EQUUS TOTAL RETURN, INC.
Form 8-K
March 25, 2009

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): March 24, 2009

Equus Total Return, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation)

0-19509	**76-0345915**
(Commission File Number)	**(I.R.S. Employer Identification No.)**

2727 Allen Parkway, 13th Floor, Houston, Texas 77019

(Address of principal executive offices, zip code)

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

N/A

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

¨ Written communication pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communication pursuant to Rule 14d-2(b) under the Exchange act (17 CFR 240.14d-2(b))

¨ Pre-commencement communication pursuant to Rule 13e-4(c) under the Exchange act (17 CFR 240.13e-4(c))

Item 8.01. Other Events.

On March 24, 2009, Equus Total Return, Inc. (the Fund) issued a press release announcing the suspension of its managed distribution policy and payment of quarterly distributions for an indefinite period. The text of the press release is included as Exhibit 99.1 to this Current Report and is incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

99.1 Press Release, dated March 24, 2009.

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 hereunto duly authorized.

EQUUS TOTAL RETURN, INC.

Dated: March 25, 2009

By: /s/ L Sheryl D. Hudson
L Sheryl D. Hudson

Vice President and Chief Financial Officer

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D> 87,441 87,441 164,101 382,703

Office lease [3]
649 1,390 1,670 3,897 7,606
Total
$348,465 $659,169 $206,391 $909,966 $2,123,991

[1] *The balance of the contract price in US dollars for the 34 newbuilding vessels which are to be constructed and delivered between October 2008 and April 2012.*

[2] *The Company is a party to floating-to-fixed interest rate swaps covering an aggregate notional amount of $741,911,599 as of September 30, 2008, that effectively convert the Company s*

interest rate exposure from floating rates based on LIBOR to a fixed rates ranging from 3.58% to 5.24%, plus applicable margins. Interest and borrowing fees includes capitalized interest for the newbuilding vessels.

(3) *Remainder of the lease on the office space which we occupy.*

Capital Expenditures

Our capital expenditures relate to the purchase of vessels and capital improvements to our vessels which are expected to enhance the revenue earning capabilities and safety of these vessels.

We make capital expenditures from time to time in connection with our vessel acquisitions. As of September 30, 2008, our fleet consists of 21 vessels which are currently operational. We also have a Supramax newbuilding program for the construction of 34 newbuilding vessels which will be delivered to us between 2008 and 2012.

In addition to acquisitions that we may undertake in future periods, the Company s other major capital expenditures include funding the Company s maintenance program of regularly scheduled drydocking necessary to preserve the quality of our vessels as well as to comply with international shipping standards and environmental laws and regulations. Although the Company has some flexibility regarding the timing of its drydocking, the costs are relatively predictable, even though the trend of these costs have been higher due to higher cost of steel, paints and other input variables. In addition, ship repair capacity constraint at shipyards and adverse weather has an impact on the

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number of days a vessel is in drydock. Management anticipates that vessels are to be drydocked every two and a half years. Funding of these requirements is anticipated to be met with cash from operations. We anticipate that this process of recertification will require us to reposition these vessels from a discharge port to shipyard facilities, which will reduce our available days and operating days during that period.

Drydocking costs incurred are amortized to expense on a straight-line basis over the period through the date the next drydocking for those vessels are scheduled to occur. We drydocked two vessels in the nine-months ended September 30, 2008. The following table represents certain information about the estimated costs for anticipated vessel drydockings in the next four quarters, along with the anticipated off-hire days:

Quarter Ending	Off-hire Days(1)	Projected Costs(2)
December 31, 2008	44	$1.00 million
March 31, 2009	88	$2.00 million
June 30, 2009	22	$0.50 million
September 30, 2009	88	$2.00 million

(1) *While we estimate 22 days per vessel, actual duration of drydocking a vessel will vary based on the condition of the vessel, yard schedules and other factors.*

(2) *Actual costs will vary based on various factors, including where the drydockings are actually performed.*

Off-balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Item 3. ***Quantitative and Qualitative Disclosures about Market Risk***

Interest Rate Risk

There have been no material changes from the Interest Rate Risk previously disclosed in our Form 10-K for the year ended December 31, 2007.

In addition to the interest rate swaps outstanding as of December 31, 2007, during the nine months ended September 30, 2008, the Company entered into the following interest rate swap contracts:

- Notional amount of $81,500,000 with a fixed interest rate of 3.895% and maturity in January 2013

- A forward interest rate swap contract for a notional amount of $84,800,000 of its outstanding debt which will commence upon the maturity in September 2009 of the existing swap for the notional amount of $84,800,000 of its outstanding debt. Under the forward swap, the Company will pay fixed rate interest of 3.90% and receive floating rate interest amounts based on three-month Libor settings, exclusive of applicable margin. The forward swap matures in September 2013.

- Notional amount of $144,700,000 with a fixed interest rate of 3.58% and maturity in October 2011.

The Company records the fair value of the interest rate swaps as an asset or liability on its balance sheet. The effective portion of the swap is recorded in accumulated other comprehensive income. Accordingly, an asset of $1,522,442 has been recorded in Other Assets in the Company s balance sheet as of September 30, 2008, and liabilities of $15,379,722 and $13,531,883 have been recorded in Other Liabilities in the Company s balance sheets as of September 30, 2008 and December 31, 2007, respectively.

Currency and Exchange Rates

There have been no material changes from the Currency and Exchange Rates risk previously disclosed in our Form 10-K for the year ended December 31, 2007.

At December 31, 2007, the Company had outstanding foreign currency swap contracts for notional amounts aggregating 11.28 billion Japanese yen swapped into the equivalent of $104,259,998. During the nine months ended September 30, 2008, the Company made a progress payment in Japanese yen to the shipyard in Japan. At September 30, 2008, the Company had outstanding foreign currency forward contracts for notional amounts aggregating 10.9 billion Japanese yen swapped into the equivalent of $100,871,516.

The Company records the fair value of the currency forwards as an asset or liability in its financial statements. The effective portion of the forward is recorded in accumulated other comprehensive income. Accordingly, an amount of $4,340,255 and $932,638 have been recorded in Other Assets in the accompanying balance sheets as of September 30, 2008 and December 31, 2007, respectively.

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

Disclosure Controls and Procedures

Our management, including our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, (the Exchange Act)) as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective.

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Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II: OTHER INFORMATION

Item 1 Legal Proceedings

We are not aware of any legal proceedings or claims to which we or our subsidiaries are party or of which our property is subject. From time to time in the future, we may be subject to legal proceedings and claims in the ordinary course of business, principally personal injury and property casualty claims. Those claims, even if lacking merit, could result in the expenditure by us of significant financial and managerial resources.

Item 1A Risk Factors

Since the disclosure of the risk factors in our Form 10-K for the year ended December 31, 2007, we are subject to the following additional material risks:

Disruptions in world financial markets and the resulting governmental action of the United States and other countries could have a material adverse impact on our ability to obtain financing, our results of operations, financial condition and cash flows and could cause the market price of our common shares to decline. The United States and other countries are experiencing deteriorating economic trends and may be entering into a recession. For example, the credit markets worldwide and in the United States have experienced significant contraction, de-leveraging and reduced liquidity, and the United States government and foreign governments have either implemented or are considering a broad variety of governmental action and/or new regulation of the financial markets. Securities and futures markets and the credit markets are subject to comprehensive statutes, regulations and other requirements.

Recently, a number of financial institutions have experienced serious financial difficulties and, in some cases, have entered bankruptcy proceedings or are in regulatory enforcement actions. The uncertainty surrounding the future of the global credit markets has resulted in reduced access to credit worldwide and inability of many parties to obtain trade finance, including letters of credit, which, in turn has adversely affected dry bulk charter rates. While we are not aware of any event that would prevent us from drawing the full amounts available to us under our credit facility at this time, we face risks attendant to changes in economic environments, changes in interest rates, and instability in certain securities markets, among other factors. Major market disruptions and the current adverse changes in global market conditions, and the regulatory climate in the United States and worldwide, may adversely affect our business or impair our ability to borrow amounts under our credit facility or any future financial arrangements. The current market conditions may last longer than we anticipate. These recent and developing economic and governmental factors may have a material adverse effect on our results of operations, financial condition or cash flows and could cause the price of our common stock to decline significantly.

In addition, since the disclosure of the risk factors in our Form 10-K for the year ended December 31, 2007, there have been material changes to the risk factors set forth under the headings *Charter hire rates for dry bulk vessels may decrease in the future, which may adversely affect our earnings* and *An economic slowdown in the Asia Pacific region could have a material adverse effect on our business, financial position and results of operations,* which are replaced in their entirety with the following:

Charter hire rates for drybulk vessels have decreased significantly and may remain at low rates or further decrease in the future, which may adversely affect our earnings. The dry bulk shipping industry is cyclical with attendant volatility in charter hire rates and profitability. The degree of charter hire rate volatility among different types of dry bulk vessels has varied widely. Since the middle of the third quarter of 2008, charter hire rates for Supramax and Handymax dry bulk vessels have decreased significantly and may remain at such levels for the foreseeable future. Fluctuations in charter rates result from changes in the supply and demand for vessel capacity and changes in the supply and demand for the major commodities carried by water internationally. Because the factors affecting the supply and demand for vessels are outside of our control and

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are unpredictable, the nature, timing, direction and degree of changes in industry conditions are also unpredictable.

Factors that influence demand for vessel capacity include:

- supply and demand for energy resources, commodities, semi-finished and finished consumer and industrial products;
- changes in the exploration or production of energy resources, commodities, semi-finished and finished consumer and industrial products;
- the location of regional and global exploration, production and manufacturing facilities;
- the location of consuming regions for energy resources, commodities, semi-finished and finished consumer and industrial products;
- the globalization of production and manufacturing;
- global and regional economic and political conditions, including armed conflicts and terrorist activities; embargoes and strikes;
- developments in international trade;
- changes in seaborne and other transportation patterns, including the distance cargo is transported by sea;
- environmental and other regulatory developments;
- currency exchange rates; and
- weather.

Factors that influence the supply of vessel capacity include:

- number of newbuilding deliveries;
- scrapping of older vessels;
- vessel casualties; and
- number of vessels that are out of service.

We anticipate that the future demand for our dry bulk vessels will be dependent upon existing conditions in the world s economies, seasonal and regional changes in demand, changes in the capacity of the global dry bulk fleet and the sources and supply of dry bulk cargo to be transported by sea. Adverse economic, political, social or other developments could have a material adverse effect on our business and operating results.

Our ability to re-charter our dry bulk vessels upon the expiration or termination of their current time charter or to charter our newbuildings upon their delivery to us, the charter rates payable under any renewal or replacement charters will depend upon, among other things, the current state of the dry bulk shipping market. If the dry bulk shipping market is in a period of depression when our vessels charters expire or when we take delivery of newbuildings, we may be forced to re-charter them at reduced rates, including rates whereby we incur a loss, which may reduce our earnings or make our earnings volatile.

In addition, because the market value of our vessels may fluctuate significantly, we may incur losses when we sell vessels, which may adversely affect our earnings. If we sell vessels at a time when vessel prices have fallen and before we have recorded an impairment adjustment to our financial statements, the sale may be at less than the vessel s carrying amount on our financial statements, resulting in a loss and a reduction in earnings.

An economic slowdown in the Asia Pacific region could have a material adverse effect on our business, financial position and results of operations. We anticipate a significant number of the port calls made by our vessels will involve the loading or discharging of dry bulk commodities in ports in the Asia Pacific region. As a result, negative change in economic conditions in any Asia Pacific country, but particularly in China, may have an adverse effect on our business, financial position and results of operations, as well as our future prospects. In recent years, China has been one of the world s fastest growing economies in terms of gross

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domestic product, which has had a significant impact on shipping demand. Through the end of the third quarter of 2008, China s gross domestic product was approximately 2.3% lower than it was during the same period in 2007, and it is likely that China and other countries in the Asia Pacific region will continue to experience slowed or even negative economic growth in the near future. Moreover, the current economic slowdown in the economies of the United States, the European Union and Asian countries may further adversely affect economic growth in China and elsewhere. Our business, financial position, results of operations, ability to pay dividends as well as our future prospects, would be materially and adversely affected by a longlasting or significant economic downturn in any of these countries.

Item 2 Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3 Defaults upon Senior Securities

None.

Item 4 Submission of Matters to a Vote of Security Holders

None.

Item 5 Other Information

None.

Item 6 Exhibits

EXHIBIT INDEX

3.1	Amended and Restated Articles of Incorporation of the Company [1]
3.2	Amended and Restated Bylaws of the Company [1]
3.3	Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock [2]
4.1	Form of Share Certificate of the Company [1]
4.2	Form of Senior Indenture [3]
4.3	Form of Subordinated Indenture [3]
4.4	Rights Agreement [2]
10.1	Amended and Restated Employment Agreement of Mr. Sophocles N. Zoullas, dated as of June 19, 2008 [4,6]
10.2	Amendatory Agreement, dated as of July 3, 2008, among the Company and certain of its subsidiaries and the banks and financial institutions party thereto and the Royal Bank of Scotland plc, as mandated lead arranger [5]
31.1	Rule 13a-14(d) / 15d-14(a)_Certification of CEO
31.2	Rule 13a-14(d) / 15d-14(a)_Certification of CFO
32.1	Section 1350 Certification of CEO

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32.2 Section 1350 Certification of CFO

1 *Incorporated by reference to Amendment No. 4 to the Company s Registration Statement on Form S-1, Registration No. 333-123817, filed on June 22, 2005.*

2 *Incorporated by reference to the Company s Registration Statement on Form 8-A filed on November 13, 2007.*

3 *Incorporated by reference to the Company s Registration Statement on Form S-3, Registration No. 333-139745, filed on December 29, 2007.*

4 *Incorporated by reference to the Company s Current Report on Form 8-K filed on June 20, 2008.*

5 *Incorporated by reference to the Company s Current Report*

on Form 8-K filed on July 7, 2008.

6 *Management contract or compensating plan.*

SIGNATURES

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 authorized.

EAGLE BULK SHIPPING INC.

By: /s/ Sophocles N. Zoullas

Sophocles N. Zoullas
Chairman of the Board and
Chief Executive Officer
Date: November 7, 2008

By: /s/ Alan S. Ginsberg

Alan S. Ginsberg
Chief Financial Officer
and Treasurer
Date: November 7, 2008