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

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the year ended December 31, 2011

or

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

For the transition period from   to

Commission File Number 814-00098

EQUUS TOTAL RETURN, INC.
(Exact name of registrant as specified in its charter)

Delaware	**76-0345915**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
8 Greenway Plaza, Suite 930, Houston, Texas	**77046**
(Address of principal executive offices)	**(Zip Code)**

(713) 529-0900

Registrant's telephone number, including area code:

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in the definitive proxy or information statement incorporated by reference in Part III of this 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☒ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

Approximate aggregate market value of common stock held by non-affiliates of the registrant: $25,347,950 computed on the basis of $2.40 per share, closing price of the common stock on the New York Stock Exchange on June 30, 2011. For purposes of calculating this amount only, all directors and executive officers of the registrant have been treated as affiliates. There were 10,561,646 shares of the registrant's common stock, $.001 par value, outstanding as of March 15, 2012. The net asset value of a share as of December 31, 2011 was $3.61

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files). ☐

Portions of the Proxy Statement (to be filed) for the 2012 Annual Shareholder's meeting are incorporated by reference in Parts II and III.

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PART I

Item 1. *Business*

Equus Total Return, Inc. (*"we," "us," "our," "Equus" the "Company" and the "Fund*"), 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. Our shares trade on the New York Stock Exchange under the symbol EQS. On August 11, 2006, our shareholders 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.

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We attempt to maximize the return to stockholders in the form of current investment income and long-term capital gains by investing in the debt and equity securities of companies with a total enterprise value of between $15.0 million and $75.0 million, although we may engage in transactions with smaller or larger investee companies from time to time. We seek to invest primarily in companies pursuing growth either through acquisition or organically, leveraged buyouts, management buyouts and recapitalizations of existing businesses or special situations. Our income-producing investments consist principally of debt securities including subordinate debt, debt convertible into common or preferred stock, or debt combined with warrants and common and preferred stock. Debt and preferred equity financing may also be used to create long-term capital appreciation through the exercise and sale of warrants received in connection with the financing. We seek 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. Given market conditions over the past several years and the performance of our portfolio, our Management and board of directors believe it prudent to continue to review alternatives to refine and further clarify the current strategies.

Equus is a closed-end management investment company that has elected to be treated as a business development company (hereafter, "BDC") under the Investment Company Act of 1940 ("1940 Act"). In order to remain a business development company, we must meet certain specified requirements under the 1940 Act, including investing at least 70% of our assets in eligible portfolio companies and limiting the amount of leverage we incur. Equus is also a regulated investment company ("RIC") under Subchapter M of the U.S. Internal Revenue Code of 1986, or the "Code." As such, we are not required to pay corporate-level income tax on the Fund's investment income. We intend to maintain our RIC status, which requires that we qualify annually as a RIC by meeting certain specified requirements. For a discussion of these requirements necessary to maintain our status as a business development company and as a RIC, please see "Regulation as a Business Development Company—General" and "Certain U.S. Federal Income Tax Considerations—Taxation as a Regulated Investment Company," respectively.

Our principal office is located at Eight Greenway Plaza, Suite 930, Houston, Texas, 77046, and the telephone number is 1-888-358-7575. Our corporate website is located at *www.equuscap.com*. We make available free of charge on our website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports as soon as reasonably practicable after such material is electronically filed or furnished to the Securities and Exchange Commission ("SEC"). Our shares are traded on The New York Stock Exchange under the ticker symbol "EQS".

Significant Developments

Our Board of Directors (sometimes referred to as the "Board") and management of the Fund ("Management") continue to believe that current market conditions and recent portfolio performance dictate the need to pursue a more active role in the management of these investments and to seek liquidity events at the appropriate time to protect and enhance shareholder value. These activities include continuous monitoring and intensive reviews of portfolio company performance and expectations, providing follow-on capital when necessary, exploration of liquidity events for certain portfolio companies to position the Fund to maximize investment returns, and actively pursuing suitable new investments for the Fund.

In 2011, we formed Equus Energy, LLC ("Equus Energy"), as a wholly-owned subsidiary of the Fund, to make investments in companies in the energy sector, with particular emphasis on income-producing oil & gas properties.

On June 7, 2011, the Fund announced that its Board of Directors appointed Alessandro Benedetti as the Fund's Executive Chairman and John Hardy as the Fund's Chief Executive Officer. Prior to their appointments, Mr. Benedetti was an independent member of the Fund's Board of Directors and Mr. Hardy was the Fund's Executive Chairman. Mr. Benedetti, is an Italian national with decades of business experience in a diverse range of industries including telecoms, agro-industrial engineering, mining, real estate, renewable and nonrenewable energy and investment companies. He is fully conversant with business conditions and operating procedures in the world's key markets, especially Western and Eastern Europe, Scandinavia, the Commonwealth of Independent States, Africa, North America and the Middle East. Mr. Hardy has had extensive experience in the insurance, finance and banking sectors, as well as international mergers and acquisitions.

On April 27, 2011, the Fund announced that it had entered into two separate transactions involving the purchase of an aggregate of 11,408 4% bonds due May 2012 (" Bonds") issued by Orco Germany S.A. ("Orco Germany"). Orco Germany is a commercial and multi-family residential real estate holding company and developer based in Berlin. The consideration provided to the selling bondholders consisted of an aggregate of 1,700,000 newly issued shares of common stock of the Fund. These shares are unregistered under the Securities Act of 1933. The Fund received 8,890 of the Bonds on April 27, 2011. On May 9, 2011, one of these agreements was amended and restated to provide for an additional 45 days to deliver the remaining 2,518 of the Bonds in exchange for providing to the Fund approximately $1.6 million in cash as security for such delivery. As the remaining Bonds were not delivered by the specified date, the cash collateral became free and clear property of the Fund on June 23, 2011. On January 27, 2012, holders of greater than a two-thirds majority of the total Bonds issued by Orco Germany approved a conversion of the Bonds into "bonds convertible into shares" (*Obligations Convertibles en Actions* – "OCA"). The OCA are convertible into ordinary shares ("OPG Shares") of Orco Property Group S.A., the parent corporation of Orco Germany ("OPG"), and may also entitle the bondholders to receive cash, additional OPG Shares, or ordinary shares of Orco Germany. OPG is a commercial and multi-family residential real estate holding company and developer headquartered in Paris that owns a variety of hotels, office buildings, apartment complexes, condominiums, and vacant land in Luxembourg, Poland, the Czech Republic, Slovakia, Croatia, Hungary, and Russia.

During 2010 and continuing into 2011, we sold certain of the Fund's investment holdings for cash in an effort to enhance the Fund's liquidity and position the Fund for future growth including the monetizations of 1848 Capital Partners LLC, Big Apple Entertainment Partners LLC and London Bridge Entertainment Partners Ltd.

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

Investment Objective

Our investment objective is to maximize the total return to our stockholders in the form of current investment income and long-term capital gains by investing in the debt and equity securities of small and middle market capitalization companies that are generally not publicly traded at the time of our investment. As we grow and develop the Fund, we intend to include investments in progressively larger enterprises.

Investment Strategy

Beginning in 2006, we implemented a revised investment strategy to attempt to strike a balance between the potential for gain and the risk of loss. With respect to capital appreciation, Equus is a "growth-at-reasonable-price" investor that seeks to identify and acquire securities that meet our criteria for selling at reasonable prices. We give priority to cash producing investments wherein we invest principally in debt or preferred equity financing with the objective of generating regular interest and dividend income back to the Fund. Debt and preferred equity financing may also be used to create long-term capital appreciation through the exercise and sale of warrants received in connection with the financing. Given market conditions over the past several years and the performance of our portfolio, our Management and board of directors believe it prudent to continue to review alternatives to refine and further clarify the current strategies.

Investment Criteria

Consistent with our investment objective and strategy, Management evaluates prospective investments based upon the criteria set forth below. We may modify some or all of these criteria from time to time.

- *Management Competency and Ownership*. We seek to invest in companies with experienced management teams who have demonstrated a track record of successful performance. Further, we desire to invest in companies with significant management ownership. We believe that significant management ownership in small capitalization and middle market companies provides appropriate incentives and an alignment of interests for management to maximize shareholder value. In addition, we will seek to design compensation and incentive arrangements that align the interests of the portfolio company's management with those of the Fund to enhance potential returns.

- *Substantial Target Market*. We desire to focus on companies whose products or services have favorable growth potential and strong competitive positions in their respective markets. These positions may be as leadership positions within a given industry or market niche positions in which the product or service has a demonstrated competitive advantage. The market in which a potential portfolio company operates should either be sizeable or have significant growth potential.

- *History of Profitability and Favorable Growth Potential*. We target companies that have demonstrated a history of profitability or a reasonable expectation of a return to profitability in the near future.

- *Ability to Provide Regular Cash Interest and Distributions*. We look for companies with strong cash flow models sufficient to provide regular and consistent interest and/or preferred dividend payments.

- *Management Assistance and Substantial Equity*. Given the requirements of a BDC under the 1940 Act, we seek to invest in companies that will permit substantial managerial assistance including representation on the board of directors of the company. With regard to equity investments, we desire to obtain a substantial investment position in portfolio companies. This position may be as a minority shareholder with certain contractual rights and powers, or as a majority shareholder, and should otherwise allow us to have substantive input on the direction and strategies of the portfolio company.

- *Plausible Exit and Potential for Appreciation*. Prior to investing in a portfolio company, we will seek to analyze potential exit strategies and pursue those investments with such strategies as may be achievable.

Investment Operations

Our investment operations consist principally of the following basic activities:

Investment Selection. We expect that many of our investment opportunities will come from management, members of our Board, other private equity investors, direct approaches from prospective portfolio companies and referrals from investment banks, business brokers, commercial, regional and local banks, attorneys, accountants and other members of the financial community. Subject to the approval of our Board, we may compensate certain referrals with finder's fees to the extent permissible under applicable law and consistent with industry practice.

Due Diligence. Once a potential investment is identified, we undertake a due diligence review using information provided by the prospective portfolio companies and publicly available information. Management may also seek input from consultants, investment bankers and other knowledgeable sources. The due diligence review will typically include, but is not limited to:

- Review of historical and prospective financial information including audits and budgets;
- On-site visits;
- Review of business plans and an analysis of the consistency of operations with those plans;
- Interviews with management, employees, customers and vendors of the potential portfolio company;
- Review of existing loan documents, if any;
- Background checks on members of management; and
- Research relating to the company, its management, industry, markets, products and services and competitors.

Structuring Investments. We typically negotiate investments in private transactions directly with the owner or issuer of the securities acquired. Management structures the terms of a proposed investment, including the purchase price, the type of security to be purchased and our future involvement in the portfolio company's business. We seek to structure the terms of the investment to provide for the capital needs of the portfolio company while maximizing our opportunities for current income and capital appreciation. In addition, we may invest with other co-investors including private equity firms, business development companies, small business investment companies, venture capital groups, institutional investors and individual investors.

Providing Management Assistance and Monitoring of Investments. Successful private equity investments typically require active monitoring of, and significant participation in, major business decisions of portfolio companies. In many cases, officers and directors of the Fund serve as members of the boards of directors of portfolio companies. Such management assistance is required of a business development company under the 1940 Act. We seek to provide guidance and management assistance with respect to such matters as capital structure, acquisitions, budgets, profit goals, corporate strategy, portfolio management and potential sale of the company or other exit strategies. In connection with their service as directors of portfolio companies, officers and directors of the Fund may receive and retain directors' fees or reimbursement for expenses incurred, and may participate in incentive stock option plans for non-employee directors, if any. When necessary and as requested by any portfolio company, Management, on behalf of the Fund, may also assign staff professionals with financial or management expertise to assist portfolio company management.

Follow-On Investments

Following our initial investment, a portfolio company may request that we make follow-on investments by providing additional equity or loans needed to fully implement our business plans to develop a new line of business or to recover from unexpected business problems or other purposes. In addition, follow-on investments may be made to exercise warrants or other preferential rights granted to the Fund or otherwise to increase its position in a portfolio company. We may make follow-on investments in portfolio companies from cash on hand or borrow all or a portion of the funds required. If we are unable to make follow-on investments due to lack of available capital, the portfolio company in need of the investment may be negatively impacted and our equity interest in the portfolio company may be diluted if outside equity capital is required.

Disposition of Investments

The method and timing of the disposition of our investments in portfolio companies are critical to our ability to realize capital gains and minimize capital losses. We may dispose of our portfolio securities through a variety of transactions, including recapitalizations, refinancings, management buy-outs, repayments from cash flow, acquisitions of portfolio companies by a third party and outright sales of the Fund's securities in a portfolio company. In addition, we may distribute our portfolio securities in-kind to our stockholders. In structuring our investments, we endeavor to reach an understanding with the management of the prospective portfolio company as to the appropriate method and timing of the disposition of the investment. In some cases, we seek registration rights for our portfolio securities at the time of investment which typically provide that the portfolio company will bear the cost of registration. To the extent not paid by the portfolio company, the Fund typically bears the costs of disposing of its portfolio investments.

Current Portfolio Companies

For a description of our current portfolio company investments, see "Management's Discussion and Analysis of Financial Condition and Results of Operations–Portfolio Investments."

Valuation

On at least a quarterly basis, Management values our portfolio investments. These valuations are subject to the approval and adoption of the Board. Valuations of our portfolio securities at "fair value" are performed in accordance with accounting principles generally accepted in the United States of America ("GAAP").

The fair value of investments for which no market exists (including most of the Fund's investments) is determined through procedures established in good faith by the Board. As a general principle, the current "fair value" of an investment is the amount the Fund might reasonably expect to receive upon its sale in an orderly manner. There are a range of values that are reasonable for such investments at any particular time.

The Fund bases adjustments upon such factors as the 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 and various other factors and assumptions. In the case of unsuccessful operations, the Fund may base a portfolio company's fair value upon the company's estimated liquidation value. Fair valuations are necessarily subjective, and management's estimate of fair value may differ materially from amounts actually received upon the disposition of its portfolio securities. Also, any failure by a portfolio company to achieve its business plan or obtain and maintain its financing arrangements could result in increased volatility and result in a significant and rapid change in its value.

Fund management considers that the Fund's general intent is to hold its loans to maturity when appraising its privately held debt investments. As such, Fund management believes that the fair value will not exceed the cost of the investment. However, in addition to the previously described analysis involving allocation of value to the debt instrument, the Fund performs a yield analysis to determine if a debt security has been impaired. 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 of Directors may engage independent, third-party valuation firms to conduct independent appraisals and review management's preliminary valuations of each privately-held investment in order to make their own independent assessment. Any third-party valuation data would be considered as one of many factors in a fair value determination. The Audit Committee then would recommend the fair values for all privately-held securities based on all relevant factors to the Board of Directors for final approval.

To the extent that market quotations are readily available for our investments and such investments are freely transferable, we value them at the closing market price on the date of valuation. For securities which are of the same class as a class of public securities but are restricted from free trading (such as Rule 144 stock), we establish our valuation by discounting the closing market price to reflect the estimated impact of illiquidity caused by such restriction. We generally hold investments in debt securities to maturity. Accordingly, we determine the fair value of debt securities on the basis of the terms of the debt securities and the financial condition of the issuer. We value certificates of deposit at their face value, plus interest accrued to the date of valuation.

Our Board reviews the valuation policies on a quarterly basis to determine their appropriateness and reserves the right to hire and from time to time utilizes independent valuation firms to review Management's valuation methodology or to conduct an independent valuation.

On a daily basis, we adjust net asset value for changes in the value of publicly held securities, if any, and for material changes in the value of investments in securities issued by private companies. We report these amounts to Lipper Analytical Services, Inc. The Fund's weekly and our daily net asset values appear in various publications, including Barron's and The Wall Street Journal

Competition

We compete with a large number of public and private equity and mezzanine funds and other financing sources, including traditional financial services companies such as finance companies and commercial banks. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. Our competitors may have a lower cost of funds and many have access to funding sources that are not available to us. In addition, certain of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships and build their market shares. In addition, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a business development company.

There is no assurance that the competitive pressures we face will not have a material adverse effect on our business, financial condition and results of operations. In addition, because of this competition, we may not be able to take advantage of attractive investment opportunities and may not be able to identify and make investments that satisfy our investment objectives or meet our investment goals.

Properties

Our principal executive offices are located at Eight Greenway Plaza, Suite 930, Houston, Texas 77046. We believe that our office facilities are suitable and adequate for our operations as currently conducted and contemplated.

Business Development Company Requirements

Qualifying Assets. As a business development company, we may not acquire any asset other than qualifying assets, as defined by the 1940 Act, unless, at the time the acquisition is made the value of our qualifying assets represent at least 70% of the value of our total assets. The principal categories of qualifying assets relevant to the Fund's business are the following:

- securities purchased in transactions not involving any public offering from an issuer that is an eligible portfolio company. An eligible portfolio company is any issuer that (a) is organized and has its principal place of business in the United States, (b) is not an investment company other than a small business investment company wholly-owned by the business development company, and (c) either (i) (A) does not have any class of securities with respect to which a broker or dealer may extend margin credit, (B) is controlled by the business development company either singly or as part of a group and an affiliated person of the business development company is a member of the issuer's board of directors, or (C) has total assets of not more than $4 million and capital and surplus of at least $2 million, or (ii) does not have any class of securities listed on a national securities exchange, unless the total market capitalization of such issuer does not exceed $250 million. Qualifying assets may also include follow-on investments in a company that was a particular type of eligible portfolio company at the time of the business development company's initial investment, but subsequently did not meet the definition;
- securities received in exchange for or distributed with respect to securities described above, or pursuant to the exercise of options, warrants or rights relating to such securities; and

- cash, cash items, government securities, or high quality debt securities maturing in one year or less from the time of investment.

We may not change the nature of our business so as to cease to be, or withdraw our election as, a business development company unless authorized by vote of the holders of the majority of our outstanding voting securities, as defined in the 1940 Act.

To include certain securities above as qualifying assets for the purpose of the 70% test, a business development company must make available to the issuer of those securities significant managerial assistance, such as providing significant guidance and counsel concerning the management, operations, or business objectives and policies of a portfolio company. We offer to provide significant managerial assistance to each of our portfolio companies.

Temporary Investments. Pending investment in portfolio companies, we invest our available funds in interest-bearing bank accounts, money market mutual funds, U.S. Treasury securities and/or certificates of deposit with maturities of less than one year (collectively, “Temporary Investments”). Temporary Investments may also include commercial paper (rated or unrated) and other short-term securities. Temporary Investments constituting cash, cash items, securities issued or guaranteed by the U.S. Treasury or U.S. Government agencies and high quality debt securities (commercial paper rated in the two highest rating categories by Moody’s Investor Services, Inc. or Standard & Poor’s Corporation, or if not rated, issued by a company having an outstanding debt issue so rated, with maturities of less than one year at the time of investment) will qualify for determining whether we have 70% of our total assets invested in qualifying assets or in qualified Temporary Cash Investments for purposes of the business development company provisions of the 1940 Act.

Leverage. We are permitted by the 1940 Act, under specified conditions, to issue multiple classes of senior debt and a single class of preferred stock senior to the common stock if our asset coverage, as defined in the 1940 Act, is at least 200% after the issuance of the debt or the senior stockholders’ interests. In addition, provisions must be made to prohibit any distribution to common stockholders or the repurchase of any shares unless the asset coverage ratio is at least 200% at the time of the distribution or repurchase.

Fund Share Sales Below Net Asset Value. We generally may sell our common stock at a price that is below the prevailing net asset value per share only upon the approval of the policy by stockholders holding a majority of our issued shares, including a majority of shares held by nonaffiliated stockholders. We may, in accordance with certain conditions established by the SEC, sell shares below net asset value in connection with the distribution of rights to all of our stockholders. We may also issue shares at less than net asset value in payment of dividends to existing stockholders.

No Redemption Rights. Since we are a closed-end business development company, our stockholders have no right to present their shares to the Fund for redemption. Recognizing the possibility that our shares might trade at a discount, our board of directors has determined that it would be in the best interest of our stockholders for the Fund to be authorized to attempt to reduce or eliminate a market value discount from net asset value. Accordingly, from time to time we may, but are not required to, repurchase our shares (including by means of tender offers) to attempt to reduce or eliminate any discount or to increase the net asset value of our shares.

Affiliated Transactions. Many of the transactions involving the Fund and its affiliates (as well as affiliates of such affiliates) require the prior approval of a majority of the independent directors and a majority of the independent directors having no financial interest in the transactions. However, certain transactions involving closely affiliated persons of the Fund require the prior approval of the SEC.

Regulated Investment Company Tax Status

We operate to qualify as a regulated investment company under Subchapter M of the Code. If we qualify as a regulated investment company and annually distribute to our stockholders in a timely manner at least 90% of our investment company taxable income, we will not be subject to federal income tax on the portion of our taxable income and capital gains we distribute to our stockholders. Taxable income generally differs from net income as defined by accounting principles generally accepted in the United States of America due to temporary and permanent timing differences in the recognition of income and expenses, returns of capital and net unrealized appreciation or depreciation.

Generally, in order to maintain our status as a regulated investment company, we must (i) continue to qualify as a business development company; (ii) distribute to our stockholders in a timely manner at least 90% of our investment company taxable income, as defined by the Code; (iii) derive in each taxable year at least 90% of our gross investment company income from dividends, interest, payments with respect to securities loans, gains from the sale of stock or other securities or other income derived with respect to our business of investing in such stock or securities as defined by the Code; and (iv) meet investment diversification requirements. The diversification requirements generally require us at the end of each quarter of the taxable year to have (a) at least 50% of the value of our assets consist of cash, cash items, government securities, securities of other regulated investment companies and other securities if such other securities of any one issuer do not represent more than 5% of our assets and 10% of the outstanding voting securities of the issuer and (b) no more than 25% of the value of our assets invested in the securities of one issuer (other than U.S. government securities and securities of other regulated investment companies), or of two or more issuers that are controlled by us and are engaged in the same or similar or related trades or businesses.

In addition, with respect to each calendar year, if we distribute or have treated as having distributed (including amounts retained but designated as deemed distributed) in a timely manner 98% of our net capital gain income for each one-year period ending on October 31, and distribute 98% of our investment company net ordinary income for such calendar year (as well as any ordinary income not distributed in prior years), we will not be subject to the 4% nondeductible Federal excise tax imposed with respect to certain undistributed income of regulated investment companies. The 2010 RIC Modernization Act increases the percentage of pre-October 31 capital gains included in the required distribution amount to 98.2% and provides for the inclusion of amounts for which estimated tax was paid during the calendar year in the distributed amount.

If we fail to satisfy the 90% distribution requirement or otherwise fail to qualify as a regulated investment company in any taxable year, we will be subject to tax in such year on all of our taxable income, regardless of whether we make any distribution to our stockholders. In addition, in that case, all of our distributions to our stockholders will be characterized as ordinary income (to the extent of our current and accumulated earnings and profits). We have distributed and currently intend to distribute sufficient dividends to eliminate our investment company taxable income.

Fees Paid to the Former Adviser and Former Administrator of the Fund

On June 12, 2009 our board of directors elected to “internalize” management of the Fund. As such, we did not renew the Advisory Agreement with Moore Clayton Capital Advisors, Inc. (“MCCA”) or the Administration Agreement with Equus Capital Administration Company, Inc. (“ECAC”), both of which expired on June 30, 2009. MCCA and ECAC were compensated under their contractual agreements through June 30, 2009 as described below.

The Advisory Fee. MCCA managed our investments pursuant to an Advisory Agreement which included, among other services from MCCA:

- Determining the composition of our portfolio, the nature and timing of the changes therein, and the manner of implementing such changes;
- Identifying, evaluating, and negotiating the structure of our investments;
- Monitoring the performance of, and managing our investments;
- Determining the securities and other assets that we will purchase, retain, or sell and the terms on which any such securities are purchased and sold;
- Arranging for the disposition of our investments; and
- Other specified services.

MCCA received a base advisory fee at an annual rate of 2% of our net assets, paid quarterly in arrears, as well as incentive fees in the following amounts: (i) 20% of the excess, if any, of our net investment income for a quarter that exceeded a quarterly hurdle rate equal to 2% (8% annualized) of our net assets, and (ii) 20% of our net realized capital gains less unrealized capital depreciation, paid on an annual basis. The Fund was responsible for the costs and expenses of our business, operations and investments. These costs and expenses, included among other items:

- Administration fees and expenses payable under the Administration Agreement;
- Costs of proxy solicitation and meetings of stockholders and the Board;
- Charges and expenses of our custodian, administrator, and transfer and dividend disbursing agent;
- Compensation and expenses of our independent directors;

- Legal and auditing fees and expenses; and
- Subject to Board approval, certain other reasonable costs and expenses directly allocable and identifiable to the Fund or its business or investments.

The Former Administrator. ECAC managed our administrative and business operations pursuant to an Administration Agreement. ECAC provided us, at its expense, with office space, facilities, equipment and personnel necessary for the conduct of our business. We reimbursed ECAC for the costs and expenses incurred by it 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 could be terminated by either party without penalty upon 60 days' written notice to the other party. As stated above, the independent directors elected not to renew the agreement as of June 30, 2009.

Kenneth I. Denos, our Fund Secretary and Chief Compliance officer, was affiliated with MCCA and ECAC.

Custodian

We act as the custodian of our securities to the extent permitted under the 1940 Act and are subject to the restrictions imposed on self-custodians by the 1940 Act and the rules and regulations thereunder. We have also entered into an agreement with Amegy Bank with respect to the safekeeping of our securities. The principal business office of Amegy Bank is 4400 Post Oak Parkway, Houston, Texas 77019.

Transfer and Disbursing Agent

We employ American Stock Transfer & Trust Company as our transfer agent to record transfers of the shares, maintain proxy records and to process distributions. The principal business office of the Fund's transfer agent is 6201 15th Avenue, 2nd Floor, Brooklyn, NY 11219.

Certifications

In July 2011, we submitted to the New York Stock Exchange pursuant to Section 303A.12(a) of its Listed Company Manual, an unqualified certification of our Chief Executive Officer. In addition, certifications by our Chief Executive Officer and Chief Financial Officer have been filed as exhibits to this annual report on Form 10-K as required by the Securities Exchange Act of 1934, as amended, and the Sarbanes-Oxley Act of 2002.

Forward-Looking Statements

All statements contained herein that are not historical facts including, but not limited to, statements regarding anticipated activity are "forward-looking statements" within the meaning of the federal securities laws, involve a number of risks and uncertainties, and are based on the beliefs and assumptions of management, based on information currently available to management. Actual results may differ materially. In some cases, readers can identify forward-looking statements by words such as "may," "will," "should," "expect," "objective," "plan," "intend," "anticipate," "believe," "management believes," "estimate," "predict," "project," "potential," "forecast," "continue," "strategy," or "position" or the negative of such terms or other variations of them or by comparable terminology. In particular, statements, express or implied, concerning future actions, conditions, or events, future operating results, or the ability to generate sales, income, or cash flow are forward-looking statements.

Among the factors that could cause actual results to differ materially are the following: (i) changes in the economic conditions in which the Fund operates negatively impacting its financial resources; (ii) certain of the Fund's competitors have substantially greater financial resources than the Fund reducing the number of suitable investment opportunities offered or reducing the yield necessary to consummate the investment; (iii) there is uncertainty regarding the value of the Fund's privately held securities that require a good faith estimate of fair value for which a change in estimate could affect the Fund's net asset value; (iv) the Fund's investments in securities of privately held companies may be illiquid which could affect its ability to realize a gain; (v) the Fund's portfolio companies could default on their loans or provide no returns on its investments which could affect the Fund's operating results; (vi) the Fund is dependent on external financing to grow its business; (vii) the Fund's ability to retain key management personnel; (viii) an economic downturn or recession could impair the Fund's portfolio companies and therefore harm its operating results; (iv) the Fund's borrowing arrangements impose certain restrictions; (x) changes in interest rates may affect the Fund's cost of capital and net operating income; (xi) the Fund cannot incur additional indebtedness unless it maintains an asset coverage of at least 200%, which may affect returns to its stockholders; (xii) the Fund may fail to continue to qualify for its pass-through treatment as a regulated investment company which could have an affect on stockholder return; (xiii) the Fund's common stock price may be volatile; and (xiv) general business and economic conditions and other risk factors described in its reports filed from time to time with the Securities and

Exchange Commission. The Fund cautions readers not to place undue reliance on any such forward-looking statements, which statements are made pursuant to the Private Securities Litigation Reform Act of 1995 and, as such, speak only as of the date made.

Item 1A. *Risk Factors*

An investment in our securities involves certain risks relating to our structure and investment objectives. The risks and uncertainties described below are not the only ones facing Equus. You should carefully consider these risks, together with all of the other information included in the annual report on Form 10-K, including our financial statements and the related notes thereto. Additional risks and uncertainties not presently known to us, or not presently deemed material by us, may also impair our operations and performance.

If any of the following risks actually occur, our business, financial condition or results of operations could be materially adversely affected. If that happens, the trading price of our common stock could decline and you may lose all or part of your investment.

Risks Related to the Our Investments

Investments in small capitalization companies present certain risks that may not exist to the same degree as investments in larger, more established companies and will cause such investments to be volatile and speculative.

We have invested and may continue to invest, in private, small and/or new companies that may be in their early stages of development. Investments in these types of companies involve a number of significant risks, including the following:

- They typically have shorter operating histories, narrower product lines and smaller market shares than public companies, which tend to render them more vulnerable to competitors' actions and market conditions as well as general economic downturns;
- They may have no earnings or experienced losses or may have limited financial resources and may be unable to meet their obligations under their securities, which may be accompanied by a deterioration in the value of their equity securities or any collateral or guarantees provided with respect to their debt;
- They are more likely to depend on the management talents and efforts of a small group of persons and, as a result, the death, disability, resignation or termination of one or more of those persons could have a material adverse effect on their business and prospects and, in turn, on our investment;
- They may have difficulty accessing the capital markets to meet future capital needs;
- They generally have less predictable operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position; and
- Generally little public information exists regarding these companies, and investors in these companies generally must rely on the ability of the equity sponsor to obtain adequate information for the purposes of evaluating potential returns and making a fully informed investment decision.

There is uncertainty regarding the value of our privately held securities.

Our net asset value is based on the value we assign to our portfolio investments. We determine the value of our investments in securities for which market quotations are not available as of the end of each calendar quarter, unless there is a significant event requiring a change in valuation in the interim. Because of the inherent uncertainty of the valuation of portfolio securities that do not have readily ascertainable market values, our fair value determination may differ materially from the value that would have been used had a ready market existed for the securities. We determine the fair value of investments for which no market quotations are available based upon a methodology that we believe reaches a reasonable estimation of fair value. However, we do not necessarily apply multiple valuation metrics in reaching this determination and, in some cases, we do not obtain any third party valuations before reaching this determination. Our determinations of the fair value of our investments have a material impact on our net earnings through the recording of unrealized appreciation or depreciation of investments as well as our assessment of interest income recognition. Our net asset value could be affected materially if our determinations of the fair value of our investments differ significantly from values based on a ready market for these securities.

We depend upon Management for our future investment success.

We depend upon the diligence and skill of Management to select, structure, close and monitor our investments. Management is responsible for indentifying, structuring, evaluating, monitoring, and disposing of our investments, and the services they collectively provide significantly impact our results of operations. Our future success will depend to a significant extent on the continued service and coordination of Management. Our success will depend on our ability to retain our existing Management and to recruit additional other highly qualified individuals. If we are unable to integrate new investment and management personnel, we may be unable to achieve our desired investment results.

Management may not be able to implement our investment objective successfully.

Our current portfolio represents a shift from a regional focus and a record of investing in basic manufacturing and service companies to an investment strategy focused in sectors that are driven by significant social and demographic trends, such as an aging population, increased leisure time, the globalization of business and widespread concern about the environment and increasingly scarce energy resources. Given recent economic events and changes in our board of directors and Management, we have revised our strategy to be more opportunistic, emphasizing investments which generate regular cash income and distributions, with less regard for a particular industry sector. In order to implement our investment strategy, Management must analyze, conduct due diligence, invest in, monitor and sell companies in industries in which many of them have not previously been involved. Also, we expect that our investment strategy will continue to require Management to investigate and monitor investments that are much more broadly dispersed geographically. In addition, Management is required to provide valuations for investments in a broader range of securities, including debt securities, which may require expertise beyond that previously required. We cannot assure investors that the overall risk of their investment in the Fund will be reduced as a result of our investment strategy. In addition, following this rights offering, we may make additional investments in our existing portfolio companies and, therefore, the level of risk with respect to certain investments may be higher than it was prior to this rights offering. If Management cannot achieve our investment objective successfully, the value of your investment in our common stock could decline substantially.

We may not realize gains from our equity investments.

We frequently invest in the equity securities of our portfolio companies. Also, when we make a loan, we generally receive warrants to acquire stock issued by the borrower. Ultimately, our goal is to sell these equity interests and realize gains. These equity interests may not appreciate and, in fact, may depreciate in value. Several of our portfolio companies have experienced net losses in recent years or have negative net worth as of their most recent available balance sheet date. At December 31, 2011, several of our portfolio investments had estimated fair values, based upon our valuation methodologies, significantly below the initial cost of such investments. At December 31, 2011, the cost basis of our portfolio investments was $36.6 million and our estimated fair value was $19.2 million. Also, the market value of our equity investments may fall below our estimate of the fair value of such investments before we sell them. Given these factors, there is a risk that we will not realize gains upon the sale of those or other equity interests that we hold.

We may not be able to make additional investments in our portfolio companies from time to time, which may dilute our interests in such companies.

After our initial investment in a portfolio company, we may be called upon from time to time to provide additional funds to such company, or may have the opportunity to increase our investment in that company through the exercise of a warrant to purchase common stock or through follow-on investments in the debt or equity of that company. We cannot assure you that we will make, or have sufficient funds to make, any such follow-on investments. Any decision by us not to make a follow-on investment or any inability on our part to make such an investment may have a negative impact on a portfolio company in need of investment and may result in a missed opportunity for us to increase our participation in a successful operation. A decision not to make a follow-on investment may also dilute our equity interest in, or reduce the expected yield on, our investment.

We have invested in a limited number of portfolio companies.

The Fund is classified as a "non-diversified" investment company under the 1940 Act, which means we are not limited in the proportion of our assets that may be invested in the securities of a single issuer. As a matter of policy, we generally have not initially invested more than 15% of the value of our net assets in a single portfolio company. In view of the net asset value of the Fund as at December 31, 2011, however, we would expect that any new investments may exceed this percentage for the intermediate future. Moreover, follow-on investments, disproportionate increases or decreases in the fair value of certain portfolio companies or sales of investments may result in more than 15% of our net assets being invested in a single portfolio company at a particular time.

A consequence of a limited number of investments is that 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 our net asset value and the market price of our common stock to a greater extent than would be the case if we were a "diversified" company holding a greater number of investments.

The lack of liquidity of our privately held securities may adversely affect our business

Our portfolio investments consist principally of securities that are subject to restrictions on sale because they are not listed or publicly traded securities. If any of these securities were to become publicly traded, our ability to sell them may still be restricted because we acquired them from the issuer in "private placement" transactions or because we may be deemed to be an affiliate of the issuer. We will not be able to sell these securities publicly without the expense and time required to register the securities under the Securities Act and applicable state securities laws, unless an exemption from such registration requirements is available. In addition, contractual or practical limitations may restrict our ability to liquidate our securities in portfolio companies because those securities are privately held and we may own a relatively large percentage of the issuer's outstanding securities. Sales also may be limited by market conditions, which may be unfavorable for sales of securities of particular issuers or generally. The illiquidity of our investments may preclude or delay any disposition of such securities, which may make it difficult for us to obtain cash equal to the value at which we record our investments if the need arises.

We have limited public information regarding the companies in which we invest.

Our portfolio consists entirely of securities issued by privately held companies. There is generally little or no publicly available information about such companies, and we must rely on the diligence of Management to obtain the information necessary for our decision to invest in them and in order to monitor them effectively. We cannot assure you that such diligence efforts will uncover all material information about such privately held businesses necessary to make fully informed investment decisions.

Our portfolio companies may be highly leveraged.

Investments in leveraged buyouts and in highly leveraged companies involve a high degree of business and financial risk and can result in substantial losses. A leveraged company's income and net assets will tend to increase or decrease at a greater rate than if borrowed money were not used. The use of leverage by portfolio companies also magnifies the increase or decrease in the value of our investment as compared to the overall change in the enterprise value of a portfolio company.

Many of our portfolio companies have incurred substantial debt in relation to their equity capital. Such indebtedness generally has a term that will require that the balance of the loan be refinanced when it matures. If a portfolio company cannot generate adequate cash flow to meet the principal and interest payments on its debt or is not successful in refinancing the debt upon its maturity, our investment could be reduced or eliminated through foreclosure on the portfolio company's assets or by the portfolio company's reorganization or bankruptcy.

A substantial portion of the debt incurred by portfolio companies may bear interest at rates that fluctuate in accordance with a stated interest rate index or the prime lending rate. The cash flow of a portfolio company may not be sufficient to meet increases in interest payments on its debt. Accordingly, the profitability of our portfolio companies, as well as the value of our investments in such companies, will depend significantly upon prevailing interest rates. In recent months the level of interest rates have increased, which will have an adverse effect on the ability of our portfolio companies to service their floating rate debt and on their profits.

Leverage may impair the ability of our portfolio companies to finance their future operations and capital needs. As a result, the ability of our portfolio companies to respond to changing business and economic conditions and to business opportunities may be limited.

The use of leverage may adversely affect our performance.

Although we have no intention of doing so at any time in the next 12 months, we may utilize leverage for the Fund by borrowing or issuing preferred stock or short-term debt securities. Borrowings and other capital generated from leverage will result in lenders and other creditors with fixed dollar claims on our assets that are superior to the claims of our common shareholders. If the value of our assets increases, then leveraging would cause the net asset value attributable to our common stock to increase more sharply than it would have had we not leveraged. Conversely, if the value of our assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had we not leveraged. Similarly, any increase in our income in excess of interest payable on the borrowed funds would cause our net income to increase more than it would without the leverage, while any decrease in our income would cause net income to decline more sharply than it would have had we not borrowed. Leverage is generally considered a speculative investment technique.

***Our business depends on external financing*.**

Our business requires a substantial amount of cash to operate. We may borrow funds to pay contingencies or expenses or to make investments, to maintain our pass-through tax status as a RIC under Subchapter M of the Code. We are permitted under the 1940 Act to borrow if, immediately after the borrowing, we have an asset coverage ratio of at least 200%. That is, we may borrow an amount equal to as much as 50% of the fair value of our total assets (including investments made with borrowed funds). The amount and nature of any such borrowings depend upon a number of factors over which we have no control, including general economic conditions, conditions in the financial markets and the impact of the financing on the tax treatment of our stockholders. The use of leverage, even on a short-term basis, could have the effect of magnifying increases or decreases in our net asset value. While the "spread" between the current yield on our investments and the cost of any loan would augment the return to our stockholders, if the spread narrows (because of an increase in the cost of debt or insufficient income on our investments), distributions to our stockholders could be adversely affected. This may render us unable to meet our obligations to our lenders, which might then require us to liquidate some or all of our investments. There can be no assurance that we would realize full value for our investments or recoup all of our capital if we needed to liquidate our portfolio investments.

Many financial institutions are unwilling to lend against a portfolio of illiquid, private securities. The make-up of our portfolio has made it more difficult for us to borrow at the level and on the terms that we desire. Our borrowings have historically consisted of a revolving line of credit, the proceeds of which we may use to provide liquidity for expenses and contingencies and to make new or follow-on investments, and a line of credit, promissory note or margin account used quarterly to enable us to achieve adequate diversification to maintain our pass-through tax status as a RIC. Although we believe the Fund's liquidity is sufficient for our operating expenses for the next twelve months, we could be wrong. If we are wrong, we would have to obtain capital from other sources to pay Fund expenses, which could involve selling one or more of our portfolio holdings at an inopportune time and at a price that may be less than would be received if such holding were sold in a more competitive and orderly manner.

The costs of borrowing money may exceed the income from the portfolio securities we purchase with the borrowed money. We will suffer a decline in net asset value if the investment performance of the additional securities purchased with borrowed money fails to cover their cost to the Fund (including any interest paid on the money borrowed). A decline in net asset value could affect our ability to make distributions on our common stock. Our failure to distribute a sufficient portion of our net investment income and net realized capital gains could result in a loss of pass-through tax status or subject us to a 4% excise tax. If the asset coverage for debt securities issued by the Fund declines to less than 200% (as a result of market fluctuations or otherwise), we may be required to sell a portion of our investments when it is disadvantageous to do so. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Our net assets have declined substantially since 2007 and we have had net investment losses in four out of the past five years.

Our net assets have declined from $103.2 million at the end of 2007 to $38.1 million as of December 31, 2011. Moreover, we have had net investment losses in four out of the past five years, with a net investment loss of $3.5 million for the year ended December 31, 2011. We cannot assure you that we will be able to increase our net assets or generate net investment income. If we fail to increase the Fund's net assets or generate net investment income, such failure will likely have a material adverse effect upon the Fund, its results of operation, and its financial condition. You could lose all or a substantial amount of your investment in the Fund as a result.

We may not be able to recommence our managed distribution policy and you might not receive dividends on your shares.

On March 24, 2009, we announced a suspension of our managed distribution policy and payment of quarterly dividends for an indefinite period, following the distribution of the first quarter 2009 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. In the first six months of 2010, we underwent certain changes in our board of directors and Management. These changes and the rights offering have been pursued, in part, with the objective of increasing the number of attractive investment opportunities to us and revising our investment strategy to include more recurrent cash income producing investments, all of which could ultimately result in the resumption of our managed distribution policy at some time in the future. The implementation of these revisions to our investment strategy and the recurrent generation of cash income from our investments, however, cannot be guaranteed. If we were unable to resume our managed distribution policy and were further unable to profitably sell or otherwise dispose of our portfolio company investments, you might not receive dividends on your shares.

We operate in a highly competitive market for investment opportunities.

We compete with a large number of private equity funds and mezzanine funds, investment banks and other equity and non-equity based investment funds, investment entities, foreign investors and individuals and other sources of financing,

We operate in a highly competitive market for investment opportunities

We compete with a large number of private equity funds and mezzanine funds, investment banks and other equity and non-equity based investment funds, investment entities, foreign investors and individuals and other sources of financing, including traditional financial services companies such as commercial banks. In recent years, the number of investment vehicles seeking small capitalization investments has increased dramatically. Many of our competitors are substantially larger and have considerably greater financial resources than we do, and some may be subject to different and frequently less stringent regulation. As our portfolio size increases, we expect that some of our investments will be larger. We believe that we will face increased competition to participate in these larger transactions. These competitors may have a lower cost of funds and many have access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships and build their market shares. As a result of this competition, we may not be able to take advantage of attractive investment opportunities from time to time. We cannot assure you that the competitive pressures we face will not have a material adverse effect on our business, financial condition and results of operations.

Failure to deploy new capital may reduce our return on equity.

If all of the rights are exercised after the completion of this rights offering, we will increase the amount of our available cash on hand for investments. If we then fail to invest our new capital in a timely and effective manner, our return on equity will be negatively impacted, which could reduce the price of the shares of our common stock that you own. We believe we can identify and invest the net proceeds of this rights offering in approximately six months; however, our ability to do so will depend, in part, on conditions outside of our control. If we cannot find investment opportunities consistent with our investment objective and market conditions, we will invest the proceeds of this rights offering in temporary investments such as cash equivalents, U.S. Government securities or high-quality debt securities maturing in one year or less from the time of investment. This would result in income to the Fund that is lower than we currently expect, which would depress our overall returns and dividends paid to stockholders. See “Regulation as a Business Development Company – Temporary Investments.”

Our investments in foreign securities may involve significant risks in addition to the risks inherent in U.S. investments.

Our investment strategy contemplates that a portion of our investments may be made in securities of foreign companies, such as Orco Germany. Investing in foreign companies may expose us to additional risks not typically associated with investing in U.S. companies. These risks may include fluctuations in foreign currency values, changes in exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, less developed bankruptcy laws, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

Although most of our investments are denominated in U.S. dollars, any investments that are denominated in a foreign currency are subject to the risk that the value of a particular currency may change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. We may employ hedging techniques to minimize these risks, but we can offer no assurance that we will, in fact, hedge currency risk or that, if we do, such strategies will be effective.

An economic downturn could affect our operating results.

An economic downturn may adversely affect companies having an enterprise value varying from $15 to $75 million, which are our primary market for investments. During periods of volatile economic conditions such as presently exists generally in the United States, these companies often experience decreased revenues, financial losses, difficulty in obtaining access to financing and increased funding costs. During such periods, these companies also may have difficulty expanding their businesses and operations and may be unable to meet their debt service obligations or other expenses as they become due. Any of the foregoing developments could cause the value of our investments in these companies to decline. In addition, during periods of adverse economic conditions, we may have difficulty accessing financial markets, which could make it more difficult or impossible for us to obtain funding for additional investments. Any of these events could have a material adverse effect on our business, financial condition and results of operations.

We may experience fluctuations in our quarterly results.

We may experience fluctuations in our quarterly operating results due to a number of factors, including variations in, and the timing of, the recognition of realized and unrealized gains or losses, the degree to which we encounter competition in our markets, the ability to find and close suitable investments and general economic conditions. The volatility of our results is exacerbated by our relatively small number of investments. As a result of these factors, you should not rely on our results for any period as being indicative of performance in future periods.

The due diligence process that we undertake in connection with our investments may not reveal all facts that may be relevant in connection with an investment.

Before making our investments, we conduct due diligence that we deem reasonable and appropriate based on the facts and circumstances applicable to each investment. The objective of the due diligence process is to identify attractive investment opportunities based on the facts and circumstances surrounding an investment and to prepare a framework that may be used from the date of an acquisition to drive operational achievement and value creation. When conducting due diligence, we evaluate a number of important business, financial, tax, accounting, environmental and legal issues in determining whether or not to proceed with an investment. Our due diligence review with respect to a potential portfolio company typically includes, but is not limited to, a review of historical and prospective financial information including audits and budgets, on-site visits and interviews with management, employees, customers and vendors, a review of business plans and an analysis of the consistency of operations with those plans, and other research relating to the company, management, industry, markets, products and services, and competitors. Outside consultants, legal advisers, accountants and investment banks are expected to be involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, we are required to rely on resources available to us, including information provided by the portfolio company and, in some circumstances, third party investigations. The due diligence process may at times be subjective, including with respect to newly organized companies for which only limited information is available. Accordingly, we cannot assure you that the due diligence investigation that we will carry out with respect to any investment opportunity will reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. We also cannot assure you that such an investigation will result in an investment being successful.

Risks Related to Our Business and Structure

Our ability to invest in private companies may be limited in certain circumstances.

If we are to maintain our status as a BDC, we must not acquire any assets other than "qualifying assets" unless, at the time of and after giving effect to such acquisition, at least 70% of our total assets are qualifying assets. A principal category of qualifying assets relevant to our business is securities purchased in transactions not involving any public offer from issuers that are eligible portfolio companies under the 1940 Act. Investments in companies organized outside of the United States or having a principal place of business outside of the United States are not eligible portfolio companies.

Any failure on our part to maintain the Fund's status as a BDC could reduce our operating flexibility.

If we do not maintain the Fund's status as a BDC, we might be regulated as a closed-end investment company under the 1940 Act, which would subject us to substantially more regulatory restrictions under the 1940 Act. This could impose tighter limitations on Equus in terms of the use of leverage and transactions with affiliated entities. Such developments could correspondingly decrease our operating flexibility.

We may not continue to qualify as a RIC under the Code.

To remain entitled to the tax benefits accorded to RICs under the Code, we must meet certain income source, asset diversification and annual distribution requirements. To qualify as a RIC, we must derive each taxable year at least 90% of our gross income from dividends, interest, payments with respect to certain securities loans, gains from the sale of stock or other securities or foreign currencies, or other income derived with respect to our business of investing in such stock or securities or currencies and net income from interests in certain "qualified" publicly traded partnerships. The annual distribution requirement for a RIC is satisfied if we distribute at least 90% of our ordinary net taxable income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, to our stockholders on an annual basis. As discussed above in "Our business is dependent on external financing," we historically have borrowed funds necessary to make qualifying investments to satisfy the Subchapter M diversification requirements. If we fail to satisfy such diversification requirements and cease to qualify for conduit tax treatment, we will be subject to income tax on our income and gains and will not be permitted to deduct distributions paid to stockholders. In addition, our distributions will be taxable as dividends to the extent paid from earnings and profits. We may also cease to qualify as a RIC, or be subject to income tax and/or a 4% excise tax, if we fail to distribute a sufficient portion of our net investment income and net realized capital gains. The loss of our RIC qualification would have a material adverse effect on the total return, if any, obtainable from an investment in our common stock.

Because we intend to distribute substantially all of our income and net realized capital gains to our stockholders, we will need additional capital to finance our growth.

In order to qualify as a RIC, to avoid payment of excise taxes and to minimize or avoid payment of income taxes, we intend to distribute to our stockholders substantially all of our net ordinary income and realized net capital gains except for certain net long-term capital gains (which we may retain, pay applicable income taxes with respect thereto, and elect to treat as deemed distributions to our stockholders). As a BDC, we are generally required to meet a coverage ratio of total assets to total senior securities, which includes all of our borrowings and any preferred stock we may issue in the future, of at least 200%. This requirement limits the amount that we may borrow. Because we will continue to need capital to grow our investment portfolio, this limitation may prevent us from incurring debt and require us to issue additional equity at a time when it may be disadvantageous to do so. We cannot assure you that debt and equity financing will be available to us on favorable terms, or at all, and debt financings may be restricted by the terms of any of our outstanding borrowings. In addition, as a BDC, except for limited situations such as this offering, we are generally not permitted to issue equity securities priced below net asset value without stockholder approval. If additional funds are not available to us, we could be forced to curtail or cease new lending and investment activities, and our net asset value could decline.

Our Board of Directors may change our investment objective, operating policies and strategies without prior notice or stockholder approval.

Our Board of Directors has the authority to modify or waive certain of our operating policies and strategies without prior notice (except as required by the 1940 Act) and without stockholder approval. However, absent stockholder approval, we may not change the nature of our business so as to cease to be, or withdraw our election as, a BDC. We cannot predict the effect any changes to our current operating policies and strategies would have on our business, operating results and value of our stock. Nevertheless, any such effects may adversely affect our business and impact our ability to make distributions.

Risks Related to Our Operation as a BDC

Our management team has limited experience managing a BDC.

The 1940 Act imposes numerous constraints on the operations of BDCs. For example, BDCs are required to invest at least 70% of their total assets in specified types of securities, primarily in private companies or thinly traded U.S. public companies, cash, cash equivalents, U.S. government securities and other high quality debt investments that mature in one year or less. See "Regulation as a Business Development Company." Our management team's limited experience in managing a portfolio of assets under such constraints may hinder our ability to take advantage of attractive investment opportunities and, as a result, achieve our investment objective. Furthermore, any failure to comply with the requirements imposed on BDCs by the 1940 Act could cause the SEC to bring an enforcement action against us and/or expose us to claims of private litigants. If we do not remain a BDC, we might be regulated as a closed-end investment management company under the 1940 Act, which would further decrease our operating flexibility and may prevent us from operating our business as described in this prospectus. See "Regulation as a Business Development Company."

Furthermore, our management team's limited experience in managing a BDC that qualifies as a RIC, which is subject to operating limitations under the Code, may hinder our ability to invest in certain assets that might otherwise be part of our investment strategy, thus reducing the return on your investment. For a description of the requirements to maintain RIC pass-through tax treatment, please see "Certain U.S. Federal Income Tax Considerations."

Our ability to enter into transactions with our affiliates is restricted.

We are prohibited under the 1940 Act from participating in certain transactions with certain of our affiliates without the prior approval of our independent directors and, in some cases, the SEC. Any person that owns, directly or indirectly, 5% or more of our outstanding voting securities is our affiliate for purposes of the 1940 Act, and we generally are prohibited from buying or selling any security from or to such affiliate, absent the prior approval of our independent directors. The 1940 Act also prohibits certain “joint” transactions with certain of our affiliates, which could include investments in the same portfolio company (whether at the same or different times), without prior approval of our independent directors and, in some cases, the SEC. If a person acquires more than 25% of our voting securities, we are prohibited from buying or selling any security from or to such person or certain of that person’s affiliates, or entering into prohibited joint transactions with such persons, absent the prior approval of the SEC. Similar restrictions limit our ability to transact business with our officers or directors or their affiliates.

Regulations governing our operation as a BDC affect our ability to, and the way in which we, raise additional capital.

Our business requires a substantial amount of additional capital. We may acquire additional capital from the issuance of senior securities or other indebtedness, the issuance of additional shares of our common stock or from securitization transactions. However, we may not be able to raise additional capital in the future on favorable terms or at all. We may issue debt securities or preferred securities, which we refer to collectively as “senior securities,” and we may borrow money from banks or other financial institutions, up to the maximum amount permitted by the 1940 Act. The 1940 Act permits us to issue senior securities or incur indebtedness only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after such issuance or incurrence. Our ability to pay dividends or issue additional senior securities would be restricted if our asset coverage ratio were not at least 200%. If the value of our assets declines, we may be unable to satisfy this test. If that happens, we may be required to liquidate a portion of our investments and repay a portion of our indebtedness at a time when such sales may be disadvantageous.

- *Senior Securities*. As a result of issuing senior securities, we would also be exposed to typical risks associated with leverage, including an increased risk of loss. If we issue preferred securities they would rank “senior” to common stock in our capital structure. Preferred stockholders would have separate voting rights and may have rights, preferences or privileges more favorable than that of our common stockholders. Furthermore, the issuance of preferred securities could have the effect of delaying, deferring or preventing a transaction or a change of control that might involve a premium price for our common stockholders or otherwise be in your best interest.

- *Additional Common Stock.* Our board of directors may decide to issue common stock to finance our operations rather than issuing debt or other senior securities. As a BDC, we are generally not able to issue our common stock at a price below net asset value without first obtaining required approvals from our stockholders and our independent directors. In any such case, the price at which our securities are to be issued and sold may not be less than a price, that in the determination of our board of directors, closely approximates the market value of such securities (less any commission or discount). We may also make rights offerings to our stockholders at prices per share less than the net asset value per share, subject to the 1940 Act. If we raise additional funds by issuing more common stock or senior securities convertible into, or exchangeable for, our common stock, the percentage ownership of our stockholders at that time would decrease, and you may experience dilution.

Changes in the laws or regulations governing our business, or changes in the interpretations thereof, and any failure by us to comply with these laws or regulations, could negatively affect the profitability of our operations.

Changes in the laws or regulations or the interpretations of the laws and regulations that govern BDCs, RICs or non-depository commercial lenders, could significantly affect our operations and our cost of doing business. We are subject to federal, state and local laws and regulations and are subject to judicial and administrative decisions that affect our operations, including our loan originations, maximum interest rates, fees and other charges, disclosures to portfolio companies, the terms of secured transactions, collection and foreclosure procedures and other trade practices. If these laws, regulations or decisions change, or if we expand our business into jurisdictions that have adopted more stringent requirements than those in which we currently conduct business, we may have to incur significant expenses in order to comply or we might have to restrict our operations. In addition, if we do not comply with applicable laws, regulations and decisions, we may lose licenses needed for the conduct of our business and be subject to civil fines and criminal penalties, any of which could have a material adverse effect upon our business, results of operations or financial condition.

Item 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties*

We do not own any real estate or other physical properties. Our principal executive offices are located at Eight Greenway Plaza, Suite 930, Houston, Texas 77046. We believe that these leased office facilities are suitable and adequate for the business as it is contemplated to be conducted.

Item 3. ***Legal Proceedings***

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 notified the Fund that the staff intends to recommend that the SEC bring a civil action against the Fund for possible violations of the securities laws. The Fund has been cooperating with the SEC in this inquiry. In accordance with SEC procedures, the Fund has presented its perspective on these issues to the staff. The SEC has not made a formal decision regarding an enforcement proceeding.

On March 10, 2010, American General Life Insurance Company (American General") filed a complaint against the Fund in the District Court of Harris County, Texas, in connection with an office lease entered into by our former administrator with American General. The complaint by American General sought to hold the Fund liable for unpaid rent, improvements, and attorneys fees totaling approximately $450,000. We agreed to a settlement with American General in exchange for a one-time payment of $120,000, which was paid on June 7, 2011.

On April 26, 2010, the SEC also subpoenaed our records in connection with certain trades in our shares by SPQR Capital LLP, SAE Capital Ltd., Versatile Systems Inc., Mobiquity Investments Limited, and anyone associated with those entities. We have fully cooperated with the SEC's request.

On June 9, 2011, RNR Production, Land and Cattle Company, Inc. ("RNR") filed a lawsuit against the Fund and each of the members of the Board in the District Court of Harris County, Texas, seeking various monetary and equitable remedies, including a motion for a temporary restraining order against the Fund from holding its annual meeting of shareholders which was scheduled for June 10, 2011. The Fund prevailed against the motion but agreed to a nuisance settlement with RNR in exchange for a one-time payment of $200,000 which was paid on September 2, 2011.

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

Item 4. ***Mine Safety Disclosures***

Not applicable.

PART II

Item 5. ***Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securitie***s

Our common stock is listed on the New York Stock Exchange under the symbol "EQS". We had approximately 3,500 stockholders as of December 31, 2011, 845 of which were registered holders. Registered holders do not include those stockholders whose stock has been issued in street name. As of December 31, 2011, our net asset value was $3.61 per share of our common stock.

The following table reflects the high and low closing sales prices per share of our common stock on the New York Stock Exchange, net asset value, or NAV and quarterly dividends declared per share for the two years ended December 31, 2011, by quarter:

	2011				2010			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
High	$ 2.92	$ 2.78	$ 2.46	$ 2.51	$ 3.50	$ 3.23	$ 2.58	$ 2.50
Low	$ 2.41	$ 2.36	$ 1.88	$ 1.82	$ 2.66	$ 2.57	$ 2.11	$ 2.03
NAV	$ 4.10	$ 3.92	$ 3.69	$ 3.61	$ 5.66	$ 4.28	$ 3.55	$ 4.29
Dividends Declared	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

As a regulated investment company under Subchapter M of the Internal Revenue Code, we are required to distribute to our stockholders, in a timely manner, at least 90% of our taxable net investment income each year. If we do not distribute, in a timely manner, 98.2% of our taxable net capital gains and 98.2% of our taxable net investment income each year (as well as any portion of the respective 2% balances not distributed in the previous year), we will be subject to a 4% non-deductible federal excise tax on certain undistributed income of regulated investment companies. Under the 1940 Act, we are not permitted to pay dividends to stockholders unless we meet certain asset coverage requirements. If taxable net investment income is retained, we will be subject to federal income and excise taxes. We reserve 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 our stockholders will be able to claim their proportionate share of the federal income taxes paid by the Fund 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. The 2010 RIC Modernization Act increases the percentage of pre-October 31 capital gains included in the required distribution amount to 98.2% and provides for the inclusion of amounts for which estimated tax was paid during the calendar year in the distributed amount.

On March 24, 2009, we announced that we suspended our 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. On February 27, 2009, we announced the declaration of a first quarter dividend of $0.1075 per share in accordance with the our revised managed distribution policy, pursuant to which we intend to pay quarterly dividends at an annualized rate equal to 10% of our market value based on the 2008 year-end closing price of $4.30. A stock dividend in the amount of $0.9 million was payable on March 30, 2009 to shareholders of record as of March 9, 2009. We issued 296,528 additional shares of our common stock at an effective price of $3.10 per share and paid $2,000 in cash for fractional shares.

We invest in companies that are believed to have a high potential for capital appreciation, and we intend to realize the majority of our profits upon the sale of our investments in portfolio companies. Consequently, most of the companies in which we invest do not have established policies of paying annual dividends. However, a portion of the investments in portfolio securities held by the Fund consists of interest-bearing subordinated debt securities or dividend-paying preferred stock.

On April 27, 2011, we announced that we had entered into two separate transactions involving the purchase of an aggregate of 11,408 4% bonds due May 2012 (Bonds") issued by Orco Germany S.A., a commercial and multi-family residential real estate holding company and developer based in Berlin. The consideration provided to the selling bondholders consisted of an aggregate of 1,700,000 newly issued shares of common stock of the Fund. These shares are unregistered under the Securities Act of 1933. We received 8,890 of the Bonds on April 27, 2011. On May 9, 2011, one of these agreements was amended and restated to provide for an additional 45 days to deliver 2,518 of the Bonds in exchange for providing to the Fund approximately $1.6 million in cash as security for such delivery. As the remaining bonds were not delivered by the specified date, the cash collateral became free and clear property of the Fund on June 23,2011. Neither of the selling bondholders are "U.S. Persons" as defined in Section 903 of the Securities Act of 1933 ("Securities Act") and no solicitation was made and no underwriting discounts were given or paid in connection these transactions. We believe that the issuance of the shares in connection with the purchase of the Bonds and the receipt of cash was exempt from registration with the Securities and Exchange Commission pursuant to Section 4(2) of the Securities Act.

Item 6. *Selected Financial Data*

The following is a summary of selected financial data and per share data of the Fund for the five years ended December 31, 2011 (in thousands, except per share data):

	2011	2010	2009	2008	2007
Total investment income	$ 539	$ 2,904	$ 3,771	$ 3,181	$ 4,857
Net investment (loss) income	$ (3,500)	$ (770)	$ 195	$ (713)	$ (523)
Net realized gain (loss) of portfolio securities	$ (10,930)	$ (7)	$ (15,555)	$ 924	$ 5,264
Net change in unrealized appreciation (depreciation) of portfolio securities	$ 9,901	$ (12,073)	$ (12,172)	$ (19,873)	$ 7,526
Net increase (decrease) in net assets resulting from operations	$ (4,529)	$ (12,850)	$ (27,532)	$ (19,662)	$ 12,267
Distribution from net investment income	$ —	$ —	$ (195)	$ —	$ —
Return of capital distribution	$ —	$ —	$ (726)	$ (3,267)	$ —
Distribution of realized gains	$ —	$ —		$ (2,065)	$ (4,123)
Total assets	$ 44,301	$ 53,454	$ 81,007	$ 124,063	$ 134,730
Total net assets	$ 38,148	$ 38,051	$ 50,901	$ 78,435	$ 103,216
Net cash (used in) provided by operating activities	$ 18,596	$ 16,599	$ 12,361	$ (32,138)	$ (18,264)
Shares outstanding at end of year	10,562	8,862	8,862	8,565	8,401
Weighted average shares outstanding, basic	10,049	8,862	8,790	8,429	8,251

Per Share Data:	2011	2010	2009	2008	2007
Net investment (loss) income	$ (0.35)	$ (0.09)	$ 0.02	$ (0.08)	$ (0.06)
Net realized gain (loss) of portfolio securities	$ (1.09)	$ —	$ (1.77)	$ 0.11	$ 0.64
Net change in unrealized appreciation (depreciation) of portfolio securities	$ 0.99	$ (1.36)	$ (1.38)	$ (2.36)	$ 0.91
Net increase (decrease) in net amounts resulting from operations per share, basic and diluted	$ (0.45)	$ (1.45)	$ (3.13)	$ (2.33)	$ 1.49
Distribution from net investment income	$ —	$ —	$ (0.02)	$ —	$ —
Return of capital distribution	$ —	$ —	$ (0.09)	$ (0.39)	$ —
Distribution of realized gains	$ —	$ —	$ —	$ (0.24)	$ (0.50)
Net asset value (including unrealized appreciation)	$ 3.61	$ 4.29	$ 5.74	$ 9.16	$ 12.29

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

Overview

Equus is a BDC that provides financing solutions for privately held middle market and small capitalization companies. We began operations in 1983 and have been a publicly traded closed-end fund since 1991. Our investment objective is to seek the highest total return, consisting of capital appreciation and current income.

In June 2005, we retained Moore Clayton Capital Advisors, Inc. ("MCCA") as our registered investment adviser to manage our portfolio and provide access to investment opportunities. Our investment advisory agreement with MCCA terminated on June 30, 2009 and we have since internalized the management of the Fund. We now directly employ our management team and incur the costs and expenses associated with Fund operations. There is no outside investment advisory organization providing services to us under a fee-based advisory agreement, or an administrative organization charging us for services rendered. We expect that, because of management internalization, certain expenses of the Fund will not increase commensurate with an increase in the size of the Fund and, therefore, we can achieve efficiencies in our cost structure if we are able to grow the Fund.

As a BDC, we are required to comply with certain regulatory requirements. For instance, we generally have to invest at least 70% of the Fund's total assets in "qualifying assets," including securities of private U.S. companies, certain public U.S. companies with a total market capitalization not in excess of $250 million, cash, cash equivalents, U.S. government securities and short-term high-quality debt investments. Equus is a RIC under Subchapter M of the Code. To qualify as a RIC, we must meet certain source of income and asset diversification requirements. If we comply with the provisions of Subchapter M, the Fund generally does not have to pay corporate-level income taxes on any income that distributed to our stockholders.

Investment Income. We generate investment income from interest payable on the debt securities that the Fund holds, dividends received on equity interests in our portfolio companies and capital gains, if any, realized upon sales of equity and, to a lesser extent, debt securities in the investment portfolio. Our equity investments may include shares of common and preferred stock, membership interests in limited liability companies and warrants to purchase additional equity interests. These equity securities may or may not pay dividends, and the exercise prices of warrants that we acquire in connection with debt investments, if any, vary by investment. Our debt investments in portfolio companies may be in the form of senior or subordinated loans and may be unsecured or have a first or second lien on some or all of the assets of the borrower. Our loans typically have a term of three to seven years and bear interest at fixed or floating rates. Interest on these debt securities is generally payable either quarterly or semiannually. Some promissory notes held by the Fund provide that a portfolio company may elect to pay interest in cash or provide that discount interest may accrete in the form of original issue discount or payment-in-kind (PIK) over the life of the notes by adding unpaid interest amounts to the principal balance. Amortization of principal on our debt investments is generally deferred for several years from the date of initial investment. The principal amount of these debt securities and any accrued but unpaid interest generally will become due at maturity. We also earn interest income at market rates on investments in short-term marketable securities. From time to time, we generate income from time to time in the form of commitment, origination and structuring fees in connection with our investments. We recognize all such fees when earned.

Expenses. Currently, our primary operating expenses include director fees and expenses, professional fees, compensation expense, and general and administrative fees. During 2011, we incurred non-recurring expenses including settlement expenses, related to the various legal proceedings described in Item 3 above, were $0.3 million and offering costs of $0.4 million. During 2010, professional fees and other expenses incidental to our annual meeting and proxy contest were $0.7 million. Prior to the internalization described above, our primary operating expenses consisted of investment advisory and management fees payable to MCCA for its work in identifying, evaluating, negotiating, closing and monitoring investments. MCCA provided us with the services of its investment professionals and our former administrator, Equus Capital Administration Company, Inc. ("ECAC") provided us the services of its administrative staff as well as its investment professionals. MCCA also provided and paid for the management services necessary to run the Fund's business. Under the Advisory Agreement between MCCA and the Fund, MCCA received a management fee equal to an annual rate of 2% of our net assets, which was paid quarterly in arrears. Under the Advisory Agreement, we also agreed to pay an incentive fee to MCCA based on both realized investment income and net realized capital gains less unrealized capital depreciation. This incentive fee was equal to (a) 20% of the excess, if any, of our net investment income for each quarter that exceeded a quarterly hurdle rate equal to 2% (8% annualized) of our net assets, and (b) 20% of our net realized capital gain less unrealized capital depreciation. The incentive fee calculated in clause (b) was paid on an annual basis. ECAC provided administrative services to us for which we paid ECAC an administrative fee. Under the administration agreement we entered into with ECAC on June 30, 2005, we reimbursed the ECAC for its costs and expenses in performing its obligations and providing personnel and facilities up to a maximum of $0.5 million per year. Pursuant to the internalization described above, our administration agreement with ECAC expired on June 30, 2009. Consequently, all services previously provided to us by ECAC are now performed internally by our employees or from time to time by other third parties.

Operating Activities. We use cash to make new investments and follow-on investments in our existing portfolio companies. We record these investments at cost on the applicable trade date. Realized gains or losses are computed using the specific identification method. On an ongoing basis, we carry our investments in our financial statements at fair value, as determined by our board of directors. See "—Significant Accounting Policies – Valuation" below. As of December 31, 2011, we had invested 50.2% of our net assets in securities of portfolio companies that constituted qualifying investments under the 1940 Act. At that time, we had invested 12.1% by value in shares of common stock, 1.0% in membership interests in limited liability companies, and 37.1% in various debt instruments. Also, as of December 31, 2011, we had invested the proceeds of borrowings on margin (as discussed below under "—Financing Activities") in short-term, highly liquid investments, consisting primarily of U.S. Treasury Bills, interest-bearing bank accounts and certificates of deposit, that are, in our opinion, appropriate for the preservation of the principal amount of such instruments.

Under certain circumstances, we make follow-on investments in some of our portfolio companies. As of December 31, 2011, we had no outstanding commitments to our portfolio company investments.

Financing Activities. From time to time, we use leverage to finance a portion of our investments. We then repay such debt from the sale of portfolio securities. Under the 1940 Act, we have the ability to borrow funds and issue debt securities or preferred stock that are referred to as senior securities, subject to certain restrictions including an overall limitation on the amount of outstanding debt, or leverage, relative to equity of 1:1. Because of the nature and size of our portfolio investments, we periodically borrow funds to make qualifying investments in order to maintain our qualification as a RIC. During 2011 and 2010, we borrowed such funds by accessing a margin account with a securities brokerage firm. We invest the proceeds of these margin loans in high-quality securities such as U.S. Treasury securities until they are repaid. We refer to these high-quality investments as "restricted assets" because they are not generally available for investment in portfolio companies under the terms of borrowing. If, in the future, we cannot borrow funds to make such qualifying investments at the end of any future quarter, we may not qualify as a RIC and would become subject to corporate-level income tax on our net investment income and realized capital gains, if any. In addition, our distributions to stockholders would be taxable as ordinary dividends to the extent paid from earnings and profits. See "Federal Income Tax Considerations."

Distributions. On March 24, 2009, we announced that we suspended our managed distribution policy and payment of quarterly distributions for an indefinite period, following the distribution of the first quarter dividend to be 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. We will continue to pay out net investment income and/or realized capital gains, if any, on an annual basis as required under the 1940 Act.

Possible Share Repurchase. As a closed-end business development company, our shares of common stock are not redeemable at the option of stockholders, and our shares currently trade at a discount to their net asset value. Our board of directors has determined that it would be in the best interests of our stockholders to reduce or eliminate this market value discount. Accordingly, we have been authorized to, and may from time to time, repurchase shares of our outstanding common stock (including by means of tender offers or privately negotiated transactions) in an effort to reduce or eliminate this market discount or to increase the net asset value of the our shares. We are not required to undertake any such share repurchases, nor do we anticipate taking such action in 2012.

Critical Accounting Policies

Our financial statements are based on the selection and application of significant accounting policies, which require management to make significant estimates and assumptions. We believe that the following are some of the more critical judgment areas in the application of our accounting policies that currently affect our financial condition and results of operations.

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 our Board of Directors. As a general principle, the current "fair value" of an investment would be the amount we might reasonably expect to receive for it upon its current sale, in an orderly manner. Appraisal valuations are necessarily subjective and the estimated values arrived at by the Fund may differ materially from amounts actually received upon the disposition of portfolio securities.

During the first 12 months after an investment is made, the Fund utilizes the original investment amount to determine the fair value unless significant developments have occurred during this 12 month period which would indicate a material effect on the portfolio company (such as results of operations or changes in general market conditions). After the 12 month period, or if material events have occurred within the twelve month period, Fund management considers a two step process when appraising investments of privately held companies. The first step involves determining the enterprise value of the portfolio company. During this step, Fund management considers three different valuation approaches: a market approach, an income approach, and an asset approach. The particular facts and circumstances of each portfolio company determine which approach, or combination of approaches, will be utilized. The second step when appraising equity investments of privately held companies involves allocating value to the various debt and equity securities of the company. Fund management allocates value to these securities based on their relative priorities. For equity securities such as warrants, the Fund may also incorporate alternative methodologies including the Black-Scholes Option Pricing Model.

Market approach – The market approach typically employed by Fund management calculates the enterprise value of a company as a multiple of earnings before interest, taxes, depreciation and amortization ("EBITDA") generated by the company for the trailing twelve month period. Adjustments to the company's EBITDA, including those for non-recurring items, may be considered. Multiples are estimated based on current market conditions and past experience in the private company marketplace and are subjective in nature. The Fund will apply liquidity and other discounts it deems appropriate to equity valuations where applicable. 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.

Income approach – The income approach typically utilized by Fund management calculates the enterprise value of a company utilizing a discounted cash flow model incorporating projected future cash flows of the company. Projected future cash flows consider the historical performance of the company as well as current and projected market participant performance. Discount rates are estimated based on current market conditions and past experience in the private company marketplace and are subjective in nature. The Fund will apply liquidity and other discounts it deems appropriate to equity valuations where applicable.

Asset approach – The Fund considers the asset approach to determine the fair value of significantly deteriorated investments demonstrating circumstances indicative of a liquidation analysis. This situation may arise when a portfolio company: 1) cannot generate adequate cash flow to meet the principal and interest payments on its indebtedness; 2) is not successful in refinancing the its debt upon maturity; 3) Fund management believes the credit quality of a loan has deteriorated due to changes in the business and underlying asset or market conditions may result in the company's inability to meet future obligations; or 4) the portfolio company's reorganization or bankruptcy. Consideration is also given as to whether a liquidation event would be orderly or forced.

Fund management considers that the Fund's general intent is to hold its loans to maturity when appraising its privately held debt investments. As such, Fund management believes that the fair value will not exceed the cost of the investment. However, in addition to the previously described analysis involving allocation of value to the debt instrument, the Fund performs a yield analysis to determine if a debt security has been impaired.

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 of Directors may engage independent, third-party valuation firms to conduct independent appraisals and review management's preliminary valuations 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 in order to make their own independent assessment. Any third-party valuation data would be considered as one of many factors in a fair value determination. The Audit Committee then would recommend the fair values for all privately-held securities based on all relevant factors to the Board of Directors for final approval.

Because of the inherent uncertainty of the valuation of portfolio securities which do not have readily ascertainable market values, amounting to $19.2 million and $27.7 million as of December 31, 2011 and 2010, respectively, our 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, 2011, one of the Fund's portfolio investments, 4% bonds due May 2012 issued by Orco Germany S.A., is publicly listed on the Euro MTF Market of the Luxemburg Stock Exchange. However, there has been no recent trading activity. There were no publicly traded securities as at December 31, 2010.

On a daily basis, we adjust our net asset value for the changes in the value of our publicly held securities, if applicable, and material changes in the value of private securities, generally determined on a quarterly basis or as announced in a press release, and reports those amounts to Lipper Analytical Services, Inc. Weekly and daily net asset values appear in various publications, including Barron's and *The Wall Street Journal*.

Federal Income Taxes

We intend to comply with the requirements of the Code necessary for us to qualify as a RIC. So long as we comply with these requirements, we generally will not be subject to corporate-level federal income taxes on otherwise taxable income (including net realized capital gains) distributed to stockholders. Therefore, we did not record a provision for federal income taxes in our financial statements. As of December 31, 2011, we had a capital loss carry forward of $26.5 million which may be used to offset future capital gains. We may borrow money from time to time to maintain our status as a RIC under the Code. See "—Overview – Financing Activities" above.

Interest Income Recognition

We record interest income, adjusted for amortization of premium and accretion of discount, on an accrual basis to the extent that we expect to collect such amounts. We stop accruing interest on investments when we determine that interest is no longer collectible. We may also impair the accrued interest when we determine that all or a portion of the current accrual is uncollectible. If we receive any cash after determining that interest is no longer collectible, we treat such cash as payment on the principal balance until the entire principal balance has been repaid, before we recognize any additional interest income. We accrete or amortize 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

We have loans in our portfolio that may pay PIK interest. We add 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 the Fund's status as a RIC, we must pay out to our stockholders this non-cash source of income in the form of dividends even if we have not yet collected any cash in respect of such investments.

Recent Accounting Pronouncements

Effective January 1, 2010, we adopted changes issued by the Financial Accounting Standards Board (FASB) to add new requirements for disclosures about significant transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances and settlements relating to Level 3 measurements. In addition, the update clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. The adoption of this standard had no impact on our financial position and results of operations. In January 2010, the FASB issued changes to disclosure requirements for fair value measurements. Specifically, the changes require a reporting entity to disclose, in the reconciliation of fair value measurements using significant unobservable inputs (Level 3), separate information about purchases, sales, issuances, and settlements (that is, on a gross basis rather than as one net number). These changes became effective for the Fund beginning January 1, 2011. Other than the additional disclosure requirements, the adoption of this standard did not have a material effect on our financial position and results of operations.

Current Market Conditions

Overall economic conditions in the United States have improved slightly through 2011. However, the economic recovery has been hampered by persistent high unemployment levels and lingering problems in the housing market. Further, the banking industry continues to experience additional bank failures as regulators continue to impose strict capital requirements. Additionally, future economic expansion and business investment is threatened by perceptions of higher taxes and healthcare costs, as well as the high levels of government deficit spending.

Market conditions for business transactions including mergers and acquisitions and private equity investments improved throughout 2010 and 2011 as low interest rates have reduced capital costs, some banks are lending more aggressively, valuations have increased and buyer and seller expectations have converged. These conditions were contributors to an upturn in transaction volume during 2011 to its largest level since 2008. In addition, corporations have been deleveraging and are holding significant amounts of cash and many have begun to focus on acquisitions as part of future growth plans. Private equity firms have access to historically large amounts of committed capital as private equity activity has been lower than anticipated for nearly two years and fund raising was robust heading into the economic downturn.

Consistent with other companies in the financial services sector, our performance has been adversely affected. Between December 31, 2009 and December 31, 2011 our net asset value declined from $5.74 per share to $3.61 per share. This further impacted the closing price of our common stock, as it declined approximately 21.9% during 2010 and a further 10.4% during 2011 and, as of December 31, 2011, is trading at a 38.0% discount to our net asset value.

During 2010 and 2011, we executed certain initiatives to enhance liquidity, achieve a lower operational cost structure, provide more assistance to portfolio companies and realize certain of our portfolio investments. Specifically, we changed the composition of our Board of Directors and Management, terminated certain of our follow-on investments, internalized the management of the Fund, suspended our managed distribution policy, modified our investment strategy to pursue shorter term liquidation opportunities, pursued non-cash investment opportunities, and sold certain of our underperforming investment holdings. We believe these actions continue to be necessary to protect capital and liquidity during this turbulent economic period in order to preserve and enhance shareholder value. We also expect that, because of management internalization, certain expenses of the Fund will not increase commensurate with an increase in the size of the Fund and, therefore, we can achieve efficiencies in our cost structure if we are able to grow the Fund

Liquidity and Capital Resources

We generate cash primarily from maturities, sales of securities and borrowings, as well as capital gains realized upon the sale of portfolio investments. We use cash primarily to make additional investments, either in new companies or as follow-on investments in the existing portfolio companies and to pay the dividends to our stockholders.

We are currently evaluating the impact of current market conditions on our portfolio company valuations and their ability to provide current income. We have followed valuation techniques in a consistent manner; however, it is cognizant of current market conditions that might effect future valuations of portfolio securities. We believe that our operating cash flow and cash on hand will be sufficient to meet operating requirements and to finance routine capital expenditures through the next 12 months.

Year Ended December 31, 2011

As of December 31, 2011, we had total assets of $44.3 million, of which $19.2 million were invested in portfolio investments and $16.8 million were invested in cash and cash equivalents. Among our portfolio investments, $14.1 million (at fair value) or 37.1% of net asset value were in the form of notes receivable from portfolio companies as of December 31, 2011. We impaired certain promissory notes issued by Spectrum Management, LLC, having a fair value of $0.3 million.

As of December 31, 2011, we also had $6.1 million of restricted cash and temporary cash investments, including primarily the proceeds of a quarter-end margin loan that we incurred to maintain the diversification requirements applicable to a RIC. Of this amount, $6.0 million was invested in U.S. Treasury bills and $0.1 million represented a required 1% brokerage margin deposit. These securities were held by a securities brokerage firm and pledged along with other assets to secure repayment of the margin loan. The U.S. Treasury bills were sold on January 3, 2012 and we subsequently repaid this margin.

Operating Activities. We provided $18.6 million in cash for operating activities in 2011. In 2011, we made investments in portfolio companies of $0.6 million and incurred compensation expense and paid fees to our consultants, legal counsel, directors, banks and others of $3.1 million, while realizing a loss of $10.9 million from the disposition of portfolio securities. During 2011, we incurred non-recurring expenses including settlement expenses, related to the various legal proceedings described in Item 3 above, were $0.3 million and offering costs of $0.4 million.

Financing Activities. We used $9.2 million in cash from financing activities for 2011. We issued 1,7000,000 additional shares of our common stock at an effective price of $3.10 per share. On April 27, 2011, we announced that we had entered into two separate transactions involving the purchase of an aggregate of 11,408 4% bonds due May 2012 (Bonds") issued by Orco Germany S.A., a commercial and multi-family residential real estate holding company and developer based in Berlin. The consideration provided to the selling bondholders consisted of an aggregate of 1,700,000 newly issued shares of common stock of the Fund. These shares are unregistered under the Securities Act of 1933. We received 8,890 of the Bonds on April 27, 2011. We incurred a quarter-end margin loan in the amount of $6.0 million to maintain the diversification requirement applicable to a RIC.

Year Ended December 31, 2010

As of December 31, 2010, we had total assets of $53.5 million, of which $27.7 million were invested in portfolio investments, and $7.4 million in cash and cash equivalents. Among our portfolio investments, $19.3 million (at fair value) or 50.8% of net asset value were in the form of notes receivable from portfolio companies as of December 31, 2010. We record no interest income or receive no cash for notes issued by Riptide Entertainment, LLC, having an aggregate cost basis of $10.0 million.

As of December 31, 2010, we also had $15.2 million of restricted cash and cash equivalents, including primarily the proceeds of a quarter-end margin loan that we incurred to maintain the diversification requirements applicable to a RIC. Of this amount, $15.0 million was invested in U.S. Treasury bills and $0.2 million represented a required 1% brokerage margin deposit. These securities were held by a securities brokerage firm and pledged along with other assets to secure repayment of the margin loan. The U.S. Treasury bills were sold on January 3, 2011 and we subsequently repaid this margin.

Operating Activities. We provided $16.6 million in cash for operating activities in 2010. In 2010, we made investments in portfolio companies of $1.2 million and incurred compensation expense and paid fees to our consultants, legal counsel, directors, banks and others of $3.4 million, while realizing a loss of $7.0 thousand from the disposition of investments.

Financing Activities. We used $15.3 million in cash from financing activities for 2010. We incurred a quarter-end margin loan in the amount of $15.0 million to maintain the diversification requirement applicable to a RIC.

Year Ended December 31, 2009

As of December 31, 2009, we had total assets of $81.0 million, of which $42.4 million were invested in portfolio investments and $5.5 million were invested in temporary cash investments. Among our portfolio investments, $25.7 million (at fair value) or 50.4% of net asset value were in the form of notes receivable from portfolio companies as of December 31, 2009. We record no interest income or receive no cash for notes issued by Riptide Entertainment, LLC and Nickent Golf, Inc., having an aggregate value of $3.2 million.

As of December 31, 2009, we also had $30.3 million of restricted cash and cash equivalents, including primarily the proceeds of a quarter-end margin loan that we incurred to maintain the diversification requirements applicable to a RIC. Of this amount, $30.0 million was invested in U.S. Treasury bills and $0.3 million represented a required 1% brokerage margin deposit. These securities were held by a securities brokerage firm and pledged along with other assets to secure repayment of the margin loan. The U.S. Treasury bills were sold on January 4, 2010 and we subsequently repaid this margin.

Operating Activities. We provided $12.4 million in cash for operating activities in 2009. In 2009, we made investments in portfolio companies of $1.2 million and paid fees to our advisers, directors, banks and others of $4.1 million, while realizing a loss of $15.6 million from the disposition of portfolio securities.

Financing Activities. We used $15.0 million in cash from financing activities for 2009. We declared one cash dividend in 2009 totaling $0.9 million ($0.1075 per share). We issued 296,528 additional shares of our common stock at an effective price of $3.10 per share and paid $2.0 thousand in cash for fractional shares. We determined that the 2009 dividend payment should be classified as a 100% qualifying dividend, with 21.2% allocated ordinary income and 78.8% allocated to return of capital as of December 31, 2009.

Results of Operations

Investment Income and Expense

Year Ended December 31, 2011 as compared to Year Ended December 31, 2010

Total income from portfolio securities declined to $0.5 million for 2011 from $2.9 million for 2010. This decrease was largely due to declines in interest bearing promissory notes during 2011 along with the impairment of accrued interest related to the interest bearing promissory notes of ConGlobal Industries Holding, Inc. and Spectrum Management, LLC for the period.

Professional fees decreased to $1.2 million for 2011 from $1.4 million for 2010. The legal fees and solicitation costs in 2010 were higher due to our Annual Shareholder Meeting held in May 2010 and resulting proxy contest.

The Fund also incurred expenses related offering costs of $0.4 million and settlement costs of $0.3 million for 2011.

As a result of the factors described above, net investment loss after expenses was ($3.5) million for 2011 as compared to a net investment loss of ($0.8) million for 2010.

Year Ended December 31, 2010 as compared to Year Ended December 31, 2009

Total income from portfolio securities declined to $2.9 million for 2010 from $3.7 million for 2009. This decrease was largely due to declines in interest bearing promissory notes during 2010 along with the restructuring of our holding in ConGlobal Industries Holding, Inc. in the third quarter 2009, resulting in the recognition of additional accrued interest for the period.

During the first six months of 2009, the former investment 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 for the six months ended June 30, 2009. We also reimbursed Equus Capital Administration Company, Inc. (“ECAC”), the former administrator, for the costs and expenses incurred in performing its obligations and providing personnel and facilities under the Fund’s Administration Agreement with ECAC, provided that such reimbursements did not exceed $450,000 per year. ECAC received $0.2 million for the six months ended June 30, 2009. As a result of the internalization management, we assumed these obligations directly beginning July 1, 2009.

Professional fees increased to $1.4 million for 2010 from $1.2 million for 2009. These increases were due to the increases in legal fees and solicitation costs associated with our Annual Shareholder Meeting held in May 2010 and resulting proxy contest.

Compensation expense was $1.4 million for 2010 and $0.5 million in 2009, respectively. The increase in compensation expense generated in 2010 is due to the internalization of management as of June 30, 2009. Accordingly, we paid no compensation prior to July 1, 2009.

As a result of the factors described above, net investment loss after expenses was ($0.8) million for 2010 as compared to a net investment income of $0.2 million for 2009.

Summary of Portfolio Investment Activity

Year Ended December 31, 2011

During the year ended December 31, 2011, we received $0.4 million from Sovereign Business Forms, Inc. in the form of principal payments and a distribution from Equus Media Development Company, LLC (“EMDC”) in the amount of $1.0 million. We sold our promissory notes in 1848 Capital Partners, LLC (“1848”), Big Apple Entertainment Partners, LLC (“Big Apple”), and London Bridge Entertainment Partners, Ltd (“London Bridge”) and certain assets of Riptide Entertainment Partners, LLC

("Riptide") in which we held a 64.67% membership interest. All of these assets were sold to Capital Markets Acquisition Partners, LLC for a combined price of $10 million, with $9.8 million allocated to the promissory notes held by the Fund and $0.2 million to Riptide. The Fund allocated the proceeds to the promissory notes resulting in a realized loss of approximately $0.9 million at London Bridge. In addition, the monies provided to Riptide were sufficient to satisfy its outstanding liabilities, resulting in a value of $0. We also received $0.8 million in connection with the sale and redemption of our membership interest in RP&C International Investments LLC.

During the year ended December 31, 2011, the Fund had investment activity of $3.7 million in three portfolio companies. We made a follow-on investment of $0.3 million in Spectrum Management, LLC. On April 27, 2011, we announced that we had entered into two separate transactions involving the purchase of an aggregate of 11,408 4% bonds due May 2012 ("Bonds") issued by Orco Germany S.A., a commercial and multi-family residential real estate holding company and developer based in Berlin. The consideration provided to the selling bondholders consisted of an aggregate of 1,700,000 newly issued shares of common stock of the Fund. These shares are unregistered under the Securities Act of 1933. We received 8,890 of the Bonds on April 27, 2011. On May 9, 2011, one of these agreements was amended and restated to provide for an additional 45 days to deliver 2,518 of the Bonds in exchange for providing to the Fund approximately $1.6 million in cash as security for such delivery. As the remaining bonds were not delivered by the specified date, the cash collateral became free and clear property of the Fund on June 23, 2011. On September 30, 2011, we formed Equus Energy, LLC ("Equus Energy"), as a wholly-owned subsidiary of the Fund, to make investments in companies in the energy sector, with particular emphasis on income-producing oil & gas properties. In December 2011, we contributed $250,000 to the capital of Equus Energy.

The following table includes significant investment activity during the year ended December 31, 2011 (in thousands):

	Investment Activity				
	New Investments		Existing Investments		
Portfolio Company	**Cash**	**Non-Cash**	**Follow-On**	**PIK**	**Total**
Orco Germany S.A	$ 67	$ 3,016	$ —	$ —	$ 3,083
Spectrum Management, LLC	—	—	325	—	325
Equus Energy, LLC	250	—	—	—	250
	$ 317	$ 3,016	$ 325	$ —	$ 3,658

Year Ended December 31, 2010

During the year ended December 31, 2010, we received payment in full for the Trulite, Inc. promissory note, in the amount of $2.6 million, which included interest income of $0.3 million, a distribution from Equus Media Development Company, LLC of $1.0 million, and repayment of the Nickent Golf, Inc. receivership certificate in the amount of $0.1 million. We also received repayment of the $0.6 million bridge loan from London Bridge Entertainment Partners, Ltd.

During the year ended December 31, 2010, the Fund had investment activity of $1.8 million in five portfolio companies, including $0.6 million in the form of accrued interest and dividends received in the form of additional portfolio securities (PIK).

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

	Investment Activity				
	New Investments		Existing Investments		
Portfolio Company	**Cash**	**PIK**	**Follow-On**	**PIK**	**Total**
London Bridge Entertainment Partners Ltd	$ —	$ —	$ 575	$ 148	$ 723
Spectrum Management, LLC	—	—	425	—	425
1848 Capital Partners LLC	—	—	—	295	295
Trulite, Inc.	—	—	200	—	200
Big Apple Entertainment Partners LLC	—	—	—	121	121
	$ —	$ —	$ 1,200	$ 564	$ 1,764

On October 1, 2010, the Fund invested $0.2 million in Spectrum Management, LLC, ("Spectrum") as a follow-on investment in the form of a $0.8 million, 16% promissory note facility. The note was funded to assist Spectrum in meeting immediate working capital requirements and matures on May 28, 2011. On November 1, 2010, the Fund invested $0.2 million in Spectrum as a follow-on investment under the $0.8 million 16% promissory note facility.

On July 1, 2010, the Fund invested $0.6 million in London Bridge Entertainment Partners Ltd ("London Bridge") as a follow-on investment in the form of an 18% promissory note. The note was funded to assist London Bridge in meeting immediate working capital requirements. The $0.6 million note was senior to other debt and equity in liquidation preference, restricted the company from incurring any debt senior or equal in liquidation preference, prohibited payment to subordinated debt and equity, and was personally guaranteed by the individuals who control the management of the company. The note was paid in full on October 1, 2010.

On January 12, 2010, the Fund invested $0.2 million in Trulite, Inc. as a follow-on investment in the form of an 18% promissory note.

Year Ended December 31, 2009

During the year ended December 31, 2009, we had investment activity of $2.3 million in seven portfolio companies, including $1.1 million in the form of accrued interest and dividends received in the form of additional portfolio securities (PIK).

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

	Investment Activity				
	New Investments		Existing Investments		
Portfolio Company	**Cash**	**PIK**	**Follow-On**	**PIK**	**Total**
Trulite, Inc.	$ —	$ —	$ 300	$ 307	$ 607
1848 Capital Partners LLC	—	—	—	453	453
Riptide Entertainment, LLC	—	—	450	—	450
Nickent Golf, Inc	—	—	370	—	370
London Bridge Entertainment Partners Ltd	—	—	—	208	208
Big Apple Entertainment Partners LLC	—	—	—	153	153
HealthSPAC, LLC	—	—	50	—	50
	$ —	$ —	$ 1,170	$ 1,121	$ 2,291

On November 5, 2009, we invested an additional $0.3 million in Trulite, Inc., a renewable energy company, in the form of an 18% promissory note.

On March 25, 2009, we invested an additional $0.4 million as a follow-on investment in Riptide Entertainment, LLC in the form of an 8% promissory note. On November 19, 2009, we made a follow-on investment in Riptide Entertainment, LLC of $0.1 million for an 8% promissory note maturing in 2014. The majority of these follow-on investments were expected to fund the Ripley's Believe It or Not Museum franchise located in London, UK.

On February 2, 2009, we made a follow-on investment of $0.3 million in Nickent Golf, Inc. in the form of a 13% promissory note. We invested an additional $0.1 million in 2009, in the form of a receivership certificate.

Realized Gains and Losses on Sales of Portfolio Securities

Year Ended December 31, 2011

During 2011, we realized net capital losses of $10.9 million, including the following significant transactions:

Portfolio Company	Industry	Type	Realized Gain (Loss)
Riptide Entertainment, LLC	Entertainment and leisure	Control	$ (10,074)
London Bridge Entertainment Partners Ltd	Entertainment and leisure	Non-affiliate	(992)
RP&C International Investments LLC	Healthcare	Affiliate	138
Various others			(2)
			$ (10,930)

Year Ended December 31, 2010

During 2010, we realized no material gains or losses on sales of portfolio securities.

Year Ended December 31, 2009

During 2009, we realized net capital losses of $15.6 million, including the following significant transactions:

Portfolio Company	Industry	Type		Realized Loss
Nickent Golf, Inc.	Entertainment and leisure	Affiliate	$	(9,688)
Creekstone Florida Holdings, LLC	Real estate	Non-Affiliate		(4,000)
Metic Group, PLC	Commercial building products	Non-Affiliate		(1,000)
HealthSPAC, LLC	Healthcare	Control		(824)
Various others				(43)
			$	(15,555)

Changes in Unrealized Appreciation/Depreciation of Portfolio Securities

Year Ended December 31, 2011

During 2011, we recorded a net change in unrealized depreciation of $9.9 million, to a net unrealized depreciation of $17.4 million. Such change in depreciation resulted primarily from the following changes:

(i) Decline in fair market value of ConGlobal Industries Holding, Inc. (“ConGlobal”) of $2.6 million due to the decline in operating performance.

(ii) Transfer of unrealized depreciation to realized depreciation for London Bridge Entertainment Partners, Ltd. (“London Bridge”) of $0.8 million due to the sale of the promissory note.

(iii) Increase in the fair market value of Orco Germany S.A. (“Orco Germany”) bonds of $2.7 million due to the difference in the market price of Equus shares used as consideration for the bonds on the date of acquisition offset by the change in the Euro-USD exchange rate.

(iv) Increase in the fair market value of PalletOne, Inc. (“PalletOne”) of $0.1 million due to steady improvement in operating performance and indications of value from independent third parties.

(v) Transfer of unrealized depreciation to realized depreciation for Riptide Entertainment Partners, LLC. (“Riptide”) of $10.1 million due to the sale of the promissory notes and the winding up of the entity.

(vi) Transfer of unrealized appreciation to realized appreciation for RP&C International Investments, LLC (“RP&C”) of $0.1 million due to the maturity of the investment.

(vii) Increase in fair market value of Sovereign Business Forms, Inc. (“Sovereign”) of $0.6 million as Sovereign has seen an upward trend in operating results and has continued to reduce its debt which has resulted in a corresponding increase its equity value.

(viii) Decrease in fair market value of Spectrum Management, Inc. (“Spectrum”) of $1.4 million due to the decline in operating performance and the maturity of its funded debts which remain in default.

(ix) Decrease in the fair market value of Trulite, Inc. (“Trulite”) of $0.1 due to the lack of progress and inability to achieve sufficient funding with regards to its product development program.

Year Ended December 31, 2010

During 2010, we recorded an increase in net unrealized depreciation of $12.1 million, to a net unrealized depreciation of $27.3 million. Such increase in depreciation resulted primarily from the following changes:

(i) Increase in fair market value of ConGlobal of $0.2 million. ConGlobal’s value reflects the general stability of business performance over last year.

(ii) Decline in fair market value of Equus Media Development Company, LLC ("EMDC") of $2.8 million. In June 2010, we received a distribution of $1.0 million from EMDC. Currently, EMDC holds $1.5 million in cash and has a remaining funding commitment of $0.3 under our agreement with Kopleson Entertainment. In addition, if Kopleson Entertainment generates $0.2 million of income for EMDC, that event will trigger an additional $1.0 million funding obligation of EMDC. EMDC has written down the fair value of our assets to reflect the holding period of the projects held by EMDC.

(iii) Decline in fair market value of Infinia Corporation of $1.5 million. Infinia has informed us of its significant capital and ongoing(ii) liquidity needs. Based on these factors, the negative book value of equity, our nominal equity holdings and the future potential dilution or possible restructuring of the capital structure of the company, we have written down the investment to $0.

(iv) Increase in fair market value of PalletOne of $0.1 million. PalletOne has continued to generate cash flows which have reduced debt levels. We believe the performance of the company in recent years and its continued debt reduction initiatives has created a nominal increase in the value of our equity holdings.

(v) Decrease in fair market value of Sovereign of $0.4 million. The value of Sovereign reflects a slight decline in business performance compared with last year.

(vi) Decline in fair market value of Spectrum of $3.9 million. In the fourth quarter, we loaned Spectrum $0.4 million to meet its immediate working capital needs. The valuation reflects Spectrum's operating results, market conditions of its customer base, working capital shortfall and near-term maturity of the company's debt.

(vii) Increase in fair market value of Trulite of $0.1 million. We hold approximately nine million warrants in Trulite, many with a nominal exercise price. Based on Trulite's recent equity raise, operating performance and repayment of the Fund's debt, the Fund determined the warrants have increased in value. We have valued these warrants utilizing the Black-Sholes option pricing model.

(viii) Subsequent to year-end, we sold our promissory notes in 1848 Capital Partners, LLC ("1848"), Big Apple Entertainment Partners, LLC ("Big Apple"), and London Bridge Entertainment Partners, Ltd ("London Bridge") in a transaction which also combined all of the assets of Riptide Entertainment Partners, LLC ("Riptide"). All of these assets were sold to Capital Markets Acquisition Partners, LLC ("CMAP") for a combined price of $10 million, with $9.8 million allocated to the promissory notes held by the Fund and $0.2 million to Riptide. We were introduced to CMAP as the buyer of these holdings in mid-January 2011. We allocated the proceeds to the promissory notes resulting in a loss of approximately $0.9 million at London Bridge. In addition, the monies provided to Riptide were sufficient to satisfy its outstanding liabilities, resulting in a value of $0. For the year, the changes in fair value for each investment include an increase of $0.3 million of the 1848 note, and increase of $0.2 million of the Big Apple note, a decline of $0.7 million of the London Bridge note and a decline of $3.2 million in Riptide.

Year Ended December 31, 2009

During 2009, we recorded an increase in net unrealized depreciation on investments of $12.2 million from a net unrealized depreciation position of $3.0 million to a net unrealized depreciation position of $15.2 million. This increase in depreciation resulted primarily from decreases in the estimated fair value of eight portfolio companies due to current market conditions and operations in 2009, aggregating $27.4 million. The portfolio companies contributing to this change are Infinia Corporation, Riptide and Spectrum. These decreases were partially offset by the transfer in net unrealized depreciation to net realized depreciation related to the write-off of Creekstone Florida Holdings, LLC, Metic Solutions, Plc, and HealthSpac LLC.

Portfolio Securities

During 2011, we made new investments in Equus Energy, LLC and Orco Germany and made a follow-on investment in Spectrum. As of December 31, 2011, we had active investments in the following entities or portfolio companies:

The Bradshaw Group, Inc.

The Bradshaw Group, Inc. ("Bradshaw") is a resource for large volume printer users to find cost effective options for laser print equipment, service, parts and supplies. Our $1.8 million investment in Bradshaw consists of 576,828 shares of Class B preferred stock with a 12.25% paid in-kind dividend, 38,750 shares of Class C preferred stock with no dividend rights, 788,649 shares of Class D preferred stock with a 15% paid in-kind stock dividend, 2,218,109 shares of Class E preferred stock with an 8% paid in-kind stock dividend and 2,229,450 warrants to purchase common stock at a purchase price of $0.01 per share which expire in May 2016. This package of investments represents a fully diluted equity interest in Bradshaw of 18%. As of December 31, 2011, we valued this investment at $0.

ConGlobal Industries Holding, Inc. and Affiliates

ConGlobal Industries Holding, Inc. is a holding company that owns ConGlobal International, Inc. (“ConGlobal”) an operator of 22 container repair and storage depots located near shipping ports across the United States, Mexico, and Costa Rica, catering to major shipping, leasing, and freight movement companies around the world. The company has national storage capacity of over 600 acres and its network of maintenance depots currently handles over 6,500 containers per week and can accommodate 175,000 TEU's (twenty-foot equivalent unit). ConGlobal is managed by Randy Hale, Mike Baldwin, and David Liebman, its Chairman, CEO, and CFO, respectively, as well as a team of managers for terminal operations.

ConGlobal has four major business lines:

- *Depot Services* – The company stores and repairs shipping containers on site. ConGlobal also charges a daily fee for storage of shipping containers and intermodal equipment and also charges a handling fee for the movement of containers.

- *Resale, Leasing and Aftermarket Services* – The company purchases used containers from its customers, refurbishes and resells or leases the unit to companies with alternative storage, portable office, housing or other specialized needs where a portable unit can be utilized.

- *Transportation Services* – The company repositions containers between terminals, pick-up and delivery of loads, deliver purchased containers and a variety of other uses

- *On-Dock Services* – The company has the ability to repair and service containers on cargo ships.

ConGlobal’s customers are leasing and shipping companies and the company’s performance is sensitive to changes in shipping and the container fleet markets. Two other influences on the industry are the U.S. dollar and bank lending. As the dollar weakens, more goods are exported from the U.S. in containers and, as the dollar strengthens, the converse is also generally true. In addition, accessibility of capital for container manufactures impacts the growth of new container construction.

ConGlobal competes on a local and regional basis against a variety of companies. Transportation and storage companies need only have sufficient real estate and minimal equipment to perform some of these services. We believe that none of ConGlobal’s competitors have comparable geographic diversity in North America, as most other container repair and storage companies have no more than one to a few locations.

As of December 31, 2011, our investment in ConGlobal consisted of 24,397,303 shares of common stock and a $6.0 million, 7% subordinated replacement promissory note due in 2012. During the fourth quarter of 2010, the company instituted a partial share buyback in which the Fund did not participate, increasing our fully-diluted equity interest from 32.2% to 34.2% during the quarter. As of December 31, 2011, we valued our investment in ConGlobal at $5.7 million.

Equus Energy, LLC

We formed Equus Energy, LLC (“Equus Energy”), as a wholly-owned subsidiary of the Fund, to make investments in companies in the energy sector, with particular emphasis on income-producing oil & gas properties. In December 2011, we contributed $250,000 to the capital of Equus Energy. Equus Energy has not consummated any investments, but incurred organizational and consulting expenses in the amount of $14,000 as of December 31, 2011. We ultimately intend to raise private equity capital in a separate energy-oriented private limited partnership fund, with Equus Energy serving as the manager and general partner.

Equus Media Development Company, LLC

Equus Media Development Company, LLC (“EMDC”) is a company engaged in the acquisition and development of creative properties with the purpose of developing the properties for release in various entertainment mediums. We formed EMDC in 2007 as a wholly-owned subsidiary of the Fund in connection with a management and development agreement with Kopelson Entertainment (“KE”).

The concept of the business of EMDC is to partner with creators, developers and producers of creative work, such as scripts, short stories or books, by providing capital necessary to enhance the creative development and package the assets to companies, such as major and independent studios, to produce and release.   In December 2011, our agreement with KE expired and EMDC distributed $1 million to the Fund. As of December 31, 2011, we valued EMDC at $0.2 million.

Infinia Corporation

Infinia Corporation ("Infinia"), based in Kennewick, WA, is a developer of a Stirling power system operating on concentrated solar energy for commercial and residential users. Founded over 25 years ago, Infinia is attempting to develop an early-stage solar technology - the Infinia Solar System or ISS. The ISS is intended to produce 3.0kW per hour by capturing the sun on a solar dish and focusing the reflection of the sun on a heater head that in turn runs the Stirling Engine. The Stirling Engine has been in existence for a number of years and, we believe, is unique because it requires no fluids to operate.

In June 2007, we made an investment of $3.0 million in exchange for 666,667 Class A Preferred shares in Infinia Corporation, to further the company's sales and product development programs and for company operations. In February 2008, we made a follow-on investment of $5.0 million in exchange for 160,720 Class B Preferred shares. These shares were later converted to 115,180 shares of common stock. As of December 31, 2011, we valued our investment in Infinia at $0. The decline in value was principally due to operational and commercialization delays and a recapitalization related to Infinia's most recent fund raising efforts in which our holdings were substantially diluted. Our ownership now represents 0.1% of the fully-diluted ownership of Infinia.

Orco Germany S.A.

Orco Germany S.A. ("Orco Germany") is a commercial and multi-family residential real estate holding company and developer based in Berlin, and is a controlled subsidiary of Orco Property Group S.A., a commercial and mutli-family residential real estate holding company based in Paris ("OPG"). On April 27, 2011, we announced that we had entered into two separate transactions involving the purchase of an aggregate of 11,408 Orco Germany 4% bonds due May 2012 ("Bonds"). The consideration provided to the selling bondholders consisted of an aggregate of 1,700,000 newly issued shares of common stock of the Fund. These shares are unregistered under the Securities Act of 1933. We received 8,890 of the Bonds on April 27, 2011. On May 9, 2011, one of these agreements was amended and restated to provide for an additional 45 days to deliver the remaining 2,518 of the Bonds in exchange for providing to the Fund approximately $1.6 million in cash as security for such delivery. As the remaining Bonds were not delivered by the specified date, the cash collateral became free and clear property of the Fund on June 23, 2011. On January 27, 2012, holders of greater than a two-thirds majority of the total Bonds issued by Orco Germany approved a conversion of the Bonds into "bonds convertible into shares" (Obligations Convertibles en Actions –"OCA"). The OCA are convertible into ordinary shares of OPG ("OPG Shares"), and may also entitle the bondholders to receive cash, additional OPG Shares, or ordinary shares of Orco Germany. As at December 31, 2011, we valued this investment at $5.7 million. *See "Subsequent Events" where we have included additional information concerning the expected receipt of OPG Shares by the Fund.*

PalletOne, Inc.

PalletOne, Inc. ("PalletOne") is considered one of the largest wooden pallet manufacturer in the United States, operating 17 facilities in 11 states, with approximately 1,100 employees. The company manufactures and recycles a variety of pallets types as well as boxes. The company also sells its by-products of mulch and scrap metal. PalletOne also owns and operates a major Florida-based wood treating plant. PalletOne has a diverse customer base and competes with numerous other manufacturers on a regional basis. Its largest pallet customers are agricultural and construction related companies including growers, grocery stores, and housing construction companies. We believe PalletOne's numerous locations allows for a slight advantage in pursuing large corporate accounts, as sales of pallets are typically regionalized to specific locations. In 2006, the company acquired a wood treating operation. The wood treating facility, Sunbelt, sells treated wood to a variety of customers, the most significant being Lowe's home improvement stores. Sunbelt has had a 20 year exclusive relationship with a large retail company selling treated and pre-fabricated fences. The principals of PalletOne have significant pallet manufacturing experience as well as the management team they have assembled.

The pallet manufacturing industry is mature and is experiencing continuing slow growth as the number of participants shrinks due to consolidation and underutilized plants, which have been eliminated. We initially invested in PalletOne in October 2001. As of December 31, 2011, our investment in PalletOne consisted of 350,000 shares of common stock, which represents a fully diluted equity interest of approximately 19% and we valued our interest in PalletOne at $0.15 million.

Sovereign Business Forms, Inc.

Sovereign Business Forms, Inc. ("Sovereign") was founded in 1996 to participate in the consolidation of the highly fragmented, wholesale business forms industry. Sovereign believes it is one of the ten largest manufacturers and wholesalers of custom business forms in the United States, an industry that is mature and highly competitive. Sovereign operates five manufacturing plants with a combined market reach covering much of the central and eastern United States, Texas and Louisiana. Business forms are typically custom forms sold to distributors which resell the forms to the end-users and include snap-out forms, continuous forms, laser cut sheets and sales/log books. Typical uses of these forms include bank checks, insurance contracts, auto parts and healthcare form/label combinations, and are utilized by banks, insurance companies, auto dealerships and healthcare companies. These types of products account for approximately 95% of the company's historical revenues. The principals of Sovereign have been with the company since inception in 1996 and have extensive experience in the industry.

Sovereign focuses its business on "short run" forms which are less than 150,000 per order. Sovereign management estimates the average order is $600, which equates to approximately 50,000 orders per year or 27 orders per day per location (six locations). These jobs typically have a quick turnaround, less than 48 hours and allow SBF to focus its sales efforts on service in a price-sensitive industry. Sovereign management also believes it is advantaged with numerous locations and can manage work flow by shifting orders to facilities that have excess capacity and drop-shipping directly to customers. There are few significant customers in the business with the top five customers accounting for approximately 10% of historical revenues.

As of December 31, 2011, our investment in Sovereign consisted of a 12% subordinated promissory note in the principal amount of $2.4 million and 1,214,630 shares of common stock valued at $4.5 million. Our investment represents a fully diluted equity interest in Sovereign of 55.0%. As of December 31, 2011, we valued our investment in Sovereign at $6.9 million. During the year, we received approximately $0.4 million in principal payments on our promissory note. *See "Subsequent Events" where we received $0.07 million in principal repayments.*

Spectrum Management, LLC

Spectrum Management, LLC ("Spectrum") uses proprietary electronic tracking equipment and software, and a full suite of custom services to help client organizations, mainly financial institutions, protect or recover high-value merchandise and cash. Spectrum markets its services under the brand name Electronic Tracking Systems or ETS. The company specializes in assisting communities and law enforcement in recovery of stolen property. Spectrum is managed by Jon Gergen, CEO, Jim Van Cleve, Chief Engineering Officer and Barbara Kent, CFO.

The most common use for the product, or TracPac, is in branch offices of banks. When used in a bank, the product can be placed between two bills and passed to a robber as a teller empties a drawer. In addition, law enforcement has begun to utilize the product for stake outs in recovering stolen property as the product can be placed on or in property that may have a high likelihood of being stolen. Once the robbery event has taken place and the TracPac is moved, the device is activated and begins to transmit a radio signal. Law enforcement can then track the TracPac on pre-installed receivers mounted in various vehicles. The company believes its product is the only product on the market that allows tracking of the "last mile" (within 15-30 feet of the transmitter). Once law enforcement knows it is close to a suspect, it can generally then utilize a handheld device to locate the individual in a building or small radius area.

The company leases its transmitters to banks on a per unit basis and has relationships with a number of different banks from international commercial banks to community thrifts. Spectrum has been impacted by the issues facing lending institutions as banks seek to reduce expenses and have slowed branch expansion. Spectrum competes in the currency protection niche of the security industry, which includes home security, private security, identity theft, airport security and many other segments. Currently there are over 75,000 bank branches in the US with an average of five tellers per branch. In the currency protection segment there are a number of competitors providing services, the company's direct competitor in the tracking business is 3SI Security Systems. Competing products include bullet proof glass for teller windows, panic buttons, security personnel, exploding dye packs, ATM protection and safe protection.

As of December 31, 2011, our investment in Spectrum consisted of 285,000 units of Class A Members' interest and 16% subordinated promissory notes in the amount of $2.1 million due May 2011. On September 30, 2010, we loaned Spectrum $0.4 million to meet its immediate working capital needs. As of December 31, 2011, we valued our investment in Spectrum at $0.3 million, which represents a fully-diluted equity interest of 81%.

Trulite, Inc.

Trulite, Inc. (“Trulite”) is a developer of safe, clean, affordable, portable hybrid power generation products that are also user friendly. Trulite utilizes fuel cells powered by water and hydrogen in portable and semi-portable products that can be used off-grid for applications of up to one kilowatt, with ideal usage in the 150-500 watt range.

During 2008 and 2009, we invested an aggregate of $2.0 million in the form of an unsecured promissory note maturing in January 2010, initially bearing interest at 15% and thereafter increased to 18%. In connection with the investment, we also received warrants to acquire 8.9 million shares of Trulite’s common stock at exercise prices ranging from $0.01 to $0.38 per share. The warrants expire in 2015. In June 2010, the note, together with all interest as accrued, was repaid by Trulite. We retained the Trulite warrants which we valued at $0 million as of December 31, 2011.

Off Balance Sheet Arrangements

We have operating leases for office space and office equipment. The lease for office space expires in 2014 with a one-time option to terminate the lease as of the last day of the 36th month. The lease also contains a provision for certain annual rental escalations. Rent expense inclusive of common area maintenance costs was $90.0 thousand for the year ended December 31, 2011 and $80.0 thousand for the years ended December 31, 2010 and 2009, respectively.

Future minimum lease payments under the operating lease as of December 31, 2011 were as follows (in thousands):

2012	$	55
2013		56
2014		42
	$	153

Contractual Obligations

As of December 31, 2011, we had no outstanding commitments to our portfolio company investments.

The Fund’s Board terminated the advisory agreement and the administrative agreement effective June 30, 2009. The Fund is now “internally” managed. This means we directly employs our 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.

Dividends

On March 24, 2009, we announced a suspension of our managed distribution policy and payment of quarterly distributions for an indefinite period. We 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.We declared one stock dividend in 2009 totaling $0.1075 per share. We paid $2,000 in cash for fractional shares and issued 296,528 additional shares of stock in 2009. The 2009 dividend was 100% qualified and classified as 21% of ordinary income and 79% as return of capital.

Subsequent Events

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

On January 3, 2012, we sold U.S. Treasury Bills for $6.0 million and repaid our year-end margin loan.

On January 27, 2012, holders of greater than a two-thirds majority of 148,077 4% bonds due May 2012 (the “Bonds”) issued by Orco Germany S.A. (“Orco Germany”) approved a conversion of the Bonds into “bonds convertible into shares” (*Obligations Convertibles en Actions* – “OCA”). The OCA will convert into an initial tranche of an aggregate of 19,250,000 ordinary shares of Orco Property Group S.A. (“OPG”), the parent corporation of Orco Germany. The shares of OPG are traded principally on the NYSE Euronext under the ISIN LU0122624777. OPG is a commercial and multi-family residential real estate holding company and developer headquartered in Paris that owns a variety of hotels, office buildings, apartment complexes, condominiums, and vacant land in Luxembourg, Poland, the Czech Republic, Slovakia, Croatia, Hungary, and Russia. As the Fund holds 8,890 Bonds, or 6% of the total Bonds issued, we would expect to receive approximately 1,155,700 OPG shares in this initial tranche. As of the filing date of this Annual Report, we have not yet received these OPG shares, which are not tradable in any event until April 12, 2012. Equus and the other Orco Germany bondholders (collectively, the “Bondholders”) are also entitled to receive a second payment, the nature of which is dependent upon on OPG’s ability to convert certain of its own bonds into equity by April 12, 2012. If such OPG bonds are so converted, the Bondholders would receive an additional tranche of 7,996,158 OPG shares. Of this amount, we would expect the Fund to receive 6%, or 480,060 additional OPG shares.

If the OPG bonds are not converted, OPG may elect to pay the Bondholders an aggregate of €50.0 million in cash or, failing such election, the Bondholders would receive, at their option, either: (i) the 7,996,158 additional OPG shares noted above, or (ii) 55% of the outstanding ordinary shares of Orco Germany. Although uncertainty exists regarding the timing of receipt of the second tranche of consideration, we believe the most likely scenario is for the Fund to receive the 480,060 additional OPG shares.

On January 30, 2012, we received $0.07 million in the form of partial principal repayment from Sovereign Business Forms, Inc.

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk***

We are 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. In the future, the Fund may invest in companies outside the United States, including in Europe and Asia, which would give rise to exposure to foreign currency value fluctuations. We do not use derivative financial instruments to mitigate any of these risks. The return on investments is generally not affected by foreign currency fluctuations.

Our 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 affect 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. We determine their fair values based on the terms of the relevant debt security and the financial condition of the issuer.

A major portion of our 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.

We are classified as a “non-diversified” investment company under the Investment Company Act, which means we are not limited in the proportion of our assets that may be invested in the securities of a single user. The value of one segment called Business Products and Services include one portfolio company and was 18.8% of the net asset value and 37.4% of our investments in portfolio company securities (at fair value) as of December 31, 2011. 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 our common stock to a greater extent than would be the case if we were a “diversified” company holding numerous investments.

Item 8. ***Financial Statements and Supplementary Data***

Report of Independent Registered Public Accounting Firm

To the Board of Directors and
Stockholders of Equus Total Return, Inc.:

We have audited the accompanying balance sheets of Equus Total Return, Inc. (a Delaware corporation), including the schedules of investments, as of December 31, 2011 and 2010 and the related statements of operations, changes in net assets and cash flows for each of the three years in the period ended December 31, 2011 and the selected per share data and ratios for each of the five years in the period ended December 31, 2011. These financial statements and selected per share data and ratios are the responsibility of the management of Equus Total Return, Inc. Our responsibility is to express an opinion on these financial statements and selected per share data and ratios based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements and selected per share data and ratios are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and selected per share data and ratios. Our procedures included verification by examination or confirmation of securities held by the custodian as of December 31, 2011 or by other appropriate auditing procedures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and selected per share data and ratios referred to above present fairly, in all material respects, the financial position of Equus Total Return, Inc. as of December 31, 2011 and 2010 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2011 and the selected per share data and ratios for each of the five years in the period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

/s/ UHY LLP

Houston, Texas
March 16, 2012

EQUUS TOTAL RETURN, INC.
BALANCE SHEETS

(in thousands, except per share amounts)	December 31, 2011	December 31, 2010
Assets		
Investments in portfolio securities at fair value:		
Control investments (cost at $23,353 and $34,231 respectively)	$ 13,298	$ 17,576
Affiliate investments (cost at $350 and $923 respectively)	150	762
Non-affiliate investments (cost at $12,878 and $19,808 respectively)	5,734	9,324
Total investments in portfolio securities at fair value	19,182	27,662
Cash and cash equivalents	16,813	7,382
Restricted cash and temporary cash investments	6,060	15,150
Accounts receivable and other	91	273
Accrued interest receivable	2,155	2,724
Deferred offering costs	—	263
Total assets	44,301	53,454
Liabilities and net assets		
Accounts payable and accrued liabilities	114	345
Accounts payable to related parties	39	58
Borrowing under margin account	6,000	15,000
Total liabilities	6,153	15,403
Commitments and contingencies		
Net assets	$ 38,148	$ 38,051
Net assets consist of:		
Common stock, par value	$ 10	$ 9
Capital in excess of par value	64,292	70,597
Undistributed net investment losses	(8,755)	(5,255)
Unrealized depreciation of portfolio securities, net	(17,399)	(27,300)
Total net assets	$ 38,148	$ 38,051
Shares of common stock issued and outstanding, $.001 par value, 50,000 shares authorized	10,562	8,862
Shares of preferred stock issued and outstanding, $.001 par value, 5,000 shares authorized	—	—
Net asset value per share	$ 3.61	$ 4.29

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

EQUUS TOTAL RETURN, INC.
STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)	Year Ended December 31, 2011	2010	2009
Investment income:			
Interest and dividend income:			
Control investments	$ 209	$ 848	$ 1,644
Affiliate investments	5	52	50
Non-affiliate investments	295	1,992	2,032
Total interest and dividend income	509	2,892	3,726
Interest from temporary cash investments	30	12	45
Total investment income	539	2,904	3,771
Expenses:			
Management fee	—	—	715
Administration fees	—	—	225
Compensation expense	1,286	1,358	497
Professional fees	1,211	1,386	1,241
Offering costs	428	—	—
Director fees and expenses	393	357	473
Settlement expense	320	—	—
General and administrative expense	207	157	130
Mailing, printing and other expenses	176	342	236
Taxes	14	38	8
Interest expense	4	36	51
Total expenses	4,039	3,674	3,576
Net investment income (loss)	(3,500)	(770)	195
Net realized gain (loss):			
Control investments	(10,074)	—	(824)
Affiliate investments	138	—	(9,688)
Non-affiliate investments	(992)	—	(5,000)
Temporary cash investments	(2)	(7)	(43)
Net realized loss	(10,930)	(7)	(15,555)
Net unrealized appreciation (depreciation) of portfolio securities:			
End of period	(17,399)	(27,300)	(15,227)
Beginning of period	(27,300)	(15,227)	(3,055)
Net change in unrealized depreciation of portfolio securities	9,901	(12,073)	(12,172)
Net decrease in net assets resulting from operations	$ (4,529)	$ (12,850)	$ (27,532)
Net decrease in net assets resulting from operations per share:			
Basic and diluted	$ (0.45)	$ (1.45)	$ (3.13)
Weighted average shares outstanding:			
Basic and diluted	10,049	8,862	8,790

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

EQUUS TOTAL RETURN, INC.
STATEMENTS OF CHANGES IN NET ASSETS

(in thousands)	Year Ended December 31, 2011	2010	2009
Net decrease in net assets resulting from operations	$ (4,529)	$ (12,850)	$ (27,532)
Distributions to stockholders:			
Distributions from net investment income	—	—	(195)
Return of capital distributions	—	—	(726)
Net decrease in net assets resulting from stockholder distributions	—	—	(921)
Capital share transactions:			
Shares issued in dividend	—	—	919
Shares issued for portfolio securities	4,626	—	—
Net increase in net assets resulting from capital share transactions	4,626	—	919
Increase (decrease) in net assets	97	(12,850)	(27,534)
Net assets at beginning of period	38,051	50,901	78,435
Net assets at end of period	$ 38,148	$ 38,051	$ 50,901

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

EQUUS TOTAL RETURN, INC.
STATEMENTS OF CASH FLOWS

(in thousands)	Year Ended December 31, 2011	2010	2009
Reconciliation of net decrease in net assets resulting from operations to net cash provided by operating activities:			
Net decrease in net assets resulting from operations	$ (4,529)	$ (12,850)	$ (27,532)
Adjustments to reconcile net decrease in net assets resulting from operations to net cash provided by operating activities:			
Net realized loss	10,930	7	15,555
Net change in unrealized depreciation of portfolio securities	(9,901)	12,073	12,172
Decrease in deferred offering costs	428	—	—
Changes in operating assets and liabilities:			
Purchase of portfolio securities	(642)	(1,200)	(1,170)
Net proceeds from dispositions of portfolio securities	10,730	—	—
Principal payments received from portfolio securities	379	4,440	927
Cash settlement of collateral	1,610	—	—
Sales of temporary cash investments, net	9,090	15,142	15,077
(Increase) decrease in accounts receivable and other	182	(226)	(39)
(Increase) decrease in accrued interest receivable	569	(1,083)	(2,077)
Increase (decrease) in accounts payable and accrued liabilities	(231)	238	(97)
Increase (decrease) in accounts payable-related parties	(19)	58	—
Decrease in due to advisor	—	—	(455)
Net cash provided by operating activities	18,596	16,599	12,361
Cash flows from financing activities:			
Borrowings under margin account	34,000	70,999	147,037
Repayments under margin account	(43,000)	(85,998)	(162,007)
Dividends paid	—	—	(2)
Deferred offering costs	(165)	(263)	—
Net cash used in financing activities	(9,165)	(15,262)	(14,972)
Net increase (decrease) in cash and cash equivalents	9,431	1,337	(2,611)
Cash and cash equivalents at beginning of period	7,382	6,045	8,656
Cash and cash equivalents at end of period	$ 16,813	$ 7,382	$ 6,045
Non-cash operating and financing activities:			
Shares issued in lieu of cash for portfolio securities	$ 4,626	$ —	$ 919
Accrued interest or dividends exchanged for portfolio securities	$ —	$ 564	$ 1,121
Supplemental disclosure of cash flow information:			
Interest paid	$ 6	$ 56	$ 56
Income taxes paid	$ 14	$ 38	$ 8

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

EQUUS TOTAL RETURN, INC.
SELECTED PER SHARE DATA AND RATIOS

	Year ended December 31,				
	2011	2010	2009	2008	2007
Investment income	$ 0.05	$ 0.33	$ 0.43	$ 0.38	$ 0.59
Expenses	0.40	0.42	0.41	0.46	0.65
Net investment income (loss)	(0.35)	(0.09)	0.02	(0.08)	(0.06)
Net realized gain (loss)	(1.09)	—	(1.77)	0.11	0.64
Net change in unrealized depreciation	0.99	(1.36)	(1.38)	(2.36)	0.91
Net increase (decrease) in net assets	(0.45)	(1.45)	(3.13)	(2.33)	1.49
Capital transactions:					
Distributions from net investment income	—	—	(0.02)	—	—
Return of capital distribution	—	—	(0.09)	(0.39)	—
Distributions of realized gains	—	—	—	(0.24)	(0.50)
Share repurchase	—	—	—	0.36	—
Shares issued for portfolio securities	(0.16)	—	—	—	—
Dilutive effect of shares issued	(0.07)	—	(0.18)	(0.53)	(0.12)
Decrease in net assets resulting from capital transactions	(0.23)	—	(0.29)	(0.80)	(0.62)
Net increase (decrease) in net assets	(0.68)	(1.45)	(3.42)	(3.13)	0.87
Net assets at beginning of period	4.29	5.74	9.16	12.29	11.42
Net assets at end of period, basic and diluted	$ 3.61	$ 4.29	$ 5.74	$ 9.16	$ 12.29
Weighted average number of shares outstanding during period, in thousands	10,049	8,862	8,790	8,429	8,251
Market price per share:					
Beginning of period	$ 2.50	$ 3.20	$ 4.30	$ 6.31	$ 8.54
End of period	$ 2.24	$ 2.50	$ 3.20	$ 4.30	$ 6.31
Selected information and ratios:					
Dividends paid	$ —	$ —	$ 0.11	$ 0.63	$ 0.50
Ratio of expenses to average net assets	10.60%	8.26%	5.53%	4.29%	5.48%
Ratio of net investment gain (loss) to average net assets	(9.19%)	(1.73%)	0.30%	(0.79%)	(0.53%)
Ratio of net increase (decrease) in net assets resulting from operations to average net assets	(11.89%)	(28.89%)	(42.57%)	(21.65%)	12.49%
Total return on market price (1)	(10.40%)	(21.88%)	(23.08%)	(21.84%)	(20.26%)

(1) Total return = [(ending market price per share + year-to-date dividends paid - beginning market price per share) / beginning market price per share].

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

EQUUS TOTAL RETURN, INC.
SCHEDULE OF INVESTMENTS
DECEMBER 31, 2011
(in thousands, except share data)

Name and Location of Portfolio Company	Industry	Date of Initial Investment	Investment	Principal	Cost of Investment	Fair Value(1)
Control investments: Majority-owned [5]:						
Equus Energy, LLC Houston, TX	Energy	December 2011	Member interest (100%)		$ 250	$ 236
Equus Media Development Company, LLC Houston, TX	Media	January 2007	Member interest (100%)		3,000	163
Sovereign Business Forms, Inc. Houston, TX	Business products and services	August 1996	1,214,630 shares of common stock (64.67% / 55.00% fully diluted)		5,080	4,488
			12% subordinated promissory notes due 5/13 [2]	$ 2,363	2,363	2,363
					7,443	6,851
Spectrum Management, LLC Carrolton, TX	Business products and services	December 1999	285,000 units of Class A member interest (92.1% / 82.5% fully diluted)		2,850	-
			16% subordinated promissory notes due 11/11 [3][4]	$ 2,440	2,440	319
					5,290	319
Total Control investments: Majority-owned (represents 30.1% of total investments at fair value)					**$ 15,983**	**$ 7,569**
Control Investments: Non-majority owned[6]:						
ConGlobal Industries Holding, Inc. San Ramon, CA	Shipping products and services	February 1997	24,397,303 shares of common stock (34.2%)		$ 1,370	$ -
			7% subordinated promissory note due 12/12[3]	$ 6,000	6,000	5,729
					7,370	5,729
Total Control Investments: Non-majority owned (represents 22.7% of total investments at fair value)					**$ 7,370**	**$ 5,729**
Total Control Investments: (represents 52.8% of total investments at fair value)					**$ 23,353**	**$ 13,298**
Affiliate Investments [7]:						
PalletOne, Inc. Bartow, FL	Shipping products and services	October 2001	350,000 shares of common stock (18.70%)		$ 350	$ 150
Total Affiliate Investments (represents 0.6% of total investments at fair value)					**$ 350**	**$ 150**

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

EQUUS TOTAL RETURN, INC.
SCHEDULE OF INVESTMENTS – (Continued)
DECEMBER 31, 2011
(in thousands, except share data)

Name and Location of Portfolio Company	Industry	Date of Initial Investment	Investment	Principal	Cost of Investment	Fair Value(1)
Non-Affiliate Investments (less than 5% owned):						
The Bradshaw Group Richardson, TX	Business products and services	May 2000	576,828 Class B shares (12.25%) preferred stock		$ 1,795	$ -
			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 5/16		-	-
					1,795	-
Infinia Corporation Kennewick, WA	Alternative energy	June 2007	115,180 shares common stock (0.13%)		8,000	-
			Option to purchase 16,000 shares of common stock at $6.50 per share through 12/12		-	-
					8,000	-
Orco Germany S.A. Berlin, Germany	Real estate	April 2011	8,890 4% Corporate Bonds due 5/12	$ 8,113	$ 3,083	$ 5,734
Trulite, Inc. Columbia, SC	Alternative energy	August 2008	Warrants to buy 8,934,211 shares of common stock at $0.01 - $0.38 per share through 11/15		-	-
Total Non-Affiliate Investments (represents 22.8% of total investments at fair value)					**$ 12,878**	**$ 5,734**
Total Investment in Portfolio Securities					**$ 36,581**	**$ 19,182**
Temporary Cash Investments						
U.S. Treasury Bill (8)	Government	December 2011	UST 0% due 3/12	$ 6,000	$ 6,000	$ 6,000
Total Temporary Cash Investments (represents 23.8% of total investments at fair value)					**$ 6,000**	**$ 6,000**
Total Investments					**$ 42,581**	**$ 25,182**

(1) See Note 3 to the financial statements, Valuation of Investments.
(2) Income-producing.
(3) Income on these securities is accrued to maturity.
(4) Non-income producing.
(5) Majority owned investments are generally defined under the Investment Company Act of 1940 as companies in which we own more than 50% of the voting securities of the company.
(6) Non-majority owned control investments are generally defined under the Investment Company Act of 1940 as companies in which we own more than 25% but not more than 50% of the voting securities of the company.
(7) Affiliate investments are generally defined under the Investment Company Act of 1940 as companies in which we own at least 5% but not more than 25% voting securities of the company.
(8) The Fund has included U.S. Treasury Bills in “Restricted Cash and Temporary Cash Investments” on the balance sheet.

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

EQUUS TOTAL RETURN, INC.
SCHEDULE OF INVESTMENTS – (Continued)
DECEMBER 31, 2011
(in thousands, except share data)

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

As defined in the Investment Company Act of 1940, all of our investments are in eligible portfolio companies. We provide significant managerial assistance to portfolio companies that comprise 70.1% of the total value of the investments in portfolio securities as of December 31, 2011.

Our investments in portfolio securities consist of the following types of securities as of December 31, 2011 (in thousands):

Type of Securities	Cost	Fair Value	Fair Value as Percentage of Net Assets
Secured and subordinated debt	$ 13,886	$ 14,145	37.1%
Common stock	14,800	4,638	12.1%
Limited liability company investments	6,100	399	1.0%
Preferred stock	1,795	—	0.0%
Total	$ 36,581	$ 19,182	50.2%

Cash payments of interest are currently being received and/or accrued on notes aggregating $13.8 million in fair value, while accrued interest has been impaired on notes receivable included in secured and subordinated debt with a fair value of $0.3 million.

The following is a summary by industry of our investments in portfolio securities as of December 31, 2011 (in thousands):

Industry	Fair Value	Net Assets
Business products and services	$ 7,170	18.8%
Shipping products and services	5,879	15.4%
Real estate	5,734	15.0%
Energy	236	0.6%
Media	163	0.4%
Total	$ 19,182	50.2%

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

EQUUS TOTAL RETURN, INC.
SCHEDULE OF INVESTMENTS
DECEMBER 31, 2010
(in thousands, except share data)

Name and Location of Portfolio Company	Industry	Date of Initial Investment	Investment	Principal		Cost of Investment		Fair Value(1)
Control investments: Majority-owned (6):								
Equus Media Development Company, LLC Houston, TX	Media	January 2007	Member interest (100%)		$	4,000	$	1,163
Riptide Entertainment, LLC (10) Miami, FL	Entertainment and leisure	December 2005	Member interest (64.67%)			65		-
			8% promissory notes due 9/14(5)	10,009		10,009		-
						10,074		-
Sovereign Business Forms, Inc. Houston, TX	Business products and services	August 1996	1,214,630 shares of common stock (64.66% / 55.00% fully diluted)			5,080		3,894
			12% subordinated promissory notes due 5/13(2)	2,742		2,742		2,742
						7,822		6,636
Spectrum Management, LLC Carrollton, TX	Business products and services	December 1999	285,000 units of Class A member interest (81%)			2,850		-
			16% subordinated promissory notes due 5/11(2)(3)	2,115		2,115		1,422
						4,965		1,422
Total Control investments: Majority-owned (represents 21.6% of total investments at fair value)					**$**	**26,861**	**$**	**9,221**
Control Investments: Non-majority owned(7):								
ConGlobal Industries Holding, Inc. San Ramon, CA	Shipping products and services	February 1997	24,397,303 shares of common stock (34.2%)		$	1,370	$	2,355
			7% subordinated promissory note due 12/12(3)	6,000		6,000		6,000
						7,370		8,355
Total Control Investments: Non-majority Owned (represents 19.6% of total investments at fair value)					**$**	**7,370**	**$**	**8,355**
Total Control Investments: (represents 41.2% of total investments at fair value)					**$**	**34,231**	**$**	**17,576**
Affiliate Investments(8):								
PalletOne, Inc. Bartow, FL	Shipping products and services	October 2001	350,000 shares of common stock (20% / 18.70% fully diluted)		$	350	$	50
RP&C International Investments LLC New York, NY	Healthcare	September 2006	Member interest (17.24%)			573		712
Total Affiliate Investments (represents 1.8% of total investments at fair value)					**$**	**923**	**$**	**762**

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

EQUUS TOTAL RETURN, INC.
SCHEDULE OF INVESTMENTS – (Continued)
DECEMBER 31, 2010
(in thousands, except share data)

Name and Location of Portfolio Company	Industry	Date of Initial Investment	Investment		Principal		Cost of Investment		Fair Value(1)
Non-Affiliate Investments (less than 5% owned):									
1848 Capital Partners LLC (10) Miami, FL	Entertainment and leisure	January 2008	18% promissory note due 1/11(4)	$	3,883	$	3,883	$	3,883
Big Apple Entertainment Partners LLC (10) New York, NY	Entertainment and leisure	October 2007	18% promissory note due 10/10(4)		3,275		3,275		3,275
Infinia Corporation Kennewick, WA	Alternative energy	June 2007	115,180 shares common stock (0.63%)				8,000		-
			Option to purchase 16,000 shares of common stock at $6.50 per share through 12/12				-		-
							8,000		-
London Bridge Entertainment Partners Ltd (10) London UK	Entertainment and leisure	August 2008	18% promissory notes due 8/11(4)		2,855		2,855		2,026
The Bradshaw Group Richardson, TX	Business products and services	May 2000	576,828 Class B shares 12.25% preferred stock				1,795		-
			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 5/16				-		-
							1,795		-
Trulite, Inc. Columbia, SC	Alternative energy	August 2008	Warrants to buy 8,934,211 shares of common stock at $0.01 - $0.38 per share through 11/15		-		-		140
Total Non-Affiliate Investments (represents 21.9% of total investments at fair value)						**$**	**19,808**	**$**	**9,324**
Total Portfolio Securities						**$**	**54,962**	**$**	**27,662**
Temporary Cash Investments									
U.S. Treasury Bills(9)	Government	December 2010	UST 0% 1/11	$	15,000	$	15,000	$	15,000
Total Temporary Cash Investments (represents 35.1% of total investments at fair value)						**$**	**15,000**	**$**	**15,000**
Total Investments						**$**	**69,962**	**$**	**42,662**

(1) See Note 3 to the financial statements, Valuation of Investments.
(2) Income-producing.
(3) Income on these securities is accrued to maturity.
(4) Income on these securities is paid-in-kind by the issuance of additional securities, or through accretion of original issue discount.
(5) Non-income producing.
(6) Majority owned investments are generally defined under the Investment Company Act of 1940 as companies in which we own more than 50% of the voting securities of the company.
(7) Non-majority owned control investments are generally defined under the Investment Company Act of 1940 as companies in which we own more than 25% but not more than 50% of the voting securities of the company.
(8) Affiliate investments are generally defined under the Investment Company Act of 1940 as companies in which we own at least 5% but not more than 25% voting securities of the company.
(9) The Fund has included U.S. Treasury Bills in “Restricted Cash and Temporary Cash Investments” on the balance sheet.

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

EQUUS TOTAL RETURN, INC.
SCHEDULE OF INVESTMENTS – (Continued)
DECEMBER 31, 2010
(in thousands, except share data)

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

As defined in the Investment Company Act of 1940, all of our investments are in eligible portfolio companies. We provide significant managerial assistance to portfolio companies that comprise 78.5% of the total value of the investments in portfolio securities as of December 31, 2010.

Our investments in portfolio securities consist of the following types of securities as of December 31, 2010 (in thousands):

Type of Securities	Cost	Fair Value	Fair Value as Percentage of Net Assets
Secured and subordinated debt	$ 30,879	$ 19,348	50.8%
Common stock	14,800	6,299	16.6%
Limited liability company investments	7,488	1,875	4.9%
Options and warrants	—	140	0.4%
Preferred stock	1,795	—	0.0%
Total	$ 54,962	$ 27,662	72.7%

Three notes receivable included in secured and subordinated debt with an estimated fair value of $9.2 million provide that all or a portion of interest is paid-in-kind, by adding such amount to the principal of the notes. For the remainder of secured and subordinated debt, cash payments of interest are currently being received and/or accrued on notes aggregating $10.1 million in fair value, while notes with a cost basis of $10 million and a fair value of $0 are non-income producing.

The following is a summary by industry of our investments in portfolio securities as of December 31, 2010 (in thousands):

Industry	Fair Value	Fair Value as Percentage of Net Assets
Entertainment and leisure	$ 9,184	24.1%
Shipping products and services	8,405	22.1%
Business products and services	8,058	21.2%
Media	1,163	3.1%
Healthcare	712	1.8%
Alternative energy	140	0.4%
Total	$ 27,662	72.7%

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

EQUUS TOTAL RETURN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011, 2010 AND 2009

(1) ORGANIZATION AND BUSINESS PURPOSE

Equus Total Return, Inc. (*"we," "us," "our," "Equus" the "Company" and the "Fund*"), 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. Our shares trade on the New York Stock Exchange under the symbol EQS. On August 11, 2006, our shareholders 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.

We attempt to maximize the return to stockholders in the form of current investment income and long-term capital gains by investing in the debt and equity securities of companies with a total enterprise value of between $15.0 million and $75.0 million, although we may engage in transactions with smaller or larger investee companies from time to time. We seek to invest primarily in companies pursuing growth either through acquisition or organically, leveraged buyouts, management buyouts and recapitalizations of existing businesses or special situations. Our income-producing investments consist principally of debt securities including subordinate debt, debt convertible into common or preferred stock, or debt combined with warrants and common and preferred stock. Debt and preferred equity financing may also be used to create long-term capital appreciation through the exercise and sale of warrants received in connection with the financing. We seek 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. Given market conditions over the past several years and the performance of our portfolio, our Management and board of directors believe it prudent to continue to review alternatives to refine and further clarify the current strategies.

We elected to be treated as a business development company under the Investment Company Act of 1940 ("1940 Act"). We currently qualify as a regulated investment company ("RIC") for federal income tax purposes and, therefore, are not required to pay corporate income taxes on any income or gains that we distribute to our stockholders. We have certain wholly owned taxable subsidiaries ("Taxable Subsidiaries") each of which holds one or more portfolio investments listed on our Schedules of Investments. The purpose of these Taxable Subsidiaries is to permit us to hold portfolio companies organized as limited liability companies, or LLCs, (or other forms of pass-through entities) and still satisfy the RIC tax requirement that at least 90% of our gross revenue for income tax purposes must consist of investment income. Absent the Taxable Subsidiaries, a portion of the gross income of any LLC (or other pass-through entity) portfolio investment would flow through directly to us for the 90% test. To the extent that such income did not consist of investment income, it could jeopardize our ability to qualify as a RIC and, therefore, cause us to incur significant federal income taxes. The income of the LLCs (or other pass-through entities) owned by Taxable Subsidiaries is taxed to the Taxable Subsidiaries and does not flow through to us, thereby helping us preserve our RIC status and resultant tax advantages. We do not consolidate the Taxable Subsidiaries for income tax purposes and they may generate income tax expense because of the Taxable Subsidiaries' ownership of the portfolio companies. We reflect any such income tax expense on our Statements of Operations.

(2) LIQUIDITY AND FINANCING ARRANGEMENTS

Liquidity and Revolving Line of Credit—There are several factors that may materially affect our liquidity during the reasonably foreseeable future. We view this period as the twelve month period from the date of the financial statements in this Form 10-K, *i.e*., the period through December 31, 2012.

We are evaluating the impact of current market conditions on our portfolio company valuations and their ability to provide current income. We have followed valuation techniques in a consistent manner; however, we are cognizant of current market conditions that might affect future valuations of portfolio securities. We believe that our operating cash flow and cash on hand will be sufficient to meet operating requirements and to finance routine expenditures through the next twelve months.

As of December 31, 2011, we had cash and cash equivalents of $16.8 million. We had $19.2 million of our net assets of $38.1 million invested in portfolio securities. We also had $6.1 million of restricted cash and temporary cash investments, including primarily the proceeds of a quarter-end margin loan that we incurred to maintain the diversification requirements applicable to a RIC to maintain our pass-through tax treatment. Of this amount, $6.0 million was invested in U.S. Treasury bills and $0.1 million represented a required 1% brokerage margin deposit. These securities were held by a securities brokerage firm and pledged along with other assets to secure repayment of the margin loan. The U.S. Treasury bills were sold on January 3, 2012 and we subsequently repaid this margin deposit.

As of December 31, 2010, we had cash and cash equivalents of $7.4 million. We had $27.7 million of our net assets of $38.1 million invested in portfolio securities. We also had $15.2 million of restricted cash and temporary cash investments, including primarily the proceeds of a quarter-end margin loan that we incurred to maintain the diversification requirements applicable to a RIC to maintain our pass-through tax treatment. Of this amount, $15.0 million was invested in U.S. Treasury Bills for the purpose of satisfying the diversification requirement to maintain our pass-through tax treatment. Restricted cash amounted to $0.2 million for the required 1% brokerage deposit. These securities are held by a securities brokerage firm and are pledged along with cash to secure the payment of the margin account balance. The U.S. Treasury bills were sold and the margin loan was repaid to the brokerage firm on January 3, 2011.

As of December 31, 2011, we had no outstanding commitments to our portfolio company investments. Under certain circumstances, we may be called on to make follow-on investments in certain portfolio companies. If we do not have sufficient funds to make follow-on investments, the portfolio company in need of the investment may be negatively impacted. Also, our equity interest in the estimated fair value of the portfolio company could be reduced.

RIC Borrowings and Temporary Cash Investments—During 2011 and 2010, we 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 we are unable to borrow funds to make qualifying investments, we may no longer qualify as a RIC. We 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 our stockholders.

As of December 31, 2011, we borrowed $6.0 million to make qualifying investments to maintain our RIC status by utilizing a margin account with a securities brokerage firm. We collateralized such borrowings with restricted cash and temporary cash investments in U.S. Treasury bills of $6.1 million. The U.S. Treasury bills were sold on January 3, 2011 and the total amount borrowed was repaid at that time.

As of December 31, 2010, we borrowed $15.0 million to make qualifying investments to maintain our RIC status by utilizing a margin account with a securities brokerage firm. We collateralized such borrowings with restricted cash and temporary cash investments in U.S. Treasury bills of $15.2 million. The U.S Treasury bills were sold on January 3, 2011 and the total amount borrowed was repaid at that time.

Economic Conditions—Economic conditions during 2011 and 2010 and market dislocations resulted in the availability of debt and equity capital declining significantly. Generally, the limited amount of available debt financing has shorter maturities, higher interest rates and fees, and more restrictive terms than debt facilities available in the past. In addition, during 2011 the price of our common stock continued to fall well below our net asset value, thereby making it undesirable to issue additional shares of our common stock. Because of these challenges, our near-term strategies shifted from originating debt and equity investments to preserving liquidity necessary to meet our operational needs. Key initiatives that we undertook during 2010 and 2011 to provide necessary liquidity include monetizations, the suspension of dividends and the internalization of management. Although there can be no assurances that such initiatives will be sufficient, we believe we have sufficient liquidity to meet our 2012 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 ("GAAP") us to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Although we believe the estimates and assumptions used in preparing these 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 our Board of Directors. As a general principle, the current "fair value" of an investment would be the amount we might reasonably expect to receive for it upon its current sale, in an orderly manner. Appraisal valuations are necessarily subjective and the estimated values arrived at by the Fund may differ materially from amounts actually received upon the disposition of portfolio securities.

During the first twelve months after an investment is made, the original investment value is utilized to determine the fair value unless significant developments have occurred during this twelve month period which would indicate a material effect on the portfolio company (such as results of operations or changes in general market conditions). After the twelve month period, or if material events have occurred within the twelve month period, Fund management considers a two step process when appraising investments of privately held companies. The first step involves determining the enterprise value of the portfolio company. During this step, Fund management considers three different valuation approaches: a market approach, an income approach, and an asset approach. The particular facts and circumstances of each portfolio company determine which approach, or combination of approaches, will be utilized. The second step when appraising equity investments of privately held companies involves allocating value to the various debt and equity securities of the company. Fund management allocates value to these securities based on their relative priorities. For equity securities such as warrants, the Fund may also incorporate alternative methodologies including the Black-Scholes Option Pricing Model.

Market approach – The market approach typically employed by Fund management calculates the enterprise value of a company as a multiple of earnings before interest, taxes, depreciation and amortization ("EBITDA") generated by the company for the trailing twelve month period. Adjustments to the company's EBITDA, including those for non-recurring items, may be considered. Multiples are estimated based on current market conditions and past experience in the private company marketplace and are subjective in nature. The Fund will apply liquidity and other discounts it deems appropriate to equity valuations where applicable. 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.

Income approach – The income approach typically utilized by Fund management calculates the enterprise value of a company utilizing a discounted cash flow model incorporating projected future cash flows of the company. Projected future cash flows consider the historical performance of the company as well as current and projected market participant performance. Discount rates are estimated based on current market conditions and past experience in the private company marketplace and are subjective in nature. The Fund will apply liquidity and other discounts it deems appropriate to equity valuations where applicable.

Asset approach – The Fund considers the asset approach to determine the fair value of significantly deteriorated investments demonstrating circumstances indicative of a liquidation analysis. This situation may arise when a portfolio company: 1) cannot generate adequate cash flow to meet the principal and interest payments on its indebtedness; 2) is not successful in refinancing its debt upon maturity; 3) Fund management believes the credit quality of a loan has deteriorated due to changes in the business and underlying asset or market conditions may result in the company's inability to meet future obligations; or 4) the portfolio company's reorganization or bankruptcy. Consideration is also given as to whether a liquidation event would be orderly or forced.

The Fund bases adjustments upon such factors as the 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 and various other factors and assumptions. In the case of unsuccessful operations, the Fund may base a portfolio company's fair value upon the company's estimated liquidation value. Fair valuations are necessarily subjective, and management's estimate of fair value may differ materially from amounts actually received upon the disposition of its portfolio securities. Also, any failure by a portfolio company to achieve its business plan or obtain and maintain its financing arrangements could result in increased volatility and result in a significant and rapid change in its value.

Fund management considers that the Fund's general intent is to hold its loans to maturity when appraising its privately held debt investments. As such, Fund management believes that the fair value will not exceed the cost of the investment. However, in addition to the previously described analysis involving allocation of value to the debt instrument, the Fund performs a yield analysis to determine if a debt security has been impaired. 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 of Directors may engage independent, third-party valuation firms to conduct independent appraisals and review management's preliminary valuations of each privately-held investment in order to make their own independent assessment. Any third-party valuation data would be considered as one of many factors in a fair value determination. The Audit Committee then would recommend the fair values for all privately-held securities based on all relevant factors to the Board of Directors for final approval.

Because of the inherent uncertainty of the valuation of portfolio securities which do not have readily ascertainable market values, amounting to $19.2 million and $27.7 million as of December 31, 2011 and 2010, respectively, our fair value determinations may materially differ from the values that would have been used had a ready market existed for the securities. There were no publicly traded securities as of December 31, 2011 or 2010.

On a daily basis, we adjust our net asset value for the changes in the value of our publicly held securities, if applicable, and material changes in the value of private securities, generally determined on a quarterly basis or as announced in a press release, 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*.

Deferred Offering Costs—Accumulation of costs related to the offering whereby we will sell additional shares or rights to acquire shares at a market price that may have been below net asset value. The main components of the costs are legal fees and consultant's fees specifically related to the offering.

Offering costs of $0.4 million were expensed at September 30, 2011, due to the delay in completing an offering to issue new shares.

Foreign Exchange--We record temporary changes in foreign exchange rates of portfolio securities denominated in foreign currencies as changes in fair value. These changes are therefore reflected as unrealized gains or losses until realized.

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

We classify our 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—We record interest income, adjusted for amortization of premium and accretion of discount, on an accrual basis to the extent that we expect to collect such amounts. We accrete 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. We stop accruing interest on investments when we determine that interest is no longer collectible. We may also impair the accrued interest when we determine that all or a portion of the current accrual is uncollectible. If the Fund receives any cash after determining that interest is no longer collectible, it treats such cash as payment on the principal balance until the entire principal balance has been repaid, before it recognizes any additional interest income.

Payment in Kind Interest (PIK)—We have loans in our portfolio that may pay PIK interest. We add 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 our status as a RIC, we must pay out to stockholders this non-cash source of income in the form of dividends even if we have not yet collected any cash in respect of such investments.

Cash Flows—For purposes of the Statements of Cash Flows, we consider all highly liquid temporary cash investments purchased with an original maturity of three months or less to be cash equivalents. We include our investing activities within cash flows from operations. We exclude "Restricted Cash & Temporary Cash Investments" used for purposes of complying with RIC requirements from cash equivalents.

Income Taxes—We intend 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. We borrow money from time to time to maintain our tax status under the Internal Revenue Code as a RIC. See Note 2 for further discussion of the Fund's RIC borrowings.

Texas margin tax applies to legal entities conducting business in Texas. 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. As a result, we did not owe state income tax for the years ended December 31, 2011, and December 31, 2010, respectively, and recorded $8 thousand in state income tax for the year ended December 31, 2009, that is solely attributable to the Texas margin tax.

Fair Value Measurement—Fair value is defined 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. We have categorized all investments recorded at fair value based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels, directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities, are as follows:

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

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

Level 3—Inputs reflect management's best estimate of what market participants would use in pricing the asset at the measurement date. It includes prices or valuations that require inputs that are both significant to the fair value measurement and unobservable. Generally, assets carried at fair value and included in this category are debt, warrants and/or other equity investments held in a private company. As previously described, Fund management considers a two step process when appraising investments of privately held companies. The first step involves determining the enterprise value of the portfolio company. During this step, Fund management considers three different valuation approaches: a market approach, an income approach, and a cost approach. The particular facts and circumstances of each portfolio company determine which approach, or combination of approaches, will be utilized. The second step when appraising equity investments of privately held companies involves allocating value to the various debt and equity securities of the company. Fund management allocates value to these securities based on their relative priorities. For equity securities such as warrants, the Fund may also incorporate alternative methodologies including the Black-Scholes Option Pricing Model. Yield analysis is also employed to determine if a debt security has been impaired.

We will record unrealized depreciation on investments when we determine that the fair value of a security is less than its cost basis, and will record unrealized appreciation when we determine that the fair value is greater than its cost basis.

As of December 31, 2011, 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 December 31, 2011		
(in thousands)	**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	$ 13,298	$ —	$ —	$ 13,298
Affiliate investments	150	—	—	150
Non-affiliate investments	5,734	—	—	5,734
Total investments	19,182	—	—	19,182
Temporary cash investments	6,000	6,000	—	—
Total investments and temporary cash investments	$ 25,182	$ 6,000	$ —	$ 19,182

The following table provides a reconciliation of fair value changes during 2011 for all investments for which we determine fair value using significant unobservable (Level 3) inputs:

	Fair value measurements using significant unobservable inputs (Level 3)			
(in thousands)	Control Investments	Affiliate Investments	Non-affiliate Investments	Total
Fair value as of December 31, 2010	$ 17,576	$ 762	$ 9,324	$ 27,662
Total realized gains (losses)	(10,074)	138	(992)	(10,928)
Change in unrealized appreciation depreciation)	6,600	(38)	3,338	9,900
Issuances	575	—	3,083	3,658
Settlements	(1,379)	(712)	(9,019)	(11,110)
Fair value as of December 31, 2011	$ 13,298	$ 150	$ 5,734	$ 19,182

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

		Fair Value Measurements As of December 31, 2010		
(in thousands)	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	$ 17,576	$ —	$ —	$ 17,576
Affiliate investments	762	—	—	762
Non-affiliate investments	9,324	—	—	9,324
Total Investments	27,662	—	—	27,662
Temporary cash investments	15,000	15,000	—	—
Total investments and temporary cash investments	$ 42,662	$ 15,000	$ —	27,662

The following table provides a reconciliation of fair value changes during 2010 for all investments for which we determine fair value using significant unobservable (Level 3) inputs:

	Fair value measurements using significant unobservable inputs (Level 3)			
(in thousands)	Control Investments	Affiliate Investments	Non-affiliate Investments	Total
Fair value as of December 31, 2009	$ 28,729	$ 2,128	$ 11,554	$ 42,411
Change in unrealized appreciation depreciation)	(10,069)	(651)	(1,353)	(12,073)
Issuances	325	—	3,083	3,408
Settlements	(1,409)	(50)	(4,625)	(6,084)
Change in control	—	(665)	665	—
Fair value as of December 31, 2010	$ 17,576	$ 762	$ 9,324	$ 27,662

(4) RELATED PARTY TRANSACTIONS AND AGREEMENTS

We entered into an investment advisory agreement dated June 30, 2005 with Moore Clayton Capital Advisors, Inc., pursuant to which Moore Clayton Capital Advisors, Inc. ("MCCA"), provided investment advisory services in exchange for an advisory fee. We also entered into an administration agreement dated June 30, 2005 with Equus Capital Administration Company, Inc. ("ECAC"), pursuant to which ECAC provided administrative services in exchange for an administrative fee. The Fund's Board of Directors terminated the advisory agreement and the administrative agreement effective June 30, 2009. Since that date, the Fund has been "internally" managed, which means that the Fund directly employs its management team and incurs the costs and expenses associated with Fund operations.

Except as noted below, 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 $15,000 is paid to the Chairman of the Audit Committee and a quarterly fee of $3,750 is paid to the Chairman of the Independent Directors. We may also pay other one-time or recurring fees to members of our Board of Directors in special circumstances. Neither Mr. Bertrand des Pallieres, an Independent Director, nor any of our interested directors, receive annual fees for their service on the Board of Directors.

In June, 2010, the Fund ratified and approved the use of A+ Filings, LLC (“A+ Filings”) to file its reports with the Securities and Exchange Commission. Mr. Kenneth I. Denos, Secretary of the Fund, holds a majority of the voting shares of A+ Filings. The Fund incurred $14,000 and $12,000 in services rendered by A+ Filings for the years ended December 31, 2011 and 2010, respectively.

On December 20, 2010, our board of directors approved a consulting agreement ("Consulting Agreement") with John A. Hardy, the Fund's Chief Executive Officer. The Consulting Agreement provides for base compensation to Mr. Hardy of $200,000 per annum and an annual bonus based upon achievement of certain criteria. The bonus is subject to an annual payout cap of $150,000, and any bonus earned that exceeds the payout cap will be carried over into subsequent fiscal years. If the Consulting Agreement is terminated without cause, as defined therein, Mr. Hardy will be entitled to receive one year's base consulting fee, together with all bonuses earned and unpaid and unpaid up to the date of termination. Mr. Hardy is not entitled to participate in any employee-related benefits, including health, life and disability plans, of the Fund. For the years ended December 31, 2011 and 2010, Mr. Hardy’s compensation totaled $350,000 and $266,662, respectively, each of which included a $150,000 bonus in accordance with this agreement. Mr. Hardy has permanently waived his right to $561,662 of earned but unpaid bonus under the Consulting Agreement for fiscal 2010 and has further permanently waived his right to $735,562 of earned but unpaid bonus in connection with activities of the Fund for fiscal 2011.

On December 22, 2010, our board of directors approved an employment agreement ("Employment Agreement") with S. Jay Brown, the Fund's Chief Investment Officer. The Employment Agreement, now terminated, provided for a base salary of $225,000 per annum and an annual bonus based upon achievement of certain criteria. The bonus was subject to an annual cap of $50,000. The Employment Agreement also entitled Mr. Brown to participate in various health and incentive compensation plans as and when adopted by the Fund, and further provided for payment of base salary in the event that Mr. Brown's employment was terminated without cause or for good reason as defined therein. In November 2011, in connection with his resignation as the Fund’s Chief Investment Officer, Mr. Brown entered into a separation agreement with the Fund which provided for a one-time payment of $80,000. For the years ended December 31, 2011 and 2010, Mr. Brown’s compensation, including accrued bonuses, totaled $320,000 and 235,000, respectively.

In 2010, payments to Versatile Systems Inc. (“Versatile Systems”) and Versatile Acquisition Corporation amounted to $51,000 for reimbursements for proxy related expenses incurred for the 2010 Annual Shareholder meeting. John A. Hardy, Chief Executive Officer of the Fund, Fraser Atkinson, Director and Chairman of the Audit Committee, Alessandro Benedetti, Executive Chairman, and Bertrand des Pallieres, Director, are all members of the board of directors of Versatile Systems. Messrs. Hardy and Atkinson are also the Chief Executive Officer and Chief Financial Officer, respectively, of Versatile Systems.

In November, 2011, Equus Energy, LLC, a wholly-owned subsidiary of the Fund, entered into a consulting agreement with Global Energy Associates, LLC (“Global Energy”) to provide consulting services for energy related investments. Henry W. Hankinson, Director, is a managing partner and co-founder of Global Energy. Payments to Global Energy totaled $12,500 as of December 31, 2011.

In respect of services provided to the Fund by members of the Board not in connection with their roles and duties as directors, the Fund pays a rate of $250 per hour for services rendered. In connection with services rendered by Kenneth I. Denos, Secretary and Chief Compliance Officer of the Fund, the Fund incurred $257,000 as of December 31, 2011, which is included as compensation expense. In connection with services rendered by Mr. Denos in 2010, the Fund incurred $128,000 which is included in compensation expense as of December 31, 2010 statement of operations, and $87,000, which is included in deferred offering costs on the balance sheet of the Fund as of December 31, 2010.

(5) FEDERAL INCOME TAX MATTERS

We are 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 our request, effective October 31, 1998, to change our year-end for determining capital gains for tax purposes from December 31 to October 31.

In 2009, we distributed 100% of our ordinary income. We were not required to make distributions of ordinary income for 2010 or 2008 under income tax regulations.

For the year ended December 31, 2011, we have a net investment loss for book purposes of $3.5 million and $3.5 million for tax purposes. During 2011, we had a net capital loss for book purposes of $10.9 million and a net capital loss for tax purposes of $10.9 million for tax purposes. The aggregate cost of investments for federal income tax purposes as of December 31, 2010 was $33.6 million. Such investments had unrealized appreciation of approximately $2.7 million and unrealized depreciation of $20.1 million for book purposes, or net unrealized depreciation of approximately $17.4 million. The Fund had unrealized appreciation of approximately $2.8 million and unrealized depreciation of approximately $17.2 million for tax purposes, or net unrealized depreciation of approximately $14.4 million as of December 31, 2010. As of December 31, 2011, we had approximately $26.5 million in capital loss carry forwards of which $15.6 million will expire after 2017 and the remaining $10.9 million will expire after 2019.

For the year ended December 31, 2010, we have a net investment loss for book purposes of $0.8 million and $0.8 million for tax purposes. During 2010, we had a net capital loss for book purposes of $7.0 thousand and a net capital loss for tax purposes of $7.0 thousand for tax purposes. The aggregate cost of investments for federal income tax purposes as of December 31, 2010 was $51.9 million. Such investments had unrealized appreciation of approximately $1.3 million and unrealized depreciation of $28.6 million for book purposes, or net unrealized depreciation of approximately $27.3 million. The Fund had unrealized appreciation of approximately $1.4 million and unrealized depreciation of approximately $25.7 million for tax purposes, or net unrealized depreciation of approximately $24.3 million as of December 31, 2010.

In regards to the Return of Capital Statement of Position, during the three years ended December 31, 2011, we recorded a reclassification for permanent book to tax differences of less than $1.0 thousand in each year. These differences were primarily due to the tax exempt interest income received. These differences resulted in a net decrease in accumulated earnings. This reclassification had no effect on net assets.

For the year ended December 31, 2009, we had a net investment gain for book purposes of approximately $0.2 million and $0.2 million for tax purposes. During 2009, we had a net capital loss for book purposes of approximately $15.6 million and a net capital loss for tax purposes of $15.6 million. The aggregate cost of investments for federal income tax purposes as of December 31, 2009 was $54.6 million. Such investments had unrealized appreciation of approximately $1.2 million and unrealized depreciation of $16.4 million for book purposes, or net unrealized depreciation of approximately $15.2 million.

The Fund had unrealized appreciation of approximately $4.2 million and unrealized depreciation of approximately $16.4 million for tax purposes, or net unrealized depreciation of approximately $12.2 million as of December 31, 2009.

We are a flow through, non-tax paying entity; further, our net operating loss carry forwards have been exhausted. Based upon an examination of our tax position, we determined that the aggregate exposure for uncertain tax positions did not have a material impact on our financial statements as of December 31, 2011 and December 31, 2010. The uncertain tax position is measured at the largest amount of benefits/expense that is greater than 50% likely of being realized upon ultimate settlement. We have not recorded an adjustment to our financial statements related to uncertain tax positions. We will continue to evaluate our tax positions and recognize any future impact of uncertain tax positions 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.

All of the Fund's federal and state income tax returns for 2008 through 2011 remain open to examination. We believe that there are no tax positions taken or expected to be taken that would significantly increase or decrease unrecognized tax benefits within 12 months of the reporting date.

(6) CONTRACTUAL OBLIGATIONS

We have operating leases for office space and office equipment. The lease for office space expires in 2014 with a one-time option to terminate the lease as of the last day of the 36th month. The lease also contains a provision for certain annual rental escalations. Rent expense inclusive of common area maintenance costs was $90.0 thousand for the year ended December 31, 2011 and $80.0 thousand for the years ended December 31, 2010 and 2009, respectively.

Future minimum lease payments under the operating lease as of December 31, 2011 were as follows (in thousands):

2012	$ 55
2013	56
2014	42
	$ 153

As of December 31, 2011 we had no outstanding commitments to our portfolio company investments.

(7) DIVIDENDS

On March 24, 2009, the Fund announced that it suspended its managed distribution policy and payment of quarterly distributions for an indefinite period. We 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. We declared one stock dividend in 2009 totaling $0.1075 per share. We paid $2,000 in cash for fractional shares and issued 296,528 additional shares of stock in 2009. The 2009 dividend was 100% qualified and classified as 21% of ordinary income and 79% as return of capital.

(8) PORTFOLIO SECURITIES

2011 Portfolio Activity

During the year ended December 31, 2011, we received $0.4 million from Sovereign Business Forms, Inc. in the form of principal payments and a distribution from Equus Media Development Company, LLC (“EMDC”) in the amount of $1.0 million. We sold our promissory notes in 1848 Capital Partners, LLC (“1848”), Big Apple Entertainment Partners, LLC (“Big Apple”), and London Bridge Entertainment Partners, Ltd (“London Bridge”) and certain assets of Riptide Entertainment Partners, LLC (“Riptide”) in which we hold a 64.67% membership interest. All of these assets were sold to Capital Markets Acquisition Partners, LLC for a combined price of $10 million, with $9.8 million allocated to the promissory notes held by the Fund and $0.2 million to Riptide. The Fund allocated the proceeds to the promissory notes resulting in a realized loss of approximately $0.9 million at London Bridge. In addition, the monies provided to Riptide were sufficient to satisfy its outstanding liabilities, resulting in a value of $0. We also received $0.8 million in connection with the sale and redemption of our membership interest in RP&C International Investments LLC.

During the year ended December 31, 2011, the Fund had investment activity of $3.7 million in three portfolio companies. We made a follow-on investment of $0.3 million in Spectrum Management, LLC. On April 27, 2011, we announced that we had entered into two separate transactions involving the purchase of an aggregate of 11,408 4% bonds due May 2012 (“Bonds”) issued by Orco Germany S.A., a commercial and multi-family residential real estate holding company and developer based in Berlin. The consideration provided to the selling bondholders consisted of an aggregate of 1,700,000 newly issued shares of common stock of the Fund. These shares are unregistered under the Securities Act of 1933. We received 8,890 of the Bonds on April 27, 2011. On May 9, 2011, one of these agreements was amended and restated to provide for an additional 45 days to deliver 2,518 of the Bonds in exchange for providing to the Fund approximately $1.6 million in cash as security for such delivery. As the remaining bonds were not delivered by the specified date, the cash collateral became free and clear property of the Fund on June 23, 2011. On September 30, 2011, we formed Equus Energy, LLC (“Equus Energy”), as a wholly-owned subsidiary of the Fund, to make investments in companies in the energy sector, with particular emphasis on income-producing oil & gas properties. In December 2011, we contributed $250,000 to the capital of Equus Energy.

The following table includes significant investment activity during the year ended December 31, 2011 (in thousands):

	Investment Activity				
	New Investments		Existing Investments		
Portfolio Company	Cash	Non-Cash	Follow-On	PIK	Total
Orco Germany S.A	$ 67	$ 3,016	$ —	$ —	$ 3,083
Spectrum Management, LLC	—	—	325	—	325
Equus Energy, LLC	250	—	—	—	250
	$ 317	$ 3,016	$ 325	$ —	$ 3,658

During 2011, we realized net capital losses of $10.9 million, including the following significant transactions (in thousands):

Portfolio Company	Industry	Type	Realized Gain (Loss)
Riptide Entertainment, LLC	Entertainment and leisure	Control	$ (10,074)
London Bridge Entertainment Partners Ltd	Entertainment and leisure	Non-affiliate	(992)
RP&C International Investments LLC	Healthcare	Affiliate	138
Various others			(2)
			$ (10,930)

During 2011, we recorded a net change in unrealized depreciation of $9.9 million, to a net unrealized depreciation of $17.4 million. Such change in unrealized depreciation resulted primarily from the following changes:

(i) Decline in fair market value of ConGlobal Industries Holding, Inc. (“ConGlobal”) of $2.6 million due to the decline in operating performance.

(ii) Transfer of unrealized depreciation to realized depreciation for London Bridge Entertainment Partners, Ltd. (“London Bridge”) of $0.8 million due to the sale of the promissory note.

(iii) Increase in the fair market value of Orco Germany S.A. (“Orco”) bonds of $2.7 million due to the difference in the market price of Equus shares used as consideration for the bonds on the date of acquisition offset by the change in Euro-USD exchange rate.

(iv) Increase in the fair market value of PalletOne, Inc. (“PalletOne”) of $0.1 million due to steady improvement in operating performance and indications of value from independent third parties .

(v) Transfer of unrealized depreciation to realized depreciation for Riptide Entertainment Partners, LLC. (“Riptide”) of $10.1 million due to the sale of the promissory notes and the winding up of the entity.

(vi) Transfer of unrealized appreciation to realized appreciation for RP&C International Investments, LLC (“RP&C”) of $0.1 million due to the maturity of the investment.

(vii) Increase in fair market value of Sovereign Business Forms, Inc. (“Sovereign”) of $0.6 million as Sovereign has seen an upward trend in operating results and has continued to reduce its debt which has resulted in a corresponding increase its equity value.

(viii) Decrease in fair market value of Spectrum Management, Inc. (“Spectrum”) of $1.4 million due to the decline in operating performance and the maturity of its funded debts which remain in default.

(ix) Decrease in the fair market value of Trulite, Inc. (“Trulite”) of $0.1 due to the lack of progress and inability to achieve sufficient funding with regards to its product development program.

2010 Portfolio Activity

During the year ended December 31, 2010, we received payment in full for the Trulite, Inc. promissory note, in the amount of $2.6 million, which included interest income of $0.3 million, a distribution from Equus Media Development Company, LLC of $1.0 million, and repayment of the Nickent Golf, Inc. receivership certificate in the amount of $0.1 million.

We also received repayment of the $0.6 million bridge loan from London Bridge Entertainment Partners, Ltd.

During the year ended December 31, 2010, the Fund had investment activity of $1.8 million in five portfolio companies, including $0.6 million in the form of accrued interest and dividends received in the form of additional portfolio securities (PIK).

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

	Investment Activity				
	New Investments		Existing Investments		
Portfolio Company	**Cash**	**PIK**	**Follow-On**	**PIK**	**Total**
London Bridge Entertainment Partners Ltd	$ —	$ —	$ 575	$ 148	$ 723
Spectrum Management, LLC	—	—	425	—	425
1848 Capital Partners LLC	—	—	—	295	295
Trulite, Inc.	—	—	200	—	200
Big Apple Entertainment Partners LLC	—	—	—	121	121
	$ —	$ —	$ 1,200	$ 564	$ 1,764

During 2010, we realized no material gains or losses on sales of portfolio securities.

During 2010, we recorded an increase in net unrealized depreciation of $12.1 million, to a net unrealized depreciation of $27.3 million. Such increase in unrealized depreciation resulted primarily from the following changes:

(i) Increase in fair market value of ConGlobal of $0.2 million. ConGlobal's value reflects the general stability of business performance over last year.

(ii) Decline in fair market value of EMDC of $2.8 million. In June 2010, we received a distribution of $1.0 million from EMDC. Currently, EMDC holds $1.5 million in cash and has a remaining funding commitment of $0.3 under our agreement with Kopleson Entertainment. In addition, if Kopleson Entertainment generates $0.2 million of income for EMDC, that event will trigger an additional $1.0 million funding obligation of EMDC. EMDC has written down the fair value of its assets to reflect the holding period of the projects held by EMDC.

(iii) Decline in fair market value of Infinia of $1.5 million. Infinia has informed us of its significant capital and ongoing liquidity needs. Based on these factors, the negative book value of equity, our nominal equity holdings and the future potential dilution or possible restructuring of the capital structure of the company, we have written down the investment to $0.

(iv) Increase in fair market value of PalletOne of $0.1 million. PalletOne has continued to generate cash flows which have reduced debt levels. We believe the performance of the company in recent years and its continued debt reduction initiatives has created a nominal increase in the value of our equity holdings.

(v) Decrease in fair market value of Sovereign of $0.4 million. The value of Sovereign reflects a slight decline in business performance compared with last year.

(vi) Decline in fair market value of Spectrum Management, LLC of $3.9 million. In the fourth quarter, we loaned Spectrum $0.4 million to meet its immediate working capital needs. The valuation reflects Spectrum's operating results, market conditions of its customer base, working capital shortfall and near-term maturity of the company's debt.

(vii) Increase in fair market value of Trulite of $0.1 million. We hold approximately nine million warrants in Trulite, many with a nominal exercise price. Based on Trulite's recent equity raise, operating performance and repayment of the Fund's debt, the Fund determined the warrants have increased in value. We have valued these warrants utilizing the Black-Sholes option pricing model.

(viii) Subsequent to year-end, we sold our promissory notes in 1848 Capital Partners, LLC ("1848"), Big Apple Entertainment Partners, LLC ("Big Apple"), and London Bridge Entertainment Partners, Ltd in a transaction which also combined all of the assets of Riptide Entertainment Partners, LLC ("Riptide"). All of these assets were sold to Capital Markets Acquisition Partners, LLC for a combined price of $10 million, with $9.8 million allocated to the promissory notes held by the Fund and $0.2 million to Riptide. The Fund allocated the proceeds to the promissory notes resulting in a loss of approximately $0.9 million at London Bridge. In addition, the monies provided to Riptide were sufficient to satisfy its outstanding liabilities, resulting in a value of $0. For the year, the changes in fair value for each investment include an increase of $0.3 million of the 1848 note, and increase of $0.2 million of the Big Apple note, a decline of $0.7 million of the London Bridge note and a decline of $3.2 million in Riptide.

2009 Portfolio Activity

During the twelve months ended December 31, 2009, we had investment activity of $2.3 million in seven portfolio companies, including $1.1 million in the form of accrued interest and dividends received in the form of additional portfolio securities (PIK).

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

	Investment Activity				
	New Investments		Existing Investments		
Portfolio Company	Cash	PIK	Follow-On	PIK	Total
Trulite, Inc.	$ —	$ —	$ 300	$ 307	$ 607
1848 Capital Partners LLC	—	—	—	453	453
Riptide Entertainment, LLC	—	—	450	—	450
Nickent Golf, Inc	—	—	370	—	370
London Bridge Entertainment Partners Ltd	—	—	—	208	208
Big Apple Entertainment Partners LLC	—	—	—	153	153
HealthSPAC, LLC	—	—	50	—	50
	$ —	$ —	$ 1,170	$ 1,121	$ 2,291

During 2009, we realized net capital losses of $15.6 million, including the following significant transactions (in thousands):

Portfolio Company	Industry	Type	Realized Loss
Nickent Golf, Inc.	Entertainment and leisure	Affiliate	$ (9,688)
Creekstone Florida Holdings, LLC	Real estate	Non-Affiliate	(4,000)
Metic Group, PLC	Commercial building products	Non-Affiliate	(1,000)
HealthSPAC, LLC	Healthcare	Control	(824)
Various others			(43)
			$ (15,555)

During 2009, we recorded an increase in net unrealized depreciation on investments of $12.2 million from a net unrealized depreciation position of $3.0 million to a net unrealized depreciation position of $15.2 million. This increase in depreciation resulted primarily from decreases in estimated fair value of eight of our portfolio companies aggregating $27.4 million. This change was primarily comprised of Infinia Corporation, Riptide Entertainment, LLC and Spectrum Management LLC, based on current market conditions and operations in 2009. These decreases were partially offset by the Fund’s transfer in net unrealized depreciation to net realized depreciation related to the write-off Creekstone Florida Holdings, LLC, Metic Solutions, Plc, and HealthSpac LLC.

(9) RECENT ACCOUNTING PRONOUNCEMENTS

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

In May 2011, the FASB issued changes to disclosure requirements for fair value measurements which resulted in a consistent definition of fair value and common requirements for measurement of and disclosure about fair value between GAAP and International Financial Reporting Standards (“IFRS”). These changes become effective for interim and annual periods beginning after December 15, 2011. We will adopt this standard beginning on January 1, 2012. We do not anticipate that our implementation of this standard will have a material impact on our process for measuring fair values, our financial position or our results of operations.

(10) SUBSEQUENT EVENTS

Our Management performed an evaluation of the Fund's activity through the date the financial statements were issued, noting the following subsequent events:

On January 3, 2012, we sold U.S. Treasury Bills for $6.0 million and repaid our year-end margin loan.

On January 27, 2012, holders of greater than a two-thirds majority of 148,077 4% bonds due May 2012 (the "Bonds") issued by Orco Germany S.A. ("Orco Germany") approved a conversion of the Bonds into "bonds convertible into shares" (*Obligations Convertibles en Actions* – "OCA"). The OCA will convert into an initial tranche of an aggregate of 19,250,000 ordinary shares of Orco Property Group S.A. ("OPG"), the parent corporation of Orco Germany. The shares of OPG are traded principally on the NYSE Euronext under the ISIN LU0122624777. OPG is a commercial and multi-family residential real estate holding company and developer headquartered in Paris that owns a variety of hotels, office buildings, apartment complexes, condominiums, and vacant land in Luxembourg, Poland, the Czech Republic, Slovakia, Croatia, Hungary, and Russia. As the Fund holds 8,890 Bonds, or 6% of the total Bonds issued, we would expect to receive approximately 1,155,700 OPG shares in this initial tranche. As of the filing date of this Annual Report, we have not yet received these OPG shares, which are not tradable in any event until April 12, 2012. Equus and the other Orco Germany bondholders (collectively, the "Bondholders") are also entitled to receive a second payment, the nature of which is dependent upon on OPG's ability to convert certain of its own bonds into equity by April 12, 2012. If such OPG bonds are so converted, the Bondholders would receive an additional tranche of 7,996,158 OPG shares. Of this amount, we would expect the Fund to receive 6%, or 480,060 additional OPG shares. If the OPG bonds are not converted, OPG may elect to pay the Bondholders an aggregate of €50.0 million in cash or, failing such election, the Bondholders would receive, at their option, either: (i) the 7,996,158 additional OPG shares noted above, or (ii) 55% of the outstanding ordinary shares of Orco Germany. Although uncertainty exists regarding the timing of receipt of the second tranche of consideration, we believe the most likely scenario is for the Fund to receive the 480,060 additional OPG shares.

On January 31, 2012, we received $0.07 million in the form of partial principal repayment from Sovereign Business Forms, Inc.

(11) SELECTED QUARTERLY DATA

(in thousands, except per share amounts)	Year Ended December 31, 2011				
	Quarter Ended March 31, 2011	Quarter Ended June 30, 2011	Quarter Ended September 30, 2011	Quarter Ended December 31, 2011	TOTAL
Total investment income (loss)	$ 439	$ 392	$ (169)	$ (123)	$ 539
Net investment loss	$ (686)	$ (1,203)	$ (891)	$ (720)	$ (3,500)
Increase (decrease) in net assets resulting from operations	$ (1,717)	$ 474	$ (2,463)	$ (823)	(4,529)
Basic and diluted earnings per share (1)	$ (0.18)	$ 0.05	$ (0.28)	$ (0.09)	$ (0.50)

(1) The sum of quarterly per share amount may not equal per share amounts reported for year-to-date periods due to changes in the number of weighted average shares outstanding and the effects of rounding.

(12) LEGAL PROCEEDINGS

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

On March 10, 2010, American General Life Insurance Company (American General") filed a complaint against the Fund in the District Court of Harris County, Texas, in connection with an office lease entered into by our former administrator with American General. The complaint by American General sought to hold the Fund liable for unpaid rent, improvements, and attorneys fees totaling approximately $450,000. We agreed to a settlement with American General in exchange for a one-time payment of $120,000, which was paid on June 7, 2011.

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

On June 9, 2011, RNR Production, Land and Cattle Company, Inc. ("RNR") filed a lawsuit against the Fund and each of the members of the Board in the District Court of Harris County, Texas, seeking various monetary and equitable remedies, including a motion for a temporary restraining order against the Fund from holding its annual meeting of shareholders which was scheduled for June 10, 2011. The Fund prevailed against the motion but agreed to a nuisance settlement with RNR in exchange for a one-time payment of $200,000 which was paid on September 2, 2011.

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

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

Item 9A. ***Controls and Procedures***

Attached as exhibits to this Form 10-K are certifications of the Fund's Chief Executive Officer and Chief Financial Officer (CFO), which are required in accordance with Rule 13a-14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). This section includes information concerning the controls and controls evaluation referred to in those certifications and should be read in conjunction with the certifications for a more complete understanding of the topics presented.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed pursuant to the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based on the definition of "disclosure controls and procedures" as promulgated under the Exchange Act. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

The Fund, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2011. Based on the foregoing, our Executive Chairman and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

Management Report on Internal Control Over Financial Reporting

The Fund's management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of its financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Fund are being made only in accordance with authorizations of management and directors of the Fund; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Fund's assets that could have a material effect on the financial statements.

Management assessed its internal control over financial reporting as of December 31, 2011, the end of its fiscal year. Management based its assessment on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management's assessment included evaluation of such elements as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies, and our overall control environment. This assessment is supported by testing and monitoring performed both by a third-party consultant and our Accounting Department.

Based on its assessment, management has concluded that its internal control over financial reporting was effective as of the end of the fiscal year to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with generally accepted accounting principles. The results of management's assessment have been reviewed with the Audit Committee of the Fund's Board of Directors.

Item 9B. ***Other Information***

None.

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance***

Information about the Directors and Executive Officers of the Fund, the Fund's Audit Committee and the Nominating and Corporate Governance Committee, the Fund's code of ethics applicable to the principal executive officer and principal financial officer, and Section 16(a) Beneficial Ownership Reporting Compliance is incorporated by reference to the Fund's Definitive Proxy Statement for the 2012 Annual Meeting of Stockholders, to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, on or prior to April 30, 2012 (the "2012 Proxy Statement").

The Fund has adopted a code of business conduct and ethics applicable to the Fund's directors, officers (including the Fund's principal executive officer, principal financial officer and controller) and employees, known as the Code of Business Conduct and Ethics. A copy of the Code of Business Conduct and Ethics is available to any person, without charge, upon request addressed to Equus Total Return, Inc., Attention: Corporate Secretary, Eight Greenway Plaza, Suite 930, Houston, TX 77046. In the event that the Fund amends or waives any of the provisions of the Code of Business Conduct and Ethics applicable to the Fund's principal executive officer, principal financial officer, or controller, the Fund intends to disclose the same on its website at www.equuscap.com.

Item 11. ***Executive Compensation***

Information regarding Executive Compensation is incorporated by reference to the Fund's 2012 Proxy Statement.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

Information regarding Security Ownership of Certain Beneficial Owners and Management and Securities Authorized for Issuance under Equity Compensation Plans is incorporated by reference to the Fund's 2012 Proxy Statement.

Item 13. ***Certain Relationships and Related Transactions and Director Independence***

Information regarding Certain Relationships and Related Transactions is incorporated by reference to the Fund's 2012 Proxy Statement.

Item 14. ***Principal Accountant Fees and Services***

Information regarding Principal Accountant Fees and Services is incorporated by reference to the Fund's 2012 Proxy Statement.

PART IV

Item 15. *Exhibits and Financial Statement Schedules*

(a)(1) Financial Statements

(a)(2) The following financial statement schedules are filed herewith:

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
of Equus Total Return, Inc.:

We have audited the balance sheets of Equus Total Return, Inc. (a Delaware corporation), including the schedules of investments, as of December 31, 2011 and 2010 and the related statements of operations, changes in net assets and cash flows for each of the three years in the period ended December 31, 2011 and the selected per share data and ratios for each of the five years in the period ended December 31, 2011, and have issued our report thereon dated March 16, 2012 (included elsewhere in this Form 10-K). Our audits also included the Schedule 12-14 listed in Item 15(a)(2) of this Form 10-K. The Schedule 12-14 is the responsibility of the management of Equus Total Return, Inc. Our responsibility is to express an opinion based on our audits.

In our opinion, the Schedule 12-14 referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ UHY LLP

Houston, Texas
March 16, 2012

SCHEDULE 12-14
EQUUS TOTAL RETURN, INC.
SCHEDULE OF INVESTMENTS IN AND ADVANCES TO AFFILIATES

(in thousands)

Portfolio Company	Investment (a)	Year Ended December 31, 2011 Amount of Interest or Dividend Credited to Income (e)	As of December 31, 2010 Fair Value	Gross Additions (b)	Gross Reductions (c)	As of December 31, 2011 Fair Value
Control investments: Majority-owned						
Equus Energy, LLC	Member interest (100%)	$ -	$ -	$ 250	$ -	$ 236
Equus Media Development Company, LLC	Member interest (100%)	-	1,163	-	(1,000)	163
Riptide Entertainment, LLC	Member interest (64.67%)	-	-	-	-	-
	8% promissory notes (d)	-	-	-	-	-
Sovereign Business Forms, Inc.	1,214,630 shares of common stock	-	3,894	-	594	4,488
	12% promissory notes	398	2,742	-	(379)	2,363
Spectrum Management, LLC	285,000 units of Class A member interest	-	-	-	-	-
	16% subordinated promissory note (d)	73	1,422	425	(1,528)	319
Total Control investments: Majority-owned		471	9,221	675	(2,313)	7,569
Control Investments: Non-majority owned						
ConGlobal Industries Holding, Inc.	24,397,303 shares of common stock	$ -	$ 2,355	$ -	$ (2,355)	$ -
	7% promissory note	420	6,000	-	(271)	5,729
Total Control investments: Majority-owned		$ 420	$ 8,355	$ -	$ (2,626)	$ 5,729
Total Control investments		$ 891	$ 17,576	$ 675	$ (4,939)	$ 13,298
Affiliate Investments						
PalletOne, Inc.	350,000 shares of common stock	$ -	$ 50	$ 100	$ -	$ 150
RP&C International Investments LLC	Member interest (17.2%)	89	712	(712)	-	-
Total Affiliate investments		$ 89	$ 762	$ (612)	$ -	$ 150
Total Investments In and Advances to Affiliates		$ 980	$ 18,338	$ 63	$ (4,939)	$ 13,448

.

This schedule should be read in conjunction with our Financial Statements, including our *Schedule of Investments* and Notes 3 and 4 to the Financial Statements.

(a) Common stock, warrants, options and equity interests are generally non-income producing and restricted. In some cases, preferred stock may also be non-income producing. The principal amount for debt and the number of shares of common stock and preferred stock is shown in the Schedule of Portfolio Securities as of December 31, 2010.

(b) Gross additions include increases in investments resulting from new portfolio company investments, paid-in-kind interest or dividends, the amortization of discounts and fees, and the exchange of one or more existing securities for one or more new securities. Gross additions also include net increases in unrealized appreciation or net decreases in unrealized depreciation.

(c) Gross reductions include decreases in investments resulting from principal collections related to investment repayments or sales and the exchange of one or more existing securities for one or more new securities. Gross reductions also include net increases in unrealized depreciation or net decreases in unrealized appreciation.

(d) Debt is non-income producing.

(e) Represents the total amount of interest or dividends credited to income for the portion of the year an investment was a control investment (more than 25% owned) or an affiliate investment (5% to 25% owned), respectively. All dividend income is non-cash unless otherwise noted.

** Information related to the amount of equity in the net profit and loss for the period for the investments listed has not been included in this schedule. This information is not considered to be meaningful due to the complex capital structures of the portfolio companies, with different classes of equity securities outstanding with different preferences in liquidation. These investments are neither consolidated nor accounted for under the equity method of accounting.

(a)(3) 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 (b) 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(b) to Registrant's Current Report on Form 8-K filed on December 16, 2010.]

10. Material Contracts.
   - (c) Safekeeping Agreement between the Fund and Amegy Bank dated August 16, 2008. [Incorporated by reference to Exhibit 10(g) 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 certain of its directors and officers. [Filed herewith]
   - (e) Form of Release Agreement between the Fund and certain of its officers and former officers. [Incorporated by reference to Exhibit 10(h) to Registrant's Annual Report on Form 10-K for the year ended December 31, 2004.]
   - (f) Code of Ethics of the Fund (Rule 17j-1) [Incorporated by reference to Exhibit 10(f) to Registrant's Annual Report on Form 10-K for the year ended December 31, 2009.]

31. Rule 13a-14(a)/15d-14(a) Certifications
   - (1) Certification by Chief Executive Officer
   - (2) Certification by Chief Financial Officer

32. Section 1350 Certification
   - (1) Certification by Chief Executive Officer
   - (2) Certification by Chief Financial Officer

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.

March 16, 2012

/s/ JOHN A. HARDY

John A. Hardy
Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ FRASER ATKINSON **Fraser Atkinson**	Director	March 16, 2012
/s/ ALESSANDRO BENEDETTI **Alessandro Benedetti**	Director, Executive Chairman	March 16, 2012
/s/ RICHARD F. BERGNER **Richard F. Bergner**	Director	March 16, 2012
/s/ KENNETH I. DENOS **Kenneth I. Denos**	Director, Secretary and Chief Compliance Officer	March 16, 2012
/s/ GREGORY J. FLANAGAN **Gregory J. Flanagan**	Director	March 16, 2012
/s/ HENRY W. HANKINSON **Henry W. Hankinson**	Director	March 16, 2012
/s/ ROBERT L. KNAUSS **Robert L. Knauss**	Director	March 16, 2012
/s/ BERTRAND DES PALLIERES **Bertrand des Pallieres**	Director	March 16, 2012
/s/ JOHN A. HARDY **John A. Hardy**	Director, Chief Executive Officer (Principal Executive Officer)	March 16, 2012
/s/ L'SHERYL D. HUDSON **L'Sheryl D. Hudson**	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 16, 2012

Exhibit 10(d)

INDEMNIFICATION AGREEMENT

This Indemnification Agreement ("Agreement") is made as of the ___ day of ____, 201__, by and between Equus Total Return, Inc., a Delaware corporation (the "Company"), and ____________________________ ("Indemnitee").

RECITALS

WHEREAS, the Company desires to attract and retain the services of highly qualified individuals, such as Indemnitee, to serve the Company;

WHEREAS, in recognition of Indemnitee's past service provided to the Company and order to induce Indemnitee to continue to provide services to the Company, the Company wishes to provide for the indemnification of, and advancement of expenses to, Indemnitee to the maximum extent permitted by law;

WHEREAS, the Certificate of Incorporation ("Charter") and the Bylaws ("Bylaws") of the Company authorize indemnification of the officers and directors of the Company, and Indemnitee may also be entitled to indemnification pursuant to the General Corporation Law of the State of Delaware (the "DGCL");

WHEREAS, the Charter and the DGCL expressly provide that the indemnification provisions set forth therein are not exclusive, and thereby contemplate that contracts may be entered into between the Company and members of the board of directors, officers and other persons with respect to indemnification;

WHEREAS, the Company and Indemnitee recognize the continued difficulty in obtaining liability insurance for the Company's directors, officers, employees, agents and fiduciaries, the significant and continual increases in the cost of such insurance and the general trend of insurance companies to reduce the scope of coverage of such insurance;

WHEREAS, the Company and Indemnitee further recognize the substantial increase in corporate litigation in general, subjecting directors, officers, employees, agents and fiduciaries to expensive litigation risks at the same time as the availability and scope of coverage of liability insurance provide increasing challenges for the Company;

WHEREAS, Indemnitee does not regard the protection currently provided by applicable law, the Company's governing documents and available insurance as adequate under the present circumstances, and Indemnitee may not be willing to continue to serve in such capacity without additional protection;

WHEREAS, the Board of Directors of the Company (the "Board") has determined that the increased difficulty in attracting and retaining highly qualified persons such as Indemnitee is detrimental to the best interests of the Company's stockholders and that the Company should act to assure Indemnitee that there will be increased certainty of such protection in the future;

WHEREAS, it is reasonable, prudent and necessary for the Company contractually to obligate itself to indemnify, and to advance expenses on behalf of, such persons to the fullest extent permitted by applicable law from the date that Indemnitee first provided services to the Company, regardless of any amendment or revocation of the Company's Charter or Bylaws, so that they will serve or continue to serve the Company free from undue concern that they will not be so indemnified; and

WHEREAS, this Agreement is a supplement to and in furtherance of the indemnification provided in the Charter and Bylaws and any resolutions adopted pursuant thereto, and shall not diminish or abrogate any rights of Indemnitee thereunder.

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Company and Indemnitee do hereby covenant and agree as follows:

Section 1. Services to the Company. Indemnitee agrees to serve as a director of the Company. Indemnitee may at any time and for any reason resign from such position (subject to any other contractual obligation or any obligation imposed by law), in which event the Company shall have no obligation under this Agreement to continue Indemnitee in such position. This Agreement shall not be deemed an employment contract between the Company (or any of its subsidiaries or any Enterprise) and Indemnitee. The foregoing notwithstanding, this Agreement shall continue in force after Indemnitee has ceased to serve as a director of the Company.

Section 2. Definitions.

As used in this Agreement:

(a) "Corporate Status" describes the status of a person as a current or former director, officer, employee, agent or trustee of the Company or of any other Enterprise which such person is or was serving at the request of the Company.

(b) "Enforcement Expenses" shall include all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other disbursements or expenses of the types customarily incurred in connection with an action to enforce indemnification or advancement rights, or an appeal from such action, including without limitation the premium, security for, and other costs relating to any cost bond, supersedes bond, or other appeal bond or its equivalent.

(c) "Enterprise" shall mean any corporation (other than the Company), partnership, joint venture, trust, employee benefit plan or other legal entity of which Indemnitee is or was serving at the request of the Company as a director, officer, employee, agent or trustee.

(d) "Expenses" shall include all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in, or otherwise participating in, a Proceeding or an appeal resulting from a Proceeding, including without limitation the premium, security for, and other costs relating to any cost bond, supersedes bond, or other appeal bond or its equivalent. Expenses, however, shall not include amounts paid in settlement by Indemnitee or the amount of judgments or fines against Indemnitee.

(e) "Independent Counsel" means a law firm, or a partner (or, if applicable, member) of such a law firm, that is experienced in matters of Delaware corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) the Company, any Enterprise or Indemnitee in any matter material to any such party (other than with respect to matters concerning Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement. The Company agrees to pay the reasonable fees and expenses of the Independent Counsel referred to above and to fully indemnify such counsel against any and all expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

(f) The term "Proceeding" shall include any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding, whether brought in the right of the Company or otherwise and whether of a civil, criminal, administrative or investigative nature, in which Indemnitee was, is or will be involved as a party or otherwise by reason of the fact that Indemnitee is or was a director of the Company or is or was serving at the request of the Company as a director, officer, employee, agent or trustee of any Enterprise or by reason of any action taken by him or of any action taken on his part while acting as director of the Company or while serving at the request of the Company as a director, officer, employee, agent or trustee of any Enterprise, in each case whether or not serving in such capacity at the time any liability or expense is incurred for which indemnification, reimbursement or advancement of expenses can be provided under this Agreement; provided, however, that the term "Proceeding" shall not include any action, suit or arbitration, or part thereof, initiated by Indemnitee to enforce Indemnitee's rights under this Agreement as provided for in Section 13(e) of this Agreement.

Section 3. Indemnity in Third-Party Proceedings. The Company shall indemnify Indemnitee in accordance with the provisions of this Section 3 if Indemnitee is, or is threatened to be made, a party to or a participant in any Proceeding, other than a Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 3, Indemnitee shall be indemnified against all Expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by Indemnitee or on his behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company and, in the case of a criminal proceeding, had no reasonable cause to believe that his conduct was unlawful. Indemnitee shall not enter into any settlement in connection with a Proceeding without ten (10) days' prior notice to the Company.

Section 4. Indemnity in Proceedings by or in the Right of the Company. The Company shall indemnify Indemnitee in accordance with the provisions of this Section 4 if Indemnitee is, or is threatened to be made, a party to or a participant in any Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 4, Indemnitee shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company. No indemnification for Expenses shall be made under this Section 4 in respect of any claim, issue or matter as to which Indemnitee shall have been finally adjudged by a court to be liable to the Company, unless and only to the extent that the Delaware Court of Chancery (the "Delaware Court") or any court in which the Proceeding was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnification for such expenses as the Delaware Court or such other court shall deem proper.

Section 5. Indemnification for Expenses of a Party Who is Wholly or Partly Successful. Notwithstanding any other provisions of this Agreement and except as provided in Section 8, to the extent that Indemnitee is a party to or a participant in and is successful, on the merits or otherwise, in any Proceeding or in defense of any claim, issue or matter therein, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by him in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by him or on his behalf in connection with each successfully resolved claim, issue or matter. For purposes of this Section and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

Section 6. Indemnification For Expenses of a Witness. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of his Corporate Status, a witness in any Proceeding to which Indemnitee is not a party and is not threatened to be made a party, he shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith.

Section 7. Additional Indemnification.

(a) Except as provided in Section 8, notwithstanding any limitation in Sections 3, 4 or 5, the Company shall indemnify Indemnitee to the fullest extent permitted by law if Indemnitee is a party to or is threatened to be made a party to any Proceeding (including a Proceeding by or in the right of the Company to procure a judgment in its favor) against all expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by Indemnitee in connection with the Proceeding.

(b) For purposes of Section 7(a), the meaning of the phrase "to the fullest extent permitted by law" shall include, but not be limited to:

(i) to the fullest extent permitted by the provision of the DGCL that authorizes or contemplates additional indemnification by agreement, or the corresponding provision of any amendment to or replacement of the DGCL or such provision thereof; and

(ii) to the fullest extent authorized or permitted by any amendments to or replacements of the DGCL adopted after the date of this Agreement that increase the extent to which a corporation may indemnify its officers and directors.

Section 8. Exclusions. Notwithstanding any provision in this Agreement to the contrary, the Company shall not be obligated under this Agreement:

(a) to make any indemnity for amounts otherwise indemnifiable hereunder (or for which advancement is provided hereunder) if and to the extent that Indemnitee has otherwise actually received such amounts under any insurance policy, contract, agreement or otherwise;

(b) to make any indemnity for an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Securities Exchange Act of 1934, as amended, or similar provisions of state statutory law or common law; or

(c) to make any indemnity or advancement that is prohibited by applicable law.

Section 9. Advances of Expenses. The Company shall advance, to the extent not prohibited by law, the Expenses incurred by Indemnitee in connection with any Proceeding, and such advancement shall be made within twenty (20) days after the receipt by the Company of a statement or statements requesting such advances (which shall include invoices received by Indemnitee in connection with such Expenses but, in the case of invoices in connection with legal services, any references to legal work performed or to expenditures made that would cause Indemnitee to waive any privilege accorded by applicable law shall not be included with the invoice) from time to time, whether prior to or after final disposition of any Proceeding. Advances shall be unsecured and interest free. Advances shall be made without regard to Indemnitee's ability to repay the expenses and without regard to Indemnitee's ultimate entitlement to indemnification under the other provisions of this Agreement. Indemnitee shall qualify for advances upon the execution and delivery to the Company of this Agreement which shall constitute an undertaking providing that Indemnitee undertakes to the fullest extent required by law to repay the advance if and to the extent that it is ultimately determined by a court of competent jurisdiction in a final judgment, not subject to appeal, that Indemnitee is not entitled to be indemnified by the Company. The right to advances under this paragraph shall in all events continue until final disposition of any Proceeding, including any appeal therein. Nothing in this

Section 9 shall limit Indemnitee's right to advancement pursuant to Section 13(e) of this Agreement.

Section 10. Procedure for Notification and Defense of Claim.

(a) To obtain indemnification under this Agreement, Indemnitee shall submit to the Company a written request therefor and, if Indemnitee so chooses pursuant to Section 11 of this Agreement, such written request shall also include a request for Indemnitee to have the right to indemnification determined by Independent Counsel.

(b) The Company will be entitled to participate in the Proceeding at its own expense.

Section 11. Procedure Upon Application for Indemnification.

(a) Upon written request by Indemnitee for indemnification pursuant to Section 10(a), a determination, if such determination is required by applicable law, with respect to Indemnitee's entitlement thereto shall be made in the specific case: (i) by Independent Counsel in a written opinion to the Board if Indemnitee so requests in such written request for indemnification pursuant to Section 10(a), or (ii) by the Company in accordance with applicable law if Indemnitee does not so request such determination be made by Independent Counsel. In the case that such determination is made by Independent Counsel, a copy of Independent Counsel's written opinion shall be delivered to Indemnitee and, if it is so determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within ten (10) days after such determination. Indemnitee shall cooperate with the Independent Counsel or the Company, as applicable, making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such counsel or the Company, upon reasonable advance request, any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any costs or expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the Independent Counsel or the Company shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom.

(b) In the event that Indemnitee exercises his right to have his entitlement to indemnification determined by Independent Counsel pursuant to clause (i) of Section 11(a), the Independent Counsel shall be selected by Indemnitee. The Company may, within ten (10) days after written notice of such selection, deliver to Indemnitee a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Section 2 of this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Independent Counsel. If such written objection is so made and substantiated, the Independent Counsel so selected may not serve as Independent Counsel unless and until such objection is withdrawn or a court has determined that such objection is without merit. If, within twenty (20) days after the later of (i) submission by Indemnitee of a written request for indemnification and Independent Counsel pursuant to Sections 10(a) and 11(a)(i) hereof, respectively, and (ii) the final disposition of the Proceeding, including any appeal therein, no Independent Counsel shall have been selected without objection, Indemnitee may petition a court of competent jurisdiction for resolution of any objection which shall have been made by the Company to the selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the court or by such other person as the court shall designate. The person with respect to whom all objections are so resolved or the person so appointed shall act as Independent Counsel under Section 11(a) hereof. Upon the due commencement of any judicial proceeding or arbitration pursuant to Section 13(a) of this Agreement, Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

Section 12. Presumptions and Effect of Certain Proceedings.

(a) In making a determination with respect to entitlement to indemnification hereunder, it shall be presumed that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has submitted a request for indemnification in accordance with Section 10(a) of this Agreement, and the Company shall have the burden of proof to overcome that presumption in connection with the making of any determination contrary to that presumption. Neither (i) the failure of the Company or of Independent Counsel to have made a determination prior to the commencement of any action pursuant to this Agreement that indemnification is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor (ii) an actual determination by the Company or by Independent Counsel that Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct.

(b) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of guilty, nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that his conduct was unlawful.

(c) The knowledge and/or actions, or failure to act, of any director, officer, agent or employee of the Company or any Enterprise shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement.

Section 13. Remedies of Indemnitee.

(a) Subject to Section 13(f), in the event that (i) a determination is made pursuant to Section 11 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement of Expenses is not timely made pursuant to Section 9 of this Agreement, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 11(a) of this Agreement within sixty (60) days after receipt by the Company of the request for indemnification that does not include a request for Independent Counsel, (iv) payment of indemnification is not made pursuant to Section 5 or 6 or the last sentence of Section 11(a) of this Agreement within ten (10) days after receipt by the Company of a written request therefor or (v) payment of indemnification pursuant to Section 3, 4 or 7 of this Agreement is not made within ten (10) days after a determination has been made that Indemnitee is entitled to indemnification, Indemnitee shall be entitled to an adjudication by a court of his entitlement to such indemnification or advancement. Alternatively, Indemnitee, at his option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. Proper venue for any such arbitration shall be any federal or state court selected by Indemnitee that is located within the continental United States. Indemnitee shall commence such proceeding seeking an adjudication or an award in arbitration within 180 days following the date on which Indemnitee first has the right to commence such proceeding pursuant to this Section 13(a); provided, however, that the foregoing time limitation shall not apply in respect of a proceeding brought by Indemnitee to enforce his rights under Section 5 of this Agreement. The Company shall not oppose Indemnitee's right to seek any such adjudication or award in arbitration.

(b) In the event that a determination shall have been made pursuant to Section 11(a) of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Section 13 shall be conducted in all respects as a de novo trial, or arbitration, on the merits and Indemnitee shall not be prejudiced by reason of that adverse determination. In any judicial proceeding or arbitration commenced pursuant to this Section 13, the Company shall have the burden of proving Indemnitee is not entitled to indemnification or advancement, as the case may be.

(c) If a determination shall have been made pursuant to Section 11(a) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 13, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law.

(d) The Company shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 13 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Agreement.

(e) The Company shall indemnify Indemnitee against any and all Enforcement Expenses and, if requested by Indemnitee, shall (within ten (10) days after receipt by the Company of a written request therefor) advance, to the extent not prohibited by law, such Enforcement Expenses to Indemnitee, which are incurred by Indemnitee in connection with any action brought by Indemnitee for indemnification or advancement from the Company under this Agreement or under any directors' and officers' liability insurance policies maintained by the Company, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advancement or insurance recovery, as the case may be, in the suit for which indemnification or advancement is being sought.

(f) Notwithstanding anything in this Agreement to the contrary, no determination as to entitlement to indemnification under this Agreement shall be required to be made prior to the final disposition of the Proceeding, including any appeal therein.

Section 14. Non-exclusivity; Survival of Rights; Insurance; Subrogation.

(a) The rights of indemnification and to receive advancement as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Charter, the Bylaws, any agreement, a vote of stockholders or a resolution of directors, or otherwise. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his Corporate Status prior to such amendment, alteration or repeal. To the extent that a change in Delaware law, whether by statute or judicial decision, permits greater indemnification or advancement than would be afforded currently under the Charter, Bylaws and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

(b) To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, officers, employees, agents or trustees of the Company or of any other Enterprise, Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any such director, officer, employee, agent or trustee under such policy or policies. If, at the time of the receipt of a notice of a claim pursuant to the terms hereof, the Company has director and officer liability insurance in effect, the Company shall give prompt notice of the commencement of such proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such policies.

(c) In the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

(d) The Company’s obligation to provide indemnification or advancement hereunder to Indemnitee who is or was serving at the request of the Company as a director, officer, employee, agent or trustee of any other Enterprise shall be reduced by any amount Indemnitee has actually received as indemnification or advancement from such other Enterprise.

Section 15. Application to Entire Term of Service. The obligation of the Company to provide indemnification or advancement of expenses to Indemnitee hereunder shall apply to any period in which Indemnitee provides or has provided services to the Company as an officer, director, employee, or agent, including any such period which may have existed prior to the date of this Agreement, and shall continue until such time as specified in Section 16 herein.

Section 16. Duration of Agreement. This Agreement shall continue until and terminate upon the later of: (a) ten (10) years after the date that Indemnitee shall have ceased to serve as a director of the Company or (b) one (1) year after the final termination of any Proceeding, including any appeal, then pending in respect of which Indemnitee is granted rights of indemnification or advancement hereunder and of any proceeding commenced by Indemnitee pursuant to Section 13 of this Agreement relating thereto. This Agreement shall be binding upon the Company and its successors and assigns and shall inure to the benefit of Indemnitee and his heirs, executors and administrators. The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all or a substantial part, of the business and/or assets of the Company, by written agreement in form and substance satisfactory to Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

Section 17. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including without limitation, each portion of any section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law; (b) such provision or provisions shall be deemed reformed to the extent necessary to conform to applicable law and to give the maximum effect to the intent of the parties hereto; and (c) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

Section 18. Enforcement.

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on it hereby in order to induce Indemnitee to serve as a director of the Company, and the Company acknowledges that Indemnitee is relying upon this Agreement in serving as a director of the Company.

(b) This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof; provided, however, that this Agreement is a supplement to and in furtherance of the Charter, the Bylaws and applicable law, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder.

Section 19. Modification and Waiver. No supplement, modification or amendment, or waiver of any provision, of this Agreement shall be binding unless executed in writing by the parties thereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions of this Agreement nor shall any waiver constitute a continuing waiver.

Section 20. Notice by Indemnitee. Indemnitee agrees promptly to notify the Company in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding or matter which may be subject to indemnification or advancement as provided hereunder. The failure of Indemnitee to so notify the Company shall not relieve the Company of any obligation which it may have to Indemnitee under this Agreement or otherwise.

Section 21. Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given if (a) delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed, (b) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed, (c) mailed by reputable overnight courier and receipted for by the party to whom said notice or other communication shall have been directed or (d) sent by facsimile transmission, with receipt of oral confirmation that such transmission has been received:

(a) If to Indemnitee, at such address as Indemnitee shall provide to the Company.

(b) If to the Company to: Copy to:

Attn: Chief Compliance Officer	**Attn: Martin Glass, Esq.**
Equus Total Return, Inc.	Goodwin Procter, LLP
Eight Greenway Plaza, Suite 930	620 Eighth Avenue, 26th Floor
Houston, TX 77046	New York, NY 10018
Fax: (713) 529-9545	Fax: (212) 355-3333

or to any other address as may have been furnished to Indemnitee by the Company.

Section 22. Contribution. To the fullest extent permissible under applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by Indemnitee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in connection with any Proceeding in such proportion as is deemed fair and reasonable in light of all of the circumstances in order to reflect (i) the relative benefits received by the Company and Indemnitee in connection with the event(s) and/or transaction(s) giving rise to such Proceeding; and/or (ii) the relative fault of the Company (and its directors, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transactions.

Section 23. Applicable Law and Consent to Jurisdiction. This Agreement and the legal relations among the parties shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without regard to its conflict of laws rules. Except with respect to any arbitration commenced by Indemnitee pursuant to Section 13(a) of this Agreement, the Company and Indemnitee hereby irrevocably and unconditionally (i) agree that any action or proceeding arising out of or in connection with this Agreement shall be brought only in the Delaware Court, and not in any other state or federal court in the United States of America or any court in any other country, (ii) consent to submit to the exclusive jurisdiction of the Delaware Court for purposes of any action or proceeding arising out of or in connection with this Agreement, (iii) consent to service of process at the address set forth in Section 21 of this Agreement with the same legal force and validity as if served upon such party personally within the State of Delaware, (iv) waive any objection to the laying of venue of any such action or proceeding in the Delaware Court, and (v) waive, and agree not to plead or to make, any claim that any such action or proceeding brought in the Delaware Court has been brought in an improper or inconvenient forum.

Section 24. Identical Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

Section 25. Miscellaneous. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed as of the day and year first above written.

"Company"

EQUUS TOTAL RETURN, INC.

By:________________________

"Indemnitee"

____

EXHIBIT 31.1

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

I, John A. Hardy, certify that:

1. I have reviewed this Annual Report on Form 10-K of Equus Total Return, Inc.;
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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 subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual 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 fourth fiscal quarter in the case of an annual 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 officer(s) 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: March 16, 2012

/s/ JOHN A. HARDY

John A. Hardy
Chief Executive Officer

EXHIBIT 31.2

Form of Annual 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 Annual Report on Form 10-K of Equus Total Return, Inc.;
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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 subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual 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 fourth fiscal quarter in the case of an annual 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 officer(s) 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: March 16, 2012

/s/ L'SHERYL D. HUDSON

L'Sheryl D. Hudson
Chief Financial Officer

EXHIBIT 32.1

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

In connection with the accompanying Annual Report of Equus Total Return, Inc. (the "Company") on Form 10-K for the period ended December 31, 2011 (the "Report"), I, John A. Hardy, 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 Company.

Dated: March 16, 2012

/s/ JOHN A. HARDY

John A. Hardy
Chief Executive Officer

EXHIBIT 32.2

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

In connection with the accompanying Annual Report of EQUUS TOTAL RETURN, INC. (the "Company") on Form 10-K for the period ended December 31, 2011 (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 Company.

Dated: March 16, 2012

/s/ L'SHERYL D. HUDSON

L'Sheryl D. Hudson
Chief Financial Officer