NATIONAL GRID PLC
Form 6-K
October 09, 2007

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

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FORM 6-K

REPORT OF FOREIGN ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16 OF

THE SECURITIES EXCHANGE ACT OF 1934

Date: 9 October 2007

NATIONAL GRID plc

(Registrant s Name)

1-3 Strand

London

WC2N 5EH

(Registrant s Address)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F	þ	Form 40-F	o

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3- 2(b) under the Securities Exchange Act of 1934.

Yes	o	No	þ

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorised.

NATIONAL GRID plc

By: /s/ David C Forward
David C Forward

Assistant Secretary

Date: 9 October 2007

ANNEX 1 - SUMMARY

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

Report of Foreign Issuer

Pursuant to Rule 13a 16 or 15d 16 of

The Securities Exchange Act of 1934

Announcements sent to the London Stock Exchange

National Grid plc

1-3 Strand

London, WC2N 5EH, United Kingdom

Update- Routine announcements

from 15 August to 8 October 2007

DATE	**DETAILS**
8.10.07	Legal and General- Interests- up to 5.1%
5.10.07	Voting Rights and Capital (Transfer of shares out of Treasury)
4.10.07	Directors Interests in shares- following B share conversion
2.10.07	Legal and General- Interests reduced to 4.55%
2.10.07	Director Interests on Appointment Bob Catell Nil Return
1.10.07	Voting Rights and Capital (end September update)
25.9.07	Voting Rights and Capital (Transfer of shares out of Treasury)
25.9.07	Appointment of Robert B Catell as Director- Confirmation
25.9.07	Application to List New Shares- re B share conversion
18.9.07	B Share Conversion
11.9.07	Voting Rights and Capital (Transfer of shares out of Treasury)

10.9.07	Directors Interests - Share Incentive Plan monthly update
4.9.07	Voting Rights and Capital (Transfer of shares out of Treasury)
4.9.07	Director Interest- Mark Fairbairn exercises Sharesave
3.9.07	Prohibited Period Share Repurchase Programme
3.9.07	Voting Rights and Capital (end- August Update)
31.8.07	Voting Rights and Capital (Transfer of shares out of Treasury)
31.8.07	Basslink Sale- Completion
28.8.07	Director interests- DRIP operation for M Fairbairn and Sir J Parker.
24.8.07	Voting Rights and Capital (Transfer of shares out of Treasury)
24.8.07	Director Interests- M Fairbain and S Lucas- Trustee dividend reinvestment
21.8.07	Voting Rights and Capital (Transfer of shares out of Treasury)
21.8.07	B Share Dividend
17.8.07	Director Interests on Appointment - Tom King Nil Return
15.8.07	Legal and General- Interest over 5%.

Notes: NG has continued its share repurchase programme. Annexed are further announcements made on 15, 16, 17, 20, 21, 22, 23, 24, 28, 29, 30, 31 August 2007, and 4, 5, 6, 7, 10, 11, 12, 13, 14, 17, 18, 19, 20, 21, 24, 25, 26, and 28 September 2007 and 1, 2, 3, 4, 5 and 8 October 2007 in respect of repurchases on each preceding business day.

During the period three separate same day Forms 6-k were sent; on 23 August (New York PSC approved Keyspan Acquisition) and two separate items on 24 August in respect of closure of the Keyspan acquisition.

ANNEX 2 Copy Announcements as sent

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

Report of Foreign Issuer

Pursuant to Rule 13a 16 or 15d 16 of

The Securities Exchange Act of 1934

Announcements sent to the London Stock Exchange

National Grid plc

1-3 Strand

London

WC2N 5EH

United Kingdom

Update- Routine announcements

from 15 August to 8 October 2007

National Grid plc (NG.)

15th August 2007

Notification of Major Interest in NG. Ordinary Shares

NG late yesterday received from Legal & General Group Plc (L&G) a further Notification; that L&G s total interest was in 5.02% of NG voting ordinary shares (132,346,620 shares) at 8 August 2007 (having previously notified a 4.12% interest at 21 February 2007).

This notice is given in fulfilment of National Grid plc's obligation under the DTR requirements.

17th August 2007

National Grid plc (National Grid)

Notification of Directors' Interests on Appointment

Following his appointment to the Board on 13 August 2007, National Grid notifies that there is no other information required to be disclosed by the Listing Rules in respect of Tom King.

National Grid plc

(National Grid , the Company)

B Share Dividend

National Grid announces that the dividend on its non-cumulative preference shares of 10 pence each (B Shares) in respect of the period 8 August 2007 to 17 September 2007 shall be 0.3 pence per B Share (such dividend being calculated in accordance with the Company's articles of association).

The relevant record date for this B Share dividend shall be 31 August 2007 and the ex-dividend date shall be 29 August 2007.

Documentation relating to the conversion of the B Shares into ordinary shares (such conversion being in accordance with the rights and restrictions attached to the B Shares as detailed in the Company s articles of association) has recently been sent to all holders of B Shares.

21 August 2007

National Grid plc (NG.) Voting Rights and Capital- Update

Today, National Grid transferred 14,315 shares held in Treasury to employee share scheme participants. Following this change, National Grid plc s registered capital consists of 2,635,325,076 ordinary shares, of which 13,876,812 have been purchased in the market and registered as Treasury Shares; leaving a balance of **2,621,448,264** shares with voting rights.

The figure of **2,621,448,264** may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, National Grid plc under the FSA's Disclosure and Transparency Rules.

Note: This notification confirms actual capital as recorded on the register at the above date, allowing for changes recorded since the last notification. National Grid is currently undertaking a share repurchase programme. Where repurchases are made, separate covering announcements will, as required, identify numbers being repurchased and the supporting details indicate resultant share capital after market settlement and cancellation, or transfer to Treasury, of the shares involved (and any earlier repurchases which remain to be registered).

National Grid plc (NG)

24 August 2007

Notification of Directors Interests:

NG late yesterday received notification that, following the operation of dividend reinvestment (the shares were purchased at 715p per share on 22 August 2007):

In the Lattice Group All Employee Share Ownership Plan, Steve Lucas became interested in an additional 22 ordinary shares;

In the National Grid Share Incentive Plan, Mark Fairbairn became interested in an additional 26 ordinary shares. And in the National Grid Share Matching Plan, Mark Fairbairn became interested in an additional 93 ordinary shares.

24 August 2007

National Grid plc (NG.) Voting Rights and Capital- Update

Yesterday, National Grid transferred 17,705 shares held in Treasury to employee share scheme participants. Following this change, National Grid plc s registered capital consisted of 2,632,171,076 ordinary shares, of which 13,859,107 have been purchased in the market and registered as Treasury Shares; leaving a balance of **2,618,311,969** shares with voting rights.

The figure of **2,618,311,969** may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, National Grid plc under the FSA's Disclosure and Transparency Rules.

Note: This notification confirms actual capital as recorded on the register at the above date, allowing for changes recorded since the last notification. National Grid is currently undertaking a share repurchase programme. Where repurchases are made, separate covering announcements will, as required, identify numbers being repurchased and the supporting details indicate resultant share capital after market settlement and cancellation, or transfer to Treasury, of the shares involved (and any earlier repurchases which remain to be registered).

National Grid plc (the Company)

28 August 2007

Directors interests in shares

The Company today received notification that following the operation of the National Grid plc Dividend Reinvestment Plan, Sir John Parker and Mark Fairbairn became interested in an additional 106 and 393 ordinary shares respectively. The shares were purchased at 715.82 pence per share on 22 August 2007.

31 August 2007

National Grid plc

SALE OF BASSLINK

National Grid is pleased to announce that it has completed the sale of its Basslink electricity interconnector in Australia.

Contacts

National Grid:

Investors

David Rees	+44 (0)20 7004 3170	+44 (0)7901 511322 (m)
Richard Smith	+44 (0)20 7004 3172	+44 (0)7747 006321 (m)
James Waite	+44 (0)20 7004 3171	+44 (0)7977 440902 (m)

Media

Clive Hawkins	+44 (0)20 7004 3147	+44 (0)7836 357173 (m)

Brunswick:

Paul Scott	+44 (0)20 7396 5333	+44 (0)7974 982333(m)

31 August 2007

National Grid plc

Voting Rights and Capital update

Today, National Grid transferred 13,059 shares held in Treasury to employee share scheme participants. Following this change, National Grid plc s registered capital consisted of 2,628,041,076 ordinary shares, of which 13,846,048 have been purchased in the market and registered as Treasury Shares; leaving a balance of 2,614,195,028 shares with voting rights.

The figure of 2,614,195,028 may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, National Grid plc under the FSA's Disclosure and Transparency Rules.

Note: This notification confirms actual capital as recorded on the register at the above date, allowing for changes recorded since the last notification. National Grid is currently undertaking a share repurchase programme. Where repurchases are made, separate covering announcements will, as required, identify numbers being repurchased and the supporting details indicate resultant share capital after market settlement and cancellation, or transfer to Treasury, of the shares involved (and any earlier repurchases which remain to be registered).

3 September 2007

National Grid plc

Voting rights and capital update

In conformity with the Transparency Directive s transitional provision 6, National Grid plc would like to notify the market of the following:

National Grid plc s registered ordinary share capital as of 31 August 2007 consisted of 2,626,019,076 shares, of which 13,846,048 had been purchased in the market and registered as treasury shares, leaving a balance of 2,612,173,028 shares with voting rights.

The figure of 2,612,173,028 may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interests in, or a change to their interest in, National Grid plc under the Disclosure and Transparency Rules.

Note: this notification confirms the actual capital as recorded on the register at the above date, allowing for changes recorded since the last notification. National Grid is currently undertaking a share repurchase programme. Where repurchases are made, separate covering announcements will, as required, identify numbers of shares being repurchased and the supporting details will indicate resultant share capital after market settlement and cancellation, or transfer to treasury, of the shares involved (and any earlier repurchases that remain to be registered).

3 September 2007

National Grid plc

Transaction in own shares: Prohibited period share repurchase programme

National Grid plc (National Grid) announces that it has entered into irrevocable, non-discretionary arrangements to purchase shares on its own behalf for cancellation during any prohibited period that National Grid enters into.

Any acquisitions within a prohibited period will be effected within certain pre-set parameters, and in accordance with both National Grid s general authority to repurchase shares and Chapter 12 of the Listing Rules which requires that the maximum price paid be limited to no more than 105 per cent of the average middle market closing price of National Grid s shares for the 5 dealing days preceeding the date of purchase.

Contacts

National Grid:

Investors

David Rees	+44 (0)20 7004 3170	+44 (0)7901 511322 (m)
Richard Smith	+44 (0)20 7004 3172	+44 (0)7747 006321 (m)
James Waite	+44 (0)20 7004 3171	+44 (0)7977 440902 (m)

4 September 2007

National Grid plc (NG)

Director s Interests in NG Ordinary Shares

The Company has today received confirmation of the following dealing by Mark Fairbairn:

National Grid Sharesave Scheme

On 3rd September 2007, Mark Fairbairn exercised a Sharesave option granted to him in June 2002 over 833 shares at an option price of 397p, on its five year maturity.

His total beneficial interest remains unchanged.

Contact: Robin Kerner, Assistant Secretary- Share Schemes (0207 004 3223).

4 September 2007

National Grid plc (National Grid)

Voting Rights and Capital update

National Grid was today notified that 139,437 shares held in Treasury were transferred to employee share scheme participants. Following this change, National Grid plc s registered capital consisted of 2,626,019,076 ordinary shares, of which 13,706,611 have been purchased in the market and registered as Treasury Shares; leaving a balance of 2,612,312,465 shares with voting rights.

The figure of 2,612,312,465 may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, National Grid plc under the FSA's Disclosure and Transparency Rules.

Note: This notification confirms actual capital as recorded on the register at the above date, allowing for changes recorded since the last notification. National Grid is currently undertaking a share repurchase programme. Where repurchases are made, separate covering announcements will, as required, identify numbers being repurchased and the supporting details indicate resultant share capital after market settlement and cancellation, or transfer to Treasury, of the shares involved (and any earlier repurchases which remain to be registered).

National Grid plc (NG)

10th September 2007

Notification of Directors' Interests

NG SHARE INCENTIVE PLAN (the SIP)

Under the SIP scheme, operated through Towers Perrin Share Plan Services Limited as Trustee, employees may acquire NG ordinary shares by regular monthly contributions. The current monthly purchase of 32,096 NG ordinary shares under the scheme was confirmed by the Trustee late Friday 7th September, the shares having been purchased in the market on 7th September, at a price of 732.0 pence per share, on behalf of some 2,600 participants.

The following executive Directors of NG are beneficiaries of the number of shares purchased on their behalf:

Director	**Shares purchased in SIP**
Mark Fairbairn	17 Ordinary Shares
Steven Holliday	17 Ordinary Shares

The Directors total interests after these events are:

Director	**Resulting total interest**
Mark Fairbairn	319,173 Ordinary Shares B Shares- 6,132- unchanged
Steven Holliday	717,022 Ordinary Shares Nil- B shares - unchanged

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Contact: R Kerner, Assistant Secretary- Share Schemes (0207 004 3223)

11 September 2007

National Grid plc (National Grid)

Voting Rights and Capital update

National Grid was today notified that 105,125 shares held in Treasury were transferred to share scheme participants. Following this change, National Grid plc s registered capital consisted of 2,624,030,076 ordinary shares, of which 13,601,486 have been purchased in the market and registered as Treasury Shares; leaving a balance of 2,610,428,590 shares with voting rights.

The figure of 2,610,428,590 may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, National Grid plc under the FSA's Disclosure and Transparency Rules.

Note: This notification confirms actual capital as recorded on the register at the above date, allowing for changes recorded since the last notification. National Grid is currently undertaking a share repurchase programme. Where repurchases are made, separate covering announcements will, as required, identify numbers being repurchased and the supporting details indicate resultant share capital after market settlement and cancellation, or transfer to Treasury, of the shares involved (and any earlier repurchases which remain to be registered).

National Grid plc

(National Grid , the Company)

B Share Conversion

18 September 2007

Following the announcement on 21 August 2007, and in accordance with the rights and restrictions attached to the B shares, National Grid yesterday converted all outstanding B shares into ordinary shares on the basis of 1 ordinary share for every (736.6p / 65p) B shares, fractional entitlements being disregarded.

Share certificates will be sent to shareholders and CREST accounts will be credited on or about 1 October 2007.

National Grid plc

25th September 2007

Application has been made to the UK Listing Authority for the listing of 3,705,193 ordinary shares of 11 and 17/43 pence each in the Company to the Official List and to the London Stock Exchange for these shares to be admitted to trading.

These shares are issued and allotted following the conversion of all B shares remaining in issue following the final repurchase offer made in July 2007. They will rank pari passu with the existing shares in issue.

25th September 2007

Appointment of Robert B. Catell as Executive Director of National Grid

National Grid plc today announces the appointment of **Robert B. Catell** to its Board, as Executive Director and Deputy Chairman, with immediate effect. He was previously Chairman and Chief Executive Officer of KeySpan Corporation.

Contacts

National Grid:

Investors

David Rees	+44 (0)20 7004 3170	+44 (0)7901 511322 (m)
Richard Smith	+44 (0)20 7004 3172	+44 (0)7747 006321 (m)
James Waite	+44 (0)20 7004 3171	+44 (0)7977 440902 (m)

Media

Clive Hawkins	+44 (0)20 7004 3147	+44 (0)7836 357173 (m)

Brunswick:

Paul Scott	+44 (0)20 7396 5333	+44 (0)7974 982333(m)

25 September 2007

National Grid plc (National Grid)

Voting Rights and Capital update

National Grid was notified late yesterday that 3,850 shares held in Treasury were transferred to share scheme participants. Following this change, National Grid plc s registered capital consisted of 2,614,676,656 ordinary shares, of which 13,597,636 have been purchased in the market and registered as Treasury Shares; leaving a balance of 2,601,079,020 shares with voting rights.

The figure of 2,601,079,020 may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, National Grid plc under the FSA's Disclosure and Transparency Rules.

Note: This notification confirms actual capital as recorded on the register at the above date, allowing for changes recorded since the last notification. National Grid is currently undertaking a share repurchase programme. Where repurchases are made, separate covering announcements will, as required, identify numbers being repurchased and the supporting details indicate resultant share capital after market settlement and cancellation, or transfer to Treasury, of the shares involved (and any earlier repurchases which remain to be registered).

1 October 2007

National Grid plc

Voting rights and capital update

In conformity with the Transparency Directive, National Grid plc would like to notify the market of the following:

National Grid plc s registered ordinary share capital as of 28 and 30 September 2007 consisted of 2,614,895,915 shares, of which 13,597,636 had been purchased in the market and registered as treasury shares, leaving a balance of 2,601,298,279 shares with voting rights.

This figure includes the 3,705,193 ordinary shares issued and allotted on 28 September 2007 in respect of the conversion of all B shares remaining in issue following the final repurchase offer.

The figure of 2,601,298,279 may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interests in, or a change to their interest in, National Grid plc under the Disclosure and Transparency Rules.

Note: this notification confirms the actual capital as recorded on the register at the above date, allowing for changes recorded since the last notification. National Grid is currently undertaking a share repurchase programme. Where repurchases are made, separate covering announcements will, as required, identify numbers of shares being repurchased and the supporting details will indicate resultant share capital after market settlement and cancellation, or transfer to treasury, of the shares involved (and any earlier repurchases that remain to be registered).

2 October 2007

National Grid plc (National Grid)

Notification of Directors' Interests on Appointment

Following his appointment to the Board on 25th September, National Grid notifies that there is no other information required to be disclosed by the Listing Rules in respect of Bob Catell.

National Grid plc (NG.)

2 October 2007

Notification of Major Interest in NG. Ordinary Shares

NG late yesterday received from Legal & General Group Plc (L&G) a further Notification; that L&G s total interest was in 4.55% of NG voting ordinary shares (118,418,401 shares) at 27 September 2007 (having previously notified a 5.02% interest at 8 August 2007).

This notice is given in fulfilment of National Grid plc's obligation under the DTR requirements.

National Grid plc (NG.)

4 October 2007

Directors Interests in Shares B Shares Conversion

Following the listing of further ordinary shares on 28 September in respect of the conversion of all outstanding NG B shares, the following Directors individual revised interests have been confirmed by the registrars/trustees:

Director	Number of B Shares Converted	Additional Ordinary Share Interest	Resulting total interest in NG.Ordinary shares
M Fairbairn	6,132	540	319,687
S Lucas	318	28	616,642
G Rose	5,025	443	4,852

5 October 2007

National Grid plc (National Grid)

Voting Rights and Capital update

National Grid was notified late yesterday that 418,493 shares held in Treasury were transferred to share scheme participants and further notified today that another 8,087 shares held in Treasury had been transferred to share scheme participants. Following these changes, National Grid plc s registered capital consists of 2,611,563,094 ordinary shares, of which 13,171,056 have been purchased in the market and registered as Treasury Shares; leaving a balance of 2,598,392,038 shares with voting rights.

The figure of 2,598,392,038 may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, National Grid plc under the FSA's Disclosure and Transparency Rules.

Note: This notification confirms actual capital as recorded on the register at the above date, allowing for changes recorded since the last notification. National Grid is currently undertaking a share repurchase programme. Where repurchases are made, separate covering announcements will, as required, identify numbers being repurchased and the supporting details indicate resultant share capital after market settlement and cancellation, or transfer to Treasury, of the shares involved (and any earlier repurchases which remain to be registered).

National Grid plc (NG.)

Monday 8th October 2007

Notification of Major Interest in NG. Ordinary Shares

NG late Friday received from Legal & General Group Plc (L&G) a further Notification; that L&G s total interest was in 5.1% of NG voting ordinary shares (132,566,418 shares) at 1 October 2007 (having previously notified a 4.55% interest at 27 September 2007).

This notice is given in fulfilment of National Grid plc's obligation under the DTR requirements.

National Grid plc Transaction in Own Shares

15 August 2007

National Grid plc announces that on 14 August 2007 it purchased for cancellation 1,000,000 of its ordinary shares at a price of 727.01 pence per share from Deutsche Bank AG London Branch.

Following the purchase and upon cancellation of these shares, the number of ordinary shares with voting rights in issue (excluding Treasury shares) will be 2,620,989,949 and the number of ordinary shares in Treasury will be 13,891,127.

National Grid plc Transaction in Own Shares

16 August 2007

National Grid plc announces that on 15 August 2007 it purchased for cancellation 710,000 of its ordinary shares at a price of 721.32 pence per share from Deutsche Bank AG London Branch.

Following the purchase and upon cancellation of these shares, the number of ordinary shares with voting rights in issue (excluding Treasury shares) will be 2,620,279,949 and the number of ordinary shares in Treasury will be 13,891,127.

National Grid plc Transaction in Own Shares

17 August 2007

National Grid plc announces that on 16 August 2007 it purchased for cancellation 2,000,000 of its ordinary shares at a price of 703.7562 pence per share from Deutsche Bank AG London Branch.

Following the purchase and upon cancellation of these shares, the number of ordinary shares with voting rights in issue (excluding Treasury shares) will be 2,618,279,949 and the number of ordinary shares in Treasury will be 13,891,127.

National Grid plc Transaction in Own Shares

20 August 2007

National Grid plc announces that on 17 August 2007 it purchased for cancellation 2,700,000 of its ordinary shares at a price of 698.97 pence per share from Deutsche Bank AG London Branch.

Following the purchase and upon cancellation of these shares, the number of ordinary shares with voting rights in issue (excluding Treasury shares) will be 2,615,579,949 and the number of ordinary shares in Treasury will be 13,891,127.

National Grid plc Transaction in Own Shares

21 August 2007

National Grid plc announces that on 20 August 2007 it purchased for cancellation 730,000 of its ordinary shares at a price of 714.94 pence per share from Deutsche Bank AG London Branch.

Following the purchase and upon cancellation of these shares, the number of ordinary shares with voting rights in issue (excluding Treasury shares) will be 2,614,849,949 and the number of ordinary shares in Treasury will be 13,891,127.

National Grid plc Transaction in Own Shares

22 August 2007

National Grid plc announces that on 21 August 2007 it purchased for cancellation 700,000 of its ordinary shares at a price of 707.84 pence per share from Deutsche Bank AG London Branch.

Following the purchase and upon cancellation of these shares, the number of ordinary shares with voting rights in issue (excluding Treasury shares) will be 2,614,149,949 and the number of ordinary shares in Treasury will be 13,891,127.

National Grid plc Transaction in Own Shares

23 August 2007

National Grid plc announces that on 22 August 2007 it purchased for cancellation 810,000 of its ordinary shares at a price of 715.13 pence per share from Deutsche Bank AG London Branch.

Following the purchase and upon cancellation of these shares, the number of ordinary shares with voting rights in issue (excluding Treasury shares) will be 2,613,354,264 and the number of ordinary shares in Treasury will be 13,876,812.

National Grid plc Transaction in Own Shares

24 August 2007

National Grid plc announces that on 23 August 2007 it purchased for cancellation 700,000 of its ordinary shares at a price of 717.996 pence per share from Deutsche Bank AG London Branch.

Following the purchase and upon cancellation of these shares, the number of ordinary shares with voting rights in issue (excluding Treasury shares) will be 2,612,671,969 and the number of ordinary shares in Treasury will be 13,859,107.

National Grid plc Transaction in Own Shares

28 August 2007

National Grid plc announces that on 24 August 2007 it purchased for cancellation 512,000 of its ordinary shares at a price of 725.86 pence per share from Deutsche Bank AG London Branch.

Following the purchase and upon cancellation of these shares, the number of ordinary shares with voting rights in issue (excluding Treasury shares) will be 2,612,159,969 and the number of ordinary shares in Treasury will be 13,859,107.

National Grid plc Transaction in Own Shares

29 August 2007

National Grid plc announces that on 28 August 2007 it purchased for cancellation 540,000 of its ordinary shares at a price of 726.40 pence per share from Deutsche Bank AG London Branch.

Following the purchase and upon cancellation of these shares, the number of ordinary shares with voting rights in issue (excluding Treasury shares) will be 2,611,619,969 and the number of ordinary shares in Treasury will be 13,859,107.

National Grid plc Transaction in Own Shares

30 August 2007

National Grid plc announces that on 29 August 2007 it purchased for cancellation 690,000 of its ordinary shares at a price of 723.80 pence per share from Deutsche Bank AG London Branch.

Following the purchase and upon cancellation of these shares, the number of ordinary shares with voting rights in issue (excluding Treasury shares) will be 2,610,929,969 and the number of ordinary shares in Treasury will be 13,859,107.

National Grid plc Transaction in Own Shares

31 August 2007

National Grid plc announces that on 30 August 2007 it purchased for cancellation 300,000 of its ordinary shares at a price of 727.09 pence per share from Deutsche Bank AG London Branch.

Following the purchase and upon cancellation of these shares, the number of ordinary shares with voting rights in issue (excluding Treasury shares) will be 2,610,629,969 and the number of ordinary shares in Treasury will be 13,859,107.

National Grid plc - Transaction in Own Shares

04 September 2007

National Grid plc announces that on 3 September 2007 it purchased for cancellation 459,000 of its ordinary shares at a price of 738.9685 pence per share from Morgan Stanley Securities Limited.

Following the purchase and upon cancellation of these shares, the number of ordinary shares with voting rights in issue (excluding Treasury shares) will be 2,610,184,028 and the number of ordinary shares in Treasury will be 13,846,048.

National Grid plc - Transaction in Own Shares

05 September 2007

National Grid plc announces that on 4 September 2007 it purchased for cancellation 530,000 of its ordinary shares at a price of 739.1023 pence per share from Morgan Stanley Securities Limited.

Following the purchase and upon cancellation of these shares, the number of ordinary shares with voting rights in issue (excluding Treasury shares) will be 2,609,793,465 and the number of ordinary shares in Treasury will be 13,706,611.

National Grid plc - Transaction in Own Shares

06 September 2007

National Grid plc announces that on 5 September 2007 it purchased for cancellation 2,300,000 of its ordinary shares at a price of 736.1928 pence per share from Morgan Stanley Securities Limited.

Following the purchase and upon cancellation of these shares, the number of ordinary shares with voting rights in issue (excluding Treasury shares) will be 2,607,493,465 and the number of ordinary shares in Treasury will be 13,706,611.

National Grid plc - Transaction in Own Shares

07 September 2007

National Grid plc announces that on 6 September 2007 it purchased for cancellation 859,000 of its ordinary shares at a price of 726.7658 pence per share from Morgan Stanley Securities Limited.

Following the purchase and upon cancellation of these shares, the number of ordinary shares with voting rights in issue (excluding Treasury shares) will be 2,606,634,465 and the number of ordinary shares in Treasury will be 13,706,611.

National Grid plc - Transaction in Own Shares

10 September 2007

National Grid plc announces that on 7 September 2007 it purchased for cancellation 921,000 of its ordinary shares at a price of 727.0391 pence per share from Morgan Stanley Securities Limited.

Following the purchase and upon cancellation of these shares, the number of ordinary shares with voting rights in issue (excluding Treasury shares) will be 2,605,713,465 and the number of ordinary shares in Treasury will be 13,706,611.

National Grid plc - Transaction in Own Shares

11 September 2007

National Grid plc announces that on 10 September 2007 it purchased for cancellation 1,234,000 of its ordinary shares at a price of 723.8242 pence per share from Morgan Stanley Securities Limited.

Following the purchase and upon cancellation of these shares, the number of ordinary shares with voting rights in issue (excluding Treasury shares) will be 2,604,479,465 and the number of ordinary shares in Treasury will be 13,706,611.

National Grid plc - Transaction in Own Shares

12 September 2007

National Grid plc announces that on 11 September 2007 it purchased for cancellation 655,174 of its ordinary shares at a price of 727.7616 pence per share from Morgan Stanley Securities Limited.

Following the purchase and upon cancellation of these shares, the number of ordinary shares with voting rights in issue (excluding Treasury shares) will be 2,603,929,416 and the number of ordinary shares in Treasury will be 13,601,486.

National Grid plc - Transaction in Own Shares

13 September 2007

National Grid plc announces that on 12 September 2007 it purchased for cancellation 530,701 of its ordinary shares at a price of 734.6060 pence per share from Morgan Stanley Securities Limited.

Following the purchase and upon cancellation of these shares, the number of ordinary shares with voting rights in issue (excluding Treasury shares) will be 2,603,398,715 and the number of ordinary shares in Treasury will be 13,601,486.

National Grid plc - Transaction in Own Shares

14 September 2007

National Grid plc announces that on 13 September 2007 it purchased for cancellation 887,000 of its ordinary shares at a price of 743.5158 pence per share from Morgan Stanley Securities Limited.

Following the purchase and upon cancellation of these shares, the number of ordinary shares with voting rights in issue (excluding Treasury shares) will be 2,602,511,715 and the number of ordinary shares in Treasury will be 13,601,486.

National Grid plc - Transaction in Own Shares

17 September 2007

National Grid plc announces that on 14 September 2007 it purchased for cancellation 635,995 of its ordinary shares at a price of 746.3027 pence per share from Morgan Stanley Securities Limited.

Following the purchase and upon cancellation of these shares, the number of ordinary shares with voting rights in issue (excluding Treasury shares) will be 2,601,875,720 and the number of ordinary shares in Treasury will be 13,601,486.

National Grid plc - Transaction in Own Shares

18 September 2007

National Grid plc announces that on 17 September 2007 it purchased for cancellation 800,550 of its ordinary shares at a price of 744.5136 pence per share from Morgan Stanley Securities Limited.

Following the purchase and upon cancellation of these shares, the number of ordinary shares with voting rights in issue (excluding Treasury shares) will be 2,601,075,170 and the number of ordinary shares in Treasury will be 13,601,486.

National Grid plc - Transaction in Own Shares

MVC Capital, Inc.

Purchase, NY

Financial servicesMay 2014475,956 shares of common stock (1.7%) $ 6,074 $4,279Total Non-Affiliate Investments - Related Party (represents 6.5% of total investments at fair value) $ 6,074 $ 4,279Non-Affiliate Investments (less than 5% owned):

5TH Element Tracking, LLC

Boston, MA

Business products and servicesJanuary 201514% promissory note due 3/17 (2)$ 965 965   965

Biogenic Reagents, LLC

Minneapolis, MN

Industrial productsJanuary 201616% promissory note due 6/16 (5)$ 2,013   2,013   2,013Total Non-Affiliate Investments (represents 4.6% of total investments at fair value) $ 2,978 $ 2,978Total Investment in Portfolio Securities $19,452 $ 30,406Temporary Cash Investments   U.S. Treasury BillGovernmentDecember 2016UST 0% 3/17$ 35,000 35,000   34,999Total Temporary Cash Investments (represents 53.5% of total investments at fair value) $ 35,000 $ 34,999Total Investments $ 54,452 $ 65,405

(1) See Note 3 to the financial statements, Valuation of Investments.
(2) Income-producing.
(3) Majority owned investments are generally defined under the 1940 Act as companies in which we own more than 50% of the voting securities of the company.
(4) Affiliate investments are generally defined under the 1940 Act as companies in which we own at least 5% but not more than 25% voting securities of the company.
(5) Income impaired.

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

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EQUUS TOTAL RETURN, INC.

SCHEDULE OF INVESTMENTS – (Continued)

MARCH 31, 2017

(Unaudited)

Except for our holding of shares of MVC Capital, Inc. (“MVC”), substantially all of our portfolio securities are restricted from public sale without prior registration under the Securities Act of 1933 (hereafter, the “Securities Act”) or other relevant regulatory authority. 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 a business development company (“BDC”) regulated pursuant to the Investment Company Act of 1940 (“1940 Act”), we may invest up to 30% of our assets in non-qualifying portfolio investments, as permitted by the 1940 Act. Specifically, we may invest up to 30% of our assets in entities that are not considered “eligible portfolio companies” (as defined in the 1940 Act), including companies located outside of the United States, entities that are operating pursuant to certain exceptions under the 1940 Act, and publicly-traded entities with a market capitalization exceeding $250 million. As of March 31, 2017, we had invested 85.9% of our assets in securities of portfolio companies that constituted qualifying investments under the 1940 Act. As of March 31, 2017, except for our shares of MVC, all of our investments are in enterprises that are considered eligible portfolio companies under the 1940 Act. We provide significant managerial assistance to portfolio companies that comprise 31.0% of the total value of the investments in portfolio securities as of March 31, 2017.

Our investments in portfolio securities consist of the following types of securities as of March 31, 2017 (in thousands):

Type of Securities	Cost	Fair Value	Fair Value as Percentage of **Net Assets**
Common stock	$6,424	$20,965	50.6 %
Limited liability company investments	10,050	6,463	15.6 %
Secured and subordinated debt	2,978	2,978	7.2 %
Total	$19,452	$30,406	73.4 %

The following is a summary by industry of the Fund's investments in portfolio securities as of March 31, 2017 (in thousands):

Industry	Fair Value	Fair Value as Percentage of **Net Assets**	
Shipping products and services	$16,686	40.3	%
Energy	6,250	15.1	%
Financial services	4,279	10.3	%
Industrial products	2,013	4.9	%
Business products and services	965	2.3	%
Media	213	0.5	%
Total	$30,406	73.4	%

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

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EQUUS TOTAL RETURN, INC.

SCHEDULE OF INVESTMENTS

DECEMBER 31, 2016

(Unaudited)

(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 [3]:						
Equus Energy, LLC Houston, TX	Energy	December 2011	Member interest (100%)		$7,050	$ 6,250
Equus Media Development Company, LLC Houston, TX	Media	January 2007	Member interest (100%)		3,000	212
Total Control Investments: Majority-owned (represents 10.8% of total investments at fair value)					**$ 10,050**	$6,462
Affiliate Investments [4]:						
PalletOne, Inc. Bartow, FL	Shipping products and services	October 2001	350,000 shares of common stock (18.7%)		$ 350	$ 16,200
Total Affiliate Investments (represents 27.2% of total investments at fair value)					**$ 350**	**$** 16,200
Non-Affiliate Investments - Related Party (less than 5% owned):						
MVC Capital, Inc. Purchase, NY	Financial services	May 2014	468,608 shares of common stock (1.7%)		$ 6,011	$ 4,021
Total Non-Affiliate Investments - Related Party (represents 6.7% of total investments at fair value)					**$ 6,011**	**$** 4,021
Non-Affiliate Investments (less than 5% owned):						
5TH Element Tracking, LLC Boston, MA	Business products and services	January 2015	14% promissory note due 3/17 [2]	$ 965	965	965
Biogenic Reagents, LLC Minneapolis, MN	Industrial products	January 2016	16% promissory note due 6/16 [5]	$ 2,013	2,013	2,013
Total Non-Affiliate Investments (represents 5.0% of total investments at fair value)					**$ 2,978**	**$ 2,9**78
Total Investment in Portfolio Securities					**$ 19,389**	**$** 29,661

Temporary Cash Investments						
U.S. Treasury Bill	Government	December 2016	UST 0% 1/17	$ 30,000	30,000	29,994
Total Temporary Cash Investments (represents 50.3% of total investments at fair value)					$30,000	$29,994
Total Investments					$ 49,389	$ 59,655

(1) See Note 3 to the financial statements, Valuation of Investments.
(2) Income-producing.
(3) Majority owned investments are generally defined under the 1940 Act as companies in which we own more than 50% of the voting securities of the company.
(4) Affiliate investments are generally defined under the 1940 Act as companies in which we own at least 5% but not more than 25% voting securities of the company.
(5) Income impaired.

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

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EQUUS TOTAL RETURN, INC.

SCHEDULE OF INVESTMENTS – (Continued)

DECEMBER 31, 2016

(Unaudited)

Except for our holding of shares of MVC, substantially all of our portfolio securities are restricted from public sale without prior registration under the Securities Act or other relevant regulatory authority. 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 a BDC, we may invest up to 30% of our assets in non-qualifying portfolio investments, as permitted by the 1940 Act. Specifically, we may invest up to 30% of our assets in entities that are not considered "eligible portfolio companies" (as defined in the 1940 Act), including companies located outside of the United States, entities that are operating pursuant to certain exceptions under the 1940 Act, and publicly-traded entities with a market capitalization exceeding $250 million. As of December 31, 2016, we had invested 86.4% of our assets in securities of portfolio companies that constituted qualifying investments under the 1940 Act. As of December 31, 2016, except for our shares of MVC, all of our investments are in enterprises that are considered eligible portfolio companies under the 1940 Act. We provide significant managerial assistance to portfolio companies that comprise 31.8% of the total value of the investments in portfolio securities as of December 31, 2016.

Our investments in portfolio securities consist of the following types of securities as of December 31, 2016 (in thousands):

Type of Securities	Cost	Fair Value	Fair Value as Percentage of **Net Assets**
Common stock	$6,361	$20,221	47.3 %
Limited liability company investments	10,050	6,462	15.1 %
Secured and subordinated debt	2,978	2,978	7.0 %
Total	$19,389	$29,661	69.4 %

The following is a summary by industry of the Fund's investments in portfolio securities as of December 31, 2016 (in thousands):

Industry	Fair Value	Fair Value as Percentage of **Net Assets**
Shipping products and services	$16,200	37.9 %
Energy	6,250	14.6 %
Financial services	4,021	9.4 %
Industrial products	2,013	4.7 %
Business products and services	965	2.3 %
Media	212	0.5 %
Total	$29,661	69.4 %

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

EQUUS TOTAL RETURN, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2017

(Unaudited)

(1) Description of Business and Basis of Presentation

Description of Business—Equus Total Return, Inc. (*"we," "us," "our," "Equus" 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 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.

On April 24, 2017, we entered into a Stock Purchase Agreement and Plan of Merger ("Merger Agreement") with ETR Merger Sub, Inc., a newly-formed wholly-owned subsidiary of Equus, certain shareholders of U.S. Gas & Electric, Inc. ("USG&E"), and MVC as a selling shareholder of USG&E and as representative of the selling USG&E shareholders. USG&E is a retail energy company with over 160 employees that sells electricity and natural gas in deregulated utility markets to residential and commercial customers. As of January 31, 2017, USG&E had over 375,000 residential customer equivalents in 62 utility markets across the District of Columbia and 11 states. The transactions embodied in the Merger Agreement constitute a "Consolidation" as defined in our Plan of Reorganization ("Plan of Reorganization") within the meaning of Section 2(a)(33) of the Investment Company Act of 1940 ("1940 Act") which we announced on May 15, 2014. Our intention of effecting a Consolidation through the Merger Agreement is to transform Equus from an investment company into an operating company focused on the energy sector, with USG&E becoming a wholly-owned subsidiary of Equus. The full text of the Merger Agreement is attached as an exhibit to our Current Report on Form 8-K filed on April 24, 2017 (see Note 7 – *Plan of Reorganization*).

So long as we remain an investment company and not an operating company, we will 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 (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.

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.

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

The results of operations for the three months ended March 31, 2017 are not necessarily indicative of results that ultimately may be achieved for the remainder of the year, particularly in view of our recent agreement to acquire USG&E as described in Note 7 – *Plan of Reorganization* below. The interim unaudited financial statements and notes thereto should be read in conjunction with the financial statements and notes thereto included in the Fund's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, as filed with the Securities and Exchange Commission ("SEC").

(2) Liquidity and Financing Arrangements

Liquidity—There are several factors that may materially affect our liquidity during the reasonably foreseeable future. We view this period as the twelve month period from the date of the financial statements in this Form 10-Q, *i.e*., the period through March 31, 2018. We are evaluating the impact of current market conditions on our portfolio company valuations and their ability to provide current income. We have followed valuation techniques in a consistent manner; however, we are cognizant of current market conditions that might affect future valuations of portfolio securities. We believe that our operating cash flow and cash on hand will be sufficient to meet operating requirements and, to the extent we remain a BDC, to finance routine follow-on investments, if any, through the next twelve months.

Cash and Cash Equivalents—As of March 31, 2017, we had cash and cash equivalents of $10.5 million. We had $30.4 million of our net assets of $41.4 million invested in portfolio securities. We also had $35.4 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, $35.0 million was invested in U.S. Treasury bills and $0.4 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 April 2, 2017 and we subsequently repaid this margin loan, plus interest, on April 5, 2017.

As of December 31, 2016, we had cash and cash equivalents of $12.0 million. We had $30.0 million of our net assets of $42.7 million invested in portfolio securities. We also had $30.3 million of temporary cash investments and restricted cash, including primarily the proceeds of a quarter-end margin loan that we incurred to maintain the diversification requirements applicable to a RIC. Of this amount, $30.0 million was invested in U.S. Treasury bills and $0.3 million represented a required 1% brokerage margin deposit. These securities were held by a securities brokerage firm and pledged along with other assets to secure repayment of the margin loan. The U.S. Treasury bills were sold on January 3, 2017 and we subsequently repaid this margin loan. The margin interest was paid on February 3, 2017.

Dividends—So long as we remain a BDC, we will pay out net investment income and/or realized capital gains, if any, on an annual basis as required under the 1940 Act.

Investment Commitments—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.

As of March 31, 2017, we had no outstanding commitments to our portfolio company investments.

RIC Borrowings, Restricted Cash and Temporary Cash Investments—We may periodically borrow 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. If we do not consummate our Consolidation with USG&E and become an operating company as described in Note 7 – *Plan of Reorganization* below, our failure to continue to qualify as a RIC could be materially adverse to us and our stockholders.

As of March 31, 2017, we borrowed $35.0 million 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 $35.4 million.

As of December 31, 2016, we borrowed $30.0 million 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 $30.3 million.

Certain Risks and Uncertainties—Market and economic volatility which has become endemic in the past few years has resulted in a relatively limited amount of available debt financing for small and medium-sized companies such as Equus and its portfolio companies. Such debt financing generally has shorter maturities, higher interest rates and fees, and more restrictive terms than debt facilities available in the past. In addition, during these years and continuing into the first three months of 2017, the price of our common stock remained well below our net asset value, thereby making it undesirable to issue additional shares of our common stock below net asset value. Because of these challenges, our near-term strategies shifted from originating debt and equity investments to preserving liquidity necessary to meet our operational needs. Key initiatives that we have previously undertaken to provide necessary liquidity include monetizations, the suspension of dividends and the internalization of management. Most recently, on April 24, 2017, we signed a definitive agreement to acquire USG&E and emerge as an operating company as described in Note 7 – *Plan of Reorganization* below. Although we cannot assure you that such initiatives will be sufficient, we believe we have sufficient liquidity to meet our operating requirements for the remainder of 2017 and the first three months of 2018.

(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—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;

2. With respect to investments with a fair value exceeding $2.5 million that have been held for more than one year, we engage independent valuation firms to assist our investment professionals. These independent valuation firms conduct independent valuations and make their own independent assessments;

3. Our Management produces a report that summarized each of our portfolio investments and recommends a fair value of each such investment as of the date of the report;

4. The Audit Committee of our Board reviews and discusses the preliminary valuation of our portfolio investments as recommended by Management in their report and any reports or recommendations of the independent valuation firms, and then approves and recommends the fair values of our investments so determined to our Board for final approval; and

5. The Board discusses valuations and determines the fair value of each portfolio investment in good faith based on the input of our Management, the respective independent valuation firm, as applicable, and the Audit Committee.

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 twelve month period which would indicate a material effect on the portfolio company (such as results of operations or changes in general market conditions).

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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. 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 assuming a hypothetical current sale of the security to determine if a debt security has been impaired. 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 if less than the cost of the investment.

We 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.

Fair Value Measurement—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 as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy 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.

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.

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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.

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.

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, our valuation process as described above.

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 quarter ended March 31, 2017 and the year ended December 31, 2016.

As of March 31, 2017, investments measured at fair value on a recurring basis are categorized in the tables below based on the lowest level of significant input to the valuations:

		Fair Value Measurements as of March 31, 2017		
(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	$6,463	$—	$—	$6,463
Affiliate investments	16,686	—	—	16,686
Non-affiliate investments - related party	4,279	4,279	—	—
Non-affiliate investments	2,978	—	—	2,978
Total investments	30,406	4,279	—	26,127
Temporary cash investments	34,999	34,999	—	—
Total investments and temporary cash investments	$65,405	$39,278	$—	$26,127

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As of December 31, 2016, 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, 2016		
(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	$6,462	$—	$—	$6,462
Affiliate investments	16,200	—	—	16,200
Non-affiliate investments - related party	4,021	4,021	—	—
Non-affiliate investments	2,978	—	—	2,978
Total investments	29,661	4,021	—	25,640
Temporary cash investments	29,994	29,994	—	—
Total investments and temporary cash investments	$59,655	$34,015	$—	$25,640

The following table provides a reconciliation of fair value changes during the three months ended March 31, 2017 for all investments for which we determine fair value using unobservable (Level 3) factors:

	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, 2016	$6,462	$ 16,200	$ 2,978	$25,640
Change in unrealized appreciation (depreciation)	1	486	—	487
Purchases of portfolio securities	—	—	—	-
Fair value as of March 31, 2017	$6,463	$ 16,686	$ 2,978	$26,127

The following table provides a reconciliation of fair value changes during the three months ended March 31, 2016 for all investments for which we determine fair value using unobservable (Level 3) factors:

(in thousands)	Fair value measurements using significant unobservable inputs (Level 3)			
	Control Investments	Affiliate Investments	Non-affiliate Investments	Total
Fair value as of December 31, 2015	$5,715	$ 9,600	$ 915	$16,230
Change in unrealized appreciation (depreciation)	(1,000)	—	2,000	1,000
Purchases of portfolio securities	—	—	2,025	2,025
Fair value as of March 31, 2016	$4,715	$ 9,600	$ 4,940	$19,255

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.

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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 March 31, 2017:

(in thousands)	Fair Value	Valuation Techniques	Unobservable Inputs	Range Minimum	Range Maximum
Secured and subordinated debt	$2,978	Yield analysis	Discount for lack of marketability	0 %	0 %
Common stock	16,686	Income/Market approach	EBITDA Multiple/Discount for lack of marketability/Control premium	10%	32.5 %
Limited liability company investments	6,463	Asset Approach Discounted cash flow; Guideline transaction method	Recovery rate Reserve adjustment factors	75%	100 %
	$26,127				

Because of the inherent uncertainty of the valuation of portfolio securities which do not have readily ascertainable market values, amounting to $26.1 million and $25.6 million as of March 31, 2017 and December 31, 2016, respectively, our fair value determinations may materially differ from the values that would have been used had a ready market existed for these securities. As of March 31, 2017, one of our portfolio investments, 475,956 common shares of MVC, was publicly listed on the New York Stock Exchange ("NYSE"). As of December 31, 2016, one of our portfolio investments, 468,608 common shares of MVC, was publicly listed on the NYSE.

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*.

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 March 31, 2017, 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 their 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. To the extent we remain BDC and a RIC, 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.

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—So long as we remain a BDC, 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 organized 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 for the year ended December 31, 2016.

Texas margin tax applies to legal entities conducting business in Texas. The margin tax is based on our Texas sourced taxable margin. The tax is calculated by applying a tax rate to a base that considers both revenue and expenses and therefore has the characteristics of an income tax. As a result, we did not owe state income tax for the year ended December 31, 2016.

(4) Related Party Transactions and Agreements

Share Exchange with MVC—On May 14, 2014, we announced that the Fund intended to effect a reorganization pursuant to Section 2(a)(33) of the 1940 Act ("Plan of Reorganization"). As a first step to consummating the Plan or Reorganization, we sold to 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 BDC traded on the NYSE 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. As of March 31, 2017, we valued our 475,956 MVC shares at $4.3 million. As of December 31, 2016, we valued our 468,608 MVC shares at $4.0 million. The value of our MVC shares was based on MVC's closing trading price on the NYSE as of such dates. Due to the ownership relationship between the Company and MVC, the investment and amounts due to and from MVC have been identified and disclosed as "related party(ies)" in our Financial Statements.

Agreement to Acquire USG&E—On April 24, 2017, we entered into a Stock Purchase Agreement and Plan of Merger ("Merger Agreement") with ETR Merger Sub, Inc., a newly-formed wholly-owned subsidiary of Equus, certain shareholders of USG&E, and MVC as a selling shareholder of USG&E and as representative of the selling USG&E shareholders. The transactions embodied in the Merger Agreement constitute a "Consolidation" as defined in our Plan of Reorganization. Our intention of effecting a Consolidation through the Merger Agreement is to transform Equus from an investment company into an operating company focused on the energy sector with USG&E becoming a wholly-owned subsidiary of Equus as a result. MVC, which currently holds 32.9% of our common stock, also holds approximately 76.4% of the capital stock of USG&E. As a result of the Consolidation, MVC will hold approximately 63.7% of our voting stock and will be entitled to appoint or remove our directors, subject to a requirement, in connection with the Merger Agreement, that the four directors nominated for reelection at our 2017 annual meeting of stockholders remain in their positions for a period of ten months following the closing of the first stage of the two-stage transaction that will accomplish the Consolidation with USG&E (see Note 7 – *Plan of Reorganization* below).

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.

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In November 2011, Equus Energy, LLC (“Equus Energy”), 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. Payments to Global Energy totaled $18,750 for each of the three months ended March 31, 2017 and 2016.

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 fixed amount at a rate of $250 per hour for services rendered. During the three months ended March 31, 2017 and 2016, we paid Kenneth I. Denos, P.C., a professional corporation owned by Kenneth I. Denos, a director of the Fund, $165,750 and $104,813 respectively, for services provided to the Fund.

(5) Dividends

We will pay out net investment income and/or realized capital gains, if any, on an annual basis as required under the 1940 Act.

(6) Portfolio Securities

During the three months ended March 31, 2017, we received dividends in the form of additional shares of $0.1 million relating to our shareholding in MVC.

During the three months ended March 31, 2017, we recorded a net change in unrealized appreciation of $0.7 million, to a net unrealized appreciation of $11.0 million. Such change in unrealized appreciation resulted primarily from the following changes:

(i) Increase in the fair value of our shareholding in MVC of $0.2 million due to the receipt of a dividend payment in the form of additional shares of MVC;

(ii) Increase in fair value of our shareholding in PalletOne, Inc. of $0.5 million due to an overall improvement in comparable industry sectors, as well as continued revenue and earnings growth;

On January 29, 2016, we invested $2.0 million in Biogenic Reagents, LLC (“Biogenic”) in the form of a senior secured promissory note maturing May 31, 2016 and bearing cash and PIK interest at the combined rate of 16% per annum.

Biogenic is a developer and producer of high value carbon products from renewable biomass, headquartered in Minneapolis. The company has developed and commercialized a low-cost platform technology to make carbon products such as activated carbon for use in purification of air, water, food and pharmaceuticals and agricultural carbon to improve crop production.

On March 2, 2016, we extended the maturity of the 5th Element Tracking, LLC promissory note to July, 2016 and received fees in the form of a PIK and cash totaling $0.05 million.

During the three months ended March 31, 2016, we received dividends in the form of additional shares of $0.1 million relating to our shareholding in MVC.

During the three months ended March 31, 2016, we recorded a net change in unrealized appreciation of $1.0 million, to a net unrealized appreciation of $3.3 million. Such change in unrealized appreciation resulted primarily from the following changes:

(i) Increase in the fair value of our shareholding in MVC of $0.1 million due to the receipt of a dividend payment in the form of additional shares of MVC;

(ii) Increase in fair value of our shareholding in PalletOne, Inc. of $2.0 million due to an overall improvement in comparable industry sectors, as well as continued revenue and earnings growth;

(iii) Decrease in the fair value of our holdings in Equus Energy, LLC of $1.0 million, principally due to a combination of lower production without a corresponding increase in proved reserves and continued lower short- and long-term prices for crude oil and natural gas.

(7) Plan of Reorganization

Share Exchange with MVC—On May 14, 2014, we announced that the Fund intended to effect a Plan of Reorganization. As a first step to consummating the Plan of Reorganization, we executed a Share Exchange with MVC, wherein we sold to MVC 2,112,000 newly-issued shares of our common stock in exchange for 395,839 newly-issued shares of MVC. We also announced that, pursuant to the Plan of Reorganization, our intention was for Equus to pursue a Consolidation with MVC or one of its portfolio companies.

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Authorization to Withdraw BDC Election—As a consequence of our Plan of Reorganization, on January 6, 2017, holders of a majority of the outstanding common stock of the Fund approved our cessation as a BDC under the 1940 Act and authorized our Board of Directors (sometimes referred to hereinafter as the "Board") to cause the Fund's withdrawal of its election to be classified as a BDC, each effective as of a date designated by the Board and our Chief Executive Officer, but in no event later than July 31, 2017. Notwithstanding this authorization to withdraw our BDC election, we will not submit any such withdrawal unless and until we are reasonably confident that such Consolidation will be completed.

Agreement to Acquire USG&E—On April 24, 2017, as the final step in the Plan of Reorganization and our intention to effect a Consolidation thereunder, we entered into the Merger Agreement with ETR Merger Sub, Inc., a newly-formed wholly-owned subsidiary of Equus ("Merger Sub"), certain shareholders of USG&E, and MVC as a selling shareholder of USG&E and as representative of the selling USG&E shareholders. A portfolio investment of MVC since 2007, USG&E is a retail energy company with over 160 employees that sells electricity and natural gas in deregulated utility markets to residential and commercial customers. As of January 31, 2017, USG&E had over 375,000 residential customer equivalents in 62 utility markets across the District of Columbia and 11 states. The Consolidation, if effected, will result in USG&E becoming a wholly-owned subsidiary of Equus, and the operations of USG&E becoming the predominant operations of the consolidated companies.

The Merger Agreement provides for a two-stage transaction to accomplish the Consolidation:

- The first stage of the Consolidation (referred to in the Merger Agreement as the "Acquisition") involves the acquisition by Equus, from certain USG&E shareholders, inclusive of MVC, of 90.3% of the common and preferred stock of USG&E. Upon completion of the Acquisition, Equus will change its corporate name from Equus Total Return, Inc. to "USG&E, Inc."

- The second stage of the Consolidation (referred to in the Merger Agreement as the "Merger") consists of a short-form merger of Merger Sub and USG&E, whereupon Merger Sub will merge with and into USG&E and the remaining shareholders of USG&E will have the right to receive a pro-rata amount of the common and preferred shares of Equus described below. USG&E will survive the merger as a wholly-owned subsidiary of the Company and the separate corporate existence of Merger Sub will cease.

The aggregate consideration to be tendered by the Company to the stockholders of USG&E as part of the Consolidation consists of 32,606,539 shares of newly-issued common stock of the Company and $40 million of newly-issued 7.5% Series A Convertible Preferred Stock of the Company. The closing of the Acquisition is subject to a number of conditions, including compliance with applicable waiting periods under federal antitrust and energy regulations, as well as theExchange Act. The closing of the Acquisition is also subject to SEC clearance of an Information Statement filed by Equus with respect to the Consolidation and various actions undertaken by the Board and Equus shareholders in connection therewith. Additional information concerning the proposed Consolidation and a more thorough description thereof can be obtained from our filings with the SEC via the SEC's website at *www.sec.gov* or on the Company's website at *www.equuscap.com*.

(8) 2016 Equity Incentive Plan

On June 13, 2016, our shareholders approved the adoption of our 2016 Equity Incentive Plan ("Incentive Plan"). On January 10, 2017, the SEC issued an order approving the Incentive Plan and certain awards intended to be made thereunder. The Incentive Plan is intended to promote the interests of the Fund by encouraging officers, employees, and directors of the Fund and its affiliates to acquire or increase their equity interest in the Fund and to provide a means whereby they may develop a proprietary interest in the development and financial success of the Fund, to encourage them to remain with and devote their best efforts to the business of the Fund, thereby advancing the interests of the Fund and its stockholders. The Incentive Plan is also intended to enhance the ability of the Fund and its affiliates to attract and retain the services of individuals who are essential for the growth and profitability of the Fund. The Incentive Plan permits the award of restricted stock as well as common stock purchase options. The maximum number of shares of common stock that are subject to awards granted under the Incentive Plan is 2,434,728 shares. The term of the Incentive Plan will expire on June 13, 2026. On March 17, 2017, we granted awards of restricted stock under the Plan to certain of our directors and executive officers in the aggregate amount of 844,500 shares. The awards are each subject to a vesting requirement over a 3-year period unless the recipient thereof is terminated or removed from their position as a director or executive officer without "cause", or as a result of constructive termination, as such terms are defined in the respective award agreements entered into by each of the recipients and the Fund. We account for share-based compensation using the fair value method, as prescribed by ASC 718, Compensation—Stock Compensation. Accordingly, for restricted stock awards, we measure the grant date fair value based upon the market price of our common stock on the date of the grant and amortize the fair value of the awards as share-based compensation expense over the requisite service period, which is generally the vesting term. For the three months ended March 31, 2017, we recorded compensation expense of $0.5 million in connection with these awards.

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(9) 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, which presently comprise 110 producing and non-producing oil and gas wells. The working interests include associated development rights of approximately 20,900 acres situated on 12 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 (approximately 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 the three months ended March 31, 2017, Equus Energy's revenue, operating revenue less direct operating expenses, and net loss were $0.2 million, $0.1 million, and ($0.1) million, respectively, as compared to revenue, operating revenue less direct operating expenses, and net loss were $0.1 million, ($0.2) million, and ($0.4) million, respectively, for the three months ended March 31, 2016.

Capital Expenditures. There were no capital expenditures for the three months ended March 31, 2017. During the three months ended March 31, 2016, Equus Energy invested $0.003 million in capital expenditures for small repairs and improvements. The operators of the various working interest communicated their intent to wait until later in 2017, commensurate with an anticipated gradual rise in the price of crude oil, to commence new drilling and recompletion projects.

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 balance sheets. 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 determined by our Management (See *Schedule of Investments*).

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Below is summarized consolidated financial information for Equus Energy as of March 31, 2017 and December 31, 2016 and for the three months ended March 31, 2017 and 2016, respectively:

EQUUS ENERGY, LLC

Unaudited Condensed Consolidated Balance Sheets

(in thousands)	March 31, **2017**	December 31, **2016**
Assets		
Current assets:		
Cash and cash equivalents	$235	$291
Accounts receivable	104	91
Other current assets	42	32
Total current assets	381	414
Oil and gas properties	8,055	8,055
Less: accumulated depletion, depreciation and amortization	(7,241)	(7,145)
Net oil and gas properties	814	910
Total assets	$1,195	$1,324
Liabilities and member's equity		
Current liabilities:		
Accounts payable and other	$35	$75
Due to affiliate	611	611
Total current liabilities	646	686
Asset retirement obligations	185	184
Total liabilities	831	870
Total member's equity	364	454
Total liabilities and member's equity	$1,195	$1,324

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 operations 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 operations 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.

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EQUUS ENERGY, LLC

Unaudited Condensed Consolidated Statements of Operations

(in thousands)	Three months ended March 31 2017	2016
Operating revenue	$247	$58
Operating expenses		
Direct operating expenses	147	262
General and administrative	93	169
Depletion, depreciation, amortization and accretion	97	63
Total operating expenses	337	494
Operating loss before income tax expense	(90)	(436)
Net loss	$(90)	$(436)

EQUUS ENERGY, LLC

Unaudited Condensed Consolidated Statements of Cash Flows

(in thousands)	Three months ended March 31, 2017	2016
Cash flows from operating activities:		
Net loss	$(90)	$(436)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depletion, depreciation and amortization	97	63
Changes in operating assets and liabilities:		
Accounts receivable	(13)	80
Prepaid expenses and other current assets	(10)	—
Accounts payable and other	(40)	(43)
Net cash used in operating activities	(56)	(336)
Cash flows from investing activities:		
Investment in oil & gas properties	—	(3)
Net cash used in investing activities	—	(3)
Net decrease in cash	(56)	(339)
Cash and cash equivalents at beginning of period	291	517

Cash and cash equivalents at end of period	$235	$178

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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, amortization and accretion expense for the Company's oil and gas properties totaled $0.1 million and $0.06 million for the three months ended March 31, 2017 and March 31, 2016, 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 March 31, 2017, 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 during the three months ended March 31, 2017 and March 31, 2016, respectively.

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 is 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.

<u>Accounting Policy on DD&A</u>—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.

<u>Income Taxes</u>—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 March 31, 2017 and March 31, 2016, the Company recorded $0 in federal income taxes.

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.

(10) <u>Recent Accounting Pronouncements</u>

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. Among other things, this ASU requires that pubic business entities use the exit price notion when measuring the fair value of financial instruments for disclosure purposes. ASU 2016-01 is effective for public entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Our adoption of ASU 2016-01 is not anticipated to have a material effect on our financial statements.

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In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires lessees to recognize on the balance sheet a right of use asset, representing its right to use the underlying asset for the lease term, and a lease liability for all leases with terms greater than 12 months. The guidance also requires qualitative and quantitative disclosures designed to assess the amount, timing, and uncertainty of cash flows arising from leases. The standard requires the use of a modified retrospective transition approach, which includes a number of optional practical expedients that entities may elect to apply. The new guidance is effective for annual periods beginning after December 15, 2018, and interim periods therein. Early application is permitted. The adoption of ASU 2016-02 will not have an impact on our financial statements as we currently have no operating leases and our principal offices are under a month-to-month lease arrangement.

In March 2016, the FASB issued ASU 2016-09, *Compensation-Stock Compensation (Topic 718) —Improvements to Employee Share-Based Payment Accounting*, which is intended to improve the accounting for share-based payments and affects all organizations that issue share-based payment awards to their employees. ASU 2016-09 primarily simplifies the accounting for and classification of, income taxes related to share-based payment awards, including the impact of income taxes withheld on the classification of awards as equity or liabilities and the classification of income taxes on the statement of cash flows. ASU 2016-09 also permits an entity to elect a forfeiture rate assumption based on the estimated number of awards expected to vest or to account for forfeitures when they occur. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. We have adopted ASU 2016-09 as of January 1, 2017. The provisions of ASU 2019-06 should be adopted on a modified retrospective, retrospective or prospective basis, depending on the provision. We recently adopted an incentive plan for management and issued awards during the quarter ended March 31, 2017. Our adoption of ASU 2016-09 did not have a material effect on our financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326) —Measurement of Credit Losses on Financial Instruments*, which amends the financial instruments impairment guidance so that an entity is required to measure expected credit losses for financial assets based on historical experience, current conditions and reasonable and supportable forecasts. As such, an entity will use forward-looking information to estimate credit losses. ASU 2016-13 also amends the guidance in FASB ASC Subtopic 325-40, Investments-Other, Beneficial Interests in Securitized Financial Assets, related to the subsequent measurement of accretable yield recognized as interest income over the life of a beneficial interest in securitized financial assets under the effective yield method. ASU 2016-13 is effective for public business entities that meet the U.S. GAAP definition of an SEC filer, for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted as of the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. We are currently evaluating the impact of ASU 2016-13 on our financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)*, which addresses the diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows under ASC 230, Statement of Cash Flows, and other topics. ASU 2016-15 provides guidance on eight specific cash flow issues including the statement of cash flows treatment of beneficial interests in securitized financial transactions as well as the treatment of debt prepayment and extinguishment costs. ASU 2016-15 also provides guidance on the predominance principle to clarify when cash receipts and cash payments should be separated into more than one class of cash flows. ASU 2016-15 is effective for public business entities for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. We are currently evaluating the impact of ASU 2016-15 on our statements of cash flows.

(11) <u>Subsequent Events</u>

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

On April 3, 2017, we sold U.S. Treasury Bills for $35.0 million and repaid our margin loan.

On April 24, 2017, we entered into the Merger Agreement (see Note 7 – *Plan of Reorganization*).

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

Equus Total Return, Inc. (*"we," "us," "our," "Equus," and the "Fund"*), a Delaware corporation, was formed on August 16, 1991. Our shares trade on the New York Stock Exchange under the symbol 'EQS'. Our investment strategy seeks to provide the highest total return, consisting of capital appreciation and current income.

The information contained in this section should be read in conjunction with our financial statements and notes thereto appearing elsewhere in this Quarterly Report and in conjunction with the financial statements and notes thereto in the Fund's Form 10-K for the year ended December 31, 2016, as filed with the SEC. In addition, some of the statements in this report constitute forward-looking statements. The matters discussed in this Quarterly Report, as well as in future oral and written statements by management of Equus, that are forward-looking statements are based on current management expectations that involve substantial risks and uncertainties which could cause actual results to differ materially from the results expressed in, or implied by, these forward-looking statements. Forward-looking statements relate to future events or our future financial performance. We generally identify forward-looking statements by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "believ "predicts," "potential" or "continue" or the negative of these terms or other similar words. Important assumptions include our ability to originate new investments, achieve certain margins and levels of profitability, and the availability of additional capital. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Quarterly Report should not be regarded as a representation by us that our plans or objectives will be achieved. The forward-looking statements contained in this Quarterly Report include statements as to:

- our future operating results;
- our business prospects and the prospects of our existing and prospective portfolio companies;
- the return or impact of current and future investments;
- our contractual arrangements and other relationships with third parties;
- the dependence of our future success on the general economy and its impact on the industries in which we invest;
- the financial condition and ability of our existing and prospective portfolio companies to achieve their objectives;
- our expected financings and investments;
- our regulatory structure and tax treatment;
- our ability to qualify and operate as a BDC and a RIC, including the impact of changes in laws or regulations governing our operations, or the operations of our portfolio companies;
- the adequacy of our cash resources and working capital;
- the timing of cash flows, if any, from the operations of our portfolio companies;
- the impact of fluctuations in interest rates on our business;
- the valuation of our investments in portfolio companies, particularly those having no liquid trading market;
- our ability to recover unrealized losses; and
- market conditions and our ability to access additional capital, if deemed necessary.

There are a number of important risks and uncertainties that could cause our actual results to differ materially from those indicated by such forward-looking statements. For a discussion of factors that could cause our actual results to differ from forward-looking statements contained in this Quarterly Report, please see the discussion in Part II, "Item 1A. Risk Factors", and in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016. You should not place undue reliance on these forward-looking statements. The forward-looking statements made in this Quarterly Report relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statement to reflect events or circumstances occurring after the date this Quarterly Report is filed with the SEC.

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 (and 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 is prudent to continue to review alternatives to refine and further clarify the current strategies.

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We elected to be treated as a BDC under the 1940 Act. We currently qualify as a 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 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 investments. We reflect any such income tax expense on our Statements of Operations.

Plan of Reorganization

Share Exchange with MVC—On May 14, 2014, we announced that the Fund intended to effect a Plan of Reorganization. As a first step to consummating the Plan of Reorganization, we executed a Share Exchange with MVC, wherein we sold to MVC 2,112,000 newly-issued shares of our common stock in exchange for 395,839 newly-issued shares of MVC. We also announced that, pursuant to the Plan of Reorganization, our intention was for Equus to pursue a Consolidation with MVC or one of its portfolio companies.

Authorization to Withdraw BDC Election—As a consequence of our Plan of Reorganization, on January 6, 2017, holders of a majority of the outstanding common stock of the Fund approved our cessation as a BDC under the 1940 Act and authorized our Board of Directors (sometimes referred to hereinafter as the "Board") to cause the Fund's withdrawal of its election to be classified as a BDC, each effective as of a date designated by the Board and our Chief Executive Officer, but in no event later than July 31, 2017. Notwithstanding this authorization to withdraw our BDC election, we will not submit any such withdrawal unless and until we are reasonably confident that such Consolidation will be completed.

Agreement to Acquire USG&E—On April 24, 2017, as the final step in the Plan of Reorganization and our intention to effect a Consolidation thereunder, we entered into the Merger Agreement with ETR Merger Sub, Inc., a newly-formed wholly-owned subsidiary of Equus ("Merger Sub"), certain shareholders of USG&E, and MVC as a selling shareholder of USG&E and as representative of the selling USG&E shareholders. A portfolio investment of MVC since 2007, USG&E is a retail energy company with over 160 employees that sells electricity and natural gas in deregulated utility markets to residential and commercial customers. As of January 31, 2017, USG&E had over 375,000 residential customer equivalents in 62 utility markets across the District of Columbia and 11 states. The Consolidation, if effected, will result in USG&E becoming a wholly-owned subsidiary of Equus, and the operations of USG&E

becoming the predominant operations of the consolidated companies.

The Merger Agreement provides for a two-stage transaction to accomplish the Consolidation:

- The first stage of the Consolidation (referred to in the Merger Agreement as the "Acquisition") involves the acquisition by Equus, from certain USG&E shareholders, inclusive of MVC, of 90.3% of the common and preferred stock of USG&E. Upon completion of the Acquisition, Equus will change its corporate name from Equus Total Return, Inc. to "USG&E, Inc."

- The second stage of the Consolidation (referred to in the Merger Agreement as the "Merger") consists of a short-form merger of Merger Sub and USG&E, whereupon Merger Sub will merge with and into USG&E and the remaining shareholders of USG&E will have the right to receive a pro-rata amount of the common and preferred shares of Equus described below. USG&E will survive the merger as a wholly-owned subsidiary of the Company and the separate corporate existence of Merger Sub will cease.

The aggregate consideration to be tendered by the Company to the stockholders of USG&E as part of the Consolidation consists of 32,606,539 shares of newly-issued common stock of the Company and $40 million of newly-issued 7.5% Series A Convertible Preferred Stock of the Company. The closing of the Acquisition is subject to a number of conditions, including compliance with applicable waiting periods under federal antitrust and energy regulations, as well as the Exchange Act. The closing of the Acquisition is also subject to SEC clearance of an Information Statement filed by Equus with respect to the Consolidation and various actions undertaken by the Board and Equus shareholders in connection therewith. Additional information concerning the proposed Consolidation and a more thorough description thereof can be obtained from our filings with the SEC via the SEC's website at *www.sec.gov* or on the Company's website at *www.equuscap.com*.

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2016 Equity Incentive Plan

On June 13, 2016, our shareholders approved the adoption of our 2016 Equity Incentive Plan ("Incentive Plan"). On January 10, 2017, the SEC issued an order approving the Incentive Plan and certain awards intended to be made thereunder. The Incentive Plan is intended to promote the interests of the Fund by encouraging officers, employees, and directors of the Fund and its affiliates to acquire or increase their equity interest in the Fund and to provide a means whereby they may develop a proprietary interest in the development and financial success of the Fund, to encourage them to remain with and devote their best efforts to the business of the Fund, thereby advancing the interests of the Fund and its stockholders. The Incentive Plan is also intended to enhance the ability of the Fund and its affiliates to attract and retain the services of individuals who are essential for the growth and profitability of the Fund. The Incentive Plan permits the award of restricted stock as well as common stock purchase options. The maximum number of shares of common stock that are subject to awards granted under the Incentive Plan is 2,434,728 shares. The term of the Incentive Plan will expire on June 13, 2026. On March 17, 2017, we granted awards of restricted stock under the Plan to certain of our directors and executive officers in the aggregate amount of 844,500 shares. The awards are each subject to a vesting requirement over a 3-year period unless the recipient thereof is terminated or removed from their position as a director or executive officer without "cause", or as a result of constructive termination, as such terms are defined in the respective award agreements entered into by each of the recipients and the Fund. For the three months ended March 31, 2017, we recorded compensation expense of $0.5 million in connection with these awards.

Critical Accounting Policies

See the Fund's Critical Accounting Policies from the disclosure set forth in the Annual Report on Form 10-K for the year ended December 31, 2016.

Recent Accounting Pronouncements

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. Among other things, this ASU requires that pubic business entities use the exit price notion when measuring the fair value of financial instruments for disclosure purposes. ASU 2016-01 is effective for public entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Our adoption of ASU 2016-01 is not anticipated to have a material effect on our financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires lessees to recognize on the balance sheet a right of use asset, representing its right to use the underlying asset for the lease term, and a lease liability for all leases with terms greater than 12 months. The guidance also requires qualitative and quantitative disclosures designed to assess the amount, timing, and uncertainty of cash flows arising from leases. The standard requires the use of a modified retrospective transition approach, which includes a number of optional practical expedients that entities may elect to apply. The new guidance is effective for annual periods beginning after December 15, 2018, and interim periods therein. Early application is permitted. The adoption of ASU 2016-02 will not have an impact on our financial statements as we currently have no operating leases and our principal offices are under a month-to-month lease arrangement.

In March 2016, the FASB issued ASU 2016-09, *Compensation-Stock Compensation (Topic 718) —Improvements to Employee Share-Based Payment Accounting*, which is intended to improve the accounting for share-based payments and affects all organizations that issue share-based payment awards to their employees. ASU 2016-09 primarily simplifies the accounting for and classification of, income taxes related to share-based payment awards, including the impact of income taxes withheld on the classification of awards as equity or liabilities and the classification of income taxes on the statement of cash flows. ASU 2016-09 also permits an entity to elect a forfeiture rate assumption based on the estimated number of awards expected to vest or to account for forfeitures when they occur. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. We have adopted ASU 2016-09 as of January 1, 2017. The provisions of ASU 2019-06 should be adopted on a modified retrospective, retrospective or prospective basis, depending on the provision. We recently adopted an incentive plan for management and issued awards during the quarter ended March 31, 2017. Our adoption of ASU 2016-09 did not have a material effect on our financial statements.

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In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326) —Measurement of Credit Losses on Financial Instruments*, which amends the financial instruments impairment guidance so that an entity is required to measure expected credit losses for financial assets based on historical experience, current conditions and reasonable and supportable forecasts. As such, an entity will use forward-looking information to estimate credit losses. ASU 2016-13 also amends the guidance in FASB ASC Subtopic 325-40, Investments-Other, Beneficial Interests in Securitized Financial Assets, related to the subsequent measurement of accretable yield recognized as interest income over the life of a beneficial interest in securitized financial assets under the effective yield method. ASU 2016-13 is effective for public business entities that meet the U.S. GAAP definition of an SEC filer, for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted as of the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. We are currently evaluating the impact of ASU 2016-13 on our financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)*, which addresses the diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows under ASC 230, Statement of Cash Flows, and other topics. ASU 2016-15 provides guidance on eight specific cash flow issues including the statement of cash flows treatment of beneficial interests in securitized financial transactions as well as the treatment of debt prepayment and extinguishment costs. ASU 2016-15 also provides guidance on the predominance principle to clarify when cash receipts and cash payments should be separated into more than one class of cash flows. ASU 2016-15 is effective for public business entities for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. We are currently evaluating the impact of ASU 2016-15 on our statements of cash flows.

Current Market Conditions

Despite relatively low unemployment rates, the U.S. economy expanded at an annualized rate of 0.7% during the first quarter of 2017, following an annualized increase of 1.2% during the fourth quarter of 2016. The decreased growth during the first quarter, the slowest since the first quarter of 2014, was principally attributed to a mild winter resulting in weak consumer spending during the quarter but is expected to be temporary, given a labor market near full employment and strong U.S. consumer confidence. Business investment increased 9.1% during the quarter, principally due to rising oil and gas drilling activity due to modest price recoveries in WTI and Brent crude benchmarks. In a survey of 60 economists, the *Wall Street Journal* has predicted GDP growth of 2.8% for the second quarter of 2017 as compared to a projected increase of 2.3% for the same period by the Conference Board Leading Economic Index. The International Monetary Fund projects an annual increase of 2.3% of US GDP for all of 2017. (Sources: *CNBC, BDO USA, LLP, Wall Street Journal, Conference Board Leading Economic Index, International Monetary Fund*)

Market conditions for business transactions during 2016, including mergers and acquisitions and private equity investments, improved to their highest level ($4.3 trillion) 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. Nevertheless, mergers and acquisition activity was markedly slower in the first quarter of 2017 ($53 billion) as compared to the fourth quarter of 2016 ($89 billion), as the number of deals decreased while the size of such deals increased. Private equity funds increased their assets under management during 2016 to a projected $862 billion, a 14% increase from 2015 and a level not seen since 2008, as private equity firms as a group enjoyed more success during the year in attracting investment capital. First quarter 2017 results are not yet available. (Sources: *Forbes, Financial News,* and *Beneshlaw Private Equity Summary Report-February 2017*).

During the three months ended March 31, 2017, our net asset value decreased from $3.37 per share to $3.06 per share, a decrease of 9.2%. As of March 31, 2017, our common stock is trading at a 18.6% discount to our net asset value as compared to 40.4% as of December 31, 2016.

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 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, to the extent we remain a BDC, 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.

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

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

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

We are evaluating the impact of current market conditions on our portfolio company valuations and their ability to provide current income. We have followed valuation techniques in a consistent manner; however, we are cognizant of current market conditions that might affect future valuations of portfolio securities. In view of our present status as a BDC and our anticipated transformation into an operating company focused on the retail energy services industry as a result of the Consolidation with USG&E, 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.

Results of Operations

Investment Income and Expense

Net investment loss increased to $2.5 million from $0.7 million for the three months ended March 31, 2017 and 2016, respectively. The increase in net investment loss generated at March 31, 2017 compared to March 31, 2016 is due primarily to transaction costs related to the Plan of Reorganization of $1.3 million and charges related to awards made pursuant to the Fund's 2016 Equity Incentive Plan of $0.5 million.

Investment income was $0.2 million for the three months ended March 31, 2017 and $0.1 million for the three months ended March 31, 2016. The increase in investment income was primarily due to the increase in income from the MVC share dividend received during the three months ended March 31, 2017.

Excluding transaction costs of $1.3 million and equity incentive plan costs of $0.5 million, total expenses for the three months ended March 31, 2017 as compared to March 31, 2016 were unchanged at $0.9 million.

Realized Gains and Losses on Sales of Portfolio Securities

During the three months ended March 31, 2017, we realized a loss of $3.0 thousand from the sale of temporary cash investments.

During the three months ended March 31, 2016, we realized a loss of $2.0 thousand from the sale of temporary cash investments.

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Changes in Unrealized Appreciation/Depreciation of Portfolio Securities

During the three months ended March 31, 2017, we recorded a net change in unrealized appreciation of $0.7 million, to a net unrealized appreciation of $11.0 million. Such change in unrealized appreciation resulted primarily from the following changes:

(i) Increase in the fair value of our shareholding in MVC of $0.2 million due to the receipt of a dividend payment in the form of additional shares of MVC;

(ii) Increase in fair value of our shareholding in PalletOne, Inc. of $0.5 million due to an overall improvement in comparable industry sectors, as well as continued revenue and earnings growth;

During the three months ended March 31, 2016, we recorded a net change in unrealized appreciation of $1.0 million, to a net unrealized appreciation of $3.3 million. Such change in unrealized appreciation resulted primarily from the following changes:

(i) Increase in the fair value of our shareholding in MVC of $0.1 million due to the receipt of a dividend payment in the form of additional shares of MVC;

(ii) Increase in fair value of our shareholding in PalletOne, Inc. of $2.0 million due to an overall improvement in comparable industry sectors, as well as continued revenue and earnings growth;

(iii) Decrease in the fair value of our holdings in Equus Energy, LLC of $1.0 million, principally due to a combination of lower production without a corresponding increase in proved reserves and continued lower short- and long-term prices for crude oil and natural gas.

Dividends

We will pay out net investment income and/or realized capital gains, if any, on an annual basis as required under the Investment Company Act of 1940.

Portfolio Securities

During the three months ended March 31, 2017, we received dividends in the form of additional shares of $0.1 million relating to our shareholding in MVC.

On March 2, 2016, we extended the maturity of the 5th Element Tracking, LLC promissory note to July 2016 and received fees in the form of a PIK and cash totaling $0.05 million.

During the three months ended March 31, 2016, we received dividends in the form of additional shares of $0.1 million relating to our shareholding in MVC.

Subsequent Events

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

On April 3, 2017, we sold U.S. Treasury Bills for $35.0 million and repaid our margin loan.

On April 24, 2017, we entered into the Merger Agreement (see *Plan of Reorganization* above).

Item 3. Quantitative and Qualitative Disclosure 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, 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.

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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 could also consist of common stock 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 1940 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 “Shipping products and services” includes one portfolio company, PalletOne, Inc., and was 40.3% of the net asset value and 50.9% of our investments in portfolio company securities (at fair value) as of March 31, 2017. 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 4. Controls and Procedures

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

The Fund’s management, with the participation of the Fund’s Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the design and operations of the Fund’s “disclosure controls and procedures” (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of March 31, 2017. Based on their evaluation, the Fund’s Chief Executive Officer and Chief Financial Officer concluded that the Fund’s disclosure controls and procedures were effective at a reasonable assurance level. There has been no change in the Fund’s internal control over financial reporting during the quarter ended March 31, 2017, that has materially affected, or is reasonably likely to materially affect, the Fund’s internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

Shareholder Complaint—On November 16, 2016, Samuel Zalmanoff filed a lawsuit against the Fund and members of the Board of Directors in the Court of Chancery in the State of Delaware. The lawsuit was filed in connection with the Fund's 2016 Equity Incentive Plan ("Incentive Plan") which was adopted by the Board of Directors on April 15, 2016, approved by the Equus shareholders on June 13, 2016, and approved, with certain standard exceptions, by the Securities and Exchange Commission on January 10, 2017. Mr. Zalmanoff's complaint, which purports to be on behalf of all non-affiliate Equus shareholders entitled to vote for the Incentive Plan, alleges a breach by the Board of Directors of its fiduciary duties of disclosure in connection with the Incentive Plan, and seeks an order from the court: (i) enjoining implementation of the Incentive Plan, (ii) requiring the Fund to revise its disclosures relating to the Incentive Plan, and (iii) for an award of costs, attorneys' fees, and expenses. We believe this lawsuit is without merit and intend to vigorously dispute the claims made therein. Accordingly, on January 9, 2017, we filed a Motion to Dismiss the complaint, which was followed on January 27, 2017 with a supporting brief and other corroborative items. Mr. Zalmanoff filed a response to this motion on March 13, 2017, and we filed a Reply Brief to this response on April 14, 2017. Oral argument with respect to our Motion to Dismiss is scheduled for July 24, 2017.

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.

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Item 1A. Risk Factors

In connection with our agreement to effect a Consolidation with USG&E, we have identified a number of risks associated with the transactions undertaken in connection therewith, as well as with the underlying business of USG&E. These risks are set forth in the Fund's Information Statement on Schedule 14C, which was filed in its preliminary form on May 4, 2017 and is hereby incorporated by reference. These risks should be considered in addition to various risk factors identified by us in our Annual Report on Form 10-K for the year ended December 31, 2016.

Readers should carefully consider these risks and all other information contained in the annual report on Form 10-K, including the Fund's financial statements and the related notes thereto. The risks and uncertainties described below are not the only ones facing the Fund.

Additional risks and uncertainties not presently known to the Fund, or not presently deemed material by the Fund, may also impair its operations and performance.

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Item 6. Exhibits

3. Articles of Incorporation and by-laws
   - (a) Restated Certificate of Incorporation of the Fund, as amended. [Incorporated by reference to Exhibit 3(a) to Registrant's Annual Report on Form 10-K for the year ended December 31, 2007]
   - (b) Certificate of Merger dated June 30, 1993, between the Fund and Equus Investments Incorporated [Incorporated by reference to Exhibit 3(c) to Registrant's Annual Report on Form 10-K for the year ended December 31, 2007]
   - (c) Amended and Restated Bylaws of the Fund. [Incorporated by reference to Exhibit 3(b) to Registrant's Current Report on Form 8-K filed on June 30, 2014.]

10. Material Contracts.
   - (a) Safekeeping Agreement between the Fund and Amegy Bank dated August 16, 2008. [Incorporated by reference to Exhibit 10(c) to Registrant's Annual Report on Form 10-K for the year ended December 31, 2008.]
   - (b) Form of Indemnification Agreement between the Fund and its directors and certain officers. [Incorporated by reference to Exhibit 10(d) to Registrant's Annual Report on Form 10-K for the year ended December 31, 2011.]
   - (c) 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.]
   - (d) 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.]
   - (e) Share Exchange Agreement between the Fund and MVC Capital, Inc., dated May

14, 2014. [Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K, filed on May 15, 2014.]

(f) 2016 Equity Incentive Plan, adopted June 13, 2016 [Incorporated by reference to Exhibit 1 to Registrant's Definitive Proxy Statement filed on May 5, 2016.]

(g) Stock Purchase Agreement and Plan of Merger, dated April 24, 2017, among Equus Total Return, Inc., ETR Merger Sub, Inc., and certain shareholders of U.S. Gas & Electric, Inc. [Incorporated by reference to Exhibit 2.1 to Current Report on Form 8-K, filed on April 25, 2017.]

31. Rule 13a-14(a)/15d-14(a) Certifications
    1. Certification by Chief Executive Officer
    2. Certification by Chief Financial Officer
32. Section 1350 Certifications
    1. Certification by Chief Executive Officer
    2. Certification by Chief Financial Officer

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SIGNATURE

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

Date: May 15, 2017

EQUUS TOTAL RETURN, INC.

/s/ John A. Hardy
John A. Hardy
Chief Executive Officer

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