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, 2014

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.)**
700 Louisiana St. 48th Floor, Houston, Texas	**77002**
(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: $31,430,642 computed on the basis of $2.48 per share, closing price of the common stock on the New York Stock Exchange on June 30, 2014. For purposes of calculating this amount only, all directors and executive officers of the registrant have been treated as affiliates. There were 12,673,646 shares of the registrant's common stock, $.001 par value, outstanding as of March 30, 2015. The net asset value of a share of the Registrant as of December 31, 2014 was $2.86.

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 2015 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" or 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. On August 11, 2006, our shareholders approved the change of the Fund's investment strategy to a total return investment objective. This strategy seeks to provide the highest total return, consisting of capital appreciation and current income. In connection with this strategic investment change, the shareholders also approved the change of name from Equus II Incorporated to Equus Total Return, Inc.

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 $5.0 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 bonds, subordinated 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 or smaller public 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 ("BDC") under the Investment Company Act of 1940 ("1940 Act"). In order to remain a BDC, 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. 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 BDC and as a RIC, please see "Business Development Company Requirements" and "Regulated Investment Company Tax Status," respectively.

Our principal office is located at 700 Louisiana St., 48th Floor, Houston, Texas, 77002, 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

Plan of Reorganization and Share Exchange with MVC Capital. On May 14, 2014, we announced that the Fund intended to effect a reorganization pursuant to Section 2(a)(33) of the 1940 Act. As a first step to consummating the reorganization, we sold to MVC Capital, Inc. ("MVC") 2,112,000 newly-issued shares of the Fund's common stock in exchange for 395,839 shares of MVC (such transaction is hereinafter referred to as the "Share Exchange"). MVC is a business development company traded on the New York Stock Exchange that provides long-term debt and equity investment capital to fund growth, acquisitions and recapitalizations of companies in a variety of industries. The Share Exchange was calculated based on the Fund's and MVC's respective net asset value per share. At the time of the Share Exchange, the number of MVC shares received by Equus represented approximately 1.73% of MVC's total outstanding shares of common stock.

Pursuant to the terms of a Share Exchange Agreement, dated May 12, 2014, entered into by Equus and MVC which memorialized the Share Exchange, we intend to finalize the reorganization by pursuing a merger or consolidation with MVC, a subsidiary of MVC, or one or more of MVC's portfolio companies (the "Consolidation"). Absent Equus merging or consolidating with/into MVC or a subsidiary thereof, our current intention is for Equus to (i) consummate the Consolidation with a portfolio company of MVC, (ii) terminate its election to be classified as a BDC under the 1940 Act, and (iii) be restructured as a publicly-traded operating company focused on the energy and/or financial services sector. Our original intention was to consummate the Consolidation within one year from the date of our announcement, although actual completion may require additional time.

Disposals of Portfolio Investments. During 2014 and shortly thereafter, we disposed of the following portfolio investments:

- On April 3, 2014, we sold our remaining 73,666 shares of Orco Property Group S.A. ("OPG"), wherein we received $61,867 in net cash proceeds;

- On November 20, 2014, we received a payment in partial redemption of our notes issued by OPG ("OPG Notes") in the amount of €209,706 [$261,077];

- On January 6, 2015, we sold our interest in Spectrum Management, L.L.C. ("Spectrum") in exchange for $3.0 million in cash and a 1-year secured subordinated 14% promissory note in the principal amount of $914,509;

- On January 6, 2015, our debt investment in Security Monitor Holdings, LLC was repaid, wherein we received $582,833 in cash, which included the original principal amount of the debt and all interest, as accrued; and

- On February 20, 2015, we sold our OPG Notes for €846,059 [$953,117] in net cash proceeds.

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 remaining 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.

Investment Objective

To the extent we remain as a BDC and do not complete the Consolidation with MVC or one of its portfolio companies as described above, 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 a result of our endeavors in the energy sector, we also seek to purchase working interests and revenue leasehold interests in oil and gas properties, although we remain open to exploring investment opportunities in a variety of other sectors, such as real estate. 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 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, our 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 or its equivalent. 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;
- 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 several cases, officers and directors of the Fund serve as members of the governing boards of portfolio companies. Such management assistance is required of a BDC 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 their 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 our 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 Securities."

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 (which includes 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.

We base our 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 or substantially declining operations, we may base a portfolio company's fair value upon the company's estimated liquidation value. Fair valuations are necessarily subjective, and our 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.

Our general intent is to hold our loans to maturity when appraising our privately held debt investments. As such, we believe 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, we perform a yield analysis to determine if a debt security has been impaired.

Our Management 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. Management would then present its fair value recommendations to the Audit Committee of the Board of Directors for review. Following review and any adjustments required thereby, the Audit Committee would, in turn, recommend the fair values for all of the Fund's portfolio investments 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. Our weekly and 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 BDC.

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. 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 700 Louisiana St., 48^{th} Floor, Houston, Texas 77002. 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 BDC, 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 our 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 BDC, 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 BDC either singly or as part of a group and an affiliated person of the BDC 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 BDC'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 BDC unless authorized by vote of the holders of the majority of our outstanding voting securities, as defined in the 1940 Act. Pursuant to the Plan of Reorganization announced on May 14, 2014, we intend to: (i) consummate a consolidation with MVC or one of its subsidiaries, (ii) terminate the Fund's election to be classified as a BDC under the 1940 Act, and (iii) be restructured as a publicly-traded operating company focused on the energy and/or financial services sector. Any or all of these intended developments will require an affirmative vote of the holders of a majority of our outstanding voting securities (see *Significant Developments−Plan of Reorganization* above).

To include certain securities above as qualifying assets for the purpose of the 70% test, a BDC 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 Investments for purposes of the BDC 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 BDC, 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 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 "RIC" under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"). If we qualify as a RIC 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 RIC, we must (i) continue to qualify as a BDC; (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 98.2% 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.

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; however, none have been necessary in recent years.

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 our shares, maintain proxy records and to process distributions. The principal business office of our transfer agent is 6201 15th Avenue, 2nd Floor, Brooklyn, NY 11219.

Certifications

In July 2014, 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 we operate negatively impacting our financial resources; (ii) certain of our 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 our 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) our investments in securities of privately held companies may be illiquid which could affect our ability to realize a gain; (v) our portfolio companies could default on their loans or provide no returns on its investments which could affect the Fund's operating results; (vi) we are dependent on external financing to grow our business; (vii) our ability to retain key management personnel; (viii) an economic downturn or recession could impair our portfolio companies and therefore harm our operating results; (iv) our borrowing arrangements impose certain restrictions; (x) changes in interest rates may affect our cost of capital and net operating income; (xi) we cannot incur additional indebtedness unless the Fund maintains an asset coverage of at least 200%, which may affect returns to our stockholders; (xii) we may fail to continue to qualify for our pass-through treatment as a RIC which could have an effect on stockholder returns; (xiii) our 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. We caution 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 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. For investments that are not listed on a securities exchange or quotation medium, 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 our Management to select, structure, close and monitor our investments. Management is responsible for identifying, 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 a variety of sectors such as energy and real estate. Given recent economic events and changes in our Board 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 investment interests 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. If we 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 sometimes 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, 2014, 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, 2014, the cost basis of our portfolio investments was $23.2 million and our estimated fair value was $19.6 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.

Our holdings in Equus Energy are subject to commodity price declines endemic to oil and gas companies.

The oil and gas business is fundamentally a commodity-based enterprise. This means that the operations and earnings of Equus Energy may be significantly affected by changes in prices of oil, gas and natural gas liquids. The prices of these products are also dependent upon local, regional and global events or conditions that affect supply and demand for the relevant commodity. In addition, the pricing of these commodities are highly dependent upon technological improvements in energy production and development, energy efficiency, and seasonal weather patterns. Moreover, as a worldwide commodity, the price of oil and natural gas is also influenced by changes in currency exchange rates, interest rates, and inflation. Equus Energy does not employ any hedging strategies in respect of its oil and gas holdings, and is therefore subject to price fluctuations resulting from these and other factors. The operational results and financial condition of Equus Energy, as well as the economic attractiveness of future capital expenditures for new drilling and recompletions, may be materially adversely affected as a result of lower oil and gas prices.

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 25% of the value of our net assets in a single portfolio company. In view of the net asset value of the Fund as of December 31, 2014, however, we would expect that any new investments may exceed this percentage for the immediate 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 25% 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.

Except for our holdings MVC, 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.

We may utilize leverage for the Fund or its subsidiaries 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 yields 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 2010 and we have had net investment losses in four out of the past five years.

Our net assets have declined from $38.0 million as of December 31, 2010 to $36.2 million as of December 31, 2014. Moreover, we have had net investment losses in four out of the past five years, with a net investment loss of $2.4 million for the year ended December 31, 2014. 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. We subsequently undertook certain changes in our Board and Management. These changes 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, 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.

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 our holdings in OPG. 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 have a particularly adverse effect upon small and medium-sized companies, 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 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.

Risks Related to Our Announced Plan of Reorganization

If we reorganize as an operating company, we will likely not continue to qualify as a RIC under the Code.

On May 14, 2014, we announced that we had adopted a Plan of Reorganization within the meaning of Section 2(a)(33) of the 1940 Act. The Plan of Reorganization contemplates the possible merger of the Fund with and into another BDC, or the restructuring of the Fund as an operating company no longer subject to the 1940 Act. If we were to reorganize as an operating company, we may lose our status as a RIC. If we fail to qualify as a RIC, we will be subject to corporate income tax, which would substantially reduce the amount of income we might otherwise distribute to our shareholders (see *"Significant Developments—Plan of Reorganization"* above).

If we reorganize as an operating company, we will not continue to operate as a BDC.

We have elected to be classified as a BDC under the 1940 Act. In connection with our announcement on May 14, 2014 to effect a Plan of Reorganization, if we effect a reorganization of the Fund into an operating company, we will seek to terminate our BDC classification. If we were to terminate our election to be classified as a BDC and were still determined by the SEC to constitute an "investment company," we would be subject to significantly greater regulatory requirements and constraints than under those which we presently operate, the result of which could have a material adverse effect on our results and financial condition.

If we reorganize as an operating company, we may not be able to utilize our capital losses.

As of December 31, 2014, we have incurred cumulative capital losses of $31.8 million, of which $15.6 million will begin expiring after 2017, with the remainder carried over indefinitely. Pursuant to the Plan of Reorganization announced on May 14, 2014, we may reorganize as an operating company. If we reorganize as an operating company, we may lose our ability to offset future income against our cumulative capital losses, including capital losses that would otherwise continue past 2017. If we reorganized as an operating company and were unable to offset future income against these capital losses, the result could have a material adverse effect on our future operating results and our financial condition.

If we do not consummate the Consolidation and reorganize as an operating company, MVC could require us to repurchase their Equus shares.

Pursuant to the Plan of Reorganization we announced on May 14, 2014, we completed a Share Exchange with MVC, wherein we issued 2,112,000 shares of our common stock in exchange for 395,839 shares of MVC. Our intention is to consummate a Consolidation with MVC or one or more of its portfolio companies within a year from the date of this announcement, although actual completion may require additional time. If, however, we do not complete the Consolidation within a time frame agreed with MVC, it could require us to repurchase the Equus shares issued as part of the Share Exchange by returning to them all of the MVC shares we hold. A rescission of the Share Exchange, if effected by MVC, could have a material adverse effect on our financial condition and results of operations.

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 700 Louisiana St. 48th Floor, Houston, Texas 77002. 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***

Champion Window Arbitration Settlement—In January 2006, we sold our 31.5% ownership interest in Champion Window, Inc. ("Champion"), a portfolio company of the Fund, to Atrium Companies Inc. ("Atrium") pursuant to a Stock Purchase Agreement ("SPA") dated December 22, 2005. The SPA contained certain limited rights of indemnification for Atrium in connection with its purchase of such ownership interest.

More than five years after the closing of the sale of our Champion interest, Atrium filed suit in Texas state court, which was subsequently consolidated into an Arbitration Action, against two former officers of Champion, Equus, and another former Champion shareholder. The suit alleged breaches of fiduciary duty against Champion's former officers for hiring undocumented workers that were discovered as a result of an investigation by the U.S. Immigration and Customs Enforcement agency ("ICE") into Atrium's hiring practices. The suit also sought indemnification under the SPA from these officers, Equus, and another former Champion shareholder, for a payment of $2.0 million made to ICE in settlement of the investigation and associated legal costs, as well as for claimed lost profits as a result of the investigation.

On February 4, 2015, without admitting to any liability on the part of Equus , we entered into a settlement agreement with Atrium and its associated companies. Pursuant to the settlement agreement and in view of the estimated costs of protracted litigation and the associated disruption to the operations of the Fund, we agreed to pay $500,000, in complete settlement of the lawsuit, as being in the best interests of the Fund and its shareholders. The settlement payment was made on February 6, 2015. Atrium filed a motion to dismiss the lawsuit with prejudice on February 4, 2015.

Indemnification Settlement—Effective June 13, 2013, the Fund entered into a settlement agreement with Sam Douglass, a former director and executive officer of the Fund, in respect of a claim for indemnification pursuant to the General Corporation Law of Delaware and an indemnification agreement entered into by the Fund with Mr. Douglass on May 3, 2001. The settlement agreement provides for the reimbursement to Mr. Douglass of actual expenses incurred, excluding any fines or penalties, in connection with an enforcement action initiated by the Securities and Exchange Commission against Mr. Douglass in 2009. The settlement payment of $125,000 was made on June 24, 2013.

Lawsuit Settlement—On August 12, 2012, Paula Douglass filed a lawsuit against the Fund and members of the Board of Directors in the District Court of Harris County, Texas. Ms. Douglass' complaint alleged various causes of action, including minority shareholder oppression, dilution, and breach of fiduciary duty, and sought unspecified damages and attorney's fees. Effective June 13, 2013, the Fund entered into a settlement agreement with Ms. Douglass, Sam Douglass, as well as certain trusts controlled by them. Pursuant to the settlement agreement and in view of the estimated costs of protracted litigation and the associated disruption to the operations of the Fund, the Board of Directors approved a payment of $402,254, in complete settlement of the lawsuit, as being in the best interests of the Fund and its shareholders. The settlement payment was made on July 30, 2013. Ms. Douglass filed a motion to dismiss the lawsuit with prejudice on August 8, 2013.

From time to time, the Fund is also a party to certain 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 the Fund's 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 2,600 stockholders as of December 31, 2014, 737 of whom were registered holders. Registered holders do not include those stockholders whose stock has been issued in street name. As of December 31, 2014, our net asset value was $2.86 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, 2014, by quarter:

	2014				2013			
	Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
High	$ 2.05	$ 2.33	$ 2.48	$ 2.20	$ 2.40	$ 2.24	$ 2.02	$ 2.07
Low	1.74	1.95	2.15	1.97	2.10	1.86	1.82	1.67
NAV	3.09	3.00	2.97	2.86	2.97	2.86	2.78	3.14
Dividends Declared	—	—	—	—	—	—	—	—

As a RIC, 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 90% 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.

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.

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, 2014 (in thousands, except per share data):

	2014	2013	2012	2011	2010
Total investment income	$ 965	$ 7	$ 516	$ 539	$ 2,904
Net investment loss	(2,418)	(3,129)	(2,653)	(3,500)	(770)
Net realized gain (loss) of portfolio securities	660	(9,795)	(2,797)	(10,930)	(7)
Net change in unrealized appreciation (depreciation) of portfolio securities	391	13,266	177	9,901	(12,073)
Net increase (decrease) in net assets resulting from operations	(1,367)	342	(5,273)	(4,529)	(12,850)
Total assets	52,038	48,349	33,283	44,301	53,454
Net assets	36,201	33,217	32,875	38,148	38,051
Net cash (used in) provided by operating activities	(3,367)	(19,662)	12,874	18,596	16,599
Shares outstanding at end of year	12,674	10,562	10,562	10,562	8,862
Weighted average shares outstanding, basic	11,904	10,562	10,562	10,049	8,862

Per Share Data:

	2014	2013	2012	2011	2010
Net investment loss	$ (0.20)	$ (0.30)	$ (0.25)	$ (0.35)	$ (0.09)
Net realized gain (loss) of portfolio securities	0.06	(0.93)	(0.27)	(1.09)	—
Net change in unrealized appreciation (depreciation) of portfolio securities	0.03	1.26	0.02	0.99	(1.36)
Net increase (decrease) in net amounts resulting from operations per share, basic and diluted	(0.11)	0.03	(0.50)	(0.45)	(1.45)
Net asset value (including unrealized appreciation)	2.86	3.14	3.11	3.61	4.29

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.

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 2014, we incurred non-recurring expenses, including settlement expenses of $0.5 million, and legal expenses of $0.1 million related to the various legal proceedings described in Item 3 above. During 2013, we incurred non-recurring expenses, including settlement expenses of $0.5 million, and legal expenses of $0.2 million related to the various legal proceedings described in Item 3 above. During 2012, we did not incur any non-recurring expenses.

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 "—Critical Accounting Policies – Valuation of Investments" below. As of December 31, 2014, we had invested 51.4% of our net assets in securities of portfolio companies that constituted qualifying investments under the 1940 Act. At that time, we had invested 13.6% by value in shares of common stock, 27.7% in membership interests in limited liability companies, and 13.0% in various debt instruments.

Commitments. Under certain circumstances, we make follow-on investments in some of our portfolio companies. As of December 31, 2014, 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 2014 and 2013, 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 BDC, 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 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 our shares. We are not required to undertake any such share repurchases, nor do we anticipate taking such action in 2015.

Critical Accounting Policies

We follow the accounting and reporting guidance in FASB Accounting Standards Codification 946. 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 GAAP 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.

Thinly Traded and Over-the-Counter Securities—Generally, we value securities that are traded in the over-the-counter market or on a stock exchange at the average of the prevailing bid and ask prices on the date of the relevant period end. However, we may apply a discount to the market value of restricted or thinly traded public securities to reflect the impact that these restrictions have on the value of these securities. We review factors, including the trading volume, total securities outstanding and our percentage ownership of securities to determine whether the trading levels are active (Level 1) or inactive (Level 2) or unobservable (Level 3). As of December 31, 2014, these securities, consisting of our holdings in the OPG Notes, represented 5.3% of our investments in portfolio securities. We utilized independent pricing services with certain of our fair value estimates. To corroborate "bid/ask" quotes from independent pricing services, we perform a market-yield approach to validate prices obtained or obtain other evidence.

During the first twelve months after an investment is made, we rely on 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, we consider 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, we consider 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. We allocate value to these securities based on their relative priorities. For equity securities such as warrants, we may also incorporate alternative methodologies including the Black-Scholes Option Pricing Model.

Market approach – The market approach typically employed by 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. We will apply liquidity and other discounts we deem appropriate to equity valuations where applicable. We 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 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. We will apply liquidity and other discounts we deem appropriate to equity valuations where applicable.

Asset approach – We consider 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) we believe 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.

Our general intent is to hold our loans to maturity when appraising our privately held debt investments. As such, we believe 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, we perform 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 $15.7 million and $13.3 million as of December 31, 2014 and 2013, 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, 2014, one of our portfolio investments, 404,968 common shares of MVC was publicly listed on the NYSE and our holding of €1,200,790 [$1.5 million] in OPG notes was publicly listed on the Luxembourg Stock Exchange. As of December 31, 2013, the 73,666 ordinary shares of OPG were publicly listed on the NYSE Euronext Paris Exchange, and our holding of €1,200,790 [$1.5 million] in Notes was listed on the Luxembourg Stock Exchange. On April 3, 2014, we sold all of our 73,666 remaining shares of OPG, wherein we received $61,867 in net proceeds and reported a realized loss of $0.06 million.

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 report those amounts to Lipper Analytical Services, Inc. Our net asset value appears 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, 2014, we had a capital loss carry forward of $31.9 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

In June 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2013-08, Financial Services—Investment Companies. ASU 2013-08 provides clarifying guidance to determine if an entity qualifies as an investment company. ASU 2013-08 also requires an investment company to measure non-controlling interests in other investment companies at fair value. The following disclosures will also be required upon adoption of ASU 2013-08: (i) whether an entity is an investment company and is applying the accounting and reporting guidance for investment companies; (ii) information about changes, if any, in an entity's status as an investment company; and (iii) information about financial support provided or contractually required to be provided by an investment company to any of its investees. The requirements of ASU 2013-08 were effective for the Fund beginning in the first quarter of 2014. Our adoption of ASU 2013-08 did not effect our financial position or results of operations.

Current Market Conditions

Overall economic conditions in the United States have improved, albeit slowly, since the market downturn of 2008-09. The U.S. economy grew at 2.43% in 2014, and the International Monetary Fund is forecasting higher growth in 2015 (3.5%). However, global growth for 2015 is predicted at 3.5%, largely driven by growth in the U.S. and Asia, with the Euro zone predicted to grow at only 1.2%. (Sources: *Forbes* and *Newsweek*)

Market conditions for business transactions including mergers and acquisitions and private equity investments improved to their highest level since prior to the 2008 financial crisis, as corporations have been deleveraging and are holding significant amounts of cash and many have focused on acquisitions as part of future growth plans. Private equity activity increased 47% from 2013 to 2014, as private equity firms as a group enjoyed more success during the year in monetizing their investments through sales and public listings. (Sources: *USA Today* and *Fortune*)

During 2014, our net asset value decreased from $3.14 per share to $2.86 per share, a decrease of 8.9%. As of December 31, 2014, our common stock is trading at a 26.5% discount to our net asset value as compared to 36.6% as of December 31, 2013.

Over the past several years, we have 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 legacy and 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. Because our Management is internalized, certain of our expenses should not increase commensurate with an increase in the size of the Fund and, therefore, we expect to 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, 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 capital expenditures through the next twelve months.

Year Ended December 31, 2014

As of December 31, 2014, we had total assets of $52.0 million, of which $19.6 million were invested in portfolio investments and $15.7 million were invested in cash and cash equivalents. Among our portfolio investments, $4.7 million (at fair value) or 12.9% of net asset value were in the form of notes receivable from portfolio companies as of December 31, 2014. We continue to classify the promissory note issued by Spectrum, $3.2 at million (fair value), as non income producing.

As of December 31, 2014, we also had $15.1 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 $0.1 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 2, 2015 and we subsequently repaid this margin loan. The margin interest was paid on February 4, 2015.

Operating Activities. We used $3.4 million in cash for operating activities in 2014. In 2014, we made investments in portfolio companies of $0.8 million and paid fees to our professional advisers, directors, banks and others of $2.5 million, while realizing a gain of $0.7 million from the disposition of portfolio securities. During 2014, we incurred non-recurring expenses including settlement expenses of $0.5 million and legal expenses of $0.1 million related to the various legal proceedings described in Item 3.

Financing Activities. We used $0.001 million in cash from financing activities for 2014. We did not declare any dividends in 2014.

Year Ended December 31, 2013

As of December 31, 2013, we had total assets of $48.3 million, of which $13.5 million were invested in portfolio investments and $19.1 million were invested in cash and cash equivalents. Among our portfolio investments, $4.9 million (at fair value) or 14.7% of net asset value were in the form of notes receivable from portfolio companies as of December 31, 2013. We continue to classify the promissory note issued by Spectrum, $2.9 million (at fair value), as non income producing.

As of December 31, 2013, 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 2, 2014 and we subsequently repaid this margin loan. The margin interest was paid on January 22, 2014.

Operating Activities. We used $19.6 million in cash for operating activities in 2013, including $15.1 million for the purchase of U.S. Treasury bills. In 2013, we made investments in portfolio companies of $0.8 million and paid fees to our professional advisers, directors, banks and others of $2.6 million, while realizing a loss of $9.8 million from the disposition of portfolio securities. During 2013, we incurred non-recurring expenses including settlement expenses of $0.5 million and legal expenses of $0.2 million related to the various legal proceedings described in Item 3.

Financing Activities. We provided $15.0 million in cash from financing activities for 2013. We did not declare any dividends in 2013.

Year Ended December 31, 2012

As of December 31, 2012, we had total assets of $33.3 million, of which $9.2 million were invested in portfolio investments and $23.7 million were invested in cash and cash equivalents. Among our portfolio investments, $1.8 million (at fair value) or 5.6% of net asset value were in the form of notes receivable from portfolio companies as of December 31, 2012. We continue to impair certain promissory notes issued by Spectrum, having a fair value of $0.4 million.

As of December 31, 2012, we had no RIC borrowings or restricted cash.

Operating Activities. We provided $12.9 million in cash for operating activities in 2012. In 2012, we made investments in portfolio companies of $6.9 million and paid fees to our professional advisers, directors, banks and others of $3.0 million, while realizing a loss of $2.8 million from the disposition of portfolio securities.

Financing Activities. We used $6.0 million in cash from financing activities for 2012. We did not declare any dividends in 2012.

Results of Operations

Investment Income and Expense

Year Ended December 31, 2014 as compared to Year Ended December 31, 2013

Total income from portfolio securities increased $1.0 million in 2014 due to a reversal of prior impairments of interest receivable from Spectrum of $0.7 million and the increase in interest-bearing investments resulting in additional interest/dividend income of $0.3 million.

Professional fees increased to $1.1 during 2014 from $1.0 million during 2013. These increases were due to the increases in consulting fees and legal fees associated with various legal proceedings.

Compensation expense was comparable from 2013 to 2014, and was $0.9 million in each of the years.

General and administrative expenses increased by $0.2 million in 2014 from 2013, largely due to increased travel expenses in connection with prospective investments and the Fund's announced Plan of Reorganization (*see "Significant Developments—Plan of Reorganization" above*).

Settlement expense was $0.5 million for both 2014 and 2013 and related to the various legal proceedings described in Item 3.

As a result of the factors described above, net investment loss after expenses was $2.4 million for 2014 as compared to a net investment loss of $3.1 million for 2013.

Year Ended December 31, 2013 as compared to Year Ended December 31, 2012

Total income from portfolio securities decreased $0.5 million in 2013 due to the impairment of the interest receivable from Spectrum and the decline in interest-bearing investments.

Professional fees decreased to $1.0 million during 2013 from $1.3 million during 2012. These decreases were due to the decreases in consulting fees and legal fees associated with various legal proceedings.

Compensation expense was $0.9 million for 2013 and $1.1 million for 2012, respectively. The $0.2 million decrease was largely due to a decrease in bonuses paid in 2013 compared to 2012.

Settlement expense was $0.5 million for 2013 related to the various legal proceedings described in Item 3.

As a result of the factors described above, net investment loss after expenses was $3.1 million for 2013 as compared to a net investment loss of $2.7 million for 2012.

Summary of Portfolio Investment Activity

Year Ended December 31, 2014

During the year ended December 31, 2014, we capitalized legal and consulting expenses of $0.3 million relating to Spectrum Management. We also received a semi-annual interest payment of $0.06 million in cash and $0.2 million in the form of PIK'd interest in respect of our €1.2 million [$1.5 million] in OPG notes. On May 14, 2014, we sold to MVC 2,112,000 newly-issued shares of the Fund's common stock in exchange for 395,839 shares of MVC (see *"Significant Events−Plan of Reorganization"* above). During the year ended December 31, 2014, we also received 9,129 shares of MVC in the form of dividend payments.

The following table includes significant investment activity during the year ended December 31, 2014 (in thousands):

	Investment Activity				
	New Investments		Existing Investments		
Portfolio Company	**Cash**	**Non-Cash**	**Follow-On**	**PIK**	**Total**
MVC Capital, Inc.	$ 524	$ 5,075	$ —	$ 107	$ 5,706
Orco Property Group	—	—	—	171	171
Spectrum Management, LLC	—	—	269	—	269
	$ 524	$ 5,075	$ 269	$ 278	$ 6,146

Year Ended December 31, 2013

During the year ended December 31, 2013, we had investment activity of $0.8 million in two portfolio companies. We capitalized consulting expenses of $0.3 million relating to Spectrum. We made a short-term working capital loan of $0.5 million to Security Monitor Holdings, LLC ("SMH"). SMH is a company which specializes in managing and improving operations of distressed companies.

The following table includes significant investment activity during the year ended December 31, 2013 (in thousands):

	Investment Activity				
	New Investments		Existing Investments		
Portfolio Company	**Cash**	**Non-Cash**	**Follow-On**	**PIK**	**Total**
Security Monitor Holdings, LLC	$ 500	$ —	$ —	$ —	$ 500
Spectrum Management, LLC	—	—	310	—	310
	$ 500	$ —	$ 310	$ —	$ 810

Year Ended December 31, 2012

During the year ended December 31, 2012, we received $6.4 million from the disposal of the Fund's 55% fully-diluted equity interest in Sovereign, together with the Fund's promissory note and all interest as accrued interest. We also received $5.3 million from the disposal of the Fund's 34.2% fully equity interest in ConGlobal, together with the Fund's promissory note and all interest as accrued interest.

We originally invested in the bonds of Orco Germany S.A. in April 2011. On May 7, 2012, holders of 72.5% of all Orco Germany bonds approved a joint restructuring of certain bond debt of Orco Germany and its parent company, OPG. Pursuant to such restructuring, approximately 84.5% of the Orco Germany bonds held by each bondholder were converted into *Obligations Convertibles en Actions* ("OCA") on May 9, 2012. The OCA were converted into an aggregate of 26,209,613 OPG shares which were delivered in two tranches. The first tranche, consisting of 18,361,540 OPG shares, was delivered in May 2012, of which we received 1,102,455 OPG shares. The second tranche, consisting of 7,848,073 OPG shares, was delivered in October 2012, of which we received 471,211 OPG shares. Also in October 2012, the remaining 15.5% of the Orco Germany bonds held by each bondholder was converted into 6-year OPG Notes with a face value of €20.0 million bearing cash and PIK interest each at 5% per annum. Of the total amount of OPG Notes issued, we received OPG Notes in the face amount of €1,200,790. On October 15, 2012, we announced the sale of 1,500,000 of our 1,573,666 OPG shares, where we received net cash proceeds of €3.8 million [$4.9 million]. As of December 31, 2012, we held 73,666 OPG shares, and €1,200,790 OPG Notes.

During the year ended December 31, 2012, we had investment activity of $7.2 million in three portfolio companies. We made a follow-on investment of $6.8 million in Equus Energy. The restructuring of the Orco Germany bonds noted above resulted in the capitalization of $0.3 million accrued interest received in the form of additional portfolio securities (PIK). We capitalized legal and consulting expenses of $0.1 million relating to Spectrum.

The following table includes significant investment activity during the year ended December 31, 2012 (in thousands):

	Investment Activity				
	New Investments		Existing Investments		
Portfolio Company	Cash	Non-Cash	Follow-On	PIK	Total
Equus Energy, LLC	$ —	$ —	$ 6,800	$ —	$ 6,800
Orco Property Group S.A.	—	—	—	301	301
Spectrum Management, LLC	—	—	139	—	139
	$ —	$ —	$ 6,939	$ 301	$ 7,240

Realized Gains and Losses on Sales of Portfolio Securities

Year Ended December 31, 2014

During 2014, we realized capital gains of $0.7 million, including the following significant transactions:

Portfolio Company	Industry	Type	Transaction Type	Realized Gain (Loss)
Orco Property Group	Real estate	Non-affiliate	Disposition	$ (63)
MVC Capital, Inc.	Financial services	Non-affiliate	Share exchange	724
Various others			Disposition	(1)
				$ 660

Year Ended December 31, 2013

During 2013, we realized capital losses of $9.8 million, including the following significant transactions:

Portfolio Company	Industry	Type	Transaction Type	Realized Gain (Loss)
The Bradshaw Group	Business products and services	Non-affiliate	Disposition	$ (1,795)
Infinia Corporation	Alternative energy	Non-affiliate	Disposition	$ (8,000)
				$ (9,795)

Year Ended December 31, 2012

During 2012, we realized net capital losses of $2.8 million, including the following significant transactions:

Portfolio Company	Industry	Type	Transaction Type	Realized Gain (Loss)
ConGlobal Industries Holding, Inc.	Shipping products and services	Control	Disposition	$ (4,114)
Sovereign Business Forms, Inc.	Business products and services	Control	Disposition	(1,073)
Orco Property Group	Real estate	Non-affiliate	Disposition	2,318
Various others			Disposition	72
				$ (2,797)

Changes in Unrealized Appreciation/Depreciation of Portfolio Securities

Year Ended December 31, 2014

During 2014, we recorded a net decrease in unrealized depreciation of $0.3 million, to arrive at a net unrealized depreciation of $3.6 million as of December 31, 2014. Such change in depreciation resulted primarily from the following changes:

(i) Increase in fair value of our holding in Equus Energy of $1.8 million due to an increase in comparable transactions for mineral leases, increased oil and gas production, as well as additional proved developed producing and proved developed producing behind-pipe reserves from new drilling and recompletion activities;

(ii) Decrease in fair value of Equus Media Development Company, LLC of $0.1 million due to a net operating loss for the period equal to the amount of the decrease;

(iii) Decrease in fair value of MVC of $1.7 million due to the decline in the stock price of MVC;

(iv) Decrease in fair value of our holding of OPG Notes of $0.1 million due to adverse changes in the USD-EUR exchange rate; and

(v) Increase in fair value of our shareholding in PalletOne, Inc. of $0.7 million due to an improvement in the industry sector for packaging companies and continued revenue and earnings growth.

Year Ended December 31, 2013

During 2013, we recorded a net change in unrealized depreciation of $13.3 million, to arrive at a net unrealized depreciation of $3.9 million as of December 31, 2013. Such change in depreciation resulted primarily from the following changes:

(i) Transfer of unrealized depreciation to realized loss of our holdings in The Bradshaw Group (“Bradshaw”) of $1.8 million in connection with Bradshaw’s sale of all of its assets;

(ii) Transfer of unrealized depreciation to realized loss of our holdings in Infinia Corporation (“Infinia”) of $8.0 million as a result of the liquidation of Infinia due to bankruptcy proceedings initiated by the company;

(iii) Increase in the fair value of Equus Energy of $1.1 million due improved operational results and an increase in proved developed producing reserves;

(iv) Increase in the fair value of our holdings in Spectrum of $2.5 million due to continued stability in operations resulting in the utilization of a market approach in determining fair value, in lieu of an asset approach applying a liquidation analysis used in prior quarters; and

(v) Increase in the fair value of our holdings in PalletOne, Inc. (“PalletOne”) of $0.1 million due to improved operations.

Year Ended December 31, 2012

During 2012, we recorded a net change in unrealized depreciation of $0.2 million, to arrive at a net unrealized depreciation of $17.2 million as of December 31, 2012. Such change in depreciation resulted primarily from the following changes:

(i) Transfer of unrealized depreciation to realized loss of our holdings in ConGlobal of $1.6 million upon the divestiture of the investment;

(ii) Transfer of unrealized depreciation to realized loss of our holdings in Sovereign of $0.6 million upon the divestiture of the investment;

(iii) The restructuring of the 8,890 Orco Germany bonds resulted in the Fund holding 1,573,666 ordinary shares of OPG and €1,200,790 newly-issued 6-year OPG notes. The capitalization of $0.3 million accrued interest and the subsequent sale of 1.5 million shares of OPG shares in October 2012 resulted in a decrease in fair value of our holdings in OPG of $1.8 million; and

(iv) Decrease in the fair value of Equus Energy of $0.2 million due to working capital expenditures.

Portfolio Securities

As of December 31, 2014, we had active investments in the following entities or portfolio companies:

Equus Energy, LLC

We formed 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. On December 27, 2012 we invested an additional $6.8 million in Equus Energy for the purpose of additional working capital and to fund the purchase of $6.6 million in working interests in 132 producing and non-producing oil and gas wells, including associated development rights of approximately 21,620 acres situated on 13 separate properties in Texas and Oklahoma. The working interests range from a *de minimus* amount to 50% of the leasehold production of these wells. The wells are operated by a number of experienced operators such as Apache, Chesapeake, and Chevron, which has operating responsibility for leasehold interests in the Conger Field, representing approximately half of the producing well interests. The assets were purchased from Warren American Oil Company, LLC, a Tulsa-based oil & gas firm. Due to production improvements and the increase in proved developed producing or proved developed producing behind-pipe reserves, all of which offset price declines in crude and natural gas during the year, the fair value of this holding increased to approximately $9.8 million at December 31, 2014 from $8.0 million at December 31, 2013.

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, 2014 and 2013, we valued EMDC at $0.2 million.

MVC Capital, Inc.

MVC is a business development company traded on the New York Stock Exchange that provides long-term debt and equity investment capital to fund growth, acquisitions and recapitalizations of companies in a variety of industries. On May 14, 2014, we sold to MVC 2,112,000 newly-issued shares of the Fund's common stock in exchange for 395,839 shares of MVC. (see *"Significant Events–Plan of Reorganization"* above) During 2014, we received 9,129 additional shares in the form of a dividend payments and recorded accrued dividends receivable of $54,401 at December 31, 2014. As of December 31, 2014, we have valued the 404,968 MVC shares, based on the closing trading price of $9.83 on the NYSE, at $4.0 million.

Orco Property Group S.A.

OPG is a commercial and multi-family residential real estate holding company based in Paris. In April 2011, we acquired 8,890 bonds of Orco Germany S.A., then a controlled subsidiary of OPG. In 2012, our Orco Germany bonds were converted into 1,573,666 ordinary shares of OPG and €1.2 million [$1.5 million] in 6-year 10% notes of OPG paying 5% PIK interest and 5% cash. We sold 1,500,000 of our OPG shares in October 2012 and the remaining 73,666 OPG shares in April 2014. In October 2014, the OPG notes were restructured to provide for an interest payment of 7% in cash and an extension of the maturity date to October 2019. During the fourth quarter of 2014, we received €222,063 [$276,460] in interest and redemption payments in respect of the OPG notes, and on February 20, 2015, we sold the OPG notes for net proceeds of €846,059 [$953,117]. As of December 31, 2014, we valued this investment at approximately $1.0 million.

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. 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. Our investment in PalletOne consists of 350,000 shares of common stock, which represents a fully diluted equity interest of approximately 19%. Due to improved operating performance, we valued our interest in PalletOne as of December 31, 2014 at $1.0 million.

Security Monitor Holdings, LLC

Security Monitor Holdings, LLC ("SMH") is a company which specializes in managing and improving operations of distressed companies. On November 7, 2013, SMH issued Equus a promissory note in the principal amount of $0.5 million, which was secured by a mortgage against certain real property, together with a personal guarantee of the principal of SMH. The note issued by SMH to Equus in exchange for the loan originally had a six month term which was subsequently extended to coincide with the sale of the Fund's interest in Spectrum Management, LLC in January 2015. The note bore interest at 14% per annum. On January 6, 2015, in connection with the sale of the Fund's interest in Spectrum described below, the SMH loan, together with all accrued interest, was repaid in full. As of December 31, 2014, we valued the SMH loan at its original investment amount of $0.5 million.

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.

As of December 31, 2014, Equus controlled approximately 82.5% of Spectrum's voting securities, had a senior subordinated working capital advance of $0.6 million, a preferred subordinated note $0.8 million, and a subordinated note of $1.7 million (total face amount of $3.0 million). On January 6, 2015, we sold our interests in Spectrum to 5th Element Tracking, LLC ("5th Element"), a Boston-based technology company. The purchase price of $3.9 million paid by 5th Element consisted of $3.0 million in cash and a 1-year subordinated note in the original principal amount of $0.9 million, bearing interest of 14% per annum. Given the transaction's time proximity to year-end and the negotiations which preceded the sale, we increased the fair value of our holdings in Spectrum as of December 31, 2014 to $3.2 million.

Off Balance Sheet Arrangements

We had an operating lease for office space that expired in September 2014. Our current office space lease as of December 31, 2014 is month-to-month. The lease contained a provision for certain annual rental escalations. Rent expense under the operating lease agreement is inclusive of common area maintenance costs was $61,000, $85,000 and $84,000 for each of the years ended December 31, 2014, 2013 and 2012, respectively.

Contractual Obligations

As of December 31, 2014, we had no outstanding commitments to our portfolio company investments.

Dividends

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.

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 2, 2015, we sold U.S. Treasury Bills for $15.0 million and repaid our year-end margin loan.

On January 6, 2015, we sold our interests in Spectrum to 5th Element as described under "*Portfolio Securities*" above. The purchase price of $3.9 million paid by 5th Element consisted of $3.0 million in cash and a 1-year subordinated note in the original principal amount of $0.9 million, bearing interest of 14% per annum.

On January 6, 2015, in connection with the sale of our interest in Spectrum, our $0.5 million loan to SMH, together with all accrued interest amounting to approximately $0.1 million, was repaid in full.

On January 30, 2015, we received a partial redemption payment in respect of our holding of OPG Notes in the amount of €36,587 [$41,478].

On February 4, 2015, we entered into a settlement agreement with Atrium Companies, Inc. (“Atrium”) and its subsidiary Champion Window, Inc. Pursuant to the settlement agreement and in view of the estimated costs of protracted litigation and the associated disruption to the operations of the Fund, we agreed to pay $500,000, in complete settlement of a lawsuit commenced against the Fund by Atrium. The settlement payment was made on February 6, 2015 (see *“Legal Proceedings−Champion Window Arbitration Settlement”* above).

On February 20, 2015, we sold our OPG Notes at a discount of 23% to their par value, receiving $953,117 in cash.

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, in addition to our investment in notes issued by OPG, we 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 “Energy” includes one portfolio company and was 27.1% of our net asset value, 18.8% of our total assets and 49.9% of our investments in portfolio company securities (at fair value) as of December 31, 2014. 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 sheet of Equus Total Return, Inc. (a Delaware corporation) (the "Fund"), including the schedule of investments, as of December 31, 2014 and the related statements of operations, changes in net assets and cash flows for the year ended December 31, 2014 and the selected per share data and ratios for the year ended December 31, 2014. These financial statements and selected per share data and ratios are the responsibility of the management of the Fund. Our responsibility is to express an opinion on these financial statements and selected per share data and ratios based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and selected per share data and ratios are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no opinion. An audit also 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, 2014 or by other appropriate auditing procedures where replies were not received. 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 audit provides 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, 2014 and the results of its operations and its cash flows for the year ended December 31, 2014 and the selected per share data and ratios for the year ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

/s/ BDO USA, LLP
Houston, Texas
March 30, 2015

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 sheet of Equus Total Return, Inc. (a Delaware corporation) (the "Fund"), including the schedule of investments, as of December 31, 2013 and the related statements of operations, changes in net assets and cash flows for each of the two years in the period ended December 31, 2013 and the selected per share data and ratios for each of the four years in the period ended December 31, 2013. These financial statements and selected per share data and ratios are the responsibility of the management of the Fund. 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 audit to obtain reasonable assurance about whether the financial statements and selected per share data and ratios are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, 2013 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, 2013 and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2013 and the selected per share data and ratios for each of the four years in the period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

/s/ UHY, LLP
Houston, Texas
March 31, 2014

EQUUS TOTAL RETURN, INC.
BALANCE SHEETS

	December 31,			
	2014		2013	
(in thousands, except per share amounts)				
Assets				
Investments in portfolio securities at fair value:				
Control investments (cost at $16,058 and $15,789 respectively)	$	13,173	$	11,105
Affiliate investments (cost at $350 and $350 respectively)		960		250
Non-affiliate investments - related party (cost at $5,706 and $0 respectively)		3,981		—
Non-affiliate investments (cost at $1,097 and $1,321 respectively)		1,532		2,149
Total investments in portfolio securities at fair value		19,646		13,504
Cash and cash equivalents		15,697		19,065
Restricted cash and temporary cash investments		15,149		15,150
Accounts receivable from investments		614		372
Accrued interest receivable		764		228
Accrued dividend receivable		54		—
Accounts receivable and other		114		30
Total assets		52,038		48,349
Liabilities and net assets				
Accounts payable and accrued liabilities		664		106
Accounts payable to related parties		174		26
Borrowing under margin account		14,999		15,000
Total liabilities		15,837		15,132
Commitments and contingencies (see Note 6)				
Net assets	$	36,201	$	33,217
Net assets consist of:				
Common stock, par value	$	13	$	10
Capital in excess of par value		56,049		51,701
Undistributed net investment losses		(16,956)		(14,538)
Undistributed net capital gain		660		—
Unrealized depreciation of portfolio securities, net		(1,840)		(3,956)
Unrealized depreciation of portfolio securities - related party, net		(1,725)		—
Total net assets	$	36,201	$	33,217
Shares of common stock issued and outstanding, $.001 par value, 50,000 shares authorized		12,674		10,562
Shares of preferred stock issued and outstanding, $.001 par value, 5,000 shares authorized		—		—
Net asset value per share	$	2.86	$	3.14

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, 2014	2013	2012
Investment income:			
Interest and dividend income (loss), net:			
Control investments	$ 580	$ (166)	$ 358
Affiliate investments	—	—	—
Non-affiliate investments - related party	161	—	—
Non-affiliate investments	224	172	157
Total interest and dividend income	965	6	515
Interest from temporary cash investments	—	1	1
Total investment income	965	7	516
Expenses:			
Professional fees	1,067	994	1,333
Compensation expense	937	882	1,056
Director fees and expenses	414	433	449
General and administrative expense	293	128	167
Mailing, printing and other expenses	147	155	150
Taxes	25	15	12
Interest expense	—	2	2
Settlement expense	500	527	—
Total expenses	3,383	3,136	3,169
Net investment loss	(2,418)	(3,129)	(2,653)
Net realized gain (loss):			
Control investments	—	(1,795)	(5,187)
Affiliate investments	—	—	—
Non-affiliate investments - related party	724	—	—
Non-affiliate investments	(63)	(8,000)	2,318
Temporary cash investments	(1)	—	72
Net realized gain (loss)	660	(9,795)	(2,797)
Net unrealized depreciation of portfolio securities:			
End of period	(1,840)	(3,956)	(17,222)
Beginning of period	(3,956)	(17,222)	(17,399)
Net change in unrealized depreciation of portfolio securities	2,116	13,266	177
Net unrealized depreciation of portfolio securities - related party:			
End of period	(1,725)	—	—
Beginning of period	—	—	—
Net change in unrealized depreciation of portfolio securities - related party	(1,725)	—	—
Net (decrease) increase in net assets resulting from operations	$ (1,367)	$ 342	$ (5,273)
Net (decrease) increase in net assets resulting from operations per share:			
Basic and diluted	$ (0.11)	$ 0.03	$ (0.50)
Weighted average shares outstanding:			
Basic and diluted	11,904	10,562	10,562

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, 2014	2013	2012
Net (decrease) increase in net assets resulting from operations	$ (1,367)	$ 342	$ (5,273)
Capital share transactions:			
Shares issued for portfolio securities - related party	4,351	—	—
Net increase in net assets resulting from capital share transactions	4,351	—	—
Increase (decrease) in net assets	2,984	342	(5,273)
Net assets at beginning of period	33,217	32,875	38,148
Net assets at end of period	$ 36,201	$ 33,217	$ 32,875

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

EQUUS TOTAL RETURN, INC.
STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
(in thousands)	**2014**	**2013**	**2012**
Reconciliation of (decrease) increase in net assets resulting from operations to net cash (used in) provided by operating activities:			
Net increase (decrease) in net assets resulting from operations	$ (1,367)	$ 342	$ (5,273)
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash (used in) provided by operating activities:			
Net realized loss	63	9,795	2,797
Net realized gain - related party	(724)	—	—
Net change in unrealized depreciation of portfolio securities	(2,116)	(13,266)	(177)
Net change in unrealized depreciation of portfolio securities - related party	1,725	—	—
Changes in operating assets and liabilities:			
Purchase of portfolio securities	(793)	(810)	(6,939)
Net proceeds from dispositions of portfolio securities	63	—	8,952
Principal payments received from portfolio securities	270	9	5,618
Sales of temporary cash investments, net	—	(15,150)	6,060
Increase in accounts receivable from investments	(242)	(334)	—
(Increase) decrease in accrued interest receivable	(868)	65	1,561
(Increase) decrease in accounts receivable and other	(84)	3	20
Increase (decrease) increase in accounts payable and accrued liabilities	558	(108)	100
Increase (decrease) in accounts payable to related parties	148	(168)	155
Net cash (used in) provided by operating activities	(3,367)	(19,662)	12,874
Cash flows from financing activities:			
Borrowings under margin account	14,999	15,000	8,000
Repayments under margin account	(15,000)	—	(14,000)
Net cash (used in) provided by financing activities	(1)	15,000	(6,000)
Net (decrease) increase in cash and cash equivalents	(3,368)	(4,627)	6,874
Cash and cash equivalents at beginning of period	19,065	23,687	16,813
Cash and cash equivalents at end of period	$ 15,697	$ 19,065	$ 23,687
Non-cash operating and financing activities:			
Shares issued in lieu of cash for portfolio securities - related party	$ 4,351	$ —	$ —
Accrued interest or dividends exchanged for portfolio securities	$ 171	$ —	$ 301
Accrued dividends exchange for portfolio securities - related party	107	—	301
Supplemental disclosure of cash flow information:			
Interest paid	$ —	$ —	$ 1
Income taxes paid	$ 17	$ 11	$ 12

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,				
	2014	2013	2012	2011	2010
Investment income	$ 0.08	$ 0.00	$ 0.05	$ 0.05	$ 0.33
Expenses	0.28	0.30	0.30	0.40	0.42
Net investment loss	(0.20)	(0.30)	(0.25)	(0.35)	(0.09)
Net realized gain (loss)	0.06	(0.93)	(0.27)	(1.09)	—
Net change in unrealized depreciation	0.03	1.26	0.02	0.99	(1.36)
Net increase (decrease) in net assets	(0.11)	0.03	(0.50)	(0.45)	(1.45)
Capital transactions:					
Shares issued for portfolio securities	0.37	—	—	(0.16)	—
Dilutive effect of shares issued	(0.54)	—	—	(0.07)	—
Increase (decrease) in net assets resulting from capital transactions	(0.17)	—	—	(0.23)	—
Net increase (decrease) in net assets	(0.28)	0.03	(0.50)	(0.68)	(1.45)
Net assets at beginning of period	3.14	3.11	3.61	4.29	5.74
Net assets at end of period	$ 2.86	$ 3.14	3.11	$ 3.61	$ 4.29
Weighted average number of shares outstanding during period, in thousands	11,904	10,562	10,562	10,049	8,862
Market price per share:					
Beginning of period	$ 1.99	$ 2.36	$ 2.24	$ 2.50	$ 3.20
End of period	$ 2.10	$ 1.99	$ 2.36	$ 2.24	$ 2.50
Selected information and ratios:					
Dividends declared	$ —	$ —	$ —	$ —	$ —
Ratio of expenses to average net assets	9.75%	9.49%	8.93%	10.60%	8.26%
Ratio of net investment gain (loss) to average net assets	(6.97%)	(9.47%)	(7.47)%	(9.19%)	(1.73%)
Ratio of net increase (decrease) in net assets resulting from operations to average net assets	(3.94%)	1.04%	(14.85)%	(11.89%)	(28.89%)
Total return on market price (1)	5.53%	(15.68%)	(5.36)%	(10.40%)	(21.88%)

(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, 2014
(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 (4):						
Equus Energy, LLC Houston, TX	Energy	December 2011	Member interest (100%)		$ 7,050	$ 9,800
Equus Media Development Company, LLC Houston, TX	Media	January 2007	Member interest (100%)		3,000	215
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 note due 11/11 (3)	$ 3,158	3,158	3,158
					6,008	3,158
Total Control Investments: Majority-owned (represents 38.0% of total investments at fair value)					**$ 16,058**	**$ 13,173**
Affiliate Investments (5):						
PalletOne, Inc. Bartow, FL	Shipping products and services	October 2001	350,000 shares of common stock (18.8%)		$ 350	$ 960
Total Affiliate Investments (represents 2.8% of total investments at fair value)					**$ 350**	**$ 960**
Non-Affiliate Investments - Related Party (less than 5% owned):						
MVC Capital, Inc. Purchase, NY	Financial services	September 2014	404,968 shares of common stock (1.7%) (6)		$ 5,706	$ 3,981
Total Non-Affiliate Investments - Related Party (represents 11.5% of total investments at fair value)					**$ 5,706**	**$ 3,981**
Non-Affiliate Investments (less than 5% owned):						
Orco Property Group S. A. Paris, France	Real estate	April 2011	10% promissory note due 2/18 (2)(7)	$ 597	597	1,032
Security Monitor Holdings, LLC Boston, MA	Business products and services	November 2013	14% promissory note due 6/14 (2)	500	500	500
Total Non-Affiliate Investments (represents 4.4% of total investments at fair value)					**$ 1,097**	**$ 1,532**
Total Investment in Portfolio Securities					**$ 23,211**	**$ 19,646**
Temporary Cash Investments						
U.S. Treasury Bill	Government	December 2014	UST 0% 6/15	14,999	$ 14,999	$ 14,996
Total Temporary Cash Investments (represents 43.3% of total investments at fair value)					**$ 14,999**	**$ 14,996**
Total Investments					**$ 38,210**	**$ 34,642**

(1) See Note 3 to the financial statements, Valuation of Investments.
(2) Income-producing.
(3) Non-income producing.
(4) 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.
(5) 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.
(6) Pursuant to a Share Exchange Agreement between the Fund and MVC dated May 12, 2014, MVC has the right to rescind the Agreement and cancel the Share Exchange if Equus does not complete a "reorganization" (as defined under Section 2(a)(33) of the 1940 Act) within 12 months of the date of the Agreement.
(7) In October 2014, the terms of these notes were amended to provide, among other changes, an extension of the maturity date to October 2019, and a reduction in the interest rate applicable to the notes from a combination of 5% cash and 5% payment-in-kind securities, to 7% in cash.

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

EQUUS TOTAL RETURN, INC.
SCHEDULE OF INVESTMENTS – (Continued)
DECEMBER 31, 2014

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 67.1% of the total value of the investments in portfolio securities as of December 31, 2014.

Our investments in portfolio securities consist of the following types of securities as of December 31, 2014 (in thousands):

Type of Securities	Cost	Fair Value	Fair Value as Percentage of Net Assets
Limited liability company investments	$ 12,900	$ 10,015	27.7%
Secured and subordinated debt	4,255	4,690	13.0%
Common stock	6,056	4,941	13.6%
Total	$ 23,211	$ 19,646	54.3%

Interest payments are being received and/or accrued on notes with a fair value of $1.5 million, while accrued interest has been impaired on notes receivable included in secured and subordinated debt with a fair value of $3.2 million.

The following is a summary by industry of our investments in portfolio securities as of December 31, 2014 (in thousands):

Industry	Fair Value	Fair Value as Percentage of Net Assets
Energy	$ 9,800	27.1%
Financial services	3,981	11.0%
Business products and services	3,658	10.1%
Real estate	1,032	2.9%
Shipping products and services	960	2.7%
Media	215	0.5%
Total	$ 19,646	54.3%

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

EQUUS TOTAL RETURN, INC.
SCHEDULE OF INVESTMENTS
DECEMBER 31, 2013
(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 [4]:									
Equus Energy, LLC Houston, TX	Energy	December 2011	Member interest (100%)			$	7,050	$	8,000
Equus Media Development Company, LLC Houston, TX	Media	January 2007	Member interest (100%)				3,000		216
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 note due 11/11 [3]	$	2,889		2,889		2,889
							5,739		2,889
Total Control Investments: Majority-owned (represents 39.0% of total investments at fair value)						$	**15,789**	$	**11,105**
Affiliate Investments [5]:									
PalletOne, Inc. Bartow, FL	Shipping products and services	October 2001	350,000 shares of common stock (18.70%)			$	350	$	250
Total Affiliate Investments (represents 0.9% of total investments at fair value)						$	**350**	$	**250**
Non-Affiliate Investments (less than 5% owned):									
Orco Property Group S. A. Paris, France	Real estate	April 2011	73,666 shares common stock			$	125	$	169
			10% promissory note due 2/18 [2]	$	696		696		1,480
							821		1,649
Security Monitor Holding, LLC Boston, MA	Business products and services	November 2013	14% promissory note due 5/14 [2]		500		500		500
Total Non-Affiliate Investments (represents 7.5% of total investments at fair value)						$	**1,321**	$	**2,149**
Total Investment in Portfolio Securities						$	**17,460**		**13,504**
Temporary Cash Investments									
U.S. Treasury Bill	Government	December 2013	UST 0% 2/14		15,000	$	15,000	$	15,000
Total Temporary Cash Investments (represents 52.6% of total investments at fair value)						$	**15,000**	$	**15,000**
Total Investments						$	**32,460**	$	**28,504**

(1) See Note 3 to the financial statements, Valuation of Investments.
(2) Income-producing.
(3) Non-income producing.
(4) 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.
(5) 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.

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

EQUUS TOTAL RETURN, INC.
SCHEDULE OF INVESTMENTS – (Continued)
DECEMBER 31, 2013

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 82% of the total value of the investments in portfolio securities as of December 31, 2013.

Our investments in portfolio securities consist of the following types of securities as of December 31, 2013 (in thousands):

Type of Securities	Cost	Fair Value	Fair Value as Percentage of Net Assets
Limited liability company investments	$ 12,900	$ 8,216	24.7%
Secured and subordinated debt	4,085	4,869	14.7%
Common stock	475	419	1.3%
Total	$ 17,460	$ 13,504	40.7%

Interest payments are being received and/or accrued on notes with a fair value of $2.0 million, while accrued interest has been impaired on notes receivable included in secured and subordinated debt with a fair value of $2.9 million.

The following is a summary by industry of our investments in portfolio securities as of December 31, 2013 (in thousands):

Industry	Fair Value	Fair Value as Percentage of Net Assets
Energy	$ 8,000	24.1%
Business products and services	3,389	10.2%
Real estate	1,649	5.0%
Shipping products and services	250	0.8%
Media	216	0.6%
Total	$ 13,504	40.7%

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

EQUUS TOTAL RETURN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014, 2013 AND 2012

(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 $5.0 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 BDC under the 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 certain income-producing investments or 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 these income-producing investments or of any LLC (or other pass-through entity) portfolio investment, as the case may be, 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

As of December 31, 2014, we had cash and cash equivalents of $15.7 million. We had $19.7 million of our net assets of $36.2 million invested in portfolio securities. We also had $15.1 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, $15.0 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 2, 2015 and we subsequently repaid this margin loan. The margin interest was paid on February 4, 2015.

As of December 31, 2013, we had cash and cash equivalents of $19.1 million. We had $13.5 million of our net assets of $33.2 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 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 2, 2014 and we subsequently repaid this margin loan. The margin interest was paid on January 22, 2014.

During 2014 and 2013, 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, 2014, 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 $15.1 million. The U.S. Treasury bills were sold on January 2, 2015 and the total amount borrowed was repaid at that time. The margin interest was paid on February 4, 2015. As of December 31, 2013, 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 $15.1 million. The U.S. Treasury bills were sold on January 2, 2014 and the total amount borrowed was repaid at that time. The margin interest was paid on January 22, 2014.

(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 GAAP requires 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—We follow ASC Topic 820 for measuring fair value. Prior to our election to become a BDC, we also followed the guidance in ASC Topic 820 in disclosing the fair value reported for all financial instruments that were either impaired or available for sale securities, using the definitions provided in Accounting Standards Codification Topic 320, "Investments – Debt and Equity Securities" ("ASC Topic 320"). Fair value is 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 and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under ASC Topic 820 as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy under ASC Topic 820 are described below:

Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2—Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; and fair value is determined through the use of models or other valuation methodologies.

Level 3—Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information under the circumstances and may require significant management judgment or estimation.

We consider 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, we consider 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. We allocate value to these securities based on their relative priorities. For equity securities such as warrants, we 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.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

Investments for which prices are not observable are generally private investments in the debt and equity securities of operating companies. The primary valuation method used to estimate the fair value of these Level 3 investments is the discounted cash flow method (although a liquidation analysis, option theoretical, or other methodology may be used when more appropriate). The discounted cash flow approach to determine fair value (or a range of fair values) involves applying an appropriate discount rate(s) to the estimated future cash flows using various relevant factors depending on investment type, including comparing the latest arm's length or market transactions involving the subject security to the selected benchmark credit spread, assumed growth rate (in cash flows), and capitalization rates/multiples (for determining terminal values of underlying portfolio companies). The valuation based on the inputs determined to be the most reasonable and probable is used as the fair value of the investment. The determination of fair value using these methodologies may take into consideration a range of factors including, but not limited to, the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance, financing transactions subsequent to the acquisition of the investment and anticipated financing transactions after the valuation date. Application of these valuation methodologies involves a significant degree of judgment by management. Fair values of new investments are generally assumed to be equal to their cost to the Company for up to three months after their initial purchase.

To assess the reasonableness of the discounted cash flow approach, the fair value of equity securities, including warrants, in portfolio companies may also consider the market approach—that is, through analyzing and applying to the underlying portfolio companies, market valuation multiples of publicly-traded firms engaged in businesses similar to those of the portfolio companies. The market approach to determining the fair value of a portfolio company's equity security (or securities) will typically involve: (1) applying to the portfolio company's trailing twelve months (or current year projected) EBITDA a low to high range of enterprise value to EBITDA multiples that are derived from an analysis of publicly-traded comparable companies, in order to arrive at a range of enterprise values for the portfolio company; (2) subtracting from the range of calculated enterprise values the outstanding balances of any debt or equity securities that would be senior in right of payment to the equity securities we hold; and (3) multiplying the range of equity values derived therefrom by our ownership share of such equity tranche in order to arrive at a range of fair values for our equity security (or securities). Application of these valuation methodologies involves a significant degree of judgment by Management.

Equity in a portfolio company that invests in loans will typically be valued by arriving at a fair value of such vehicle's loan assets (plus, when appropriate, the carrying value of certain other assets), and deducting the book value or fair value (as appropriate) of such vehicle's liabilities to arrive at a fair value for the equity. When appropriate, in order to recognize value that would be created by growth opportunities of such portfolio company, equity in a portfolio company may also be valued by taking into consideration the magnitude, timing, and effective life of its expected future investments in loans.

Due to the inherent uncertainty of determining the fair value of Level 3 investments that do not have a readily available market value, the fair value of the investments may differ significantly from the values that would have been used had a ready market existed for such investments and may differ materially from the values that may ultimately be received or settled. Further, such investments are generally subject to legal and other restrictions or otherwise are less liquid than publicly traded instruments. If we were required to liquidate a portfolio investment in a forced or liquidation sale, we might realize significantly less than the value at which such investment had previously been recorded. With respect to Level 3 investments, where sufficient market quotations are not readily available or for which no or an insufficient number of indicative prices from pricing services or brokers or dealers have been received, we undertake, on a quarterly basis, a valuation process as described below:

- For each debt investment, a basic credit rating review process is completed. The risk rating on every credit facility is reviewed and either reaffirmed or revised by our Investment Committee.
- Each portfolio company or investment is valued by an investment professional.
- Third party valuation firm(s) are engaged to provide valuation services as requested, by reviewing Management's preliminary valuations. Our Management's preliminary fair value conclusions on each of the Fund's assets for which sufficient market quotations are not readily available is reviewed and assessed by a third-party valuation firm at least once in every 12-month period, and more often as determined by the Audit Committee or required by our valuation policy. Such valuation assessment may be in the form of positive assurance, range of values or other valuation method based on the discretion of our Board.
- The Audit Committee reviews the preliminary valuations of our Management and independent valuation firms and, if appropriate, recommends the approval of the valuations by the Board.

- Our Board discusses valuations and determines the fair value of each investment in the portfolio in good faith based on the input of Management, the Audit Committee and, where appropriate, the respective independent valuation firms.

The following sections describe the valuation techniques we use to measure different financial instruments at fair value and include the levels within the fair value hierarchy in which the financial instruments are categorized.

Market approach – The market approach typically employed by 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. We will apply liquidity and other discounts as deemed appropriate to equity valuations where applicable. We 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 our 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. We will apply liquidity and other discounts as deemed appropriate to equity valuations where applicable.

Asset approach – We consider 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) we believe 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.

We base 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 or substantially declining operations, we may base a portfolio company's fair value upon the company's estimated liquidation value. Fair valuations are necessarily subjective, and our 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.

Our general intent is to hold our loans to maturity when appraising our privately held debt investments. As such, we believe 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, we perform 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.

For most of our investments, market quotations are not available. With respect to investments for which market quotations are not readily available or when such market quotations are deemed not to represent fair value, our Board has approved a multi-step valuation process each quarter, as described below:

1. Each portfolio company or investment is reviewed by our investment professionals with independent valuation firms engaged by the Fund;
2. The independent valuation firms conduct independent valuations and make their own independent assessments;
3. The Audit Committee of our Board reviews and discusses the preliminary valuation of the Fund and that of the independent valuation firms; and
4. The Board discusses valuations and determines the fair value of each investment in our portfolio in good faith based on the input of our Management, the respective independent valuation firm and the Audit Committee.

Investments are valued utilizing a yield analysis, enterprise value ("EV") analysis, net asset value analysis, liquidation analysis, discounted cash flow analysis, or a combination of methods, as appropriate. The yield analysis uses loan spreads and other relevant information implied by market data involving identical or comparable assets or liabilities. Under the EV analysis, the EV of a portfolio company is first determined and allocated over the portfolio company's securities in order of their preference relative to one another (i.e., "waterfall" allocation). To determine the EV, we typically use a market multiples approach that considers relevant and applicable market trading data of guideline public companies, transaction metrics from precedent M&A transactions and/or a discounted cash flow analysis. The net asset value analysis is used to derive a value of an underlying investment (such as real estate property) by dividing a relevant earnings stream by an appropriate capitalization rate. For this purpose, we consider capitalization rates for similar properties as may be obtained from guideline public companies and/or relevant transactions. The liquidation analysis is intended to approximate the net recovery value of an investment based on, among other things, assumptions regarding liquidation proceeds based on a hypothetical liquidation of a portfolio company's assets. The discounted cash flow analysis uses valuation techniques to convert future cash flows or earnings to a range of fair values from which a single estimate may be derived utilizing an appropriate discount rate. The measurement is based on the net present value indicated by current market expectations about those future amounts.

In applying these methodologies, additional factors that we consider in fair value pricing our investments may include, as we deem relevant: security covenants, call protection provisions, and information rights; the nature and realizable value of any collateral; the portfolio company's ability to make payments; the principal markets in which the portfolio company does business; publicly available financial ratios of peer companies; the principal market; and enterprise values, among other factors.

Because of the inherent uncertainty of the valuation of portfolio securities which do not have readily ascertainable market values, amounting to $15.7 million and $13.3 million as of December 31, 2014 and 2013, respectively, our fair value determinations may materially differ from the values that would have been used had a ready market existed for the securities.

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 report those amounts to Lipper Analytical Services, Inc. Our net asset value appears in various publications, including *Barron's* and *The Wall Street Journal*.

For loan and debt securities, the Fund has performed a yield analysis assuming a hypothetical current sale of the security. The yield analysis considers changes in interest rates and changes in leverage levels of the portfolio company as compared to the market interest rates and leverage levels. Assuming the credit quality of the portfolio company remains stable, the Fund will use the value determined by the yield analysis as the fair value for that security.

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.

We assess the levels of the investments at each measurement date, and transfers between levels are recognized on the subsequent measurement date closest in time to the actual date of the event or change in circumstances that caused the transfer. There were no transfers among Level 1, 2 and 3 for the years ended December 31, 2014, 2013, and 2012.

As of December 31, 2014, 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, 2014		
(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	$ 13,173	$ —	$ —	$ 13,173
Affiliate investments	960	—	—	960
Non-affiliate investments - related party	3,981	3,981	—	—
Non-affiliate investments	1,532	—	—	1,532
Total investments	19,646	3,981	—	15,665
Temporary cash investments	14,996	14,996	—	—
Total investments and temporary cash investments	$ 34,642	$ 18,977	$ —	$ 15,665

As of December 31, 2013, 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, 2013		
(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	$ 11,105	$ —	$ —	$ 11,105
Affiliate investments	250	—	—	250
Non-affiliate investments	2,149	169	—	1,980
Total investments	13,504	169	—	13,335
Temporary cash investments	15,000	15,000	—	—
Total investments and temporary cash investments	$ 28,504	$ 15,169	$ —	$ 13,335

There were no transfers between Level 1 and Level 2 during 2014 and 2013.

The following table provides a reconciliation of fair value changes during 2014 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, 2013	$ 11,105	$ 250	$ 1,980	$ 13,335
Realized losses	—	—	(63)	(63)
Change in unrealized depreciation	1,799	710	(349)	2,160
Purchases of portfolio securities	269	—	171	440
Proceeds from sales/dispositions	—	—	(207)	(207)
Fair value as of December 31, 2014	$ 13,173	$ 960	$ 1,532	$ 15,665

The following table provides a reconciliation of fair value changes during 2013 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, 2012	$ 7,419	$ 150	$ 1,425	$ 8,994
Realized losses	—	—	(9,795)	(9,795)
Change in unrealized depreciation	3,376	100	9,859	13,335
Purchases of portfolio securities	310	—	500	810
Proceeds from sales/dispositions	—	—	(9)	(9)
Fair value as of December 31, 2013	$ 11,105	$ 250	$ 1,980	$ 13,335

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 the Fund 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 we own 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.

As of December 31, 2014 and 2013, we had no outstanding commitments to our portfolio company investments; however, 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. Follow-on investments may include capital infusions which are expenditures made directly to the portfolio company to ensure that operations are completed, thereby allowing the portfolio company to generate cash flows to service the debt.

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 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. 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 will write off uncollectible interest upon the occurrence of a definitive event such as a sale, bankruptcy, or reorganization of the relevant portfolio interest.

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. 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.

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 and Temporary Cash Investments” used for purposes of complying with RIC requirements from cash equivalents.

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 1 for discussion of Taxable Subsidiaries and see Note 2 for further discussion of the Fund’s RIC borrowings.

All corporations incorporated in the State of Delaware are required to file an Annual Report and to pay a franchise tax. As a result, we paid Delaware Franchise tax in the amount of $0.02 million, $0.01 million and $0.01 million for the years ended December 31, 2014, December 31, 2013 and December 31, 2012, respectively.

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 each of the years ended December 31, 2014, 2013 and 2012.

Significant Unobservable Inputs — Our investment portfolio is not composed of homogeneous debt and equity securities that can be valued with a small number of inputs. Instead, the majority of our investment portfolio is composed of complex debt and equity securities with distinct contract terms and conditions. As such, our valuation of each investment in our portfolio is unique and complex, often factoring in numerous different inputs, including historical and forecasted financial and operational performance of the portfolio company, project cash flows, market multiples comparable market transactions, the priority of our securities compared with those of other investors, credit risk, interest rates, independent valuations and reviews and other inputs.

The following table summarizes the significant non-observable inputs in the fair value measurements of our level 3 investments by category of investment and valuation technique as of December 31, 2014:

(in thousands)	Fair Value	Valuation Techniques	Unobservable Inputs	Range Minimum	Range Maximum
Secured and subordinated debt	$ 4,690	Pending transaction yield analysis	Discount for lack of marketability	0.0 %	25 %
Common stock	960	Pending transaction yield analysis Enterprise value analysis Income/Market approach	EBITDA Multiple/Discount for lack of marketability/Control premium	0 %	100 %
		Asset approach	Recovery rate	0 %	100 %
Limited liability company investments	10,015	Discounted cash flow Guideline transaction method	Reserve adjustment factors	75 %	100 %
	$ 15,665				

(4) RELATED PARTY TRANSACTIONS AND AGREEMENTS

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. None 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. The Fund incurred $7,000 in services rendered by A+ Filings for the year ended December 31, 2012. Mr. Kenneth I. Denos, Secretary of the Fund, held a majority of the voting shares of A+ Filings; however, Mr. Denos sold his interest in A+ Filings in March 2013.

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 of the Fund, is a managing partner and co-founder of Global Energy. For each of the years ended December 31, 2014, 2013 and 2012, payments to Global Energy totaled $75,000.

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. During 2014, we paid Kenneth I. Denos, P.C., a professional corporation owned by Kenneth I. Denos, a director of the Fund, $321,125 for services if provided to the Fund during the year.

(5) FEDERAL INCOME TAX MATTERS

As a RIC, our tax liability is dependent upon whether an election is made to distribute taxable investment income and capital gains above any statutory requirement. As we incurred losses in 2012, 2013 and 2014 no distributions were required or made.

The Internal Revenue Service approved our request, effective October 31, 1998, to change our year-end for determining capital gains for purposes of Section 4982 of the Internal Revenue Code from December 31 to October 31.

There are no material book to tax differences for net investment income/losses, realized gains or unrealized appreciation/depreciation. As of December 31, 2014, we had approximately $31.8 million in capital losses of which $15.6 million will begin expiring after 2017, and the remaining $16.2 million can be carried forward definitely.

Return of Capital Statement of Position has no material book to tax differences for the three years ended December 31, 2014 and therefore has no material book to tax differences impacting accumulated earnings.

We believe that any aggregate exposure for uncertain tax positions should not have a material impact on our financial statements as of December 31, 2014 or December 31, 2013. An uncertain tax position is measured as the largest amount of tax return benefits that does not have a greater than 50% likelihood of being realized upon ultimate settlement. We have not recorded an adjustment to our financial statements related to any 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 promulgated standards.

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 tax returns for 2010 through 2014 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) COMMITMENTS AND CONTINGENCIES

We had an operating lease for office space that expired in September 2014. Our current office space lease as of December 31, 2014 is month-to-month. The lease contained a provision for certain annual rental escalations. Rent expense under the operating lease agreement, inclusive of common area maintenance costs was $61,000, $85,000 and $84,000 for each of the years ended December 31, 2014, 2013 and 2012, respectively.

As of December 31, 2014, we had no outstanding commitments to our portfolio company investments.

Legal Proceedings

Champion Window Arbitration Settlement—In January 2006, we sold our 31.5% ownership interest in Champion Window, Inc. ("Champion"), a portfolio company of the Fund, to Atrium Companies Inc. ("Atrium") pursuant to a Stock Purchase Agreement ("SPA") dated December 22, 2005. The SPA contained certain limited rights of indemnification for Atrium in connection with its purchase of such ownership interest.

More than five years after the closing of the sale of our Champion interest, Atrium filed suit in Texas state court, which was subsequently consolidated into an Arbitration Action, against two former officers of Champion, Equus, and another former Champion shareholder. The suit alleged breaches of fiduciary duty against Champion's former officers for hiring undocumented workers that were discovered as a result of an investigation by the U.S. Immigration and Customs Enforcement agency ("ICE") into Atrium's hiring practices. The suit also sought indemnification under the SPA from these officers, Equus, and another former Champion shareholder, for a payment of $2.0 million made to ICE in settlement of the investigation and associated legal costs, as well as for claimed lost profits as a result of the investigation.

On February 4, 2015, without admitting to any liability on the part of Equus, we entered into a settlement agreement with Atrium and its associated companies. Pursuant to the settlement agreement and in view of the estimated costs of protracted litigation and the associated disruption to the operations of the Fund, we agreed to pay $500,000, in complete settlement of the lawsuit, as being in the best interests of the Fund and its shareholders. This amount was accrued as of December 31, 2014 in the accompanying financial statements. The settlement payment was made on February 6, 2015. Atrium filed a motion to dismiss the lawsuit with prejudice on February 4, 2015.

Indemnification Settlement—Effective June 13, 2013, the Fund entered into a settlement agreement with Sam Douglass, a former director and executive officer of the Fund, in respect of a claim for indemnification pursuant to the General Corporation Law of Delaware and an indemnification agreement entered into by the Fund with Mr. Douglass on May 3, 2001. The settlement agreement provides for the reimbursement to Mr. Douglass of actual expenses incurred, excluding any fines or penalties, in connection with an enforcement action initiated by the Securities and Exchange Commission against Mr. Douglass in 2009. The settlement payment of $125,000 was made on June 24, 2013 and included in the Statement of Operations in 2013.

Lawsuit Settlement—On August 12, 2012, Paula Douglass filed a lawsuit against the Fund and members of the Board of Directors in the District Court of Harris County, Texas. Ms. Douglass' complaint alleged various causes of action, including minority shareholder oppression, dilution, and breach of fiduciary duty, and sought unspecified damages and attorney's fees. Effective June 13, 2013, the Fund entered into a settlement agreement with Ms. Douglass, Sam Douglass, as well as certain trusts controlled by them. Pursuant to the settlement agreement and in view of the estimated costs of protracted litigation and the associated disruption to the operations of the Fund, the Board of Directors approved a payment of $402,254, in complete settlement of the lawsuit, as being in the best interests of the Fund and its shareholders. The settlement payment was made on July 30, 2013 and included in the Statement of Operations in 2013. Ms. Douglass filed a motion to dismiss the lawsuit with prejudice on August 8, 2013.

From time to time, the Fund is also a party to certain 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 the Fund's financial condition or results of operations.

(7) PORTFOLIO SECURITIES

2014 Portfolio Activity

During the year ended December 31, 2014, we made a capital infusion of $0.3 million relating to Spectrum. We also received a semi-annual interest payment of $0.04 million in cash and $0.2 million in the form of PIK'd interest in respect of our €1.2 million [$1.5 million] in OPG notes. On May 14, 2014, we sold to MVC 2,112,000 newly-issued shares of the Fund's common stock in exchange for 395,839 shares of MVC (see "*Significant Events−Plan of Reorganization"* above). During the year ended December 31, 2014, we also received 9,129 shares of MVC in the form of dividend payments.

The following table includes significant investment activity during the year ended December 31, 2014 (in thousands):

	Investment Activity				
	New Investments		Existing Investments		
Portfolio Company	**Cash**	**Non-Cash**	**Follow-On**	**PIK**	**Total**
MVC Capital, Inc.	$ 524	$ 5,075	$ —	$ 107	$ 5,706
Orco Property Group	—	—	—	171	171
Spectrum Management, LLC	—	—	269	—	269
	$ 524	$ 5,075	$ 269	$ 278	$ 6,146

During 2014, we realized capital gains of $0.7 million, including the following significant transactions:

Portfolio Company	**Industry**	**Type**	**Transaction Type**	**Realized Gain (Loss)**
Orco Property Group	Real estate	Non-affiliate	Disposition	$ (63)
MVC Capital, Inc.	Financial services	Non-affiliate	Share exchange	724
Various others			Disposition	(1)
				$ 660

During 2014, we recorded a net change in unrealized depreciation of $0.3 million, to arrive at net unrealized depreciation of $3.6 million as of December 31, 2014. Such change in depreciation resulted primarily from the following changes:

(i) Increase in fair value of our holding in Equus Energy of $1.8 million due to an increase in comparable transactions for mineral leases, increased oil and gas production, as well as additional proved developed producing and proved developed producing behind-pipe reserves from new drilling and recompletion activities;

(ii) Decrease in fair value of Equus Media Development Company, LLC of $0.1 million due to a net operating loss for the period equal to the amount of the decrease;

(iii) Decrease in fair value of MVC of $1.7 million due to the decline in the stock price of MVC;

(iv) Decrease in fair value of our holding of OPG Notes of $0.1 million due to adverse changes in the USD-EUR exchange rate; and

(v) Increase in fair value of our shareholding in PalletOne, Inc. of $0.7 million due to an improvement in the industry sector for packaging companies and continued revenue and earnings growth.

2013 Portfolio Activity

During the year ended December 31, 2013, we had investment activity of $0.8 million in two portfolio companies. We made a capital infusion of $0.3 million relating to Spectrum Management. We made a short-term working capital loan of $0.5 million to Security Monitor Holdings, LLC ("SMH"). SMH is a company which specializes in managing and improving operations of distressed companies.

The following table includes significant investment activity during the year ended December 31, 2013 (in thousands):

	Investment Activity				
	New Investments		Existing Investments		
Portfolio Company	Cash	Non-Cash	Follow-On	PIK	Total
Security Monitor Holdings, LLC	$ 500	$ —	$ —	$ —	$ 500
Spectrum Management, LLC	—	—	310	—	310
	$ 500	$ —	$ 310	$ —	$ 810

During 2013, we realized net capital losses of $9.8 million, including the following significant transactions:

Portfolio Company	Industry	Type	Transaction Type	Realized Gain (Loss)
The Bradshaw Group	Business products and services	Non-affiliate	Disposition	$ (1,795)
Infinia Corporation	Alternative energy	Non-affiliate	Disposition	(8,000)
				$ (9,795)

During 2013, we recorded a net change in unrealized depreciation of $13.3 million, to arrive at net unrealized depreciation of $3.9 million as of December 31, 2013. Such change in depreciation resulted primarily from the following changes:

(i) Transfer of unrealized depreciation to realized loss of our holdings in Bradshaw of $1.8 million in connection with Bradshaw's sale of all of its assets;

(ii) Transfer of unrealized depreciation to realized loss of our holdings in Infinia of $8.0 million as a result of the liquidation of Infinia due to bankruptcy proceedings initiated by the company;

(iii) Increase in the fair value of Equus Energy of $1.1 million due improved operational results and an increase in proved developed producing reserves;

(iv) Increase in the fair value of our holdings in Spectrum of $2.5 million due to continued stability in operations resulting in the utilization of a market approach in determining fair value, in lieu of an asset approach applying a liquidation analysis used in prior quarters; and

(v) Increase in the fair value of our holdings in PalletOne of $0.1 million due to improved operations.

2012 Portfolio Activity

During the year ended December 31, 2012, we received $6.4 million from the disposal of the Fund's 55% fully-diluted equity interest in Sovereign, together with the Fund's promissory note and all interest as accrued interest. We also received $5.3 million from the disposal of the Fund's 34.2% equity interest in ConGlobal, together with the Fund's promissory note and all interest as accrued interest.

We originally invested in the bonds of Orco Germany in April 2011. On May 7, 2012, holders of 72.5% of all Orco Germany bonds approved a joint restructuring of certain bond debt of Orco Germany and its parent company, OPG. Pursuant to such restructuring, approximately 84.5% of the Orco Germany bonds held by each bondholder were converted into *Obligations Convertibles en Actions* ("OCA") on May 9, 2012. The OCA were converted into an aggregate of 26,209,613 OPG shares which were delivered in two tranches. The first tranche, consisting of 18,361,540 OPG shares, was delivered in May 2012, of which we received 1,102,455 OPG shares. The second tranche, consisting of 7,848,073 OPG shares, was delivered in October 2012, of which we received 471,211 OPG shares. Also in October 2012, the remaining 15.5% of the Orco Germany bonds held by each bondholder was converted into 6-year OPG Notes with a face value of €20.0 million bearing cash and PIK interest each at 5% per annum year period commencing in 2015. Of the total amount of OPG Notes issued, we received OPG Notes in the face amount of €1,200,790. On October 15, 2012, we announced the sale of 1,500,000 of our 1,573,666 OPG shares, where we received net cash proceeds of €3.8 million [$4.9 million]. As of December 31, 2012, we held 73,666 OPG shares, and €1,200,790 in OPG Notes.

During the year ended December 31, 2012, we had investment activity of $7.2 million in two portfolio companies. We made a follow-on investment of $6.8 million in Equus Energy, LLC. The restructuring of the Orco Germany bonds noted above resulted in the capitalization of $0.3 million accrued interest received in the form of additional portfolio securities (PIK). We capitalized legal and consulting expenses of $0.1 million relating to Spectrum.

The following table includes significant investment activity during the year ended December 31, 2012 (in thousands):

	Investment Activity				
	New Investments		Existing Investments		
Portfolio Company	Cash	Non-Cash	Follow-On	PIK	Total
Equus Energy, LLC	$ —	$ —	$ 6,800	$ —	$ 6,800
Orco Property Group S.A.	—	—	—	301	301
Spectrum Management, LLC	—	—	139	—	139
	$ —	$ —	$ 6,939	$ 301	$ 7,240

During 2012, we realized net capital losses of $2.8 million, including the following significant transactions:

Portfolio Company	Industry	Type	Transaction Type	Realized Gain (Loss)
ConGlobal Industries Holding, Inc.	Shipping products and services	Control	Disposition	$ (4,114)
Sovereign Business Forms, Inc.	Business products and services	Control	Disposition	(1,073)
Orco Property Group	Real estate	Non-affiliate	Disposition	2,318
Various others			Disposition	72
				$ (2,797)

During 2012, we recorded a net change in unrealized depreciation of $0.2 million, to arrive at net unrealized depreciation of $17.2 million as of December 31, 2012. Such change in depreciation resulted primarily from the following changes:

(i) Transfer of unrealized depreciation to realized loss of our holdings in ConGlobal of $1.6 million upon the divestiture of the investment;

(ii) Transfer of unrealized depreciation to realized loss of our holdings in Sovereign of $0.6 million upon the divestiture of the investment;

(iii) The restructuring of the 8,890 Orco Germany bonds resulted in the Fund holding 1,573,666 ordinary shares of OPG and €1,200,790 newly-issued 6-year OPG notes. The capitalization of $0.3 million accrued interest and the subsequent sale of 1.5 million shares of OPG shares in October 2012 resulted in a decrease in fair value of our holdings in OPG of $1.8 million; and

(iv) Decrease in the fair value of Equus Energy, LLC of $0.2 million due to working capital expenditures.

(8) EQUUS ENERGY, LLC

Equus Energy was formed in November 2011 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. On December 27, 2012, we invested an additional $6.8 million in Equus Energy for the purpose of additional working capital and to fund the purchase of $6.6 million in working interests in 132 producing and non-producing oil and gas wells. The working interests include associated development rights of approximately 21,620 acres situated on 13 separate properties in Texas and Oklahoma. The working interests range from a *de minimus* amount to 50% of the leasehold that includes these wells.

The wells are operated by a number of experienced operators, including Chevron USA, Inc., which has operating responsibility for all of Equus Energy's 40 producing well interests located in the Conger Field, a productive oil and gas field on the edge of the Permian Basin that has experienced successful gas and hydrocarbon extraction in multiple formations. Equus Energy, which holds a 50% working interest in each of these Conger Field wells, is working with Chevron in a recompletion program of existing Conger Field wells to the Wolfcamp formation, a zone containing oil as well as gas and natural gas liquids. Part of Equus Energy's acreage rights described above also includes a 50% working interest in possible new drilling to the base of the Canyon formation (appx. 8,500 feet) on 2,400 acres in the Conger Field. Also included in the interests acquired by Equus Energy are working interests of 7.5% and 2.5% in the Burnell and North Pettus Units, respectively, which collectively comprise approximately 13,000 acres located in the area known as the "Eagle Ford Shale" play.

Revenue and Income. During 2014, Equus Energy's revenue, operating revenue less direct operating expenses, and net income (loss) were $2,469,043, $1,321,470, and $93,034, respectively, as compared to revenue, operating revenue less direct operating expenses, and net income (loss) of $2,555,475, $1,314,816, and ($230,306), respectively, for 2013.

Capital Expenditures. During 2014, Equus Energy invested $499,245 in several drilling and recompletion projects. The principal projects are described below:

Conger Field (Chevron USA)

Recompletion of the EB Cope #10 Well. Recompletion of the EB Cope #10 gas well to the Wolfcamp shale oil formation was completed in July 2014 at a cost of $314,800 net to Equus Energy and began production on July 27, 2014. This well was expected to produce 22 BOPD and 25 MCF initial production and add 10,165 BBL in reserves net to Equus Energy. Estimated total production of oil and gas for this well, net to Equus Energy, during 2014 was approximately 5,000 BBL and 2,600 MCF of gas. The EB Cope lease concerns approximately 640 of Equus Energy's 2,400 leasehold acres in the Conger Field.

Needville Field (Sue Ann Operating)

Recompletion of the Gray #2 Oil Well. In June 2014, Equus Energy consented to participate in the recompletion of the Gray #2 Oil Well. The recompletion was finalized at the end of July and additional funds were requested by the operator in August 2014 to install sand control. Total capital expenditures to Equus Energy (which include the recompletion costs as well as the sand control) were approximately $51,000 during 2014. The operator has projected the addition of 3,000 BBL in additional reserves net to Equus Energy.

We do not consolidate Equus Energy or its wholly-owned subsidiaries and accordingly only the value of our investment in Equus Energy is included on our statement of assets and liabilities. Our investment in Equus Energy is valued in accordance with our normal valuation procedures and is based in part on using a discounted cash flow analysis based on a reserve report prepared for Equus Energy by Lee Keeling & Associates, Inc., an independent petroleum engineering firm, the transactions and values of comparable companies in this sector, and the estimated value of leasehold mineral interests associated with the acreage held by Equus Energy. A valuation of Equus Energy was performed by a third-party valuation firm, who recommended a value range of Equus Energy consistent with the fair value we ascribed in our Schedule of Investments on page 39.

Below is summarized unaudited consolidated financial information for Equus Energy as of December 31, 2014 and 2013 and for the years ended December 31, 2014 and 2013 (in thousands):

EQUUS ENERGY, LLC.
Consolidated Balance Sheets

	December 31, 2014	December 31, 2013
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 613	$ 486
Accounts receivable	310	288
Prepaid expenses/deposits	35	—
Total current assets	958	774
Oil and gas properties	8,200	7,700
Less: accumulated depletion, depreciation and amortization	(1,768)	(983)
Net oil and gas properties	6,432	6,717
Other non-current investment	193	—
Total assets	$ 7,583	$ 7,491
Liabilities and members capital		
Current liabilities:		
Accounts payable and other	$ 71	$ 324
Due to the Fund	611	364
Total current liabilities	682	688
Asset retirement obligations	183	178
Total liabilities	865	866
Total members capital	6,718	6,625
Total liabilities and members capital	$ 7,583	$ 7,491

Revenue and direct operating expenses for the various oil and gas assets included in the accompanying statements represent the net collective working and revenue interests acquired by Equus Energy. The revenue and direct operating expenses presented herein relate only to the interests in the producing oil and natural gas properties and do not represent all of the oil and natural gas operations of all of these properties. Direct operating expenses include lease operating expenses and production and other related taxes. General and administrative expenses, depletion, depreciation and amortization ("DD&A") of oil and gas properties and federal and state taxes have been excluded from direct operating expenses in the accompanying statements of revenues and direct operating expenses because the allocation of certain expenses would be arbitrary and would not be indicative of what such costs would have been had Equus Energy been operated as a stand-alone entity. The statements of revenue and direct operating expenses presented are not indicative of the financial condition or results of operations of Equus Energy on a go forward basis due to changes in the business and the omission of various operating expenses.

EQUUS ENERGY, LLC.
Consolidated Statements of Operations

	Year ended December 31, 2014	Year ended December 31, 2013
	(Unaudited)	
Operating revenue	$ 2,469	$ 2,556
Operating expenses		
Direct operating expenses	1,148	1,241
Depletion, depreciation, amortization and accretion	790	989
General and administrative	438	535
Total operating expenses	2,376	2,765
Operating income (loss) before income tax expense	93	(209)
Income tax	—	(21)
Net income (loss)	$ 93	$ (230)

EQUUS ENERGY, LLC.
Consolidated Statements of Cash Flows

	Year ended December 31, 2014	2013
	(Unaudited)	
Cash flows from operating activities:		
Net loss	93	(230)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depletion, depreciation and amortization	790	989
Changes in operating assets and liabilities:		
Accounts receivable and other	(57)	(165)
Affiliate payable/receivable	247	353
Accounts payable and other	(253)	165
Net cash provided by operating activities	820	1,112
Cash flows from investing activities:		
Investment in oil & gas properties	(500)	(801)
Other investments	(193)	—
Net cash used in investing activities	(693)	(801)
Net increase in cash	127	311
Cash and cash equivalents at beginning of period	486	175
Cash and cash equivalents at end of period	613	486

Critical Accounting Policies for Equus Energy – Equus Energy and its wholly-owned subsidiary EQS Energy Holdings, Inc. (collectively, "the Company") follow the *Full Cost Method of Accounting* for oil and gas properties. Under the full cost method, all costs associated with property acquisition, exploration, and development activities are capitalized. Capitalized costs include lease acquisitions, geological and geophysical work, delay rentals, costs of drilling, completing and equipping successful and unsuccessful oil and gas wells and related costs. Gains or losses are normally not recognized on the sale or other disposition of oil and gas properties. Gains or losses are normally reflected as an adjustment to the full cost pool.

The capitalized costs of oil and gas properties, plus estimated future development costs relating to proved reserves and estimated cost of dismantlement and abandonment, net of salvage value, are amortized on a unit-of-production method over the estimated productive life of the proved oil and gas reserves. Unevaluated oil and gas properties are excluded from this calculation. Depletion, depreciation and amortization expense for the Company's oil and gas properties totaled $0.8 million and $1.0 million for the years ended December 31, 2014 and December 31, 2013, respectively.

Capitalized oil and gas property costs are limited to an amount (the ceiling limitation) equal to the sum of the following:

(a) As of December 31, 2014, the present value of estimated future net revenue from the projected production of proved oil and gas reserves, calculated at the simple arithmetic average, first-day-of-the-month prices during the twelve-month period before the balance sheet date (with consideration of price changes only to the extent provided by contractual arrangements) and a discount factor of 10%;

(b) The cost of investments in unproved and unevaluated properties excluded from the costs being amortized; and

(c) The lower of cost or estimated fair value of unproved properties included in the costs being amortized.

When it is determined that oil and gas property costs exceed the ceiling limitation, an impairment charge is recorded to reduce its carrying value to the ceiling limitation. The Company did not recognize an impairment loss on its oil and gas properties for the years ended December 31, 2014 and 2013.

The costs of certain unevaluated leasehold acreage and certain wells being drilled are not amortized. The Company excludes all costs until proved reserves are found or until it is determined that the costs are impaired. Costs not amortized are periodically assessed for possible impairment or reduction in value. If a reduction in value has occurred, costs being amortized are increased accordingly.

Revenue Recognition - Revenue recognized for oil and natural gas sales under the sales method of accounting. Under this method, revenue recognized on production as it is taken and delivered to its purchasers. The volumes sold may be more or less than the volumes entitled to, based on the owner's net leasehold interest. These differences result from production imbalances, which are not significant, and are reflected as adjustments to proven reserves and future cash flows in the unaudited consolidated financial information included herein.

Accounting Policy on DD&A - The Company employs the "Units of Production" method in calculating depletion of its proved oil and gas properties, wherein capitalized costs, as adjusted for future development costs and asset retirement obligations, are amortized over the total estimated proved reserves.

Income Taxes --A limited liability company is not subject to the payment of federal income taxes as components of its income and expenses flow through directly to the members. However, the Company is subject to certain state income taxes. 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. Taxable Subsidiaries 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. As of December 31, 2014 and December 31, 2013, the Company recorded $0 and $22 thousand in federal income taxes, respectively.

Asset Retirement Obligations - The fair value of asset retirement obligations are recorded in the period in which they are incurred if a reasonable estimate of fair value can be made, and the corresponding cost is capitalized as part of the carrying amount of the related long-lived asset. The fair value of the asset retirement obligation is measured using expected future cash outflows discounted at the Company's credit-adjusted risk-free interest rate. Fair value, to the extent possible, should include a market risk premium for unforeseeable circumstances. No market risk premium was included in the Company's asset retirement obligation fair value estimate since a reasonable estimate could not be made. The liability is accreted to its then present value each period, and the capitalized cost is depleted or amortized over the estimated recoverable reserves using the units-of-production method.

(9) RECENT ACCOUNTING PRONOUNCEMENTS

In June 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2013-08, Financial Services—Investment Companies. ASU 2013-08 provides clarifying guidance to determine if an entity qualifies as an investment company. ASU 2013-08 also requires an investment company to measure non-controlling interests in other investment companies at fair value. The following disclosures will also be required upon adoption of ASU 2013-08: (i) whether an entity is an investment company and is applying the accounting and reporting guidance for investment companies; (ii) information about changes, if any, in an entity's status as an investment company; and (iii) information about financial support provided or contractually required to be provided by an investment company to any of its investees. The requirements of ASU 2013-08 were effective for the Fund beginning in the first quarter of 2014. Our adoption of ASU 2013-08 did not effect our financial position or 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 2, 2015, we sold U.S. Treasury Bills for $15.0 million and repaid our year-end margin loan.

On January 6, 2015, we sold our interests in Spectrum to 5th Element as described under "*Portfolio Securities*" above. The purchase price of $3.9 million paid by 5th Element consisted of $3.0 million in cash and a 1-year subordinated note in the original principal amount of $0.9 million, bearing interest of 14% per annum.

On January 6, 2015, in connection with the sale of our interest in Spectrum, our $0.5 million loan to SMH, together with all accrued interest amounting to approximately $0.1 million, was collected.

On January 30, 2015, we received a partial redemption payment in respect of our holding of OPG Notes in the amount of €36,587 [$41,478].

On February 4, 2015, we entered into a settlement agreement with Atrium Companies, Inc. ("Atrium") and its subsidiary Champion Window, Inc. Pursuant to the settlement agreement and in view of the estimated costs of protracted litigation and the associated disruption to the operations of the Fund, we agreed to pay $500,000, in complete settlement of a lawsuit commenced against the Fund by Atrium. The settlement payment was made on February 6, 2015 (see Note 6) and has been accrued as of December 31, 2014.

On February 20, 2015, we sold our OPG Notes at a discount of 23% to their par value, receiving $1.0 million in cash and a realized gain of $0.4 million.

(11) SELECTED QUARTERLY DATA

(in thousands, except per share amounts)	Year Ended December 31, 2014				
	Quarter Ended March 31, 2014	Quarter Ended June 30, 2014	Quarter Ended September 30, 2014	Quarter Ended December 31, 2014	TOTAL
Total investment income	$ 256	$ 64	$ 109	$ 536	$ 965
Net investment loss	(468)	(714)	(433)	(803)	(2,418)
Increase (decrease) in net assets resulting from operations	(537)	1,011	(432)	(1,409)	(1,367)
Basic and diluted earnings (loss) per share [1]	(0.05)	0.09	(0.04)	(0.11)	(0.11)

(in thousands, except per share amounts)	Year Ended December 31, 2013				
	Quarter Ended March 31, 2013	Quarter Ended June 30, 2013	Quarter Ended September 30, 2013	Quarter Ended December 31, 2013	Total
Total investment income (loss)	$ (95)	$ 14	$ 35	$ 53	$ 7
Net investment loss	(771)	(1,365)	(588)	(406)	(3,130)
Increase (decrease) in net assets resulting from operations	(1,460)	(1,249)	(794)	3,845	342
Basic and diluted earnings (loss) per share [1]	(0.14)	(0.12)	(0.08)	0.36	0.02

[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.

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 our 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, 2014. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

Management Report on Internal Control Over Financial Reporting

Our Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of our 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.

We assessed our internal control over financial reporting as of December 31, 2014, the end of our most recent fiscal year. We based our assessment on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in "Internal Control-Integrated Framework" published in 2013. Our 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 our assessment, we have concluded that our 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 our assessment have been reviewed with the Audit Committee of our Board of Directors.

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

None.

PART III

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

Information about our Directors and Executive Officers, our Audit Committee and the Nominating and Corporate Governance Committee, our 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 our Definitive Proxy Statement for the 2015 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, 2015 (the "2015 Proxy Statement").

We have adopted a code of business conduct and ethics applicable to our directors, officers (including our 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, 700 Louisiana Street, 48th Floor, Houston, TX 77002. In the event that we amend or waive any of the provisions of the Code of Business Conduct and Ethics applicable to our principal executive officer, principal financial officer, or controller, we intend to disclose the same on its website at www.equuscap.com.

Item 11. *Executive Compensation*

Information regarding Executive Compensation is incorporated by reference to our 2015 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 our 2015 Proxy Statement.

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

Information regarding Certain Relationships and Related Transactions is incorporated by reference to our 2015 Proxy Statement.

Item 14. *Principal Accountant Fees and Services*

Information regarding Principal Accountant Fees and Services is incorporated by reference to our 2015 Proxy Statement.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

(a)(1) 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 sheet of Equus Total Return, Inc. (a Delaware corporation), including the schedule of investments, as of December 31, 2014 and the related statements of operations, changes in net assets and cash flows for the year ended December 31, 2014 and the selected per share data and ratios for the year ended December 31, 2014, and have issued our report thereon dated March 30, 2015 (included elsewhere in this Form 10-K). Our audit also included the Schedule 12-14 listed in Item 15(a)(1) 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 audit.

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/ BDO US, LLP
Houston, Texas
March 30, 2015

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, 2014 Amount of Interest or Dividend Credited to Income	As of December 31, 2013 Fair Value	Gross Additions[b]	Gross Reductions[c]	As of December 31, 2014 Fair Value
Control investments: Majority-owned						
Equus Energy, LLC	Member interest (100%)	$ -	$ 8,000	1,800	-	$ 9,800
Equus Media Development Company, LLC	Member interest (100%)	-	216	(1)	-	215
Spectrum Management, LLC	285,000 units of Class A member interest	-	-	-	-	-
	16% subordinated promissory note (d) (e)	580	2,889	269	-	3,158
Total Control investments: Majority-owned		580	11,105	2,068	-	13,173
Total Control investments		580	11,105	2,069	-	13,173
Affiliate Investments						
PalletOne, Inc.	350,000 shares of common stock	-	250	710	-	960
Total Affiliate investments		-	250	710	-	960
Total Investments In and Advances to Affiliates		580	11,355	2,778	-	14,133

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, 2014.

(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) Accrued income is impaired.

(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)(2) 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. [Incorporated by reference to Exhibit 10(d) to Registrant's Annual Report on Form 10-K for the year ended December 31, 2011]

   (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.

Date: March 30, 2015

/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 30, 2015
/s/ ALESSANDRO BENEDETTI **Alessandro Benedetti**	Director	March 30, 2015
/s/ RICHARD F. BERGNER **Richard F. Bergner**	Director	March 30, 2015
/s/ KENNETH I. DENOS **Kenneth I. Denos**	Director, Secretary and Chief Compliance Officer	March 30, 2015
/s/ GREGORY J. FLANAGAN **Gregory J. Flanagan**	Director	March 30, 2015
/s/ HENRY W. HANKINSON **Henry W. Hankinson**	Director	March 30, 2015
/s/ ROBERT L. KNAUSS **Robert L. Knauss**	Director	March 30, 2015
/s/ BERTRAND DES PALLIERES **Bertrand des Pallieres**	Director	March 30, 2015
/s/ JOHN A. HARDY **John A. Hardy**	Director, Chief Executive Officer (Principal Executive Officer)	March 30, 2015
/s/ L’SHERYL D. HUDSON **L’Sheryl D. Hudson**	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 30, 2015

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 30, 2015

/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 30, 2015

/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, 2014 (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 30, 2015

/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, 2014 (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 30, 2015

/s/ L'SHERYL D. HUDSON

L'Sheryl D. Hudson
Chief Financial Officer