past five years;
 - (4) A list of all persons who are, or within the past five years have been, required to make reports pursuant to Rule 17j-1, or who are or were responsible for reviewing these reports, with an appropriate description of their title or employment;
 - (5) A copy of each report made by an Access Person as required by Section 6 of the Code, including any information provided in lieu of the reports under Section 6 of the Code, during the past five years; and
 - (6) A copy of each report to the Board Members of the Fund required by Section 7.1(e) during the past five years; and.
- (l) Perform such other duties as are set forth in this Code.

7.2 This Code may not be amended or modified except in a written form that is specifically approved by the Board Members of the Fund, including a majority of the Independent Board Members, within six months after such amendment or modification.

In connection with any such amendment or modification the Board Members must receive a certification from the Compliance Officer certifying that procedures reasonably necessary to prevent Access Persons from violating the Code, as proposed to be amended or modified, have been adopted.

7.3 The Compliance Officer may delegate to one or more Fund Employees such responsibilities of the Compliance Officer as he or she may deem appropriate; provided, that: (a) any such delegation shall be set forth in writing and retained as part of the records of the Fund and (b) it shall be the responsibility of the Compliance Officer to supervise the performance by such persons of the responsibilities that have been delegated to them.

8. Selective Disclosure of Non-Public Information

8.1 A business development company is subject to Regulation FD under the 1934 Act, or fair disclosure, which requires any issuer, or anyone acting on its behalf, which discloses any material nonpublic information regarding the issuer or its portfolio securities, to any of a group of specified entities, to make public disclosure either simultaneously if the disclosure was intentional or promptly if the disclosure was non-intentional. Public disclosure means either filing a Form 8-K with the SEC disclosing the information or using another method reasonably designed to “provide broad, non-exclusionary distribution of the information to the public.” Regulation FD defines “promptly” to mean no later than 24 hours or the commencement of the next day’s trading on the New York Stock Exchange. The specified entities to whom nonpublic disclosure may have been made, whether intentionally or inadvertently, include broker-dealers, investment advisers, investment companies, and stockholders.

8.2 The Regulation FD requirement to make public disclosure does not apply to a disclosure made:

- To a person who owes a duty of trust or confidence to the issuer (e.g., the Fund’s investment adviser, administrator or Fund counsel);
- To a person who expressly agrees to maintain the information in confidence;
- To credit rating agencies, provided the information is provided solely for the purpose of developing a credit rating and the ratings are publicly available; or
- In connection with a securities offering registered under the 1933 Act.

8.3 Unlike a mutual fund, the Fund is not required to describe its policies and procedures with respect to the disclosure of its portfolio securities in its registration statement. If questions regarding whether disclosing particular information may be a violation of Regulation FD arise, Fund officers should consult with Fund legal counsel.

9. Prohibition Against Insider Trading.

This Section is designed to prevent the misuse of material, non-public information by its associated persons. It applies to all Fund Employees. Trading securities while in possession of material, non-public information, or improperly communicating that information to others, may expose a Fund Employee to severe penalties. Criminal sanctions may include a fine of up to \$1,000,000 and/or ten years imprisonment. The SEC can recover the profits gained or losses avoided through the violative trading, a penalty of up to three times the illicit windfall, and an order permanently barring the Fund Employee from the securities industry. Finally, the Fund Employee may be sued by investors seeking to recover damages for insider trading violations.

9.1 No Fund Employee may trade a security, either personally or on behalf of any other person or account (including any Fund), while in possession of material, non-public information concerning that security or the issuer thereof, nor may any Fund Employee communicate material, non-public information to others in violation of the law.

9.2 Information is “material” where there is a substantial likelihood that a reasonable investor would consider it important in making his or her investment decisions. Generally, this includes any information the disclosure of which will have a substantial effect on the price of a security. No simple test exists to determine when information is material; assessments of materiality involve a highly fact specific inquiry. For this reason, Fund Employees should direct any questions about whether information is material to the Compliance Officer. Material information often relates to a company’s results and operations, including, for example, dividend changes, earnings results, changes in previously released earnings estimates, significant merger or acquisition proposals or agreements, major litigation, liquidation

problems, and extraordinary management developments. Material information may also relate to the market for a company's securities. Information about a significant order to purchase or sell Securities may, in some contexts, be material. Pre-publication information regarding reports in the financial press may also be material.

9.3 Information is "public" when it has been disseminated broadly to investors in the marketplace. For example, information is public after it has become available to the general public through a public filing with the SEC or some other government agency, the Dow Jones "tape" or *The Wall Street Journal* or some other publication of general circulation, and after sufficient time has passed so that the information has been disseminated widely.

9.4 A Fund Employee, before executing any trade for himself or herself, or others, including the Fund or other accounts managed by an investment advisor (if any) or by a stockholder of the Advisor, or any affiliate of the stockholder ("Client Accounts"), must determine whether he or she has material, non-public information. A Fund Employee who believes he or she is in possession of material, non-public information must take the following steps:

- (a) Report the information and proposed trade immediately to the Compliance Officer.
- (b) Do not purchase or sell the securities on behalf of anyone, including Client Accounts.
- (c) Do not communicate the information to any person, other than to the Compliance Officer.

After the Compliance Officer has reviewed the issue, he or she will determine (in conjunction with Fund counsel) whether the information is material and non-public and, if so, what action the Fund Employee should take. Fund Employees must consult with the Compliance Officer before taking any action. This degree of caution will protect Fund Employees.

9.5 Contacts with public companies will sometimes be a part of an Advisor's research efforts. Persons providing investment advisory services to the Fund may make investment decisions on the basis of conclusions formed through such contacts and analysis of publicly available information. Difficult legal issues arise, however, when, in the course of these contacts, a Fund Employee becomes aware of material, non-public information. This could happen, for example, if a company's chief financial officer prematurely discloses quarterly results to an analyst, or an investor relations representative makes selective disclosure of adverse news to a handful of investors. In such situations, Management must make a judgment as to its further conduct. To protect yourself, clients and Management, you should contact the Compliance Officer immediately if you believe that you may have received material, non-public information.

10. Sanctions.

Any violation of this Code shall be subject to the imposition of such sanctions by the Fund and as may be deemed appropriate under the circumstances to achieve the purposes of Rule 17j-1 and this Code. Any sanctions to be imposed by the Fund shall be determined by the Committee of Independent Directors of the Fund. Sanctions may include, but are not limited to, suspension or termination of employment, a letter of censure and/or payment to the Fund of any profits derived from securities transactions in violation of this Code.

11. Review of Reports.

The Compliance Officer shall be responsible for reviewing all reports filed with the Fund pursuant to Section 6 of this Code. Such officer shall indicate on each report the date of his review and shall sign each report to indicate that it has been reviewed. Such officer shall report to the Committee of the Independent Directors of the Fund any violations of this Code that come to his or her attention in such review.

12. Investment Advisers.

Prior to retaining the services of an investment adviser or principal underwriter for the Fund, the Board of Directors of the Fund shall review the Code of Ethics adopted pursuant to paragraph (b)(1)(i) of Rule 17j-1 under the 1940 Act by such investment adviser or principal underwriter, and shall receive a certification from such investment adviser or principal underwriter that it has adopted such procedures as are necessary to prevent Access Persons from violating such code.

13. Periodic Review.

No less frequently than annually, the Compliance Officer shall furnish the Board of Directors of the Fund a report:

- (a) Describing issues arising under this Code of Ethics since the last report to the Board, including but not limited to, information about material violations of the Code, sanctions imposed in response to such violations, changes made to the Code or procedures, and any proposed or recommended changes to the Code or procedures, and
- (b) Certifying that the Fund has adopted such procedures as are reasonably necessary to prevent Access Persons from violating the Code.

14. Confidentiality.

All information obtained from any Access Person hereunder shall be kept in strict confidence, except that reports of securities transactions hereunder will be made available to the SEC or any other regulatory or self-regulatory organization only to the extent required by law or regulation.

15. Other Laws, Rules, and Statements of Policy.

Nothing contained in this Code shall be interpreted as relieving any Access Person from acting in accordance with the provisions of any applicable law, rule or regulation or any other statement of policy or procedure governing the conduct of such person adopted by the Fund.

16. Further Information.

If any person has any question with regard to the applicability of the provisions of this Code generally or with regard to any securities transaction or transactions, he or she should consult the Compliance Officer.

17. Certification by Access Persons.

All Access Persons of the Company must submit a certificate (a form of which is attached as Schedule E) that they have read and understand this Code and recognize that as an Access Person they are subject to the terms of this Code. All Access Persons of the Fund shall agree to certify on an annual basis (a form of which is attached as Schedule F) that they have complied with the requirements of this Code and that they have disclosed or reported all personal securities transactions required to be disclosed or reported pursuant to the requirements of this Code.

SCHEDULE A

EQUUS TOTAL RETURN, INC.

REQUEST FOR PERMISSION TO
ENGAGE IN PERSONAL SECURITIES TRANSACTION

To the Clearing Officer:

On each of the dates proposed below, I hereby request permission to effect a transaction in securities as indicated below on behalf of myself, my family (spouse, minor children, or adults living in my household), trusts of which I am trustee of other account in which I have a beneficial ownership interest or legal title.

(Use approximate dates and amounts of proposed transactions)

Name of Security	Proposed Date of Transaction	No. of Shares or Principal Amount	Dollar Amount of Transaction	Nature of Transaction (Purchase, Sale, Other)	Broker/Dealer or Bank	Share Price

Name: _____

Position with Company: _____

Date: _____

Signature: _____

Permission Granted

Permission Denied

Date: _____

Signature: _____

Clearing Officer

SCHEDULE B
 EQUUS TOTAL RETURN, INC.
 INITIAL REPORT OF SECURITIES

To the Compliance Officer:

On the date indicated, the following are securities of which I, my family (spouse, minor children, or adults living in my household) or trusts of which I am trustee, possessed direct or indirect "beneficial ownership." If there were no such securities, I have so indicated by typing or printing "NONE." I certify that all my personal securities accounts are listed below. I further certify that, other than those securities listed below, I hold no securities in which I may be deemed to have beneficial ownership other than in the personal securities accounts listed.*

Name of Security	No. of Shares or Principal Amount	Broker/Dealer or Bank	Account No.

This report (i) excludes transactions with respect to which I had no direct or indirect influence or control, (ii) any other transactions not required to be reported under the Code and (iii) is not an admission that I have or had any direct or indirect beneficial ownership in the securities listed above.

Date: _____

Signature: _____

Printed Name: _____

Company: _____

Position with Company: _____

* Information may be provided by attaching the most recent monthly statement for each account, along with confirmations of any transactions effected since the date of such statements.

SCHEDULE C

EQUUS TOTAL RETURN, INC.

QUARTERLY REPORT OF SECURITIES TRANSACTIONS

To the Compliance Officer:

I certify that this report, together with the confirmations and statements for any personal securities accounts as to which I have arranged for the Compliance Officer to receive duplicate confirmations and statements, identifies all transactions, if any, during the calendar quarter which were effected in securities of which I, my family (spouse, minor children, or adults living in my household), or trusts of which I am trustee, participated or acquired or disposed of, direct or indirect "beneficial ownership." If no such transactions were effected, I have so indicated by typing or printing "NONE." Please sign and date this report and return it to the Compliance Officer no later than the 10th day of the month following the end of each quarter. Use reverse side if additional space is needed.

Name of Security	Date	No. of Shares and Principal Amount	Dollar Amount of Transaction	Nature of Transaction (Purchase, Sale, Other)	Account	Executing Broker

This report (i) excludes transactions with respect to which I had no direct or indirect influence or control, (ii) any other transactions not required to be reported under the Code and (iii) is not an admission that I have or had any direct or indirect beneficial ownership in the securities listed above.

Date: _____

Signature: _____

Printed Name: _____

Company: _____

Position with Company: _____

SCHEDULE D

EQUUS TOTAL RETURN, INC.

ANNUAL REPORT OF SECURITIES

To the Compliance Officer:

On the date indicated, the following are securities of which I, my family (spouse, minor children, or adults living in my household) or trusts of which I am trustee, possessed direct or indirect “beneficial ownership.” If there were no such securities, I have so indicated by typing or printing “NONE.” I certify that all my personal securities accounts are listed below. I further certify that, other than those securities listed below, I hold no securities in which I may be deemed to have beneficial ownership other than in the personal securities accounts listed.*

Name of Security	No. of Shares or Principal Amount	Broker/Dealer or Bank	Account No.

This report (i) excludes transactions with respect to which I had no direct or indirect influence or control, (ii) any other transactions not required to be reported under the Code and (iii) is not an admission that I have or had any direct or indirect beneficial ownership in the securities listed above.

Date: _____

Signature: _____

Printed Name: _____

Company: _____

Position with Company: _____

* Information may be provided by attaching the most recent monthly statement for each account, along with confirmations of any transactions effected since the date of such statements

SCHEDULE E

CERTIFICATION OF COMPLIANCE WITH CODE OF ETHICS

Attention: Compliance Officer

I certify that I have read and understand the Code of Ethics of Equus Total Return, Inc. (the "Code"), a copy of which has been provided to me. I recognize that the provisions of the Code apply to me and agree to comply in all respects with the procedures described therein.

I hereby agree to certify on an annual basis that I have complied with the requirements of the Code and I have disclosed or reported all personal securities transactions required to be disclosed or reported pursuant to the requirements of the Code.

I am a director of the following public and private companies:

IN WITNESS WHEREOF, the undersigned has caused this Certification to be executed and delivered as of the date hereof.

Name: _____

Title: _____

Dated: _____

SCHEDULE F

ANNUAL CERTIFICATION OF COMPLIANCE WITH CODE OF ETHICS

Attention: Compliance Officer

I certify that I have read and understand the Code of Ethics of Equus Total Return, Inc. (the "Code"), a copy of which has been provided to me. I recognize that the provisions of the Code apply to me and agree to comply in all respects with the procedures described therein.

I certify that I have complied in all respects with the requirements of the Code as in effect during the past year. I also certify that all transactions during the past year that were required to be reported by me pursuant to the Code have been reported in Quarterly Transaction Reports that I have filed or in confirmations and statements for my personal securities accounts that have been sent to you.

I am a director of the following public and private companies:

IN WITNESS WHEREOF, the undersigned has caused this Certification to be executed and delivered as of the date hereof.

Name: _____

Title: _____

Dated: _____

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

I, Gregory J. Flanagan, 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. [Reserved]
 - 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: August 14, 2009

/s/ Gregory J. Flanagan

Gregory J. Flanagan
Chief Executive 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. [Reserved]
 - 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: August 14, 2009

/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 June 30, 2009 (the "Report"), I, Gregory J. Flanagan, Chief Executive 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: August 14, 2009

/s/ Gregory J. Flanagan

Gregory J. Flanagan
Chief Executive 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 June 30, 2009 (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: August 14, 2009

/s/ L'Sheryl D. Hudson

L'Sheryl D. Hudson
Chief Financial Officer