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

FORM 10-K

(Mark One)

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

For the year ended December 31, 2024

Or

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

For the transition period from ________to _______

Commission File Number 814-00098

EQUUS TOTAL RETURN, INC.

(Exact name of registrant as specified in its charter)

Delaware	**76-0345915**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
700 Louisiana St. 41st Floor, Houston, Texas	**77002**
(Address of principal executive offices)	**(Zip Code)**

(former address, if changed since last report)

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

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

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock	EQS	New York Stock Exchange

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

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

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

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

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

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☐
		Emerging growth company	☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive- based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b) ☐

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

Approximate aggregate market value of common stock held by non-affiliates of the registrant: $8,388,688 computed on the basis of $1.32 per share, the closing price of the registrant's common stock on the New York Stock Exchange on June 30, 2024. For purposes of calculating this amount only, all directors and executive officers of the registrant have been treated as affiliates. There were 13,586,173 shares of the registrant's common stock, $.001 par value, outstanding as of April 10, 2025. The net asset value of a share of the Registrant as of December 31, 2024 was $2.17.

Portions of the Proxy Statement (to be filed) for the 2025 Annual Shareholder's meeting are incorporated by reference in Parts II and III.

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PART I

Item 1. *Business*

Equus Total Return, Inc. ("we," "us," "our," "Equus" the "Company" or the "Fund"), a Delaware corporation, was formed by Equus Investments II, L.P. (the "Partnership") on August 16, 1991. On July 1, 1992, the Partnership was reorganized and all of the assets and liabilities of the Partnership were transferred to the Fund in exchange for shares of common stock of the Fund. On August 11, 2006, our shareholders approved the change of the Fund's investment strategy to a total return investment objective. This strategy seeks to provide the highest total return, consisting of capital appreciation and current income. In connection with this strategic investment change, the shareholders also approved the change of name from Equus II Incorporated to Equus Total Return, Inc.

We attempt to maximize the return to stockholders in the form of current investment income and long-term capital gains by investing in the debt and equity securities of companies with a total enterprise value between $5.0 million and $75.0 million, although we may engage in transactions with smaller or larger investee companies from time to time. We seek to invest primarily in companies pursuing growth either through acquisition or organically, leveraged buyouts, management buyouts and recapitalizations of existing businesses or special situations. Our income-producing investments consist principally of debt securities, including bonds, subordinated debt, debt convertible into common or preferred stock, or debt combined with warrants and common and preferred stock. Debt and preferred equity financing may also be used to create long-term capital appreciation through the exercise and sale of warrants received in connection with a 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.

Equus is a closed-end management investment company that has elected to be treated as a business development company ("BDC") under the Investment Company Act of 1940 ("1940 Act"). In order to remain a BDC, we must meet certain specified requirements under the 1940 Act, including investing at least 70% of our assets in eligible portfolio companies and limiting the amount of leverage we incur. Prior to the fourth quarter of 2024, Equus was also a regulated investment company ("RIC") under Subchapter M of the U.S. Internal Revenue Code of 1986. A BDC that is also a RIC is not required to pay corporate-level income tax on its investment income. During the fourth quarter of 2024, we elected to not qualify as a RIC. Consequently, in the event that we incur operating income or net investment income, we will be taxed at regular corporate rates. Notwithstanding our present election, we may seek to requalify as a RIC in the future. For a discussion of requirements necessary to maintain our status as a BDC and as a RIC, please see "*Business Development Company Requirements*" and "*Regulated Investment Company Tax Status*," respectively.

Our principal office is located at 700 Louisiana St., 41st Floor, Houston, Texas, 77002, and the telephone number is 1-800-856-0901. Our corporate website is located at *www.equuscap.com*. We make available free of charge on our website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports as soon as reasonably practicable after such material is electronically filed or furnished to the Securities and Exchange Commission ("SEC"). Our shares are traded on The New York Stock Exchange ("NYSE") under the ticker symbol "EQS".

Significant Developments

Recent Financing and Investment Transactions. In the first quarter of 2025, we undertook the following transactions:

- Issuance of Convertible Note and Warrants. On February 10, 2025, we issued a 1-year senior convertible promissory note bearing interest at the rate of 10.0% per annum in exchange for $2.0 million in cash ("Equus Note"). The Equus Note is convertible into shares of the Fund's common stock at a conversion price of $1.50 per share. Contemporaneously with the issuance of the Note, the Fund also issued two common stock purchase warrants to acquire an aggregate of 2,000,000 shares of the Fund's common stock at an exercise price of $1.50 per share.

- New Portfolio Investment. On February 10, 2025, we purchased from General Enterprise Ventures, Inc., a developer of fire suppression products ("GEVI"), a 1-year senior convertible promissory note bearing interest at the rate of 10% per annum, in exchange for $1.5 million in cash ("GEVI Note"). The GEVI Note is convertible into shares of GEVI's common stock at a conversion price of $0.40 per share. Contemporaneously with the purchase of the GEVI Note, the Fund also received a common stock purchase warrant to acquire an aggregate of 1,875,000 shares of GEVI common stock at an exercise price of $0.50 per share.

- Sale of Equus Energy. On March 3, 2025, we sold Equus Energy to North American Energy Opportunities Corp., a developer of upstream oil and gas assets ("NAEOC"). The consideration provided by NAEOC consisted of $1.25 million in cash and 27,500 shares of preferred stock, redeemable within 6 months of the date of issuance at $100.00 per share, or an aggregate of $2.75 million, conditional upon Equus facilitating NAEOC's acquisition of operating rights with respect to Equus Energy's holdings in the Conger Field, as well as the acquisition of the working interests associated with the Conger Field not already held by Equus Energy.

Impact of Geopolitical Events on the Oil and Gas Sector. The substantial volatility in world markets has been prominent in the oil and gas sector, with WTI and gas prices reaching multi-year highs in 2022, largely due to increased post-Covid demand and the buildup and subsequent invasion of Ukraine by Russian forces. Prices began to moderately rise and fall in successive quarters between the third quarter of 2023 and the fourth quarter of 2024, and stood at $72.44 as of December 31, 2024. Natural gas prices experienced high volatility in 2022 before collapsing in 2023 and have thereafter remained relatively stable, finishing the year ended December 31, 2024 at $3.40 per MMBTU. Recent oil price stability has been a significant factor in increased consolidation activity in the Williston Basin region in North Dakota where Morgan E&P, LLC holds its development rights.

Authorization to Withdraw BDC Election. Holders of a majority of our outstanding common stock have previously approved our cessation as a BDC under the 1940 Act and have authorized our Board to cause the Fund's withdrawal of its election to be classified as a BDC, effective as of a date designated by the Board and our Chief Executive Officer. Although this authorization has since expired, we expect to receive an additional authorization from our stockholders in the future. This authorization is a consequence of our expressed intent to transform Equus into an operating company or a permanent capital vehicle. Notwithstanding any such authorization to withdraw our BDC election, we will not submit any such withdrawal unless and until Equus has entered into a definitive agreement to effect a transformative transaction. Further, even if we are again authorized to withdraw our election as a BDC, we will require a subsequent affirmative vote from holders of a majority of our outstanding voting shares to enter into any such definitive agreement or change the nature of our business. While we are presently evaluating various opportunities that could enable us to accomplish this transformation, we cannot assure you that we will be able to do so within any particular time period or at all. Moreover, we cannot assure you that the terms of any such transformative transaction would be acceptable to us.

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

Investment Objective

To the extent we remain a BDC and do not complete the transformation of Equus into an operating company as described above, our investment objective is to maximize the total return to our stockholders in the form of current investment income and long-term capital gains by investing in the debt and equity securities of small and middle market capitalization companies that are generally not publicly traded at the time of our investment. As a result of our endeavors in the energy sector, we may also seek to purchase or develop working interests, mineral interests, and revenue leasehold interests in oil and gas properties, although we remain open to exploring investment opportunities in a variety of other sectors. Should we continue to grow and develop Equus as a closed-end fund or permanent capital vehicle instead of an operating company, we intend to include investments in progressively larger enterprises.

Investment Strategy

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

Investment Criteria

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

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

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

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

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

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

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

Investment Operations

Our investment operations consist principally of the following basic activities:

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

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

- Review of historical and prospective financial information, including audits and budgets;
- On-site visits;
- Interviews with management, employees, customers and vendors;
- Review of existing loan documents and credit arrangements, if any;
- Background checks on members of management; and
- Research relating to the company, its management, industry, markets, products and services and competitors.

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

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

Follow-On Investments

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

Disposition of Investments

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

Current Portfolio Companies

For a description of our portfolio company investments as of December 31, 2024, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations–Portfolio Securities*."

Valuation

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

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

We base our adjustments to fair value upon such factors as the portfolio company’s earnings, cash flow and net worth, the market prices for similar securities of comparable companies, an assessment of the company’s current and future financial prospects and various other factors and assumptions. In the case of unsuccessful or substantially declining operations, we may base a portfolio company’s fair value upon the company’s estimated liquidation value. Fair valuations are inherently subjective, and our estimate of fair value may differ materially from amounts actually received upon the disposition of our portfolio securities. Also, any failure by a portfolio company to achieve its business plan or obtain and maintain its financing arrangements could result in increased volatility and result in a significant and rapid change in its value.

Our general intent is to hold our loans to maturity when appraising our privately held debt investments. As such, we believe the fair value will not exceed the cost of the investment; however, we perform a yield analysis to determine if a debt security has been impaired.

Our Management may engage independent, third-party valuation firms to conduct independent appraisals and review Management’s preliminary valuations of each privately-held investment in order to make their own independent assessment. Any third- party valuation data would be considered as one of many factors in a fair value determination. Management would then present its fair value recommendations to the Audit Committee of the Board of Directors for review. Following review and any adjustments required thereby, the Audit Committee would, in turn, recommend the fair values for all of the Fund’s portfolio investments to the Board of Directors for final approval.

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

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

Competition

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

We cannot assure you that the competitive pressures we face will not have a material adverse effect on our business, financial condition and results of operations. In addition, because of this competition, we may not be able to take advantage of attractive investment opportunities and may not be able to identify and make investments that satisfy our investment objectives or meet our investment goals.

Properties

Our principal executive offices are located at 700 Louisiana St., 48th Floor, Houston, Texas 77002. Should we remain a BDC and not transform into an operating company or a permanent capital vehicle, we believe our office facilities are suitable and adequate for our operations as currently conducted and contemplated.

Business Development Company Requirements

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

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

- Securities received in exchange for or distributed with respect to securities described above, or pursuant to the exercise of options, warrants or rights relating to such securities; and

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

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

We may not change the nature of our business so as to cease to be, or withdraw our election as, a BDC unless authorized by vote of the holders of the majority of our outstanding voting securities, as defined in the 1940 Act. As noted above, we have previously received this authorization from our shareholders to withdraw our BDC election and, although this authorization has expired, we expect to receive an additional authorization by our stockholders in the future. This authorization was a consequence of our plan to effect a transformation of Equus by: (i) acquiring or merging with an operating company based in the energy, natural resources, technology, or financial services sectors, and (ii) terminating the Fund's election to be classified as a BDC under the 1940 Act. Notwithstanding any future authorization to withdraw our BDC election, we will also require a separate affirmative vote of the holders of a majority of our outstanding voting securities to consummate a transformation of Equus and change the nature of our business (see "*Significant Developments−Authorization to Withdraw BDC Election"* above).

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

Leverage. We are permitted by the 1940 Act, under specified conditions, to issue multiple classes of senior debt and a single class of preferred stock senior to the common stock if our asset coverage, as defined in the 1940 Act, is at least 150% after the issuance of the debt or the senior stockholders' interests. In addition, provisions must be made to prohibit any distribution to common stockholders or the repurchase of any shares unless the asset coverage ratio is at least 150% at the time of the distribution or repurchase.

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

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

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

Regulated Investment Company Tax Status

As a BDC, we have historically operated to qualify as a RIC under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"), although RIC qualification is not a prerequisite to qualifying as a BDC. During the fourth quarter of 2024, we elected to not qualify as a RIC, although we may seek to requalify at a later date. Because we do not presently qualify as a RIC, in the event that we generate operating income or net investment income, we will be subject to regular corporate rates of taxation.

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

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

In addition, should we choose not to distribute at least 98.2% of our net income consisting of capital gains for each one-year period ending on October 31, we will be subject to a 4.0% nondeductible Federal exercise tax.

If we fail to satisfy the 90% distribution requirement or otherwise fail to requalify as a RIC in any taxable year, we will be subject to tax in such year on all of our taxable income, regardless of whether we make any distribution to our stockholders. In addition, in that case, all of our distributions to our stockholders will be characterized as ordinary income (to the extent of our current and accumulated earnings and profits). We have distributed and currently intend to distribute sufficient dividends to eliminate our investment company taxable income; however, none have been necessary in recent years.

Custodian

We act as the custodian of our securities to the extent permitted under the 1940 Act and are subject to the restrictions imposed on self- custodians by the 1940 Act and the rules and regulations thereunder. We have also entered into an agreement with Amegy Bank with respect to the safekeeping of our securities. The principal business office of Amegy Bank is 1717 West Loop South, Houston, Texas 77027.

Transfer and Disbursing Agent

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

Certifications

In July 2024, pursuant to Section 303A.12(a) of the NYSE Listed Company Manual, we submitted to the NYSE an unqualified certification of our Chief Executive Officer. In addition, certifications by our Chief Executive Officer and Chief Financial Officer have been filed as exhibits to this annual report on Form 10- K as required by the Securities Exchange Act of 1934, as amended, and the Sarbanes-Oxley Act of 2002.

Forward-Looking Statements

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

Among the factors that could cause actual results to differ materially are the following: (i) changes in the economic conditions in which we operate, including changes related to the evolving impact of the coronavirus, which might negatively impacting our financial resources; (ii) the substantially greater resources of certain of our competitors than the Fund, potentially reducing the number of suitable investment opportunities offered or reducing the yield necessary to consummate the investment; (iii) the uncertainty regarding the value of our privately held securities that require a good faith estimate of fair value for which a change in estimate could affect the Fund's net asset value; (iv) the illiquidity of our investments in securities of privately held companies which could affect our ability to realize a gain;
(v) the default of one or more of our portfolio companies on their loans or the failure of such companies to provide any returns on our investments which could affect the Fund's operating results; (vi) our dependence on external financing to grow our business; (vii) our ability to retain key management personnel; (viii) an economic downturn or recession that could impair our portfolio companies and therefore harm our operating results; (iv) our borrowing arrangements, which could impose certain restrictions; (x) changes in interest rates that may affect our cost of capital and net operating income; (xi) our inability to incur additional indebtedness unless the Fund maintains an asset coverage of at least 150%, which may affect returns to our stockholders; (xii) the possible failure of the Fund to continue to qualify for our pass-through treatment as a RIC which could have an effect on stockholder returns; (xiii) the volatility of the price of our common stock; (xiv) general business and economic conditions and other risk factors described in its reports filed from time to time with the SEC; and (xv) risks related to our plan to transform Equus into an operating company or a permanent capital vehicle. We caution readers not to place undue reliance on any such forward-looking statements, which statements are made pursuant to the Private Securities Litigation Reform Act of 1995 and, as such, speak only as of the date made.

Item 1A. *Risk Factors*

An investment in our securities involves certain risks relating to our structure and investment objectives. The risks and uncertainties described below are not the only ones facing Equus. You should carefully consider these risks, together with all of the other information included in our annual report on Form 10-K, including our financial statements and the related notes thereto.

Additional risks and uncertainties not presently known to us, or not presently deemed material by us, may also impair our operations and performance.

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

Risks Related to Our Investments

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

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

- They typically have shorter operating histories, narrower product lines and smaller market shares than public companies, which tend to render them more vulnerable to competitors' actions and market conditions as well as general economic downturns;

- They may have no earnings or experienced losses or may have limited financial resources and may be unable to meet their obligations under their securities, which may be accompanied by a deterioration in the value of their equity securities or any collateral or guarantees provided with respect to their debt;

- They are more likely to depend on the management talents and efforts of a small group of persons and, as a result, the death, disability, resignation or termination of one or more of those persons could have a material adverse effect on their business and prospects and, in turn, on our investment;

- They may have difficulty accessing the capital markets to meet future capital needs;

- They generally have less predictable operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position; and

- Generally little public information exists regarding these companies, and investors in these companies generally must rely on the ability of the equity sponsor to obtain adequate information for the purposes of evaluating potential returns and making a fully informed investment decision.

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

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

We depend upon Management for our future investment success.

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

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

Our Board is taking a more opportunistic approach to our portfolio investment strategy, shifting our investment emphasis to sectors such as energy. In order to implement our investment strategy, Management must analyze, conduct due diligence, invest in, monitor and sell investment interests in industries in which many of them have not previously been involved. Also, we expect that our investment strategy will continue to require Management to investigate and monitor investments that are much more broadly dispersed geographically. In addition, Management is required to provide valuations for investments in a broader range of securities, including debt securities, which may require expertise beyond that previously required. We cannot assure investors that the overall risk of their investment in the Fund will be reduced as a result of our investment strategy. If we cannot achieve our investment objective successfully, the value of your investment in our common stock could decline substantially.

We may not realize gains from our equity investments.

We frequently invest in the equity securities of our portfolio companies. Also, when we make a loan, we sometimes receive warrants to acquire stock issued by the borrower. Ultimately, our goal is to sell these equity interests and realize gains. These equity interests may not appreciate and, in fact, may depreciate in value. For our present portfolio and other investments we may make in the future, the market value of our equity investments may fall below our estimate of the fair value of such investments before we sell them. Given these factors, there is a risk that we will not realize gains upon the sale of those or other investment interests that we hold.

Our holdings in Morgan E&P are subject to commodity price declines endemic to oil and gas companies.

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

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

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

We have invested in a limited number of portfolio companies.

The Fund is classified as a "non-diversified" investment company under the 1940 Act, which means we are not limited in the proportion of our assets that may be invested in the securities of a single issuer. As a matter of policy, we generally have not initially invested more than 25% of the value of our net assets in a single portfolio company. However, we would expect that any new investments may exceed this percentage for the immediate future. Moreover, follow-on investments, disproportionate increases or decreases in the fair value of certain portfolio companies or sales of investments may result in more than 25% of our net assets being invested in a single portfolio company at a particular time.

A consequence of a limited number of investments is that changes in business or industry trends or in the financial condition, results of operations or the market's assessment of any single portfolio company will affect our net asset value and the market price of our common stock to a greater extent than would be the case if we were a "diversified" company holding a greater number of investments.

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

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

In situations where we hold junior priority liens, our ability to control decisions with respect to our portfolio companies may be limited by lenders holding superior liens. In a default scenario, the value of collateral may be insufficient to repay us after the senior priority lenders are paid in full.

We may make certain loans to portfolio companies that are secured by a junior priority security interest in the same collateral pledged to secure debt owed to lenders with liens senior to ours. Often, the senior lender has procured covenants from the portfolio company prohibiting the incurrence of additional secured debt without the senior lender's consent. As a condition of permitting the portfolio company to incur junior secured indebtedness, the senior lender will require that we, as junior lender, enter into an intercreditor agreement that, among other things, will establish the senior lender's right to control the disposition of any collateral in the event of an insolvency proceeding or other default situation. In addition, intercreditor agreements generally will expressly subordinate junior liens to senior liens as well as the repayment of junior debt to senior debt.

Because of the control we may cede to senior lenders under intercreditor agreements, we may be unable to control the manner or timing of collateral disposition. In addition, the value of collateral securing our debt investment will ultimately depend on market and economic conditions at the time of disposal, the availability of buyers and other factors. Therefore, we cannot assure you that the proceeds, if any, from the sale or sales of all of the collateral would be sufficient to satisfy the loan obligations secured by our liens. There is also a risk that such collateral securing our investments will be difficult to sell in a timely manner or to appraise. If the proceeds of the collateral are insufficient to repay our loans, then we will have an unsecured claim to the extent of the deficiency against any of the company's remaining assets, which claim will likely be shared with many other unsecured creditors.

As a debt or minority equity investor in a portfolio company, we may have little direct influence over the entity. The stockholders and management of the portfolio company may make decisions that could decrease the value of our portfolio holdings.

We may make both debt and minority equity investments. Should a portfolio company make business decisions with which we disagree, of the stockholders and management of that company take risks or otherwise act in ways that do not serve our interests, the value of our portfolio holdings could decrease and have an adverse effect on our financial position and results of operations.

We may choose to waive or defer enforcement of covenants in the debt securities held in our portfolio, which may cause us to lose all or part of our investment in these companies.

We may structure the debt investments in our portfolio companies to include business and financial covenants placing affirmative and negative obligations on the operation of the company's business and its financial condition. However, from time to time we may elect to waive breaches of these covenants, including our right to payment, or waive or defer enforcement of remedies, such as acceleration of obligations or foreclosure on collateral, depending upon the financial condition and prospects of the particular portfolio company. These actions may reduce the likelihood of our receiving the full amount of future payments of interest or principal and be accompanied by a deterioration in the value of the underlying collateral as many of these companies may have limited financial resources, may be unable to meet future obligations and may go bankrupt. This could negatively impact our ability to pay dividends, could adversely affect our results of operation and financial condition and cause the loss of all or part of your investment.

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

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

Our prospective portfolio companies may be highly leveraged.

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

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

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

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

Our business depends on external financing.

Our business requires a substantial amount of cash to operate. We may borrow funds to pay contingencies or expenses or to make investments, or to reinstate our pass-through tax status as a RIC under Subchapter M of the Code. We are permitted under the 1940 Act to borrow if, immediately after the borrowing, we have an asset coverage ratio of at least 150%. That is, we may borrow an amount equal to double the fair value of our total net assets (including investments made with borrowed funds). The amount and nature of any such borrowings depend upon a number of factors over which we have no control, including general economic conditions, conditions in the financial markets and the impact of the financing on the tax treatment of our stockholders. The use of leverage, even on a short-term basis, could have the effect of magnifying increases or decreases in our net asset value.

While the "spread" between the current yields on our investments and the cost of any loan would augment the return to our stockholders, if the spread narrows (because of an increase in the cost of debt or insufficient income on our investments), our net investment income, and consequently our ability to provide distributions to our stockholders, could be adversely affected. This may also render us unable to meet our obligations to our lenders, which might then require us to liquidate some or all of our investments. We cannot assure you that we would realize full value for our investments or recoup all of our capital if we needed to liquidate our portfolio investments.

Many financial institutions are unwilling to lend against a portfolio of illiquid, private securities. The make-up of our portfolio has made it more difficult for us to borrow at the level and on the terms that we desire. Our borrowings have historically consisted of a revolving line of credit which has since expired, and a margin account used quarterly to enable us to achieve adequate diversification to maintain our previous pass-through tax status as a RIC. We are attempting to secure liquidity through various means, including the sale of our portfolio assets, as well as debt and equity financing. Although we believe we will be able to obtain sufficient liquidity for our operating expenses for the next twelve months, we could be wrong. If we are wrong, we would have to obtain capital from other sources to pay Fund expenses. We may also be required to sell our portfolio holdings at an inopportune time and at a price that may be less than would be received if such holdings were sold in a more competitive and orderly manner.

The costs of borrowing money may exceed the income from the portfolio securities we purchase with the borrowed money. We will suffer a decline in net asset value if the investment performance of the additional securities purchased with borrowed money fails to cover their cost to the Fund (including any interest paid on the money borrowed). A decline in net asset value could affect our ability to make distributions on our common stock. If we seek to requalify as a RIC and obtain pass-through tax status as a result, our failure to distribute a sufficient portion of our net investment income and net realized capital gains could result in a loss of such pass-through tax status or subject us to a 4% excise tax. If the asset coverage for debt securities issued by the Fund declines to less than 150% (as a result of market fluctuations or otherwise), we may be required to sell a portion of our investments when it is disadvantageous to do so. See *Management's Discussion and Analysis of Financial Condition and Results of Operations*.

We have had net investment losses in the past five years.

We have had net investment losses in the past five years, with a net investment loss of $15.6 million for the year ended December 31, 2024. We cannot assure you that we will be able to increase our net assets or generate net investment income. If we fail to increase the Fund's net assets or generate net investment income, such failure will likely have a material adverse effect upon the Fund, our results of operation, and our financial condition. You could lose all or a substantial amount of your investment in the Fund as a result.

We do not currently intend to recommence our managed distribution policy and you might not receive dividends on your shares.

On March 24, 2009, we announced a suspension of our managed distribution policy and payment of quarterly dividends for an indefinite period. As originally implemented, the policy provided for quarterly dividends at an annualized rate equal to 10% of the Fund's market value per share as at the end of the preceding calendar year. We subsequently undertook certain changes in our Board and Management. These changes have been pursued, in part, with the objective of increasing the number of attractive investment opportunities to us and revising our investment strategy to include more recurrent cash income producing investments, all of which could ultimately result in the resumption of our managed distribution policy at some time in the future. The implementation of these revisions to our investment strategy and the recurrent generation of cash income from our investments, however, cannot be guaranteed and will not occur if we complete the transformation of Equus into an operating company. If we were unable to resume our managed distribution policy and were further unable to profitably sell or otherwise dispose of our portfolio company investments, you might not receive dividends on your shares.

We operate in a highly competitive market for investment opportunities.

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

An economic downturn could affect our operating results.

An economic downturn may have a particularly adverse effect upon small and medium-sized companies, which are our primary market for investments. During periods of volatile economic conditions, these companies often experience decreased revenues, financial losses, difficulty in obtaining access to financing and increased funding costs. During such periods, these companies also may have difficulty expanding their businesses and operations and may be unable to meet their debt service obligations or other expenses as they become due. Any of the foregoing developments could cause the value of our investments in these companies to decline. In addition, during periods of adverse economic conditions, we may have difficulty accessing financial markets, which could make it more difficult or impossible for us to obtain funding for additional investments. Any of these events could have a material adverse effect on our business, financial condition and results of operations.

We may experience fluctuations in our quarterly results.

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

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

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

Risks Related to Our Potential Use of Leverage

The use of leverage may adversely affect our performance.

We may utilize leverage for the Fund or its subsidiaries by borrowing or issuing preferred stock or short-term debt securities. Borrowings and other capital generated from leverage will result in lenders and other creditors with fixed dollar claims on our assets that are superior to the claims of our common shareholders. If the value of our assets increases, then leveraging would cause the net asset value attributable to our common stock to increase more sharply than it would have had we not leveraged. Conversely, if the value of our assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had we not leveraged. Similarly, any increase in our income in excess of interest payable on the borrowed funds would cause our net income to increase more than it would without the leverage, while any decrease in our income would cause net income to decline more sharply than it would have had we not borrowed. Leverage is generally considered a speculative investment technique.

The use of leverage may cause us to sell our portfolio interests prematurely.

If we remain a BDC and borrow monies for our additional portfolio investments, we may secure loans or otherwise borrow funds from conventional banks, other lending institutions, or private parties, which parties may include the sellers of the investment interests being acquired. In the event Equus defaults under any of these borrowing arrangements, our business could be adversely affected as we may be forced to sell a portion of our investments quickly and prematurely at what may be disadvantageous prices to us in order to meet our outstanding payment obligations, the result of which would have a material adverse effect on our business, financial condition, results of operations and cash flows.

The use of leverage will increase our exposure to changes in market rates of interest.

To date, we have not incurred leverage to acquire portfolio investments. If we begin to take on leverage to make portfolio investments, we will be subject to risks associated with the current interest rate environment and changes in interest rates will affect our cost of capital and net investment income. The use of leverage will also affect our net investment income, which will depend, in part, upon the difference between the rate at which we borrow funds and the rate at which we invest those funds. As a result, we cannot assure you that a significant change in market interest rates would not have a material adverse effect on our net investment income.

Risks Related to Our Business and Structure

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

As noted elsewhere herein, we have previously received an authorization from our stockholders to withdraw our election to be classified as a BDC. Although this authorization has since expired, we expect to receive an additional authorization from our stockholders in the future. Accordingly, our management is currently evaluating potential transactions that would result in the transformation of Equus into an operating company instead of a BDC and the withdrawal of our BDC election within this time frame, but we may nevertheless not consummate any such transformation and remain a BDC. If we maintain our status as a BDC and do not complete the transformation to become an operating company or a permanent capital vehicle, we must not acquire any assets other than "qualifying assets" unless, at the time of and after giving effect to such acquisition, at least 70% of our total assets are qualifying assets. A principal category of qualifying assets relevant to our business is securities purchased in transactions not involving any public offering from issuers that qualify as eligible portfolio companies under the 1940 Act. Investments in companies organized outside of the United States or having a principal place of business outside of the United States are also not considered eligible portfolio companies.

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

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

We are not currently qualified as a RIC under the Code and will be subject to corporate level income tax.

As described under *Regulated Investment Company Tax Status* above, during the fourth quarter of 2024, we elected to not qualify as a RIC. As a result, we will be subject to regular corporate level income tax on our income and gains and will not be permitted to deduct distributions paid to our stockholders. To requalify as a RIC and be entitled to the tax benefits accorded to RICs under the Code, we must meet certain income source, asset diversification and annual distribution requirements applicable to RICs. Further, we must also derive, each taxable year, at least 90% of our gross income from dividends, interest, payments with respect to certain securities loans, gains from the sale of stock or other securities or foreign currencies, or other income derived with respect to our business of investing in such stock or securities or currencies and net income from interests in certain "qualified" publicly traded partnerships. The annual distribution requirement for a RIC is satisfied if we distribute at least 90% of our ordinary net taxable income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, to our stockholders on an annual basis.

As discussed above in *"Our business depends on external financing,"* we historically have borrowed funds necessary to make qualifying investments to satisfy the Subchapter M diversification requirements. We undertook no such borrowings during the fourth quarter of 2024.

In addition to corporate levels of tax on our income and gains as a non-RIC, our distributions will be taxable as dividends to the extent paid from earnings and profits. We may also be subject to income tax and/or a 4% excise tax, if we fail to distribute a sufficient portion of our net investment income and net realized capital gains. To the extent that we generate such income and gains and do not requalify as a RIC, our tax treatment as a regular Subchapter C corporation would have a material adverse effect on the total return, if any, obtainable from an investment in our common stock.

Because we intend to distribute substantially all of our income and net realized capital gains to our stockholders, if we continue to operate as a BDC, we will need additional capital to finance our growth.

As noted above, inasmuch as we expect to receive a future authorization from our stockholders to withdraw our election to be classified as a BDC, such withdrawal also means that we will not requalify as a RIC. Our management is currently evaluating potential transactions that would result in the transformation of Equus into an operating company and the withdrawal of our BDC election and RIC status within this time frame, but we may nevertheless not consummate any such transformative transaction and remain a BDC and continue to seek to requalify as a RIC. In order to requalify as a RIC, to avoid payment of excise taxes and to minimize or avoid payment of income taxes, for so long as we maintain our status as a BDC, we intend to distribute to our stockholders substantially all of our net ordinary income and realized net capital gains except for certain net long- term capital gains (which we may retain, pay applicable income taxes with respect thereto, and elect to treat as deemed distributions to our stockholders). As a BDC, we are generally required to meet a coverage ratio of total assets to total senior securities, which includes all of our borrowings and any preferred stock we may issue in the future, of at least 150%. This requirement limits the amount that we may borrow. Because we will continue to need capital to grow our investment portfolio, this limitation may prevent us from incurring debt and require us to issue additional equity at a time when it may be disadvantageous to do so. We cannot assure you that debt and equity financing will be available to us on favorable terms, or at all, and debt financings may be restricted by the terms of any of our outstanding borrowings. In addition, as a BDC, we are generally not permitted to issue equity securities priced below net asset value without stockholder approval. If additional funds are not available to us, we could be forced to curtail or cease new lending and investment activities, and our net asset value could decline.

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

Our Board of Directors has the authority to modify or waive certain of our operating policies and strategies without prior notice (except as required by the 1940 Act) and without stockholder approval. However, absent stockholder approval, we may not change the nature of our business so as to cease to be, or withdraw our election as, a BDC. As described above under "*Significant Developments – Authorization to Withdraw BDC Election*", our shareholders have previously provided this authorization and may do so again in the future, although we will not withdraw our election as a BDC unless and until we have entered into a definitive agreement to effect the transformation of Equus into an operating company. We cannot predict the effect any changes to our current operating policies and strategies would have on our business, operating results and value of our stock. Nevertheless, any such effects may adversely affect our business and impact our ability to make distributions.

Risks Related to Our Operation as a BDC

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

As noted above, our stockholders have previously authorized our Board and Chief Executive Officer to withdraw our election to be classified as a BDC and, although this authorization has expired, we expect to receive a further authorization from our stockholders in the future. Accordingly, our management is currently evaluating potential transactions that would result in the transformation of Equus into an operating company and the withdrawal of our BDC election within this time frame, but we may nevertheless not consummate any such transformative transaction and remain a BDC. If we maintain our status as a BDC and do not complete a transformation into an operating company or a permanent capital vehicle, we will continue to be subject to the 1940 Act. As an investment company, we are prohibited under the 1940 Act from participating in certain transactions with certain of our affiliates without the prior approval of our independent directors and, in some cases, the SEC. Any person that owns, directly or indirectly, 5% or more of our outstanding voting securities is our affiliate for purposes of the 1940 Act, and we generally are prohibited from buying or selling any security from or to such affiliate, absent the prior approval of our independent directors. The 1940 Act also prohibits certain "joint" transactions with certain of our affiliates, which could include investments in the same portfolio company (whether at the same or different times), without prior approval of our independent directors and, in some cases, the SEC. If a person acquires more than 25% of our voting securities, we are prohibited from buying or selling any security from or to such person or certain of that person's affiliates, or entering into prohibited joint transactions with such persons, absent the prior approval of the SEC. Similar restrictions limit our ability to transact business with our officers or directors or their affiliates.

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

Our business requires a substantial amount of additional capital. We may acquire additional capital from the issuance of senior securities or other indebtedness, the issuance of additional shares of our common stock or from securitization transactions. However, we may not be able to raise additional capital in the future on favorable terms or at all. We may issue debt securities or preferred securities, which we refer to collectively as "senior securities," and we may borrow money from banks or other financial institutions, up to the maximum amount permitted by the 1940 Act. The 1940 Act permits us to issue senior securities or incur indebtedness only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 150% after such issuance or incurrence. Our ability to pay dividends or issue additional senior securities would be restricted if our asset coverage ratio were not at least 150%. If the value of our assets declines, we may be unable to satisfy this test. If that happens, we may be required to liquidate a portion of our investments and repay a portion of our indebtedness at a time when such sales may be disadvantageous.

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

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

Risks Related to Our Plan to Transform Equus Into an Operating Company

In our efforts to pursue the transformation of Equus into an operating company, we are exploring and evaluating strategic alternatives for the Fund and we cannot assure you that we will be successful in identifying a strategic alternative, that such strategic alternative will yield additional value for our stockholders or that the process will not have an adverse impact on our business.

In prior years, we announced our plan to effect the restructuring of the Fund as an operating company no longer subject to the 1940 Act, which transaction could take the form of a sale of Equus, a restructuring, a recapitalization, merger, or other business combination, or the conversion of Equus into a permanent capital vehicle. We cannot provide any assurance that the exploration of strategic alternatives will result in the identification or consummation of a transformative transaction of Equus into an operating company or permanent capital vehicle. Similarly, any strategic decision will involve risks and uncertainties, and we cannot provide any assurance that any strategic alternative, if identified, evaluated and consummated, will provide the anticipated benefits or otherwise enhance stockholder value. The process is ongoing and, although we believe we will consummate a transaction that would result in the transformation of Equus into an operating company during 2025, we may be wrong. Our Board of Directors has not set a timetable for completion of the evaluation of a potential transaction.

We expect to incur substantial costs associated with identifying and evaluating potential strategic alternatives incident to a transformative transaction. Any potential transaction would be dependent upon a number of factors that may be beyond our control, including, among other factors, market conditions, industry trends, the interest of third parties in our business, stockholder approval and the availability of financing to potential buyers or to Equus on reasonable terms. The process of exploring strategic alternatives may be time consuming and disruptive to our business operations. We are also subject to other risks in connection with the uncertainty created by the strategic review process, including stock price volatility and the ability to retain qualified employees. We do not currently intend to disclose further developments with respect to this process, unless and until our Board of Directors approves a specific transaction or otherwise concludes the review of strategic alternatives.

If we are unable to effectively manage the strategic review process, our business, financial condition, liquidity and results of operations could be adversely affected.

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

If we were to reorganize as an operating company, we would not seek to reinstate our status as a RIC. As noted above under *Regulated Investment Company Tax Status*, if we do not requalify as a RIC, we will be subject to corporate income tax, which would substantially reduce the amount of income we might otherwise distribute to our shareholders.

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

We have elected to be classified as a BDC under the 1940 Act. However, if we effect a reorganization of the Fund into an operating company or a permanent capital vehicle, we will seek to terminate our BDC classification. Holders of a majority of the outstanding common stock of the Fund have previously approved our cessation as a BDC under the 1940 Act and authorized our Board to cause the Fund's withdrawal of its election to be classified as a BDC. Although this authorization has expired, we expect to receive a further such authorization from our stockholders in the future. Nevertheless, if we were to terminate our election to be classified as a BDC and were still determined by the SEC to constitute an "investment company," we would be subject to significantly greater regulatory requirements and constraints than under those which we presently operate, the result of which could have a material adverse effect on our results and financial condition.

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

As noted above, we may reorganize Equus as an operating company or a permanent capital vehicle. If we reorganize as an operating company or a permanent capital vehicle, we may lose our ability to offset future income against our cumulative capital losses. If we reorganized as an operating company or a permanent capital vehicle and were unable to offset future income against these capital losses, the result could have a material adverse effect on our future operating results and our financial condition.

If we reorganize as an operating company or a permanent capital vehicle, our stockholders will no longer have certain protections under the 1940 Act.

If we withdraw the Fund's election to be treated as a BDC, Equus will no longer be subject to regulation under the 1940 Act, which is designed to protect the interests of investors in investment companies. Specifically, our stockholders would no longer have the following protections of the 1940 Act:

- *Leverage Limits*. We would no longer be subject to the requirement in Section 61 of the 1940 Act that we maintain a ratio of assets to senior securities (such as senior debt or preferred stock) of at least 150% and we would not be limited by statute or regulation to the amount of leverage we could incur.

- *Range of Investments*. We would no longer be prohibited from investing in certain types of companies, such as brokerage firms, insurance, companies, and investment companies.

- *Changes in Financial Reporting*. While the conversion of Equus into an operating company will enable us to consolidate the financial results of entities we control, a change in our method of accounting could also reduce the reported value of our investments in controlled privately-held companies by eliminating our ability to report an increase in the fair value of these holdings.

- *Protection of Directors and Officers*. We would no longer be prohibited from protecting any director or officer against any liability to the Fund or our stockholders arising from willful malfeasance, bad faith, gross negligence, or reckless disregard of the duties involved in the conduct of that person's office, although there are similar limitations under Delaware law, our Certificate of Incorporation, and our Bylaws that would still apply.

- *Fidelity Bond*. We would no longer be required to provide and maintain an investment company blanket bond issued by a reputable fidelity insurance company to protect us against larceny and embezzlement.

- *Director Independence*. We would no longer be required to ensure that a majority of our directors are persons who are not "interested persons," as that term is defined in the 1940 Act, and certain persons, such as investment bankers, that would be prevented from serving on our Board if we were a BDC. However, assuming we can comply with the NYSE's listing standards for operating companies, we will remain subject to NYSE listing standards that require the majority of directors of a listed company and all members of its compensation, audit and nominating committees to be "independent" as defined under NYSE rules.

- *Affiliate Transactions*. We would no longer be subject to provisions of the 1940 Act regulating transactions between BDCs and certain affiliates, although we would still be subject to conflict of interest rules and governance procedures that exist under Delaware law and NYSE rules.

- *Share Issuances*. We would no longer be subject to provisions of the 1940 Act restricting our ability to issue shares below NAV or in exchange for services, nor would we be restricted in issuing more than one class of equity securities or instruments that could be converted into other classes of equity securities.

- *Share Repurchases*. We would no longer be restricted under the 1940 Act in our ability to repurchase shares from our stockholders, and would instead be subject only to NYSE rules and Delaware corporate law requirements for such repurchases.

- *Change of Business*. We would be able to change the nature of our business and fundamental investment policies without having to obtain the approval of our stockholders.

- *Director and Officer Incentives*. We would no longer require exemptive relief from the SEC before implementing incentive compensation plans for our key executives and non-executive directors.

Item 1B. ***Unresolved Staff Comments***

None.

Item 1C. ***Cybersecurity***

Our operations and other aspects of our business rely heavily on various information technology systems which are largely managed by third parties. We face significant cybersecurity threats, which are continuously increasing in sophistication, including computer viruses, internal and external security breaches, and other cyber-attacks. These threats could disrupt our operations, lead to the loss of confidential information, and hinder our ability to accurately report our financial results in a timely manner. We have adopted a Cybersecurity Policy to create effective administrative, technical, electronic, and physical protections to safeguard the personal information of Company personnel, confidential information concerning our portfolio investments and the integrity of the Company's information systems.

We have created an Information Security Team, consisting of our Chief Financial Officer and our Chief Compliance Officer, to implement and administer our Cybersecurity Policy. Our Chief Financial Officer and Chief Compliance Officer have each served in senior management positions for a number of years, have received cybersecurity training from time to time in connection with their professional certifications, and have overseen and supervised the activities of external information technology personnel of the Fund during this period. Among the duties and responsibilities of our Information Security Team are the following:

- Ensuring that all Equus personnel are aware of the Cybersecurity Policy and agree to adhere to its requirements;
- Establishing that information concerning the Fund is stored on encrypted cloud-based servers accessible only by authorized Equus personnel;
- Providing that all of the Company's information systems are backed up daily, with offline copies available in the event that a major security issue arises;
- Testing and evaluating cybersecurity safeguards via the use of third-party information technology service providers;
- Reviewing the security measures in the Company's Cybersecurity Policy annually or when there is a change in applicable laws or regulations or in business activities of Equus; and
- Conducting training as necessary for all Equus personnel; and
- Reporting cybersecurity matters to our Board of Directors who provide oversight of our Information Security Team.

We utilize third-party services and tools for identifying, protecting against, and detecting cyber incidents, and also partner with external vendors to augment our internal security capabilities. Additionally, we engage third-parties to conduct independent assessments of our cybersecurity infrastructure to evaluate the efficiency and effectiveness of our detection capabilities, along with our response mechanisms, and overall risk management.

Our approach to managing cybersecurity risks is part of a continuous improvement process, both in the context of cybersecurity and broader operational risk management. This ongoing process, which includes personnel training, is aimed at routinely reviewing and, as necessary, improving, our oversight processes and tools to ensure they remain effective and resilient in their management of cybersecurity risk.

Material Impact of Cybersecurity Threats

While we have yet to experience a material cybersecurity event, we acknowledge the persistent and evolving nature of these threats, which have the potential to materially impact our business strategy, operations, and financial results adversely. We maintain robust policies and procedures focused on cybersecurity incident management, ensuring timely communication and escalation to all relevant stakeholders. This enables faster response and effective communication, including public disclosure if a material cybersecurity event were to occur.

Board of Directors Oversight

Our Board of Directors oversees risks related to cybersecurity, including the security of our corporate, financial, and portfolio investment information and the steps management is taking to monitor and control these risks. Our Chief Compliance Officer conducts regular meetings with our independent directors to discuss various compliance matters, including any cybersecurity issues, and also delivers a comprehensive Annual Compliance Report to the Board, which report also addresses cybersecurity matters.

Item 2. ***Properties***

We do not own any real estate or other physical properties. Our principal executive offices are located at 700 Louisiana St. 41st Floor, Houston, Texas 77002. Should we remain a BDC and not consummate the transformation of Equus into an operating company, we believe that these leased office facilities are suitable and adequate for our business as it is contemplated to be conducted.

Item 3. ***Legal Proceedings***

From time to time, the Fund is 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 any potential legal proceedings cannot at this time be predicted with certainty, we do not expect that any such proceedings will have a material effect upon the Fund’s financial condition or results of operations.

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

Not applicable.

PART II

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

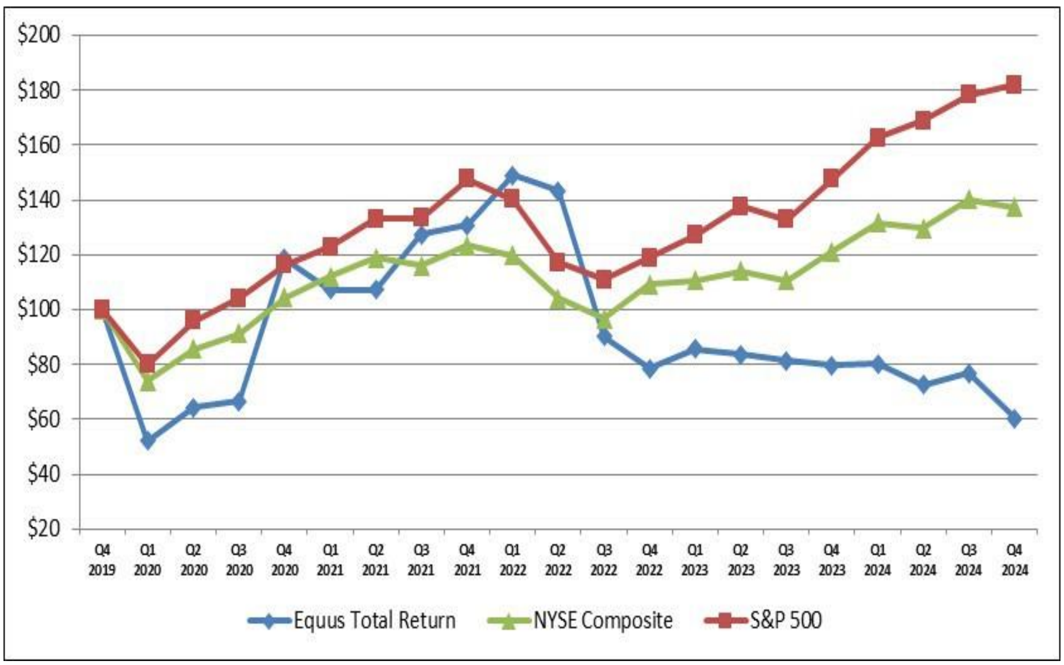
Our common stock is listed on the NYSE under the symbol "EQS". We had approximately 1,640 stockholders as of December 31, 2024, 586 of whom were registered holders. Registered holders do not include those stockholders whose stock has been issued in street name. As of December 31, 2024, our net asset value per share was $2.17.

The following table reflects the high and low closing sales prices per share of our common stock on the NYSE, and net asset value ("NAV") per share for each of the three years ended December 31, 2024, by quarter:

	2024				2023				2022			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
High	$ 1.68	$ 1.53	$ 1.48	$ 1.40	$ 1.75	$ 1.65	$ 1.55	$ 1.51	$ 2.71	$ 2.70	$ 2.63	$ 1.83
Low	1.42	1.25	1.24	1.04	1.44	1.46	1.35	1.38	2.20	2.35	1.49	1.39
NAV	3.38	3.66	2.96	2.17	2.52	2.96	3.49	3.55	2.77	2.75	2.68	2.61

Stock Performance Graph

The following graph compares the cumulative total return on our common stock with the cumulative total return of the NYSE Composite Index and the S&P 500 Index for the five years ended December 31, 2024. This comparison assumes $100.00 was invested in our common stock at the closing price of our common stock on December 31, 2019 and in the comparison groups and assumes the reinvestment of all cash dividends on the ex-dividend date prior to any tax effect. The stock price performance shown on the graph below is not necessarily indicative of future price performance.



If we requalify as a RIC, we will be required to distribute to our stockholders, in a timely manner, at least 90% of our taxable net investment income each year. If we do not distribute, in a timely manner, 98.2% of our taxable net capital gains and 90% of our taxable net investment income each year (as well as any portion of the respective 2% balances not distributed in the previous year), we will be subject to a 4% non-deductible federal excise tax on certain undistributed income of regulated investment companies. Under the 1940 Act, we are not permitted to pay dividends to stockholders unless we meet certain asset coverage requirements. If taxable net investment income is retained, we will be subject to federal income and excise taxes. We reserve the right to retain net long-term capital gains in excess of net short-term capital losses for reinvestment or to pay contingencies and expenses. Such retained amounts, if any, will be taxable to the Fund as long-term capital gains and our stockholders will be able to claim their proportionate share of the federal income taxes paid by the Fund on such gains as a credit against their own federal income tax liabilities. Stockholders will also be entitled to increase the adjusted tax basis of their fund shares by the difference between their undistributed capital gains and their tax credit.

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

Item 6. *[Reserved]*

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

We are incorporating by reference Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2023 Annual Report on Form 10-K for management's discussion and analysis of financial condition and results of operations for the fiscal year 2023 compared to fiscal year 2022.

Overview

Equus is a BDC that provides financing solutions for privately held middle market and small capitalization companies. We began operations in 1983 and have been a publicly traded closed-end fund since 1991. Our investment objective is to seek the highest total return, consisting of capital appreciation and current income. Consistent with our announced intention to transform Equus into an operating company or a permanent capital vehicle, our shareholders have previously authorized our Board to withdraw our BDC election and, although this authorization has since expired, we expect to receive a further authorization from our stockholders in the future. Nevertheless, we will not withdraw this election unless and until we have entered into a definitive agreement to convert Equus into an operating company or a permanent capital vehicle. Further, we will also require a subsequent affirmative vote from holders of a majority of our outstanding voting shares to enter into any such definitive agreement or change the nature of our business. See *Significant Developments – Authorization to Withdraw BDC Election* above.

As a BDC, we are required to comply with certain regulatory requirements. For instance, we generally have to invest at least 70% of the Fund's total assets in "qualifying assets," including securities of private U.S. companies, certain public U.S. companies with a total market capitalization not in excess of $250 million, cash, cash equivalents, U.S. government securities and short-term high-quality debt investments. Prior to the fourth quarter of 2024, Equus qualified as a RIC under Subchapter M of the Code and may seek to requalify as a RIC in the future. To qualify as a RIC, we must meet certain source of income and asset diversification requirements. If we comply with the provisions of Subchapter M, the Fund generally would not have to pay corporate-level income taxes on any income that is distributed to our stockholders.

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

Expenses. Currently, our primary operating expenses include director fees and expenses, professional fees, compensation expense, and general and administrative fees. During 2024, 2023 and 2022, we did not incur any non- recurring expenses.

Non-Operating Subsidiary. We have established Equus Total Return (Canada) Inc. as a wholly-owned subsidiary to facilitate payments to Canadian personnel and contractors who provide services to the Fund. We consider Equus Total Return (Canada) Inc. a disregarded entity for accounting purposes, inasmuch as it does not have active operations.

Operating Activities. We use cash to make new investments and follow-on investments in our existing portfolio companies. We record these investments at cost on the applicable trade date. Realized gains or losses are computed using the specific identification method. On an ongoing basis, we carry our investments in our financial statements at fair value, as determined by our board of directors. See "*Critical Accounting Policies – Valuation of Investments*" below. As of December 31, 2024, we had invested 91.9% of our assets in securities of portfolio companies that constituted qualifying investments under the 1940 Act. At that time, we had invested 100% in membership interests in limited liability companies.

Commitments. Under certain circumstances, we make follow-on investments in some of our portfolio companies. As of December 31, 2024, we had no outstanding commitments in our portfolio companies.

Financing Activities. From time to time, we use leverage to finance a portion of our investments. We then repay such debt from the sale of portfolio securities. Under the 1940 Act, we have the ability to borrow funds and issue debt securities or preferred stock that are referred to as senior securities, subject to certain restrictions, including an overall limitation on the amount of outstanding debt, or leverage, relative to equity of 1.5:1. Because of the nature and size of our portfolio investments, we have periodically borrowed funds to make qualifying investments in order to maintain our qualification as a RIC. During the first three quarters of 2024 and all of 2023, we borrowed such funds by accessing a margin account with a securities brokerage firm. We invested the proceeds of these margin loans in high-quality securities such as U.S. Treasury securities until they were repaid. We refer to these high-quality investments as "restricted assets" because they are not generally available for investment in portfolio companies under the terms of borrowing. If, in the future, we seek to requalify as a RIC and cannot borrow funds to make such qualifying investments at the end of any future quarter, we would not so requalify and would, as a non-RIC, be subject to corporate-level income tax on our net investment income and realized capital gains, if any. In addition, our distributions to stockholders would be taxable as ordinary dividends to the extent paid from earnings and profits. See "*Federal Income Tax Considerations*."

Distributions. So long as we remain a BDC, save for minor exceptions we will continue to pay out net investment income and/or realized capital gains, if any, on an annual basis as required under the 1940 Act.

Possible Share Repurchase. As a closed-end BDC, our shares of common stock are not redeemable at the option of stockholders, and our shares currently trade at a discount to their net asset value. Our Board has determined that it would be in the best interests of our stockholders to reduce or eliminate this market value discount. Accordingly, we have been authorized to, and may from time to time, repurchase shares of our outstanding common stock (including by means of tender offers or privately negotiated transactions) in an effort to reduce or eliminate this market discount or to increase the net asset value of our shares. We are not required to undertake, and we have not previously undertaken, any such share repurchases, nor do we further anticipate taking any such action in 2025.

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. Inasmuch as all existing awards under the Incentive Plan became fully-vested prior to 2021, we recorded no compensation expense relating to awards made under the Incentive Plan for the years ended December 31, 2024, 2023 and 2022.

Critical Accounting Estimates

We follow the accounting and reporting guidance in FASB Accounting Standards Codification Topic 946 *"Financial Services – Investment Companies*." Our financial statements are based on the selection and application of significant accounting policies, which require management to make significant estimates and assumptions. We believe that the following are some of the more critical judgment areas in the application of our accounting policies that currently affect our financial condition and results of operations.

Valuation of Investments

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 summarizes 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).

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

Because of the inherent uncertainty of the valuation of portfolio securities which do not have readily ascertainable market values, amounting to $27.5 million and $40.9 million as of December 31, 2024 and 2023, respectively, our fair value determinations may materially differ from the values that would have been used had a ready market existed for the securities. See *Note 3* to the financial statements included in Item 8.

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*.

Current Market Conditions

U.S. GDP increased at an annualized rate of 2.3% in the fourth quarter of 2024, which was relatively consistent with consensus estimates for the quarter, but lower than GDP growth for the third quarter of 2024 (3.1%), as well as the fourth quarter of 2023 (3.2%). Overall GDP growth for the full year 2024 was 2.8% compared to 2.9% in 2023. The increase in GDP during the fourth quarter of 2024 was driven principally by consumer spending, offset by a decrease in business investment during the quarter. The Congressional Budget Office is projecting GDP growth of 1.9% for 2025 and 1.8% for 2026. The CBO report was released prior to the inauguration of the new U.S. President and the administration's imposition of tariffs which has resulted in a downward adjustment to GDP forecasts. Citing tariff concerns, Morgan Stanley revised its GDP growth forecast for 2025 and 2026 from 1.9% and 1.3%, respectively, to 1.5% and 1.2%. (Sources: *Bureau of Economic Analysis; Morgan Stanley; Congressional Budget Office*).

As of February 2025, the U.S. unemployment rate stood at 4.1%, and has remained largely stable for a considerable period, fluctuating between 3.4% and 4.1% for the previous 36 months. With the advent of tariffs, government layoffs, and a more aggressive deportation policy for undocumented immigrants, most economists are projecting the unemployment rate to increase during the remainder of 2025. Moreover, the labor participation rate remains at approximately 62.5%, below the pre-pandemic high of 63.3% of February 2020. Most of the recent employment gains in 2023 and 2024 were due to gains in the leisure and hospitality industry, construction, trade, transportation, and utilities. (Sources: *U.S. Bureau of Labor Statistics; Trading Economics*).

Beginning in 2021 and continuing through 2022, consumer prices increased the most in four decades, reaching a high of 8.3%, before steadily declining, more or less, throughout 2023 and 2024, finishing the year at 2.9%. This trend has continued into January 2025, where the U.S. Bureau of Labor Statistics reported an annualized rate of 3.0%. Notwithstanding a projected slowing of the U.S. economy for 2025, most economists are projecting similar rates of inflation for 2025 as compared to 2024, principally due to the effect of expected tariffs on imported goods. (Sources: *U.S. Bureau of Labor Statistics; Morgan Stanley*).

Global merger and acquisition activity in 2024 was approximately $2.2 trillion, a slight increase from $2.1 trillion in 2023, but well off the high of $4.1 trillion in 2021. Financial services, materials, industrials, and information technology were the sectors that experienced the most significant dealmaking activity during the year. Most analysts expect consolidation activity in 2025 to increase over 2024, principally due to expected lower costs of capital. (Sources: *S&P Global*; *Ernst & Young*).

Private equity activity increased from $1.9 trillion in 2023 to $2.1 trillion in 2024, reversing a downward trend from 2021 and 2022 and the highs experienced during the Covid-19 pandemic. Nevertheless, private equity fundraising was lower for the third straight year due to a weak exit environment that has constrained liquidity, with fund flows down 30% in 2024 as compared to 2023. (Source: *S&P Global*)

During 2024, our net asset value decreased from $3.55 per share as of December 31, 2023 to $2.17 per share as of December 31, 2024. As of December 31, 2024, our common stock was trading at a 62.9% discount to our net asset value as compared to 59.2% as of December 31, 2023.

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, if 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

The Company defines cash equivalents as securities that are readily convertible into known amounts of cash and near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only securities with a maturity of three months or less from the date of purchase would qualify, with limited exceptions. The Company deems that certain money market funds, U.S. Treasury bills, repurchase agreements and other high-quality, short-term debt securities would qualify as cash equivalents (See Note 2 to the financial statements.)

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 have, until the fourth quarter of 2024, periodically borrowed funds to make qualifying investments to maintain our prior tax status as a RIC. As a RIC, we often borrowed such funds by utilizing a margin account with a securities brokerage firm. If we seek to requalify as a RIC, 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 requalify as a RIC. The Fund would then continue to 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. Our operating cash flow and cash on hand is not sufficient to meet operating requirements or to finance routine capital expenditures through the next twelve months. We are therefore seeking liquidity from the sale of our portfolio interests, as well as seeking external debt and equity financing from third parties. Should either or both of the foregoing events not occur as contemplated, the Fund will not have the necessary funds to maintain normal operations and, therefore, substantial doubt would exist about the Fund's ability to continue as a going concern. Further, if we effect a transformation of the Fund into an operating company as described under "*Significant Developments – Authorization to Withdraw BDC Election*" above, we may utilize some or a substantial portion of our current liquidity in connection with a contemplated transaction as payment of the purchase price and to pay associated legal, due diligence, accounting, and other fees. Further, we may borrow funds from financial institutions or other providers of debt capital to provide and pay for a part of the consideration and expenses necessary to effect a conversion of Equus into an operating company.

Year Ended December 31, 2024

As of December 31, 2024, we had total assets of $29.9 million, of which $27.5 million were invested in portfolio investments and $0.3 million were invested in cash and cash equivalents.

Operating Activities. We generated $38.2 million in cash for operating activities in 2024 principally due to $45.1 million sales in net investments in U.S. Treasury bills, offset by $2.2 million in investments, along with $4.6 million in fees to professional advisors, directors and other fees.

Financing Activities. We used $45.0 million in cash from financing activities for 2024, principally in connection with repayments net of borrowings on margin. We did not declare any dividends in 2024.

Year Ended December 31, 2023

As of December 31, 2023, we had total assets of $93.5 million, of which $40.9 million were invested in portfolio investments and $6.5 million were invested in cash and cash equivalents.

As of December 31, 2023, we also had $45.4 million of U.S. Treasury bills 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, $45.0 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 matured on January 4, 2024 and we subsequently repaid this margin loan. The margin interest was paid on February 4, 2024.

Operating Activities. We used $51.4 million in cash for operating activities in 2023 principally due to $8.3 million in investments, $4.3 million in fees to professional advisors, director and other fees, along with $38.9 million increase in net investments in U.S. Treasury bills.

Financing Activities. We provided $39.1 million in cash from financing activities for 2023, principally in connection with net borrowings on margin. We did not declare any dividends in 2023.

Results of Operations Investment Income and Expense

Year Ended December 31, 2024 as compared to Year Ended December 31, 2023

Total income from portfolio securities was $1.3 million for 2024 and $0.3 for 2023. Compensation expense decreased to $1.8 million in 2024 from $1.9 million in 2023.

As a result of the factors described above, net investment loss after expenses was $3.3 million for 2024 as compared to a net investment loss of $4.0 million in 2023.

Summary of Portfolio Investment Activity

Year Ended December 31, 2024

During 2024, we made an $2.2 million investment in Morgan E&P, LLC.

The following table includes summarizes investment activity during the year ended December 31, 2024 (in thousands):

	Investment Activity				
	New Investments		Existing Investments		
Portfolio Company	Cash	Non-Cash	Follow-On Cash	PIK	Total
Morgan E&P, LLC	$ —	$ —	$ 2,247	$ —	$ 2,247
	$ —	$ —	$ 2,247	$ —	$ 2,247

Year Ended December 31, 2023

During 2023, we made an $8.3 million investment in Morgan E&P, LLC.

The following table includes summarizes investment activity during the year ended December 31, 2023 (in thousands):

	Investment Activity				
	New Investments		Existing Investments		
Portfolio Company	Cash	Non-Cash	Follow-On Cash	PIK	Total
Morgan E&P, LLC	$ 8,253	$ —	$ —	$ —	$ 8,253
	$ 8,253	$ —	$ —	$ —	$ 8,253

Year Ended December 31, 2022

During 2022, we made a $0.15 million follow-on investment in Equus Energy, LLC.

The following table includes summarizes investment activity during the year ended December 31, 2022 (in thousands):

	Investment Activity				
	New Investments		Existing Investments		
Portfolio Company	Cash	Non-Cash	Follow-On Cash	PIK	Total
Equus Energy, LLC	$ —	$ —	$ 150	$ —	$ 150
	$ —	$ —	$ 150	$ —	$ 150

Realized Gains and Losses

Year Ended December 31, 2024

We realized capital gains of $138 thousand as a result of disposition of U.S. Treasury bills.

Year Ended December 31, 2023

We realized capital gains of $34 thousand as a result of disposition of U.S. Treasury bills.

Year Ended December 31, 2022

We realized capital gains of $1.0 thousand as a result of disposition of U.S. Treasury bills.

Changes in Unrealized Appreciation of Portfolio Securities

Year Ended December 31, 2024

During 2024, we recorded a decrease of $15.6 million in net unrealized appreciation, from an unrealized appreciation of $24.5 million at December 31, 2023 to a net unrealized appreciation of $8.9 million at December 31, 2024. Such change in unrealized appreciation resulted primarily from the decrease in the fair value of our holdings in Morgan E&P, LLC of $9.6 million, principally due to a lower forward price curve for oil, as well as the reclassification of certain of its proved reserves from producing to non-producing. The change in unrealized appreciation also resulted from the decrease in fair value of our holding in Equus Energy, LLC of $6.0 million, principally due to decreases in the forward curve for oil and natural gas and its effect on the economic prospects of Equus Energy regarding future development of its oil and gas properties. See *Subsequent Events* below where we sold our interest in Equus Energy in March 2025 for a combination of cash and preferred stock valued at $4.0 million.

Year Ended December 31, 2023

During 2023, we recorded an increase of $17.0 million in net unrealized appreciation, from an unrealized appreciation of $7.5 million at December 31, 2022 to a net unrealized appreciation of $24.5 million at December 31, 2023. Such change in unrealized appreciation resulted primarily from the increase in the fair value of our holdings in Morgan E&P, LLC of $22.6 million, principally due to substantial increases in Morgan's reserves and the reclassification of certain of its proved reserves from undeveloped to producing. The increase in the fair value of Morgan was offset by the decrease in fair value of our holding in Equus Energy, LLC of $5.7 million, principally due to decreases in the forward curve for natural gas and its effect on the economic prospects of Equus Energy regarding future development of its gas properties.

Year Ended December 31, 2022

During 2022, we recorded an increase of $2.5 million in net unrealized appreciation, from an unrealized appreciation of $5.0 million at December 31, 2021 to a net unrealized appreciation of $7.5 million at December 31, 2022. Such change in unrealized appreciation resulted primarily from the increase in the fair value of our holdings in Equus Energy, LLC of $2.65 million, principally due to an increase in the cost basis of this investment, as well as increases in oil and gas prices, as well as increases in the short- and long-term forward pricing curves for these commodities during 2022.

Portfolio Securities

As of December 31, 2024, we had active investments in the following portfolio companies:

Morgan E&P, LLC

Morgan E&P, LLC ("Morgan") was organized by the Fund on April 3, 2023 as a Delaware limited liability company and a wholly-owned subsidiary of the Fund. On May 22, 2023, Morgan completed the acquisition of 4,747.52 net acres, in the Bakken/Three Forks formation in the Williston Basin of North Dakota, and acquired approximately 1,100 additional acres on September 26, 2023. The acreage and associated mineral rights were acquired from Pro Energy I LLC ("Pro Energy"), a company whose principals have decades of oil and gas experience and who have themselves drilled over 1,800 horizontal wells in the Williston Basin over a 10-year period. In May 2023, we entered into an agreement with Morgan to provide it up to $10.0 million in senior debt financing, which amount was subsequently amended to $10.5 million, subject to a schedule of disbursements and draws that we determine. As of December 31, 2024, we advanced Morgan $10.5 million under this facility. During 2023 and 2024, Morgan substantially increased its reserves and completed the drilling of two new wells. However, due to mechanical issues, these two wells were classified as non producing during the fourth quarter of 2024. As a result, the fair value of our debt and equity interest in Morgan was $23.5 million at December 31, 2024.

Equus Energy, LLC

We formed Equus Energy, as a wholly-owned subsidiary of the Fund, to make investments in companies in the energy sector, with particular emphasis on income-producing oil & gas properties. In December 2011, we contributed
$250,000 to the capital of Equus Energy. On December 27, 2012, we invested an additional $6.8 million in Equus Energy for the purpose of additional working capital and to fund the purchase of $6.6 million in working interests that, as of December 31, 2024, consisted of 136 producing and non-producing oil and gas wells, including associated development rights of approximately 21,520 acres situated on 9 separate properties in Texas and Oklahoma. On September 30, 2020, the Fund provided an additional $0.6 million in capital to Equus Energy for the purpose of additional working capital. On June 30, 2021, the Fund provided an additional $0.35 million in capital to Equus Energy for the purpose of additional working capital. On December 31, 2022, the Fund provided an additional $0.15 million in capital to Equus Energy for the purpose of additional working capital. The working interests held by Equus Energy range from a *de minimus* amount to 50% of the leasehold production of these wells. The wells are operated by a number of experienced operators such as Burk Royalty, which has operating responsibility for leasehold interests in the Conger Field, representing approximately one-third of the producing well interests. The assets were purchased from Warren American Oil Company, LLC, a Tulsa-based oil and gas firm. The fair value of our holding in Equus Energy decreased from $10.0 million at December 31, 2023 to $4.0 million at December 31, 2024, principally due to decreases in the forward curve for oil and natural gas and its effect on the economic viability of Equus Energy's gas reserves for future development. See *Subsequent Events* below where we sold our interest in Equus Energy in March 2025 for a combination of cash and preferred stock valued at $4.0 million.

Off Balance Sheet Arrangements

Our current office space lease since December 31, 2020 is on a month-to-month basis. Rent expense, inclusive of common area maintenance costs, was $97,000 for the year ended December 31, 2024.

Contractual Obligations

As of December 31, 2024, we had no outstanding commitments to our portfolio company investments.

Dividends

So long as we remain a BDC, 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.

Subsequent Events

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

Issuance of Convertible Note and Warrants. On February 10, 2025, we issued a 1-year senior convertible promissory note bearing interest at the rate of 10.0% per annum in exchange for $2.0 million in cash ("Equus Note"). The Equus Note is convertible into shares of the Fund's common stock at a conversion price of $1.50 per share. Contemporaneously with the issuance of the Note, the Fund also issued two common stock purchase warrants to acquire an aggregate of 2,000,000 shares of the Fund's common stock at an exercise price of $1.50 per share.

New Portfolio Investment. On February 10, 2025, we purchased from General Enterprise Ventures, Inc., a developer of fire suppression products ("GEVI"), a 1-year senior convertible promissory note bearing interest at the rate of 10% per annum, in exchange for $1.5 million in cash ("GEVI Note"). The GEVI Note is convertible into shares of GEVI's common stock at a conversion price of $0.40 per share. Contemporaneously with the purchase of the GEVI Note, the Fund also received a common stock purchase warrant to acquire an aggregate of 1,875,000 shares of GEVI common stock at an exercise price of $0.50 per share.

Sale of Equus Energy. On March 3, 2025, we sold Equus Energy to North American Energy Opportunities Corp., a developer of upstream oil and gas assets ("NAEOC"). The consideration provided by NAEOC consisted of $1.25 million in cash and 27,500 shares of preferred stock, redeemable within 6 months of the date of issuance at $100.00 per share based upon fulfillment of certain conditions.

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

We are subject to financial market risks, including changes in interest rates with respect to investments in debt securities and outstanding debt payable, as well as changes in marketable equity security prices. In the future, we may invest in companies outside the United States, including in Europe and Asia, which would give rise to exposure to foreign currency value fluctuations. We do not use derivative financial instruments to mitigate any of these risks. The return on investments is generally not affected by foreign currency fluctuations.

Our investments in portfolio securities consist of some fixed-rate debt securities. Since the debt securities are generally priced at a fixed rate, changes in interest rates do not directly affect interest income. In addition, changes in market interest rates are not typically a significant factor in the determination of fair value of these debt securities, since the securities are generally held to maturity. We determine their fair values based on the terms of the relevant debt security and the financial condition of the issuer.

A major portion of our investment portfolio consists of 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 may also consist of common stocks in publicly traded companies. These investments are directly exposed to equity price risk, in that a hypothetical ten percent change in these equity prices would result in a similar percentage change in the fair value of these securities.

We are classified as a "non-diversified" investment company under the 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 "Energy" includes two portfolio companies and was 93.1% of our net asset value, 91.9% of our total assets and 100% of our investments in portfolio company securities (at fair value) as of December 31, 2024. Changes in business or industry trends or in the financial condition, results of operations, or the market's assessment of any single portfolio company will affect the net asset value and the market price of our common stock to a greater extent than would be the case if we were a "diversified" company holding numerous investments.

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

Index to Financial Statements

Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors Equus Total Return, Inc.
Houston, Texas

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Equus Total Return, Inc. (the "Fund"), including the schedules of investments, as of December 31, 2024 and 2023, the related statements of operations, changes in net assets, and cash flows for each of the three years in the period ended December 31, 2024, and the related notes and financial statement schedule listed in the Table of Contents in Item 15(a)(1) (collectively referred to as the "financial statements") and the selected per share data and ratios for each of the five years in the period ended December 31, 2024. In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2024 and 2023, and the results of its operations, changes in net assets and its cash flows for each of the three years in the period ended December 31, 2024, and the selected per share data and ratios for each of the five years in the period ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Equus Total Return, Inc. (the "Fund"), including the schedules of investments, as of December 31, 2024 and 2023, the related statements of operations, changes in net assets, and cash flows for each of the three years in the period ended December 31, 2024, and the related notes and financial statement schedule listed in the Table of Contents in Item 15(a)(1) (collectively referred to as the "financial statements") and the selected per share data and ratios for each of the five years in the period ended December 31, 2024. In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2024 and 2023, and the results of its operations, changes in net assets and its cash flows for each of the three years in the period ended December 31, 2024, and the selected per share data and ratios for each of the five years in the period ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

Going Concern Uncertainty

The accompanying financial statements have been prepared assuming that the Fund will continue as a going concern. As discussed in Note 2 to the financial statements, the Fund has insufficient operating cash flows and cash on hand that raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements and the selected per share data and ratios are the responsibility of the Fund's management. Our responsibility is to express an opinion on the Fund's financial statements and the selected per share data and ratios based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the selected per share data and ratios are free of material misstatement, whether due to error or fraud. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements and the selected per share data and ratios, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements and the selected per share data and ratios. Our procedures included confirmation of securities owned as of December 31, 2024, and 2023 by correspondence with the custodians. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and the selected per share data and ratios. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Valuation of Limited Liability Company Investments

As described in Note 3 to the financial statements, the Fund’s control investment portfolio has a total estimated fair value of $27.5 million at December 31, 2024, which includes $17.0 million of limited liability company investments. Management has determined that these limited liability company investments are Level 3 investments in accordance with Accounting Standards Codification Topic 820 and utilize inputs that are unobservable and significant to the fair value measurement. Management engaged an independent third-party valuation firm and reserve engineers to assist in the determination of the fair value estimate of the Fund’s limited liability company Investments.

We identified the valuation of the Fund’s limited liability company investments as a critical audit matter. The principal considerations for our determination are significant judgments involved in the determination of (i) the valuation techniques utilized to value these investments which include the guideline transaction method, guideline public company method, the discounted cash flow method and transaction price method, and (ii) the use of unobservable inputs in these valuation techniques, which include, acreage value multiples, estimated future production, proved reserve multiple, daily production multiple and discount rate. Auditing these elements was complex because it involved especially subjective auditor judgment, including the use of personnel with specialized skill and knowledge.

The primary procedures we performed to address this critical audit matter included:

- Testing the reasonableness of the estimated future production by: (i) comparing to historical production volumes and historical production decline analyses and (ii) assessing the consistency with evidence obtained in other areas of the audit.

- Utilizing personnel with specialized skill and knowledge in valuation to assist in: (i) evaluating the appropriateness of the valuation techniques applied to each limited liability company investment and (ii) evaluating whether unobservable inputs, including the acreage value multiples, proved reserve multiple, daily production multiple, and discount rate were reasonable by comparing to independent data sources.

/s/ BDO USA, P.C.

We have served as the Fund's auditor since 2014.

Houston, Texas

April 10, 2025

EQUUS TOTAL RETURN, INC. BALANCE SHEETS

	December 31, 2024	December 31, 2023
(in thousands, except shares and per share amounts)		
Assets		
Investments in portfolio securities at fair value:		
Control investments (cost at $18,611 and $16,364, respectively)	$ 27,500	$ 40,853
Total investments in portfolio securities at fair value	27,500	40,853
U.S. Treasury Bills	—	44,955
Cash and cash equivalents	262	6,533
Restricted cash	—	450
Accounts receivable from affiliates	678	139
Accrued interest	1,470	225
Other assets	26	392
Total assets	29,936	93,547
Liabilities and net assets		
Accounts payable	332	172
Accrued compensation	1	29
Accounts payable to related parties	93	104
Borrowing under margin account	—	44,955
Total liabilities	426	45,260
Commitments and contingencies (See Note 6)		
Net assets		
Common stock, $.001 par value per share; 100,000,000 shares authorized as of December 31, 2024 and December 31, 2023, and 13,586,173 shares outstanding as of December 31, 2024 and December 31, 2023		
Preferred stock, $.001 par value per share; 10,000,000 shares authorized as of December 31, 2024 and December 31, 2023		
Common stock, par value	$ 14	$ 14
Capital in excess of par value	74,785	74,785
Accumulated deficit	(45,289)	(26,512)
Total net assets	$ 29,510	$ 48,287
Shares of common stock issued and outstanding, $.001 par value, 100,000 and 50,000 shares authorized, respectively	13,586	13,586
Net asset value per share	$ 2.17	$ 3.55

The accompanying notes are an integral part of these financial statements

EQUUS TOTAL RETURN, INC. STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)	Year Ended December 31, 2024	2023	2022
Investment income:			
Interest income:			
Control investments	$ 1,245	$ 225	$ —
Total interest income	1,245	225	—
Interest from U.S. Treasury Bills	29	24	—
Total investment income	1,274	249	—
Expenses:			
Compensation expense	1,761	1,937	1,564
Professional fees	1,439	1,110	815
Professional liability expenses	582	661	720
Director fees and expenses	317	334	325
General and administrative expenses	189	133	130
Mailing, printing and other expenses	127	71	56
Taxes	36	13	15
Interest expense	138	25	4
Total expenses	4,589	4,284	3,629
Net investment loss	(3,315)	(4,035)	(3,629)
Net realized gain:			
U.S. Treasury Bills	138	34	1
Net realized gain	138	34	1
Net unrealized appreciation (depreciation) of portfolio securities:			
Control investments	(15,600)	16,950	2,500
Net change in net unrealized appreciation (depreciation) of portfolio securities	(15,600)	16,950	2,500
Income Taxes			
Federal income taxes	—	—	—
Net increase (decrease) in net assets resulting from operations	$ (18,777)	$ 12,949	$ (1,128)
Net increase (decrease) in net assets resulting from operations per share:			
Basic and diluted	$ (1.38)	$ 0.96	$ (0.08)
Weighted average shares outstanding:			
Basic and diluted	13,586	13,526	13,518

The accompanying notes are an integral part of these financial statements

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

	Common Stock				
(in thousands)	Number of Shares	Par Value	Capital in Excess of Par Value	Accumulated Deficit	Total Net Assets
Balances as of December 31, 2024	13,586	14	74,785	(45,289)	$ 29,510
Net decrease in net assets resulting from operations	—	—	—	(18,777)	(18,777)
Balances as of December 31, 2023	13,586	14	74,785	(26,512)	48,287
Issuance of shares	68	1	100	—	101
Net increase in net assets resulting from operations	—	—	—	12,949	12,949
Balances as of December 31, 2022	13,518	13	74,685	(39,461)	35,237
Net decrease in net assets resulting from operations	—	—	—	(1,128)	(1,128)
Balances as of December 31, 2021	13,586	$ 13	$ 74,685	$ (38,333)	$ 36,365

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

EQUUS TOTAL RETURN, INC. STATEMENTS OF CASH FLOWS

(in thousands)	**Year Ended December 31, 2024**	**2023**	**2022**
Cash flow from operating activities:			
Net (decrease) increase in net assets resulting from operations	$ (18,777)	$ 12,949	$ (1,128)
Adjustments to reconcile net (decrease) increase in net assets resulting from operations to net cash provided by (used in) operating activities:			
U.S. Treasury Bills	(138)	(34)	(1)
Net change in unrealized appreciation (depreciation) of portfolio securities:			
Control investments	15,600	(16,950)	(2,500)
Purchase of portfolio securities	(2,247)	(8,253)	(150)
Net proceeds from dispositions of portfolio securities	—	—	—
Sales (purchases) of U.S. Treasury Bills, net	45,093	(38,923)	(3,497)
Changes in operating assets and liabilities:			
Accounts receivable from affiliates	(539)	211	—
Accrued interest	(1,245)	(225)	—
Other assets	366	(11)	(6)
Accounts payable and accrued liabilities	132	(227)	(410)
Accounts payable to related parties	(11)	103	(12)
Net cash provided by (used in) operating activities	38,234	(51,359)	(7,704)
Cash flows from financing activities:			
Borrowings under margin account	161,907	85,923	16,997
Repayments under margin account	(206,862)	(46,966)	(13,499)
Issuance of common stock	—	101	—
Net cash (used in) provided by financing activities	(44,955)	39,058	3,498
Net (decrease) in cash and cash equivalents	(6,721)	(12,301)	(4,206)
Cash and cash equivalents and restricted cash at beginning of period	6,983	19,284	23,490
Cash and cash equivalents and restricted cash at end of period	$ 262	$ 6,983	$ 19,284
Supplemental disclosure of cash flow information:			
Interest paid	$ 138	$ 25	$ 4
Income taxes paid	$ 36	$ 13	$ 53

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

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

	Year ended December 31, 2024	2023	2022	2021	2020
Investment income	$ 0.09	$ 0.02	$ —	$ —	$ 0.02
Expenses	0.33	0.32	0.27	0.26	0.38
Net investment loss	(0.24)	(0.30)	(0.27)	(0.26)	(0.36)
Net realized gain (loss)	0.01	0.01	—	0.03	1.37
Net change in unrealized appreciation of portfolio securities	(1.15)	1.25	0.19	0.42	(2.05)
Net (decrease) increase in net assets resulting from operations	(1.38)	0.96	(0.08)	0.19	(0.91)
Capital transactions:					
Shares issued for portfolio securities	—	—	—	—	0.01
Dilutive effect of shares issued	—	(0.02)	—	—	—
Decrease in net assets resulting from capital transactions	—	(0.02)	—	—	0.01
Net increase (decrease) in net assets	(1.38)	0.94	(0.08)	0.19	(0.90)
Net assets at beginning of period	3.55	2.61	2.69	2.50	3.40
Net assets at end of period, basic and diluted	$ 2.17	$ 3.55	$ 2.61	$ 2.69	$ 2.50
Weighted average number of shares outstanding during period, in thousands	13,586	13,526	13,518	13,518	13,518
Market price per share:					
Beginning of period	$ 1.45	$ 1.43	$ 2.38	$ 2.16	$ 1.82
End of period	$ 1.10	$ 1.45	$ 1.43	$ 2.38	$ 2.16
Selected information and ratios:					
Ratio of expenses to average net assets	11.80%	8.87%	10.14%	9.77%	13.00%
Ratio of net investment loss to average net assets	(8.52%)	(8.36%)	(10.14%)	(9.77%)	(12.20%)
Ratio of net increase (decrease) in net assets resulting from operations to average net assets	(48.28%)	26.82%	(3.15%)	7.38%	(30.82%)
Total return on market price (1)	(24.14%)	1.40%	(39.92%)	10.19%	18.68%

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

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

EQUUS TOTAL RETURN, INC. SCHEDULE OF INVESTMENTS
DECEMBER 31, 2024
(in thousands, except share data)

Name and Location of Portfolio Company [1]	Industry	Date of Initial Investment	Investment	Principal		Cost of Investment		Fair Value[2]
Control Investments: Majority-owned [3]:								
Equus Energy, LLC [4] Houston, TX	Energy	December 2011	Member interest (100%)			$ 8,111		$ 4,000
Morgan E&P, LLC [4] Houston, TX	Energy	April 2023	Member interest (100%)			—		13,000
			12% senior secured promissory note due 5/26 [5]	$	10,500	10,500		10,500
						10,500		23,500
Total Control Investments: Majority-owned (represents 100% of total investments at fair value)						**18,611**		**27,500**
Total Investments						**$ 18,611**		**$ 27,500**

[1] Under Section 55 (a) of the 1940 Act, qualifying assets must represent at least 70% of total assets at the time of acquisitions of any non-qualifying assets. As of none of the Fund's total assets were considered non-qualifying assets. See Note 3 to the financial statements, Valuation of Investments.

[2] See Note 3 to the financial statements, Valuation of Investments.

[3] Majority-owned investments are generally defined under the Investment Company Act of 1940 as companies in which we own more than 50% of the voting securities of the company.

[4] Level 3 Portfolio Investments

[5] Income-producing

SCHEDULE OF INVESTMENTS – (Continued)
DECEMBER 31, 2024
(in thousands, except share data)

Our portfolio securities are restricted from public sale without prior registration under the Securities Act of 1933 (hereafter, the "Securities Act"). We typically 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"), we may invest up to 30% of our assets in non-qualifying portfolio investments, as permitted by the Investment Company Act of 1940 (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, 2024, we had invested 91.9% of our assets in securities of portfolio companies that constituted qualifying investments under the 1940 Act. As of December 31, 2024, none of our investments are considered non-qualifying assets as all of our investments are in enterprises that are considered eligible portfolio companies the 1940 Act. We provide significant managerial assistance to our portfolio companies that comprise 100% of the total value of the investments in portfolio securities as of December 31, 2024.

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 issuer. The value of one segment called "Energy" includes our two remaining portfolio companies and was 93.2% of our net asset value, 91.9% of our total assets and 100% of our investments in portfolio company securities (at fair value) as of December 31, 2024. 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.

Our investments in portfolio securities consist of the following types of securities as of December 31, 2024 (in thousands):

Type of Securities	Cost	Fair Value	Fair Value as Percentage of Net Assets
Limited liability company investments	$ 8,111	$ 17,000	57.6%
Secured and subordinated debt	10,500	10,500	35.6%
Total	$ 18,611	$ 27,500	93.2%

The following is a summary by industry of the Fund's investments in portfolio securities as of December 31, 2024 (in thousands):

Industry	Fair Value	Fair Value as Percentage of Net Assets
Energy	$ 27,500	93.2%
Total	$ 27,500	93.2%

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EQUUS TOTAL RETURN, INC. SCHEDULE OF INVESTMENTS
DECEMBER 31, 2023
(in thousands, except share data)

Name and Location of Portfolio Company [(1)]	Industry	Date of Initial Investment	Investment	Principal			Cost of Investment		Fair Value[(2)]
Control Investments: Majority-owned [(3)]:									
Equus Energy, LLC [(4)] Houston, TX	Energy	December 2011	Member interest (100%)			$	8,111	$	10,000
Morgan E&P, LLC [(4)] Houston, TX	Energy	April 2023	Member interest (100%)				—		22,600
			12% senior secured promissory note due 5/26 [(5)]	$	8,253		8,253		8,253
							8,253		30,853
Total Control Investments: Majority-owned (represents 47.6% of total investments at fair value)							**16,364**		**40,853**
U.S. Treasury Bills									
U.S. Treasury Bill	Government	December 2023	UST 0% 1/24		44,955		44,955		44,955
Total U.S. Treasury bills (represents 52.4% of total investments at fair value)							**44,955**		**44,955**
Total Investments						**$**	**61,319**	**$**	**85,808**

(1) Under Section 55 (a) of the 1940 Act, qualifying assets must represent at least 70% of total assets at the time of acquisitions of any non-qualifying assets. As of none of the Fund's total assets were considered non-qualifying assets. See Note 3 to the financial statements, Valuation of Investments.

(2) See Note 3 to the financial statements, Valuation of Investments.

(3) Majority-owned investments are generally defined under the Investment Company Act of 1940 as companies in which we own more than 50% of the voting securities of the company.

(4) Level 3 Portfolio Investments

(5) Income-producing

SCHEDULE OF INVESTMENTS – (Continued)
DECEMBER 31, 2023
(in thousands, except share data)

Our portfolio securities are restricted from public sale without prior registration under the Securities Act of 1933 (hereafter, the “Securities Act”). We typically 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”), we may invest up to 30% of our assets in non-qualifying portfolio investments, as permitted by the Investment Company Act of 1940 (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, 2023, we had invested 43.7% of our assets in securities of portfolio companies that constituted qualifying investments under the 1940 Act. As of December 31, 2023, none of our investments are considered non-qualifying assets as all of our investments are in enterprises that are considered eligible portfolio companies the 1940 Act. We provide significant managerial assistance to our portfolio companies that comprise 100% of the total value of the investments in portfolio securities as of December 31, 2023.

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 issuer. The value of one segment called “Energy” includes our two remaining portfolio companies and was 84.6% of our net asset value, 43.7% of our total assets and 100% of our investments in portfolio company securities (at fair value) as of December 31, 2023. 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.

Our investments in portfolio securities consist of the following types of securities as of December 31, 2023 (in thousands):

Type of Securities	Cost	Fair Value	Fair Value as Percentage of Net Assets
Limited liability company investments	$ 8,111	$ 32,600	67.5%
Secured and subordinated debt	8,253	8,253	17.1%
Total	$ 16,364	$ 40,853	84.6%

The following is a summary by industry of the Fund’s investments in portfolio securities as of December 31, 2023 (in thousands):

Industry	Fair Value	Fair Value as Percentage of Net Assets
Energy	$ 40,853	84.6%
Total	$ 40,853	84.6%

EQUUS TOTAL RETURN, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024, 2023 AND 2022

(1) ORGANIZATION AND BUSINESS PURPOSE

About the Company—Equus Total Return, Inc. ("we," "us," "our," "Equus" the "Company" and the "Fund"), a Delaware corporation, was formed by Equus Investments II, L.P. (the "Partnership") on August 16, 1991. On July 1, 1992, the Partnership was reorganized and all of the assets and liabilities of the Partnership were transferred to the Fund in exchange for shares of common stock of the Fund. Our shares trade on the New York Stock Exchange ("NYSE") 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 January 20, 2021, holders of a majority of the outstanding common stock of the Fund approved the restatement of our Certificate of Incorporation to increase the number of our authorized shares of common stock from 50,000,000 to 100,000,000, and the number of our authorized shares of preferred stock from 5,000,000 to 10,000,000. As of December 31, 2024, we had 13,586,173 shares of common stock outstanding and no shares of preferred stock outstanding.

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 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 subordinated debt, debt convertible into common or preferred stock, or debt combined with warrants and common and preferred stock. Debt and preferred equity financing may also be used to create long-term capital appreciation through the exercise and sale of warrants received in connection with the financing. We seek to achieve capital appreciation by making investments in equity and equity- oriented securities issued by privately-owned companies 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 Investment Company Act of 1940 Act ("1940 Act"), although our shareholders have previously authorized us to withdraw this election and, although such authorization has expired, will likely do so again in the future. Prior to the fourth quarter of 2024, we qualified as a regulated investment company ("RIC") for federal income tax purposes and, therefore, were not required to pay corporate income taxes on any income or gains that we would have distributed distribute to our stockholders. During the fourth quarter of 2024, we elected to not qualify as a RIC and, consequently, we will be subject to normal corporate rates of taxation of our income and gains and will not be permitted to deduct distributions paid to our stockholders.

We have certain wholly owned taxable subsidiaries ("Taxable Subsidiaries") that were created to help us maintain our RIC status, each of which holds one or more portfolio investments listed on our Schedules of Investments. The purpose of these Taxable Subsidiaries was 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. Since we have elected to not qualify as a RIC, the income of these Taxable Subsidiaries may be taxable to Equus, which is now classified as a Subchapter C or corporation. To the extent that such income did not consist of investment income, it could jeopardize our ability to requalify as a RIC and, therefore, cause us to incur federal income taxes as described above. 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 obtain (or preserve, as the case may be) RIC status and the resultant tax advantages. We do not consolidate the Taxable Subsidiaries for income tax purposes, with the exception of Texas Margins Tax, which is an entity level tax. The 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.

(2) LIQUIDITY AND FINANCING ARRANGEMENTS

As of December 31, 2024, we had cash and cash equivalents of $0.3 million. Our operating cash flow and cash on hand is not sufficient to meet operating requirements or to finance routine capital expenditures through the next twelve months. We are therefore seeking liquidity from the sale of our portfolio interests, as well as seeking external debt and equity financing from third parties. In addition, we are actively seeking to fulfill the conditions of redemption relating to certain shares of preferred stock received in connection with our recent sale of Equus Energy as described in Note II *Subsequent Events*. Should any or all of the foregoing events not occur as contemplated, the Fund will not have the necessary funds to maintain normal operations and, therefore, substantial doubt would exist about the Fund's ability to continue as a going concern.

During the first three quarters of 2024 and all of 2023, we borrowed sufficient funds to maintain the Fund's RIC status by utilizing a margin account with a securities brokerage firm. If we seek to requalify as a RIC, 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 not requalify as a RIC. We would then continue to be subject to corporate income tax on the Fund's net investment income and realized capital gains, and distributions to stockholders would continue to be subject to income tax as ordinary dividends. If we continue to be a BDC and generate significant income and gains, but do not requalify as a RIC, we will be subject to corporate level tax and the non-deductibility of dividends, any of which could be material to us and our stockholders.

(3) SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements:

Earnings Per Share—Basic earnings per share is computed by dividing net increase (decrease) in net assets resulting from operations by the weighted-average number of shares of common stock outstanding for the period. Other potentially dilutive common stock, and the related impact to earnings, are considered when calculating earnings per share on a diluted basis.

Use of Estimates—The preparation of financial statements in accordance with accounting principles generally accepted in the United States ("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. We have identified valuation of investments and revenue recognition as our most critical accounting estimates.

Consolidation—In accordance with Article 6 of Regulation S-X under the Securities Act of 1933, we do not consolidate portfolio company investments. Under Accounting Standards Committee ("ASC") 946, we are precluded from consolidating any entity other than another investment company, except that ASC 946 provides for the consolidation of a controlled operating company that provides substantially all of its services to the investment company or its consolidated subsidiaries.

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 summarizes 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).

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.

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.

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.

Investments for which prices are not observable are generally private investments in the debt and equity securities of operating companies. One of the primary valuation methods 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 to or from Level 3 for the years ended December 31, 2024 and 2023.

As of December 31, 2024, 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, 2024		
(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	$ 27,500	$ —	$ —	$ 27,500
Total investments	$ 27,500	$ —	—	$ 27,500

As of December 31, 2023, 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, 2023		
(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	$ 40,853	$ —	$ —	$ 40,853
Total investments	40,853	—	—	40,853
U.S. Treasury Bills	44,955	44,955	—	—
Total investments and U.S. Treasury Bills	$ 85,808	$ 44,955	$ —	$ 40,853

The following table provides a reconciliation of fair value changes during 2024 for all investments for which we determine fair value using significant unobservable inputs (Level 3) inputs:

	Fair value measurements using significant unobservable inputs (Level 3)			
(in thousands)	Control Investments	Affiliate Investments	Non-affiliate Investments	Total
Fair value as of January 1, 2024	$ 40,853	$ —	$ —	$40,853
Change in unrealized appreciation	(15,600)	—	—	(15,600)
Purchases of portfolio securities	2,247	—	—	2,247
Fair value as of December 31, 2024	$ 27,500	$ —	$ —	$27,500

The following table provides a reconciliation of fair value changes during 2023 for all investments for which we determine fair value using significant unobservable (Level 3) inputs:

	Fair value measurements using significant unobservable inputs (Level 3)			
(in thousands)	Control Investments	Affiliate Investments	Non-affiliate Investments	Total
Fair value as of January 1, 2023	$ 15,650	$ —	$ —	$15,650
Change in unrealized appreciation	16,950	—	—	16,950
Purchases of portfolio securities	8,253	—	—	8,253
Fair value as of December 31, 2023	$ 40,853	$ —	$ —	$40,853

The following table provides a reconciliation of fair value changes during 2022 for all investments for which we determine fair value using significant unobservable (Level 3) inputs:

	Fair value measurements using significant unobservable inputs (Level 3)			
(in thousands)	Control Investments	Affiliate Investments	Non-affiliate Investments	Total
Fair value as of January 1, 2022	$ 13,000	$ —	$ —	$13,000
Change in unrealized appreciation	2,500	—	—	2,500
Purchases of portfolio securities	150	—	—	150
Fair value as of December 31, 2022	$ 15,650	$ —	$ —	$15,650

Fair value measurements can be sensitive to changes in one or more of the valuation inputs. Changes in discount rates, EBITDA or EBITDA multiples (or revenue or revenue multiples), each in isolation, may change the fair value of certain of our investments. Generally, an increase/(decrease) in market yields, discount rates, or an increase/(decrease) in EBITDA or EBITDA multiples (or revenue or revenue multiples) may result in a corresponding increase/(decrease), respectively, in the fair value of certain of our investments. In the case of our holdings in Morgan and Equus Energy, we may also consider acreage value, proved reserve multiples, daily production multiples, and discount rates.

Finally, industry trends, market forecasts, and comparable transactions in sectors in which we hold a Level 3 investment are also taken into account when assessing the value of these investments.

The following table summarizes the significant non-observable inputs in the fair value measurements of our Level 3 investments by category of investment and valuation technique as of December 31, 2024:

(in thousands)	Fair Value	Valuation Techniques	Unobservable Inputs	Range Minimum	Range Maximum	Range Weighted Average
Limited liability company investments						
			Acreage Value (per acre)	$1,000	$4,000	$1,784
	$ 4,000	Guideline Transaction Method	Proved Reserve Multiple	6.2x	10.8x	8.65x
Equus Energy, LLC			Daily Production Multiple	24,921.7x	45,307.1x	40,787.19x
		Discounted Cash Flow	Discount Rate	10.9%	10.9%	10.9%
		Transaction Price		$4,000	$4,000	$4,000
		Guideline Public Company Method	Proved Reserve Multiple	6,415x	7,342x	6,878.5x
			Daily Production Multiple	29,948x	40,946x	35,447x
Morgan E&P, LLC	13,000	Guideline Transaction Method	Proved Reserve Multiple	5,304x	8,786x	7,045x
			Daily Production Multiple	22,297x	32,595x	27,446x
		Discounted Cash Flow	Discount Rate	11.7%	12.6%	12.15%
Senior debt						
Morgan E&P, LLC	10,500	Yield analysis	Discount for lack of marketability	11.52%	12.0%	11.76%
	$ 27,500					

The following table summarizes the significant non-observable inputs in the fair value measurements of our Level 3 investments by category of investment and valuation technique as of December 31, 2023:

				Range		
(in thousands)	Fair Value	Valuation Techniques	Unobservable Inputs	Minimum	Maximum	Weighted Average
Limited liability company investments						
Equus Energy, LLC	$ 10,000	Guideline Transaction Method	Acreage Value (per acre)	$1,500	$11,000	$4,062
			Proved Reserve Multiple	4.2x	10.9x	9.0x
			Daily Production Multiple	19,577.2x	47,197.76x	41,648.4x
		Discounted Cash Flow	Discount Rate	12.8%	12.8%	12.8%
Morgan E&P, LLC	22,600	Guideline Public Company Method	Proved Reserve Multiple	10,180x	13,953x	12,067x
			Daily Production Multiple	44,054x	58,025x	51,040x
		Guideline Transaction Method	Proved Reserve Multiple	8,878x	12,716x	10,797x
			Daily Production Multiple	32,565x	59,790x	46,178x
		Discounted Cash Flow	Discount Rate	10.9%	12.9%	11.90%
Senior debt						
Morgan E&P, LLC	8,253	Yield analysis	Discount for lack of marketability	11.13%	12.0%	11.57%
	$ 40,853					

The various weighted averages in the table above were determined based on acreage, reserves, production and, in the case of discount rates, an arithmetic average of minimum and maximum rates. Because of the inherent uncertainty of the valuation of portfolio securities which do not have readily ascertainable market values, our fair value determinations may materially differ from the values that would have been used had a ready market existed for the securities.

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

Investment Transactions— Investment transactions are recorded at fair value on the trade date. Current-period changes in fair value of investments are reflected as a component of the net unrealized appreciation of portfolio securities on the Statements of Operations. The net change in unrealized appreciation primarily reflects the change in investment fair values as of the last business day of the reporting period, including the reversal of previously recorded unrealized gains or losses for investments sold during the period. Realized gains or losses are recognized as the difference between the net proceeds received (excluding prepayment fees, if any) and the amortized cost basis of the investment using the specific identification method without regard to unrealized gains or losses previously recognized, and include investments written off during the period, net of recoveries. As of December 31, 2024, we have no assets going through foreclosure. 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.

Interest and Dividend 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. Dividend income is recorded as dividends are declared by the portfolio company or at the point an obligation exists for the portfolio company to make a distribution.

Payment in Kind Interest (PIK)—We may make 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. If we seek to requalify as a RIC, we must pay out to stockholders this non-cash source of income in the form of dividends even if we have not yet collected any cash in respect of such investments. We will continue to pay out net investment income and/or realized capital gains, if any, on an annual basis as required under the 1940 Act.

Cash and Cash Equivalents and Restricted Cash— Cash includes unrestricted demand deposits at highly rated financial institutions and highly liquid investments with original maturities of three months or less. The Company's cash balances may exceed Federal Deposit Insurance Corporation ("FDIC") insured limits from time to time. Although the Company bears risk to amounts in excess of those insured by the FDIC, it does not anticipate any losses as a result due to the financial position and creditworthiness of the depository institutions in which those deposits are held. We include our investing activities within cash flows from operations.

The following table provides a reconciliation of cash and cash equivalents and restricted cash as reported within the consolidated balance sheet that sums to the total of the same amounts shown in the consolidated statement of cash flows as of December 31, 2024, 2023 and 2022:

	December 31,		
	2024	2023	2022
Cash and cash equivalents at end of period	$ 262	$ 6,533	$ 19,224
Restricted cash at end of period	—	450	60
Cash and cash equivalents and restricted cash at end of period	$ 262	$ 6,983	$ 19,284

Taxes— Historically, the Company has filed an income tax return as Regulated Investment Company. However, as a result of the Company's election to not qualify as a RIC in the fourth quarter of 2024, the Company is now classified as a C corporation for income tax purposes and subject to guidance under ASC 740, accounting for income taxes. This change in tax status is reflected in the footnotes below.

All corporations incorporated in the State of Delaware are required to file an Annual Report and to pay a franchise tax. As a result, the Company paid Delaware Franchise tax in the amount of $0.03 million for the year ended December 31, 2024, $0.03 million for the year ended December 31, 2023, $0.02 million for the year ended December 31, 2022, respectively.

Texas margin tax applies to legal entities conducting business in Texas. The margin tax is based on our Texas sourced taxable margin. The tax is calculated by applying a tax rate to a base that considers both revenue and expenses and therefore has the characteristics of an income tax. For the year ended December 31, 2024, no state income tax is expected. No state income tax was due for the years ended December 31, 2023 and 2022.

Distributable Earnings—The components that make up distributable earnings (accumulated undistributed deficit) on the Balance Sheet as of December 31, 2024 and 2023 are as follows:

	December 31, 2024	December 31, 2023
Accumulated undistributed net investment losses	$ (54,780)	$ (51,465)
Unrealized appreciation of portfolio securities, net	8,889	24,489
Accumulated undistributed net capital gains	602	464
Accumulated deficit	$ (45,289)	$ (26,512)

Share-Based Incentive Compensation—On June 13, 2016, our shareholders approved the adoption of our 2016 Equity Incentive Plan ("Incentive Plan"). 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. As of December 31, 2020, all shares were vested. 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. Inasmuch as all existing awards under the Incentive Plan became fully-vested prior to 2021, we recorded no compensation expense relating to awards made under the Incentive Plan for the years ended December 31, 2024, 2023 and 2022.

Segments—Equus operates as a single segment with a principal investment objective to maximize total return from generating current income from debt investments and current income and capital appreciation from equity and equity-related investments. The Company's Investment Committee and Chief Executive Officer collectively perform the function that allocates resources and assesses performance, and thus together, serve as the Company's chief operating decision maker (the "CODM"). Among other metrics, the CODM uses net investment income as a primary GAAP profit or loss metric used in making operating decisions, which can be found on the Statement of Operations along with significant expenses. The measure of segment assets is reported on the Balance Sheets as total assets.

(4) RELATED PARTY TRANSACTIONS AND AGREEMENTS

Except as noted below, as compensation for services to the Fund, each Independent Director receives an annual fee of $40,000 paid quarterly in arrears, a fee of $2,000 for each meeting of the Board of Directors or committee thereof attended in person, a fee of $1,000 for participation in each telephonic meeting of the Board or committee thereof, and reimbursement of all out-of-pocket expenses relating to attendance at such meetings. The chair of each of our standing committees (audit, compensation, and nominating and governance) also receives an annual fee of $50,000, payable quarterly in arrears. 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. We may also pay other one-time or recurring fees to members of our Board of Directors in special circumstances. None of our interested directors receive annual fees for their service on the Board of Directors.

In respect of services provided to the Fund by members of the Board not in connection with their roles and duties as directors, the Fund pays a rate of $300 per hour for services rendered.

As of December 31, 2024, we accrued $62,000 in director fees.

(5) FEDERAL INCOME TAX MATTERS

Deferred income tax assets and liabilities are recorded based on enacted tax rates applicable to the future period when those temporary differences are expected to be recovered or settled. For the tax years ended December 31, 2024, the Company's U.S Federal statutory tax rate was 21%. The Company is also subject to the Texas Gross Margin tax of .75% of modified taxable income as determined for Texas purposes. This combination results in a marginal blended tax rate of approximately 21.6%.

At each of December 31, 2024, and 2023, the tax effected amount of U.S. Federal net operating loss carryforwards ("NOLs") totaled $6.8 and $6.1 million respectively. As of December 31, 2024, $1.4 million in NOLs will begin to expire in varying amounts between 2036 and 2037, and the remaining $5.4 million can be carried forward indefinitely.

The Company has determined, after weighing both positive and negative evidence, that the net deferred tax asset (DTA) for the Company is not more-likely-than-not to be realizable. Therefore, a valuation allowance of $4.9 million was established at December 31, 2024 to completely offset the DTA as of that date.

During the current period, the Company has estimated a taxable loss. This NOL will be carried forwarded indefinitely with no expiration and is fully offset with a valuation allowance. As such, the Company has not recorded any current income tax expense or benefit for the period. All of the Company's federal and state tax returns for 2020 through 2023 remain open to examination.

The provision for income taxes for the years ended December 31, 2024 consisted of the following:

Years Ended December 31,		**2024**
Current (expense) benefit:		
Federal	$	-
State		-
Total current (expense) benefit		-
Deferred (expense) benefit:		
Federal		-
State		-
Total deferred (expense) benefit		-
Total benefit (expense):		
Federal		-
State		-
Total benefit (expense)	$	-

As of December 31, 2024, the Company has not recorded a reserve for uncertain tax positions.

The components of the net deferred tax assets (liabilities) in the Fund's balance sheets were as follows:

As of December 31,		**2024**
Deferred tax assets:		
Charitable Contributions	$	4,347
Net operating loss carryforwards		6,754,679
Total Deferred Tax Assets		6,759,026
Valuation allowance		(4,892,336)
Deferred Tax Assets after Valuation Allowance		1,866,690
Deferred tax liabilities:		
Mark to Market Unrealized Gain/Loss		(1,866,690)
Total net deferred tax assets (liabilities)	$	-

The provision for income taxes varies from the maximum federal statutory rate of 21% for the year ended December 31, 2024, as follows:

Years Ended December 31,		**2024**
Income tax expense (benefit) at federal statutory rate	$	(3,939,998)
Change in tax status		(954,402)
Effect of state income taxes		-
Non-deductible Permanent Items		1,935
2023 Return to Provision Adjustment		128
Change in valuation allowance		4,892,337
Total	$	-

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

All of the Fund's federal and state tax returns for 2021 through 2024 remain open to examination. We believe that there are no tax positions taken or expected to be taken that would significantly increase or decrease unrecognized tax benefits within twelve months of the reporting date.

(6) COMMITMENTS AND CONTINGENCIES

Lease Commitments. We had an operating lease for office space that expired in September 2014. Our current office space lease is month-to-month. Rent expense under the operating lease agreement, inclusive of common area maintenance costs, was $93,000 for the years ended December 31, 2024, 2023, and 2022, respectively. We have no other leases.

Portfolio Companies. As of December 31, 2024 and, 2023, we had $0 and $1.7 million in outstanding commitments to our portfolio company investments. Under certain circumstances, we may be called on to make follow-on investments in certain portfolio companies. If we do not have sufficient funds to make follow- on investments, the portfolio company in need of the investment may be negatively impacted. Also, our equity interest in the estimated fair value of the portfolio company could be reduced. Follow-on investments may include capital infusions which are expenditures made directly to the portfolio company to ensure that operations are completed, thereby allowing the portfolio company to generate cash flows to service the debt.

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

(7) PORTFOLIO SECURITIES

2024 Portfolio Activity

The following table summarizes significant investment activity during the year ended December 31, 2024 (in thousands):

	Investment Activity				
	New Investments		Existing Investments		
Portfolio Company	Cash	Non-Cash	Follow-On Cash	PIK	Total
Morgan E&P, LLC	$ —	$ —	$ 2,247	$ —	$ 2,247
	$ —	$ —	$ 2,247	$ —	$ 2,247

During 2024, we recorded a decrease of $15.6 million in net unrealized appreciation, from an unrealized appreciation of $24.5 million at December 31, 2023 to a net unrealized appreciation of $8.9 million at December 31, 2024. Such change in unrealized appreciation resulted primarily from the decrease in the fair value of our holdings in Morgan E&P, LLC of $9.6 million, principally due to a lower forward price curve for oil, as well as the reclassification of certain of its proved reserves from producing to non-producing. The change in unrealized appreciation also resulted from the decrease in fair value of our holding in Equus Energy, LLC of $6.0 million, principally due to various factors, including (i) decreases in the forward curve for oil and natural gas and its effect on the economic prospects of Equus Energy regarding future development of its oil and gas properties, and (ii) indications of interest from third parties regarding the possible sale of these properties during the fourth quarter of 2024. See *Subsequent Events* below where we sold our interest in Equus Energy in March 2025 for a combination of cash and preferred stock valued at $4.0 million.

2023 Portfolio Activity

The following table summarizes significant investment activity during the year ended December 31, 2023 (in thousands):

	Investment Activity				
	New Investments		Existing Investments		
Portfolio Company	Cash	Non-Cash	Follow-On Cash	PIK	Total
Morgan E&P, LLC	$ 8,253	$ —	$ —	$ —	$ 8,253
	$ 8.253	$ —	$ —	$ —	$ 8,253

During 2023, we recorded an increase of $17.0 million in net unrealized appreciation, from an unrealized appreciation of $7.5 million as of December 31, 2022 to a net unrealized appreciation of $24.5 million as of December 31, 2023. Such change in unrealized appreciation resulted primarily from the increase in the fair value of our holdings in Morgan E&P, LLC of $22.6 million, principally due to substantial increases in Morgan's reserves and the reclassification of certain of its proved reserves from undeveloped to producing. The increase in the fair value of Morgan was offset by the decrease in fair value of our holding in Equus Energy, LLC of $5.7 million, principally due to decreases in the forward curve for natural gas and its effect on the economic prospects of Equus Energy regarding future development of its gas properties.

2022 Portfolio Activity

The following table summarizes significant investment activity during the year ended December 31, 2022 (in thousands):

	Investment Activity				
	New Investments		Existing Investments		
Portfolio Company	Cash	Non-Cash	Follow-On Cash	PIK	Total
Equus Energy, LLC	$ —	$ —	$ 150	$ —	$ 150
	$ —	$ —	$ 150	$ —	$ 150

During 2022, we recorded an increase of $2.5 million in net unrealized appreciation, from an unrealized appreciation of $5.0 million as of December 31, 2021 to a net unrealized appreciation of $7.5 million as of December 31, 2022. Such change in unrealized appreciation resulted primarily from the increase in the fair value of our holdings in Equus Energy, LLC of $2.65 million, principally due to increases in the cost basis of this investment, as well as increases in oil and gas prices, as well as increases in the short- and long-term forward pricing curves for these commodities during 2022.

(8) EQUUS ENERGY, LLC

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 that, as of December 31, 2024, consisted of 136 producing and non- producing oil and gas wells. On September 30, 2020, the Fund provided an additional $0.6 million in capital to Equus Energy for the purpose of additional working capital. On June 30, 2021, the Fund provided an additional $0.35 million in capital to Equus Energy for the purpose of additional working capital. On December 31, 2022, the Fund provided an additional $0.15 million in capital to Equus Energy for the purpose of additional working capital. The working interests include associated development rights of approximately 21,320 acres situated on 9 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 operators, including Burk Royalty, which has operating responsibility for all of Equus Energy’s 22 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 seeking to effect a recompletion program of existing Conger Field wells to the Wolfcamp formation, a zone containing oil as well as gas and natural gas liquids. Part of Equus Energy’s acreage rights described above also includes a 50% working interest in possible new drilling to the base of the Canyon formation (appx. 8,500 feet) on 2,400 acres in the Conger Field. Also included in the interests acquired by Equus Energy are working interests of 7.5% and 2.5% in the Burnell and North Pettus Units, respectively, which collectively comprise approximately 13,000 acres located in the area known as the “Eagle Ford Shale” play. See *Subsequent Events* below where we sold our interest in Equus Energy for a combination of cash and preferred stock valued at $4.0 million.

Below is selected financial information from the audited financial statements of Equus Energy as of December 31, 2024 and 2023, and for the years ended December 31, 2024, 2023 and 2022 (in thousands):

EQUUS ENERGY, LLC and SUBSIDIARY
Condensed Consolidated Balance Sheets

	December 31, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 7	$ 71
Accounts receivable	207	167
Total current assets	214	238
Oil and gas properties	8,164	8,173
Less: accumulated depletion, depreciation and amortization	(8,112)	(8,097)
Net oil and gas properties	52	77
Total assets	$ 266	$ 315
Liabilities and member's deficit		
Current liabilities:		
Accounts payable and other	$ 127	$ 105
Due to affiliate	128	126
Total current liabilities	255	231
Asset retirement obligations	226	233
Total liabilities	481	464
Total member's deficit	(215)	(149)
Total liabilities and member's deficit	$ 266	$ 315

EQUUS ENERGY, LLC and SUBSIDIARY
Condensed Consolidated Statements of Operations

	Year Ended December 31,		
	2024	2023	2022
Operating revenue	$ 633	$ 646	$ 1,063
Operating expenses			
Direct operating expenses	420	504	420
Depletion, depreciation, amortization and accretion	18	4	4
Salaries	—	324	383
Professional fees	143	654	713
General and administrative	131	117	75
Total operating expenses	712	1,603	1,596
Net operating loss	(79)	(958)	(533)
Non-operating income			
Other income	13	1,000	-
Total other income	13	1,000	-
Net (loss) income	$ (66)	$ 42	$ (533)

EQUUS ENERGY, LLC and SUBSIDIARY
Condensed Consolidated Statements of Cash Flows

	Year ended December 31		
	2024	2023	2022
Cash flows from operating activities:			
Net income (loss)	$ (66)	$ 42	$ (533)
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Depletion, depreciation and amortization	15	2	2
Accretion expense	3	2	2
Changes in operating assets and liabilites:			
Accounts receivable	(40)	41	7
Prepaid expenses and other current assets	—	12	(12)
Accounts payable and accrued liabilities	22	(5)	7
Due to Parent	2	(224)	—
Net cash used in operating activities	(64)	(130)	(527)
Cash flows from investing activities:			
Investment in oil & gas properties	—	(4)	(58)
Net cash used in investing activities	—	(4)	(58)
Cash flows from financing activities:			
Capital contribution	—	—	150
Net cash provided by investing activities	—	—	150
Net decrease in cash	(64)	(134)	(435)
Cash and cash equivalents at beginning of period	71	205	640
Cash and cash equivalents at end of period	$ 7	$ 71	$ 205

(9) MORGAN E&P, LLC

Morgan E&P, LLC ("Morgan") was organized by the Fund on April 3, 2023 as a Delaware limited liability company and a wholly-owned subsidiary of the Fund. During 2023, Morgan acquired 5,897 net acres, in the Bakken/Three Forks formation in the Williston Basin of North Dakota, and acquired approximately 810 additional net acres during the second quarter of 2024. The acreage and associated mineral rights were acquired from Pro Energy I LLC ("Pro Energy") who received a carried working interest of 20% in the acquired acreage.

In May 2023, we entered into an agreement with Morgan to provide it up to $10.0 million in senior debt financing, subject to a schedule of disbursements and draws that we determine. This amount was subsequently amended in 2024 to $10.5 million. As of December 31, 2024, Morgan had drawn the full $10.5 million under this facility.

During the fourth quarter of 2024, Morgan entered into an agreement to acquire the carried working interest held by Pro Energy in exchange for a payment of $2.4 million in cash.

Below is summarized audited condensed consolidated financial information for Morgan E&P, LLC as of December 31, 2024 and 2023 and for the year ended December 31, 2024 and the period from inception (April 3, 2023) through December 31, 2023, respectively, (in thousands):

Morgan E&P, LLC
Condensed Balance Sheets

	December 31, 2024	December 31, 2023
Assets:		
Cash	$ 15	$ 2,441
Revenue receivables	343	464
Joint interest billing receivables	1,738	1,391
Other receivables	2	—
Prepaids and other current assets	35	133
Current assets	2,133	4,429
Property, plant and equipment		
Oil and gas properties, net - full cost method	6,959	10,326
Other property, plant and equipment, net	34	46
Total property, plant and equipment - net	6,993	10,372
Other noncurrent assets		
Operating lease right-of-use assets, net	227	270
Total noncurrent assets	227	270
Total assets	$ 9,353	$ 15,071
Liabilities and Member's Deficit:		
Current liabilities		
Accounts payable	$ 6,656	$ 2,372
Revenue payable	319	221
Prepayments from working interest owners	—	122
Current portion of operating lease liabilities	47	28
Due to parent	550	13
Accrued liabilities	3,162	5,383
Total current liabilities	10,734	8,139
Long-term liabilities		
Asset retirement obligations	4	4
Long-term operating lease liabilities	207	254
Note payable - Due to parent	10,500	8,253
Long-term accrued liabilities - Due to parent	1,471	225
Total long-term liabilities	12,182	8,736
Commitments and contingencies (Note 10)		
Member's deficit	(13,563)	(1,804)
Total liabilities and member's deficit	$ 9,353	$ 15,071

Morgan E&P, LLC
Condensed Statements of Operations

	Year Ended December 31,	Period from inception (April 3, 2023) through December 31,
	2024	2023
Revenues		
Oil, natural gas and natural gas liquid revenues	$ 2,710	$ 270
Expenses		
Lease operating	2,694	268
Production and other taxes	261	27
Marketing, transportation and gathering expense	85	—
Depreciation, depletion and amortization	1,467	60
Accretion	1	—
Impairment of oil and gas properties	6,678	—
General and administrative	2,042	1,510
Total expenses	13,228	1,865
Other income (expense)		
Interest income	6	16
Interest expense	(1,247)	(225)
Total other expense, net	(1,241)	(209)
Net loss	$ (11,759)	$ (1,804)

Morgan E&P, LLC
Condensed Statements of Cash Flows

	Year Ended December 31, 2024	Period from inception (April 3, 2023) through December 31, 2023
Cash flows from operating activities		
Net loss	$ (11,759)	$ (1,804)
Adjustments to reconcile net loss to net cash flows (used in) provided by operating activities		
Depreciation, depletion, and amortization	1,467	61
Amortization of right-of-use asset	43	12
Accretion	1	—
Impairment of oil and gas properties	6,678	—
Changes in operating assets and liabilities		
Accounts receivable – oil and natural gas sales	121	(464)
Accounts receivable – joint interest billings	(1,508)	(291)
Other receivables	(2)	—
Prepaids and other current assets	98	(133)
Accounts payable	4,284	85
Revenue payable	518	221
Prepayments from owners	—	1,701
Due to parent	537	13
Current portion of operating lease liabilities	(28)	—
Accrued liabilities	(3,772)	810
Long-term accrued liabilities - due to parent	1,246	225
Net cash provided (used in) by operating activities	(2,076)	436
Cash flows from investing activities		
Capital expenditures	(2,597)	(5,700)
Acquisition of oil and gas properties	—	(500)
Additions to other property, plant and equipment	—	(48)
Net cash used in investing activities	(2,597)	(6,248)
Cash flows from financing activities		
Proceeds from note payable - affiliate	2,247	8,253
Net cash provided by financing activities	2,247	8,253
Net change in cash	(2,426)	2,441
Beginning of period	2,441	—
End of period	$ 15	$ 2,441
Supplemental disclosure for noncash financing and investing activities		
Operating lease right-of-use assets additions	$ —	$ (282)
Acquisition of oil and natural gas working interests funded by accrued liabilities	$ (3,019)	$ —
Change in capital accounts payable and capital accruals	849	(4,181)
Prepayments applied to joint interest receivables	122	1,579
Change in asset retirement costs	(1)	4

(10) RECENT ACCOUNTING PRONOUNCEMENTS

Recent Accounting Standards—We consider the applicability and impact of all accounting standard updates ("ASU") issued by the Financial Accounting Standards Board ("FASB"). ASUs not listed below were assessed and either determined to be not applicable or expected to have minimal impact on our financial statements.

Accounting Standards Not Yet Adopted—In December 2023, FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures". The amendments in this ASU require improved annual income tax disclosures surrounding rate reconciliation, income taxes paid, and other disclosures. This update will be effective for financial statements issued for fiscal years beginning after December 15, 2024. The Fund is currently evaluating the impact of this standard on the financial statements.

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In November 2024, FASB issued ASU 2024-03, "Income Statement – Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40), Disaggregation of Income Statement Expenses". The amendments in this Update require disclosure, in the notes to financial statements, of specified information about certain costs and expenses. This update will be effective for financial statements issued for fiscal years beginning after December 15, 2026. Early adoption is permitted. The Fund is currently evaluating the impact of this standard on the financial statements.

In January 2025, FASB issued ASU 2025-01, "Income Statement – Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40), Clarifying the Effective Date". The amendment in this Update amends the effective date of Update 2024-03 to clarify that all public business entities are required to adopt the guidance in annual reporting periods beginning after December 15, 2026. Early adoption of Update 2024-03 is permitted. The Fund is currently evaluating the impact of this standard on the consolidated financial statements.

In November 2024, FASB issued ASU 2024-04, "Debt with Conversion and Other Options (Subtopic 470-20), Induced Conversions of Convertible Debt Instruments". The amendments in this Update clarify the requirements for determining whether certain settlements of convertible debt instruments should be accounted for as an induced conversion. Under the amendments, to account for a settlement of a convertible debt instrument as an induced conversion, an inducement offer is required to provide the debt holder with, at a minimum, the consideration (in form and amount) issuable under the conversion privileges provided in the terms of the instrument. An entity should assess whether this criterion is satisfied as of the date the inducement offer is accepted by the holder. If, when applying this criterion, the convertible debt instrument had been exchanged or modified (without being deemed substantially different) within the one-year period leading up to the offer acceptance date, an entity should compare the terms provided in the inducement offer with the terms that existed one year before the offer acceptance date. The amendments do not change the other criteria that are required to be satisfied to account for a settlement transaction as an induced conversion. The amendments in this Update also make additional clarifications to assist stakeholders in applying the guidance. Under the amendments, the incorporation, elimination, or modification of a VWAP formula does not automatically cause a settlement to be accounted for as an extinguishment; an entity should instead assess whether the form and amount of conversion consideration are preserved (that is, provided for in the inducement offer) using the fair value of an entity's shares as of the offer acceptance date. The amendments in this Update also clarify that the induced conversion guidance applies to a convertible debt instrument that is not currently convertible as long as it had a substantive conversion feature as of both its issuance date and the date the inducement offer is accepted. This update will be effective for financial statements issued for fiscal years beginning after December 15, 2025. Early adoption is permitted for all entities that have adopted the amendments in update 2020-06. The Fund is currently evaluating the impact of this standard on the consolidated financial statements.

Accounting Standards Recently Adopted—On January 1, 2024, we adopted ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures". The amendments in this ASU require improved reportable segment information on an annual and interim basis, primarily through enhanced disclosures about significant segment expenses. See *Note 3 – Segments* for the incremental disclosures.

(11) SUBSEQUENT EVENTS

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

Issuance of Convertible Note and Warrants. On February 10, 2025, we issued a 1-year senior convertible promissory note bearing interest at the rate of 10.0% per annum in exchange for $2.0 million in cash ("Equus Note"). The Equus Note is convertible into shares of the Fund's common stock at a conversion price of $1.50 per share. Contemporaneously with the issuance of the Note, the Fund also issued two common stock purchase warrants to acquire an aggregate of 2,000,000 shares of the Fund's common stock at an exercise price of $1.50 per share.

New Portfolio Investment. On February 10, 2025, we purchased from General Enterprise Ventures, Inc., a developer of fire suppression products ("GEVI"), a 1-year senior convertible promissory note bearing interest at the rate of 10% per annum, in exchange for $1.5 million in cash ("GEVI Note"). The GEVI Note is convertible into shares of GEVI's common stock at a conversion price of $0.40 per share. Contemporaneously with the purchase of the GEVI Note, the Fund also received a common stock purchase warrant to acquire an aggregate of 1,875,000 shares of GEVI common stock at an exercise price of $0.50 per share.

Sale of Equus Energy. On March 3, 2025, we sold Equus Energy to North American Energy Opportunities Corp., a developer of upstream oil and gas assets ("NAEOC"). The consideration provided by NAEOC consisted of $1.25 million in cash and 27,500 shares of preferred stock, redeemable within 6 months of the date of issuance at $100.00 per share based upon fulfillment of certain conditions.

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

None.

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

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

Evaluation of Disclosure Controls and Procedures

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

Our management, with the participation of our 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 December 31, 2024. Based on their evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the Fund's disclosure controls and procedures were not effective due to the material weaknesses in internal control over financial reporting described below.

Report of Management on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, and for performing an assessment of the effectiveness of internal control over financial reporting as of December 31, 2024. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Fund's internal control over financial reporting includes, among others, those policies and procedures that pertain to assets of the Fund including, in particular, the fair value of portfolio investments held by the Fund.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company's annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

Management performed an assessment of the effectiveness of the Fund's internal control over financial reporting as of December 31, 2024, based upon criteria in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this assessment, management has concluded that the Fund did not maintain effective internal control over financial reporting as of December 31, 2024, due to the material weaknesses described below.

A material weakness was identified in our internal control over financial reporting relating to the design and operation of management review over the valuation of the Fund's portfolio investment, including management's review procedures over the completeness and accuracy of the underlying data and information supplied to third parties assisting management by recommending a range of reasonable fair values.

Although this material weakness did not result in a material misstatement of our consolidated financial statements for the periods presented, there is a possibility that, had the material weakness continued undetected, it could have led to a material misstatement of portfolio fair values and related disclosures. Accordingly, management has concluded that this control deficiency constitutes a material weakness.

Management believes that the financial statements included in this Annual Report on Form 10-K present fairly in all material respects the Fund's financial condition, results of its operations, changes in its net assets and its cash flows for the periods presented. We believe that the audited consolidated financial statements included in this Annual Report on Form 10-K are accurate.

We have begun the process of, and we are focused on, enhancing effective internal control measures to improve our internal control over financial reporting and remediate the material weaknesses. Our internal control remediation efforts include the following:

- Enhancing existing controls that address the completeness and accuracy of underlying data and information supplied to third parties assisting management in its determination of fair value and in the performance of management review controls over the valuation of the Fund's portfolio securities; and

- Enhancing policies and procedures to improve the precision of review and evidence of review procedures performed to demonstrate effective design and operation of such controls.

We believe our planned actions to enhance our processes and controls will address the material weakness, but these actions are subject to ongoing management evaluation, and we will need a period of execution to demonstrate remediation. We are committed to the continuous improvement of our internal control over financial reporting and will continue to diligently review our internal control over financial reporting.

There were no other changes in our internal control over financial reporting during the quarter ended December 31, 2024 that have materially affected, or are reasonably likely to affect, our internal control over financial reporting.

Item 9B. *Other Information*

None.

Item 9C. ***Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.***

Not Applicable.

PART III

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

Information about our Directors and Executive Officers, our Audit Committee and the Nominating and Corporate Governance Committee, our code of ethics applicable to the principal executive officer and principal financial officer, and Section 16(a) Beneficial Ownership Reporting Compliance is incorporated by reference to our Definitive Proxy Statement for the 2025 Annual Meeting of Stockholders, to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, on or prior to April 30, 2025 (the "2025 Proxy Statement").

We have adopted a code of business conduct and ethics applicable to our directors, officers (including our principal executive officer, principal financial officer and controller) and employees, known as the Code of Business Conduct and Ethics. A copy of the Code of Business Conduct and Ethics is available to any person, without charge, upon request addressed to Equus Total Return, Inc., Attention: Corporate Secretary, 700 Louisiana Street, 41st Floor, Houston, TX 77002. In the event that we amend or waive any of the provisions of the Code of Business Conduct and Ethics applicable to our principal executive officer, principal financial officer, or controller, we intend to disclose the same on our website at www.equuscap.com.

We have adopted an insider trading policy and procedures governing the purchase, sale, and other dispositions of securities of the Fund by directors, officers, and employees that we believe are reasonably designed to promote compliance with insider trading laws, rules and regulations. Our insider trading policy states, among other things, that our directors, officers, and employees are prohibited from trading in such securities while in possession of material, nonpublic information. The foregoing summary of our insider trading policies and procedures does not purport to be complete and is qualified by reference to our Policy on Insider Trading filed as Exhibit 19 to this Annual Report on Form 10-K.

Item 11. ***Executive Compensation***

Information regarding Executive Compensation is incorporated by reference to our 2025 Proxy Statement.

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

Information regarding Security Ownership of Certain Beneficial Owners and Management and Securities Authorized for Issuance under Equity Compensation Plans is incorporated by reference to our 2025 Proxy Statement.

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

Information regarding Certain Relationships and Related Transactions is incorporated by reference to our 2025 Proxy Statement.

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

Information regarding Principal Accountant Fees and Services is incorporated by reference to our 2025 Proxy Statement.

PART IV

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

(a)(1) The following financial statement schedules are filed herewith:

Schedule 12-14 Investments in and Advances to Affiliates

Item 16. ***Form 10-K Summary***

Not Included.

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

(in thousands)		Year Ended December 31, 2024					
Portfolio Company	**Investment [a]**	**Amount of Interest or Dividend Credited to Income[e]**	**As of December 31, 2023 Fair Value**	**Gross Additions[b]**	**Gross Reductions[c]**	**Decrease in Unrealized Appreciation / Depreciation**	**As of December 31, 2024 Fair Value**
Control Investments:	**Majority-owned**						
Equus Energy, LLC	Member interest (100%)	$ —	$ 10,000	$ —	$ —	$ (6,000)	$ 4,000
Morgan E&P, LLC	Member interest (100%)		22,600	—	—	(9,600)	13,000
-	12% senior secured promissory note[d]	1,470	8,253	2,247	—	—	10,500
Total Control Investments: Majority-owned		1,470	40,853	2,247	—	(15,600)	27,500
Total Control Investments		$ 1,470	$ 40,853	$ 2,247	$ —	$ (15,600)	$ 27,500

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

(a) Common stock, warrants, options and equity interests are generally non-income producing and restricted. In some cases, preferred stock may also be non-income producing. The principal amount for debt and the number of shares of common stock and preferred stock is shown in the Schedule of Portfolio Securities as of December 31, 2024.

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

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

(d) Debt is on an accrual status as of December 31, 2024, and is therefore considered income producing.

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

(a)(2) Exhibits

3. Articles of Incorporation and by-laws.

   (a) Restated Certificate of Incorporation of the Fund, as amended. [Incorporated by reference to Exhibit 3(a) to Registrant's Current Report on Form 8-K filed on January 21, 2021.]

   (b) Certificate of Merger dated June 30, 1993, between the Fund and Equus Investments Incorporated. [Incorporated by reference to Exhibit 3(b) to Registrant's Annual Report on Form 10-K for the year ended December 31, 2007.]

   (c) Amended and Restated Bylaws of the Fund. [Incorporated by reference to Exhibit 3(b) to Registrant's Current Report on Form 8-K filed on December 23, 2010.]

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

   (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) 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.]

23. Consent of Experts and Counsel *

   (1) Consent of Independent Accountants, BDO USA, P.C., regarding the Fund

   (2) Consent of Independent Accountants, BDO USA, P.C., regarding Equus Energy, LLC

   (3) Consent of Independent Accountants, BDO USA, P.C., regarding Morgan E&P, LLC

31. Rule 13a-14(a)/15d-14(a) Certifications *

   (1) Certification by Chief Executive Officer

   (2) Certification by Chief Financial Officer

32. Section 1350 Certification *

   (1) Certification by Chief Executive Officer

   (2) Certification by Chief Financial Officer

97. Policy Relating to Recovery of Erroneously Awarded Compensation

   (1) Equus Total Return, Inc. Compensation Recoupment Policy [Incorporated by reference to Exhibit 97.1 to Registrant's Annual Report on Form 10-K for the year ended December 31, 2023.]

99. Equus Energy, LLC and Subsidiary and Morgan E&P, LLC *

   (1) Consolidated Financial Statements of Equus Energy, LLC and Subsidiary as of December 31, 2024 and 2022 and for the years ended December 31, 2024, 2023 and 2022

   (2) Financial Statements of Morgan E&P, LLC as of December 31, 2024 for the year ended December 31, 2024 and the period from inception (April 3, 2023) through December 31, 2023

* Filed herewith

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

EQUUS TOTAL RETURN, INC.

Date:April 10, 2025

/s/ JOHN A. HARDY
John A. Hardy
Chief Executive Officer
(Principal Executive Officer)

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

Signature	Title	Date
/s/ FRASER ATKINSON **Fraser Atkinson**	Director	April 10, 2025
/s/ KENNETH I. DENOS **Kenneth I. Denos**	Director, Secretary and Chief Compliance Officer	April 10, 2025
/s/ HENRY W. HANKINSON **Henry W. Hankinson**	Director	April 10, 2025
/s/ JOHN J. MAY **John J. May**	Director	April 10, 2025
/s/ JOHN A. HARDY **John A. Hardy**	Director, Chief Executive Officer (Principal Executive Officer)	April 10, 2025
/s/ L'SHERYL D. HUDSON **L'Sheryl D. Hudson**	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	April 10, 2025

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-216676) of Equus Total Return, Inc., (the "Fund") of our report dated April 10, 2025, relating to the financial statements and schedule, which appear in this Annual Report on Form 10-K. Our report contains an explanatory paragraph regarding the Fund's ability to continue as going concern.

/s/ BDO USA, P.C.
Houston, Texas
April 10, 2025

EXHIBIT 23.2

Consent of Independent Auditor

-

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-216676) of Equus Total Return, Inc. of our report dated April 10, 2025, relating to the financial statements of Equus Energy, LLC (the “Company”), which appears in this Annual Report on Form 10-K for the year ended December 31, 2024. Our report contains an explanatory paragraph regarding the Company’s ability to continue as a going concern.

/s/ BDO USA, P.C.
Houston, Texas
April 10, 2025

EXHIBIT 23.3

Consent of Independent Auditor

-

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-216676) of Equus Total Return, Inc. of our report dated April 10, 2025, relating to the financial statements of Morgan E&P, LLC (the "Company"), which appears in this Annual Report on Form 10-K for the year ended December 31, 2024. Our report contains an explanatory paragraph regarding the Company's ability to continue as a going concern.

/s/ BDO USA, P.C.
Houston, Texas
April 10, 2025

EXHIBIT 31.1

I, John A. Hardy, certify that:

1. I have reviewed this Annual Report on Form 10-K of Equus Total Return, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d- 15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation;

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting, and;

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a. All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

Date: April 10, 2025

/s/ JOHN A. HARDY

John A. Hardy
Chief Executive Officer

EXHIBIT 31.2

I, L’Sheryl D. Hudson, certify that:

1. I have reviewed this Annual Report on Form 10-K of Equus Total Return, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles

    c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation;

    d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting, and;

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent function):

    a. All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting, which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal controls.

Date: April 10, 2025

/s/ L’SHERYL D. HUDSON
L’Sheryl D. Hudson Chief Financial Officer

EXHIBIT 32.1

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

In connection with the accompanying Annual Report of Equus Total Return, Inc. (the "Company") on Form 10-K for the period ended December 31, 2024 (the "Report"), I, John A. Hardy, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002, that:

(1) To my knowledge, the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 10, 2025

/s/ JOHN A. HARDY

John A. Hardy
Chief Executive Officer

EXHIBIT 32.2

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

In connection with the accompanying Annual Report of EQUUS TOTAL RETURN, INC. (the “Company”) on Form 10-K for the period ended December 31, 2024 (the “Report”), I, L’Sheryl D. Hudson, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) To my knowledge, the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 10, 2025

/s/ L’SHERYL D. HUDSON
L’Sheryl D. Hudson Chief Financial Officer

EXHIBIT 99.1

Equus Energy, LLC and Subsidiary

Consolidated Financial Statements
As of December 31, 2024 and 2023 and for the three years ended December 31, 2024

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Equus Energy, LLC and Subsidiary

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Independent Auditor's Report

Board of Managers
Equus Energy, LLC
Houston, Texas

Opinion

We have audited the consolidated financial statements of Equus Energy, LLC and its subsidiary (collectively, the Company), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of operations, changes in member's (deficit) equity, and cash flows for each of the three years in the period ended December 31, 2024, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2024 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Substantial Doubt About the Company's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 1 to the consolidated financial statements, the Company has suffered recurring losses from operations, negative cash flows from operations, and has stated that substantial doubt exists about the Company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

/s/ BDO USA, P.C.

Houston, Texas
April 10, 2025

Equus Energy, LLC and Subsidiary

Consolidated Balance Sheets

December 31,	2024	2023
Assets		
Current Assets		
Cash	$ 6,649	$ 71,174
Accounts receivable	207,456	167,061
Total Current Assets	214,105	238,235
Oil and Gas Properties, net, using full cost method	51,909	76,508
Total Assets	$ 266,014	$ 314,743
Liabilities and Member's Deficit		
Current Liabilities		
Accounts payable and other current liabilities	$ 126,575	$ 104,525
Due to Parent	128,499	126,498
Total Current Liabilities	255,074	231,023
Asset Retirement Obligations	225,941	232,836
Total Liabilities	481,015	463,859
Commitments and Contingencies (See Note 7)		
Member's Deficit	(215,001)	(149,116)
Total Liabilities and Member's Deficit	$ 266,014	$ 314,743

See accompanying notes to the consolidated financial statements.

Equus Energy, LLC and Subsidiary

Consolidated Statements of Operations

Year Ended December 31,	2024	2023	2022
Operating Revenue			
Oil revenue	$ 378,620	$ 383,582	$ 371,241
Natural gas liquids revenue	83,535	124,351	415,873
Natural gas revenue	170,411	137,152	275,714
Total Operating Revenue	632,566	645,085	1,062,828
Operating Expenses			
Direct operating expenses	420,246	503,933	420,376
Depletion, depreciation, amortization and accretion	17,729	3,999	3,792
Professional fees	264,814	739,860	774,651
General and administrative	8,623	355,691	396,987
Total Operating Expenses	711,412	1,603,483	1,595,806
Net Operating Loss	(78,846)	(958,398)	(532,978)
Non-operating Income			
Other income	12,961	1,000,000	—
Total Non-operating Income	12,961	1,000,000	—
Net (Loss)/ Income	$ (65,885)	$ 41,602	$ (532,978)

See accompanying notes to the consolidated financial statements.

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Equus Energy, LLC and Subsidiary

Consolidated Statements of Changes in Member's (Deficit) Equity

		Total Member's (Deficit) Equity
Balance, January 1, 2022	$	192,260
Capital contribution		150,000
Net loss		(532,978)
Balance, December 31, 2022	$	(190,718)
Net income		41,602
Balance, December 31, 2023	$	(149,116)
Net loss		(65,885)
Balance, December 31, 2024	$	(215,001)

See accompanying notes to the consolidated financial statements.

Equus Energy, LLC and Subsidiary

Consolidated Statements of Cash Flows

Year Ended December 31,	2024	2023	2022
Cash Flows from Operating Activities			
Net (loss) income	$ (65,885)	$ 41,602	$ (532,978)
Adjustments to reconcile net (loss) income to net cash used in operating activities:			
Depletion, depreciation and amortization	15,060	2,078	1,914
Accretion expense,net	2,669	1,921	1,878
Changes in operating assets and liabilities:			
Accounts receivable	(40,395)	40,706	6,946
Prepaid expenses and other current assets	—	11,824	(11,824)
Accounts payable and accrued liabilities	22,050	(4,966)	7,290
Due to Parent	2,001	(223,548)	—
Net Cash Used in Operating Activities	(64,500)	(130,382)	(526,774)
Cash Flows from Investing Activities			
Additions to oil and gas properties	(25)	—	—
Investment in oil and gas properties	—	(3,835)	(57,962)
Net Cash Used in Investing Activities	(25)	(3,835)	(57,962)
Cash Flows from Financing Activities			
Capital contribution	—	—	150,000
Net Cash Provided by Financing Activities	—	—	150,000
Net Decrease in Cash	(64,525)	(134,217)	(434,736)
Cash, beginning of year	71,174	205,391	640,127
Cash, end of year	$ 6,649	$ 71,174	$ 205,391

See accompanying notes to the consolidated financial statements.

Equus Energy, LLC and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2024, 2023 and 2022

1. Nature of Operations

Equus Energy, LLC ("Equus Energy") was formed in November 2011 as a wholly-owned subsidiary of Equus Total Return, Inc. (the "Fund") to make investments in properties in the energy sector, with a particular emphasis on income-producing oil & gas properties. In December 2011, the Fund made an initial contribution of $250,000 to Equus Energy. On December 27, 2012, the Fund invested an additional $6,800,000 in Equus Energy for the purpose of additional working capital and to fund the purchase of various working interests, presently consisting of 136 producing and non- producing oil and gas wells. The interests were acquired by EQS Energy Holdings, Inc., a taxable wholly-owned subsidiary of Equus Energy (Equus Energy and EQS Energy Holdings, Inc. are collectively referred to herein as the "Company"). On September 30, 2020, we converted $561,000 in related party payable to equity for the purpose of additional working capital. On June 30, 2021, the Fund provided an additional $350,000 in capital to Equus Energy for the purpose of additional working capital. On December 31, 2022, the Fund provided an additional $150,000 in capital to Equus Energy for the purpose of additional working capital. See *Subsequent Events* in Note 9 below where the Fund sold its ownership interest in Equus Energy in the first quarter of 2025.

Working interests owned as of December 31, 2024 include associated development rights 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 Burk Royalty Co., LTD ("Burk"). Burk has operating responsibility for all of the Company's producing and non-producing well interests located in the Conger Field, an oil and gas field on the edge of the Permian Basin. The Company has a 50% working interest in each of the leases on which the wells are located, along with working interests of 7.5% and 2.5% in the Burnell and North Pettus Units, respectively, located in the area known as the "Eagle Ford Shale" play.

Liquidity & Going Concern

Oil prices increased significantly in 2022 commencing with the buildup and subsequent invasion of Ukraine by Russian forces in February 2022. However, since the end of the second quarter of 2022, except for a temporary increase during the 3rd quarter of 2023, oil prices have largely retreated to pre-invasion levels throughout 2024 and the oil price barrel was $72.44 as of December 31, 2024. Natural gas liquids ("NGL") experienced a similar trend in 2022 and continued falling throughout the second half of the year and into 2023 and 2024 and, as of December 31, 2024, the NGL price was $7.28 per MMBTU. Natural gas prices experienced high volatility in 2022 but have been generally stable throughout 2023 and 2024, and as of December 31, 2024, natural gas price was $3.40 per MMBTU. Nevertheless, consistently lower prices for natural gas has decreased the economic feasibility of certain of Equus Energy's well interests.

As a result, Equus Energy could see future capital expenditures postponed indefinitely, which could have a material adverse effect upon the operations and long-term financial condition of Equus Energy. The substantial decrease in natural gas spot prices has had a similar effect upon Equus Energy's revenue. This decrease, as well as the shut-in of presently uneconomic wells due to low prices and excess demand has had, and is expected to continue to have, a material adverse effect on the present and near-term cash flows of Equus Energy. The factors discussed above, therefore, raise substantial doubt about Equus Energy's ability to continue as a going concern.

The Company experienced net operating losses of $78,846, $958,398, and $532,978 during the years ended December 31, 2024, 2023, and 2022, respectively. During the years ended December 31, 2024, 2023 and 2022, the Company experienced negative cash flows from operations of $64,500, $130,382, and $526,744, respectively.

As of December 31, 2024, we had $6,649 in available cash and, under current operating and pricing conditions, we believe substantial doubt exists as to whether Equus Energy will be able to fund its operations for the next twelve months. It is possible Equus Energy will require loans or capital investment from one or more sources, or will be required to dispose of certain of its assets, to cover a potential cash shortfall. Equus Energy does not presently have any existing commitments to fund any such shortfall, should it occur, and cannot guarantee that it will be able to secure a commitment in the future.

Equus Energy, LLC and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2024, 2023 and 2022

Future Plans and Considerations

See *Subsequent Events* in Note 9 below where the Fund sold its ownership interest in Equus Energy in the first quarter of 2025.

2. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

The accompanying consolidated financial statements are prepared on the accrual basis of accounting as codified in the Financial Standards Accounting Board's ("FASB") Accounting Standards Codification ("ASC") and include the accounts of the Company. All significant intercompany balances and transactions have been eliminated.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the consolidated financial statements.

Significant estimates include volumes of oil and natural gas reserves used in calculating depreciation and depletion of oil and gas properties, future net revenues, abandonment obligations, impairment of undeveloped properties, the collectability of outstanding accounts receivable, contingencies, and the results of current and future litigation. Oil and natural gas reserve estimates, which are the basis for unit-of-production depreciation and depletion, and impairment have numerous inherent uncertainties. The accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. Subsequent drilling results, testing, and production may justify revision of such estimates. Accordingly, reserve estimates are often different from the quantities of oil and natural gas that are ultimately recovered. In addition, reserve estimates are sensitive to changes in wellhead prices of crude oil and natural gas.

The significant estimates are based on current assumptions that may be materially affected by changes to future economic conditions such as the market prices received for sales of volumes of oil and natural gas. Future changes in these assumptions may affect these significant estimates materially in the near term.

Receivables

Accounts receivable primarily consists of accrued revenues from oil and gas sales. The Company routinely assesses the recoverability of all material receivables to determine their collectability. The Company recognizes a reserve on a receivable when, based on the judgment of management, it is likely that a receivable will not be collected and the amount of any reserve may be reasonably estimated. No allowance for credit losses was considered necessary as of December 31, 2024 and 2023.

In June 2016, the FASB issued Accounting Standards Update ("ASU") 2016-13, Financial Instruments – Credit Losses (Topic 326) ("ASC 326" or "CECL") in response to concerns raised regarding the delayed recognition of losses on financial assets that do not meet the "probable" threshold, but are expected, as of the reporting date. The new guidance under ASU 2016-13 is effective for Equus Energy, LLC and Subsidiary for the fiscal year, including interim reporting periods, beginning on January 1, 2023. The Company has concluded that the implementation of ASC 326 did not have a material impact on the Company's receivables or consolidated financial statements.

Equus Energy, LLC and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2024, 2023 and 2022

Oil and Gas Properties

The Company follows the full cost method of accounting for oil and gas properties. Under this method of accounting, all costs incurred for both successful and unsuccessful exploration and development activities, including salaries, benefits and other internal costs directly identified with these activities, and oil and gas property acquisitions are capitalized. All costs related to production, general corporate overhead or similar activities are expensed as incurred. Proved properties are amortized using the units of production method (“UOP”). The UOP calculation, in its simplest terms, multiplies the percentage of estimated proved reserves produced by the cost of those reserves. The amortization base in the UOP calculation includes the sum of proved property, net of accumulated depreciation, depletion and amortization (“DD&A”), estimated future development costs (future costs to access and develop reserves) and asset retirement costs that are not already included in oil and gas property, less related salvage value. In arriving at rates under the UOP method, the quantities of recoverable oil and natural gas reserves are established based on estimates made by the third-party geologists and engineers using end-of-period costs and an unweighted arithmetic average of commodity prices in effect on the first day of each of the previous twelve months, held flat for the life of the production, except where prices are defined by contractual arrangements. Prices are adjusted for “basis” or location differentials which require significant judgment, as does the projection of future production volumes and levels of future costs, including future development costs. In addition, considerable judgment is necessary in determining when unproved properties become impaired and in determining the existence of proved reserves once a well has been drilled. All of these judgments may have significant impact on the calculation of depletion expense.

Under the full-cost method of accounting, the net book value of oil and gas properties may not exceed a calculated “ceiling.” The ceiling limitation is the estimated future net cash flows from proved oil and gas reserves, discounted at ten percent per annum. Estimated future cash flows exclude future cash outflows associated with settling accrued asset retirement obligations. The estimated future net cash flows are calculated using end-of-period costs and an unweighted arithmetic average of commodity prices in effect on the first day of each of the previous twelve months, held flat for the life of the production, except where prices are defined by contractual arrangements. Prices are adjusted for “basis” or location differentials. Any excess of the net book value of proved oil and gas properties over the ceiling is charged to expense and reflected as impairment in the accompanying statements of operations. Equus Energy did not record any impairment during the years ended December 31, 2024, 2023 or 2022.

Proceeds from the sales or disposition of oil and gas of proved and unproved properties are accounted for as a reduction of capitalized costs with no gain or loss recognized, unless such reduction would significantly alter the relationship between capitalized costs and proved reserves, in which case the gain or loss is recognized in the statement of operations. In general, a significant alteration occurs when the deferral of gains or losses will result in an amortization rate materially different from the amortization rate calculated upon recognition of gains or losses. Abandonments of properties are accounted for as adjustments of capitalized costs with no loss recognized.

Equus Energy, LLC and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2024, 2023 and 2022

Revenue Recognition

The Company recognizes revenue at the point in time when control of the promised goods is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Company's revenue is generated primarily from the sale of oil, gas, and NGL's produced from working interests and to a lesser extent from royalty interests in oil and gas properties owned by the Company. As a working interest owner, the Company is responsible for the incurred production expenses proportionate to the interest stipulated in the operating agreement. As a non-operator, the Company does not manage the daily well operations, which are borne by the well operator. Sales of oil, gas and NGLs are recognized at the time control of the product is transferred to the customer.

Various arrangements amongst the nine different oil and gas properties all differ in some respects, although they do share the commonality that, as a non- operating working interest holder, the Company does not engage in the selling process, but instead relies on the operator, as their selling agent, for negotiating and determining pricing, volume, and delivery terms. Such pricing terms are often a function of a specified discount from the daily/monthly NYMEX or Henry Hub average. The discount is usually based on differentials such as distance of the field/wells from the distribution node or the buyer's storage facility, as well as the quality of the product itself (i.e., in the case of oil, its gravity).

Revenue is measured based on consideration specified in the contract with the customer, and excludes any amounts collected on behalf of third parties. The Company recognizes revenue in the amount that reflects the consideration it expects to be entitled to in exchange for transferring control of those goods to the customer. The contract consideration is typically allocated to specific performance obligations in the contract according to the terms of the contract. Each unit of oil or gas is considered a separate performance obligation under the contract. Wells are spot measured once a month to determine production and the composition of each of the products (i.e. oil, gas, NGLs) from the well. Each month the consideration obtained by the operator is allocated to the related performance obligations.

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, and is the unit of account in ASC 606. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. Revenue is recognized when performance obligations are satisfied in accordance with contractual terms, in an amount that reflects the consideration the Company expects to be entitled to in exchange for services rendered.

Depending on the contract and commodity, there are various means by which upstream entities can transfer control (i.e., at the wellhead, inlet, tailgate of the processing plant, or a location where the product is delivered to a third party). The Operator has control of the commodity before it is extracted, therefore consideration must be given to whether the transfer of control of the commodity is to the operator or to the end customer at the point of sale.

Unless special arrangements are entered into, the Company's performance obligations are generally considered performed when control of the extracted commodity transfers when it is delivered to the end customer at the agreed- upon market or index price. At the end of each month, when the performance obligation is satisfied, the variable consideration can be reasonably estimated. Variances between the Company's estimated revenue and actual payments are recorded in the month the payment is received.

Contract Balances

Receivables from contracts with customers are recorded when the right to consideration becomes unconditional, generally when control of the product has been transferred to the customer. Under the terms of the Company's contract with the operator, the operator processes invoices to the liable parties and payments to the interest owners. Other than trade receivables, the Company's contracts do not give rise to contract assets or liabilities under ASC 606. Receivables from oil and gas sales were $109,635 and $49,523 at December 31, 2024 and 2023. On January 1, 2023, the Company had outstanding receivables of $93,314 related to oil and natural gas sales.

Principal vs. Agent

ASC 606 focuses on control of the specified goods and services as the overarching principle for entities to consider when determining whether they are acting as a principal or an agent.

An entity acting as a principal records revenue on a gross basis if it controls a promised good or service before transferring that good or service to the customer. An entity is an agent if it does not control the promised good or service before transfer to the customer. If the entity is an agent, it records as revenue the net amount it retains for its agency services. However, due to the uncertainty of the variable pricing component and the separation of expenses billed to the Company from the consideration processed and paid by the operator, the revenue is recorded at net.

Under the Company's normal operating activity arrangements, the operator is responsible for negotiating, fulfilling and collecting the agreed-upon amount from the sale with the end customer and is, therefore, determined to be acting as agent on behalf of the Company. The principal versus agent consideration will continue to be assessed for new contracts, both within and outside the company's normal operating activities.

Major Customers and Concentration of Credit Risk

In the exploration, development and production business, production is normally sold to relatively few customers. Substantially all of the Company's customers are concentrated in the oil and natural gas industry and revenue can be materially affected by current economic conditions, the price of certain commodities such as crude oil and natural gas and the availability of alternate purchasers. The Company believes the loss of any of its major purchasers would not have a long-term material adverse effect on its operations.

Environmental Expenditures

The Company is subject to extensive federal, state and local environmental laws and regulations. These laws regulate the discharge of materials into the environment and may require the Company to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed.

Liabilities for expenditures of a non-capital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component is fixed or reliably determinable. No such liabilities existed or were recorded at December 31, 2024 and 2023.

Equus Energy, LLC and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2024, 2023 and 2022

Asset Retirement Obligations

The initial estimated asset retirement obligation related to oil and gas properties is recorded as a liability at its fair value, with an offsetting asset retirement cost recorded as an increase to the associated oil and gas properties on the consolidated balance sheet. If any of the assumptions used in determining the fair value of the recorded asset retirement obligation change, a revision is recorded to both the asset retirement obligation and the asset retirement cost. Revisions in estimated liabilities can result from changes in estimated inflation rates, changes in estimated plugging and abandonment costs and changes in the estimated timing of an asset's retirement. Asset retirement costs are included within the full cost pool and depleted as part of the amortization base associated oil and gas properties. Accretion on the liability is recognized over the estimated productive life of the related assets. Accretion expense for the years ended December 31, 2024, 2023 and 2022 were $2,669, $1,921 and $1,878, respectively.

Income Taxes

For state tax purposes, EQS Energy Holdings, Inc. files a combined Texas Gross Margin filing with its direct parent Equus Energy, and a new affiliate, Morgan E&P, LLC, with their direct parent Equus Total Return, Inc. However, Equus Energy is disregarded as an entity separate from its owner for U.S. federal income tax purposes, and its activity is reported by Equus Total Return, Inc.

EQS Energy Holdings, Inc., conversely, is a taxable C-corporation that is not included in either the tax returns for Equus Energy, LLC or Equus Total Return, Inc. under U.S. federal income tax principles, and accordingly files a separate corporate income tax return.

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of the events that have been included in the consolidated financial statements.

Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statements and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

The Company records deferred tax assets to the extent the Company believes these assets will more-likely-than-not be realized. In making such determinations, the Company considers all available positive and negative evidence, including future reversals of existing temporary differences, projected future taxable income, tax planning strategies and recent financial operations. In the event the Company were to determine that it would be able to realize deferred income tax assets in the future in excess of their net recorded amount, an adjustment to the valuation allowance would be made which would reduce the provision for income taxes.

Equus Energy, LLC and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2024, 2023 and 2022

ASC Topic 740-10, *Income Taxes,* provides that a tax benefit from an uncertain position may be recognized in the financial statements when it is more-likely- than-not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on technical merits. This guidance also addresses measurement, derecognition, classification, interest and penalties, accounting for interim periods, disclosure and transition. The Company has no material uncertain tax positions in its prior or current tax filings. All of the Fund's federal and state tax returns for 2020 through 2023 remain open to examination.

Recently Issued Accounting Pronouncements

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. The guidance aims to improve the effectiveness of income tax disclosures primarily through improvements to the income tax rate reconciliation disclosure along with information on income taxes paid. The guidance is effective for the Company for fiscal years beginning after December 15, 2025 with early adoption permitted. We are currently evaluating the impact of this standard.

In November 2024, the FASB issued ASU 2024-03, Income Statement (Subtopic 220-40) Reporting Comprehensive Income-Expense Disaggregation Disclosures, which broadens the disclosures required for certain costs and expenses in the Company's annual and interim consolidated financial statements. This ASU is effective prospectively for fiscal years beginning after December 15, 2026, and interim reporting periods within fiscal years beginning after December 15, 2027. The Company is currently evaluating the impact of this standard.

3. Oil and Gas Properties

Oil and gas properties as of December 31, 2024 and 2023 consist of the following:

		2024		2023
Properties being depleted	$	8,163,785	$	8,173,325
Less: accumulated depreciation, depletion and impairment		(8,111,876)		(8,096,817)
Oil and gas properties, net	$	51,909	$	76,508

4. Asset Retirement Obligations

The following summarizes the changes in the asset retirement obligation during the years ended December 31, 2024 and 2023:

		2024		2023
Balance, beginning of year	$	232,836	$	216,297
Revisions		(9,564)		14,618
Accretion, net of settlements		2,669		1,921
Balance, end of year	$	225,941	$	232,836

5. Fair Value Measurements

Equus Energy uses various inputs in determining the fair value of certain assets and liabilities. ASC 820, *Fair Value Measurements and Disclosures,* establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The three levels of the fair value hierarchy under ASC 820, including the types of Company assets or liabilities that fall under each category and the valuation methodologies used to measure fair value, are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs to the methodology are other than quoted market prices in active markets that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices that are in inactive markets; inputs other than quoted prices that are observable for the assets or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable inputs (i.e. projections, estimates, interpretations, etc.) that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The inputs and methodology used for valuing the Company's assets and liabilities are not indicators of the risks associated with those assets and liabilities.

The following is a description of the valuation methodology used for assets and liabilities measured at fair value:

Asset retirement obligation at initial recognition: the fair value of the Company's ARO is based on the present value of future estimated cash flows, using a credit-adjusted risk free discount rate and has been categorized under ASC 820 as a Level 3 fair value assessment.

The Company's financial instruments consist primarily of cash, accounts receivable, accounts payable and other current liabilities and amounts due to parent. The carrying amounts of accounts receivable, accounts payable and other current liabilities and amounts due to parent are representative of their respective fair values due to short-term maturity of these instruments.

6. Concentrations of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash and receivables. The Company maintains its cash with a financial institution it believes has high credit quality. The Company at times maintains bank deposits in excess of insured limits. The possibility of a loss exists if the bank holding excess deposits were to fail. Trade receivables result from oil and gas sales to a small number of purchasers. To mitigate this credit risk, the Company closely monitors the payment history and credit worthiness of each customer.

7. Legal Matters and Contingencies

Litigation and Other Legal Matters

In 2023, the Company settled a legal dispute with a former operator of one of its properties for $1.0 million.

In the normal course of business, the Company may be party to various pending or threatened claims, lawsuits and administrative proceedings seeking damages or other remedies concerning its commercial operations, employees and other matters. Although the outcome of any pending legal proceedings is unknown, the Company believes that any liability resulting from the outcome of such proceedings, to the extent not otherwise provided for or covered by insurance, will not have a material adverse effect on the Company's consolidated financial positions, results of operations or liquidity.

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur. The Company's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a loss contingency indicates that it is probable that a loss has been incurred and the amount of the liability can be reasonably estimated, then the estimated liability is accrued in the Company's financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss, if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed. The Company expenses legal costs associated with contingencies as incurred.

Environmental Contingencies

The Company's activities are subject to local, state and federal laws and regulations governing environmental quality and pollution control in the United States. The exploration, drilling and production from wells, natural gas facilities, including the operation and construction of pipelines, plants and other facilities for transporting, processing, treating or storing natural gas and other products, are subject to stringent environmental regulation by state and federal authorities, including the Environmental Protection Agency ("EPA"). Such regulation can increase our cost of planning, designing, installing and operating such facilities.

Significant fines and penalties may be imposed for the failure to comply with environmental laws and regulations. Some environmental laws provide for joint and several strict liabilities for remediation of releases of hazardous substances, rendering a person liable for environmental damage without regard to negligence or fault on the part of such person. In addition, we may be subject to claims alleging personal injury or property damage as a result of alleged exposure to hazardous substances, such as oil and natural gas related products.

At the present time, the Company believes that none of the environmental laws materially hinder nor adversely affect the Company business. The Company believes it has abided by and is currently in compliance with all applicable environmental laws.

8. Income Taxes

The provision for income taxes for the years ended December 31, 2024, 2023, and 2022 consisted of the following:

Years Ended December 31,	**2024**	**2023**	**2022**
Current (expense) benefit:			
Federal	$ (11,769)	$ (184,672)	$ (85,267)
State	(1,273)	(1,148)	(2,198)
Total current (expense) benefit	(13,042)	(185,820)	(87,465)
Deferred (expense) benefit:			
Federal	12,037	184,913	86,550
State	1,005	907	915
Total deferred (expense) benefit	13,042	185,820	87,465
Total benefit (expense)	$ —	$ —	$ —

The components of the net deferred tax assets (liabilities) in the Company's balance sheets were as follows:

As of December 31,	**2024**	**2023**
Deferred tax assets:		
Properties	$ 647,355	$ 683,015
Asset retirement obligation	47,447	48,895
State taxes	23,120	24,393
Net operating loss carryforwards	282,882	259,819
Total deferred tax assets	1,000,804	1,016,122
Valuation allowance	(995,949)	(1,010,999)
Deferred tax assets after valuation allowance	4,855	5,123
Deferred tax liabilities:		
State tax deduction	(4,855)	(5,123)
Total deferred tax liabilities	(4,855)	(5,123)
Total net deferred tax assets (liabilities)	$ —	$ —

The provision for income taxes varies from the maximum federal statutory rate of 21% for the years ended December 31, 2024, 2023, and 2022, respectively, as follows:

Years Ended December 31,	2024	2023	2022
Income tax expense (benefit) at federal statutory rate	$ (13,836)	$ 8,737	$ (111,925)
Effect of state income taxes	1,005	907	915
Non-deductible Equus Energy, LLC Loss	7,774	(8,737)	198,476
Elimination	18,099	184,913	—
Change in valuation allowance	(13,042)	(185,820)	(87,465)
Total	$ —	$ —	$ —

Deferred income tax assets and liabilities are recorded based on enacted tax rates applicable to the future period when those temporary differences are expected to be recovered or settled. For the tax years ended December 31, 2024, 2023, and 2022 the Company's U.S Federal statutory tax rate was 21%. The Company is also subject to the Texas Gross Margin tax of .75% of modified taxable income as determined for Texas purposes. This combination results in a marginal blended tax rate of approximately 21.6%.

At each of December 31, 2024, and 2023, the tax effected amount of U.S. Federal net operating loss carryforwards ("NOLs") totaled $282,882 and $259,819, respectively. As of December 31, 2024, $26,295 in NOLs will begin to expire in varying amounts between 2036 and 2037 and the remaining $256,586 can be carried forward indefinitely.

The Company has determined, after weighing both positive and negative evidence, that the net deferred tax asset ("DTA") for the Company is not more-likely-than-not to be realizable. Therefore, valuation allowances of $995,949 and $1,010,999 were established at December 31, 2024 and 2023, respectively, to completely offset the net DTA at each year end.

During the current period, the Company has estimated a taxable loss. This NOL will be carried forwarded indefinitely with no expiration and is fully offset with a valuation allowance. As such, the Company has not recorded any current income tax expense or benefit for the period.

As of December 31, 2024, the Company has not recorded a reserve for uncertain tax positions.

9. Subsequent Events

On February 13, 2025, the Company sold its leasehold interest in the McCrory well and associated acreage located in Eastern Oklahoma in exchange for $25,000 in cash.

On March 3, 2025, Equus Total Return, Inc. ("ETR"), our former parent company, sold the Company to North American Energy Opportunities Corp., a developer of upstream oil and gas assets ("NAEOC"). The consideration provided by NAEOC consisted of $1.25 million in cash and 27,500 shares of preferred stock, redeemable within 6 months of the date of issuance at $100.00 per share, or an aggregate of $2.75 million, conditional upon ETR facilitating NAEOC's acquisition of operating rights with respect to the Company's holdings in the Conger Field, as well as the acquisition of the working interests associated with the Conger Field not already held by the Company.

The Company evaluates events and transactions occurring after the balance sheet date but before the financial statements are available to be issued. The Company evaluated such events and transactions through April 10, 2025, the date the consolidated financial statements were available for issuance.

EXHIBIT 99.2

Morgan E&P, LLC

Financial Statements
As of December 31, 2024 and 2023 and for the year ended
December 31, 2024 and the period from inception (April 3, 2023)
through December 31, 2023

Morgan E&P, LLC

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Independent Auditor's Report

Board of Managers
Morgan E&P, LLC
Houston, Texas

Opinion

We have audited the financial statements of Morgan E&P, LLC (the "Company"), which comprise the balance sheets as of December 31, 2024 and 2023 and the related statements of operations, changes in member's deficit, and cash flows for the year ended December 31, 2024 and the period from inception (April 3, 2023) through December 31, 2023, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the year ended December 31, 2024 and the period from inception (April 3, 2023) through December 31, 2023 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Substantial Doubt About the Company's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 1 to the financial statements, the Company has suffered recurring losses from operations, has a net capital deficiency, and has stated that substantial doubt exists about the Company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

/s/ BDO USA, P.C.

Houston, Texas
April 10, 2025

Morgan E&P, LLC
Balance Sheets

(in thousands)	December 31, 2024	December 31, 2023
Assets		
Current assets		
Cash	$ 15	$ 2,441
Accounts receivable - oil and natural gas sales	343	464
Accounts receivable - joint interest billings	1,738	1,391
Other receivables	2	—
Prepaids and other current assets	35	133
Total current assets	2,133	4,429
Property, plant and equipment		
Oil and natural gas properties, net - full cost method	6,959	10,326
Other property, plant and equipment, net	34	46
Total property, plant and equipment, net	6,993	10,372
Other assets		
Operating lease right-of-use assets, net	227	270
Total other assets	227	270
Total assets	$ 9,353	$ 15,071
Liabilities and Member's Deficit		
Current liabilities		
Accounts payable	$ 6,656	$ 2,372
Revenue payable	319	221
Prepayments from owners	—	122
Current portion of operating lease liabilities	47	28
Due to parent	550	13
Accrued liabilities	3,162	5,383
Total current liabilities	10,734	8,139
Long-term liabilities		
Asset retirement obligations	4	4
Long-term operating lease liabilities	207	254
Note payable - due to parent	10,500	8,253
Long-term accrued liabilities - due to parent	1,471	225
Total long-term liabilities	12,182	8,736
Commitments and contingencies (Note 10)		
Member's deficit	(13,563)	(1,804)
Total liabilities and member's deficit	$ 9,353	$ 15,071

See accompanying notes to the financial statements.

Morgan E&P, LLC
Statements of Operations

(in thousands)	Year Ended December 31, 2024	Period from inception (April 3, 2023) through December 31, 2023
Revenues		
Oil, natural gas and natural gas liquid revenues	$ 2,710	$ 270
Expenses		
Lease operating	2,694	268
Production and other taxes	261	27
Marketing, transportation and gathering expense	85	—
Depreciation, depletion and amortization	1,467	60
Accretion	1	—
Impairment of oil and gas properties	6,678	—
General and administrative	2,042	1,510
Total expenses	13,228	1,865
Other income (expense)		
Interest income	6	16
Interest expense	(1,247)	(225)
Total other expense, net	(1,241)	(209)
Net loss	$ (11,759)	$ (1,804)

See accompanying notes to the financial statements.

Morgan E&P, LLC
Statements of Changes in Member's Deficit

(in thousands)	Total Member's (Deficit) Equity
Balance as of April 3, 2023 (Inception)	$ —
Net loss	(1,804)
Balance as of December 31, 2023	(1,804)
Net loss	(11,759)
Balance at December 31, 2024	$ (13,563)

See accompanying notes to the financial statements.

Morgan E&P, LLC
Statements of Cash Flows

(in thousands)	Year Ended December 31, 2024	Period from inception (April 3, 2023) through December 31, 2023
Cash flows from operating activities		
Net loss	$ (11,759)	$ (1,804)
Adjustments to reconcile net loss to net cash flows (used in) provided by operating activities		
Depreciation, depletion, and amortization	1,467	61
Amortization of right-of-use asset	43	12
Accretion	1	—
Impairment of oil and gas properties	6,678	—
Changes in operating assets and liabilities		
Accounts receivable – oil and natural gas sales	121	(464)
Accounts receivable – joint interest billings	(1,159)	(291)
Other receivables	(2)	—
Prepaids and other current assets	98	(133)
Accounts payable	4,284	85
Revenue payable	169	221
Prepayments from owners	—	1,701
Due to parent	537	13
Current portion of operating lease liabilities	(28)	—
Accrued liabilities	(3,772)	810
Long-term accrued liabilities - due to parent	1,246	225
Net cash provided (used in) by operating activities	(2,076)	436
Cash flows from investing activities		
Capital expenditures	(2,597)	(5,700)
Acquisition of oil and gas properties	—	(500)
Additions to other property, plant and equipment	—	(48)
Net cash used in investing activities	(2,597)	(6,248)
Cash flows from financing activities		
Proceeds from note payable - affiliate	2,247	8,253
Net cash provided by financing activities	2,247	8,253
Net change in cash	(2,426)	2,441
Beginning of period	2,441	—
End of period	$ 15	$ 2,441
Supplemental disclosure for noncash financing and investing activities		
Operating lease right-of-use assets additions	$ —	$ (282)
Acquisition of oil and natural gas working interests funded by accrued liabilities	$ (3,019)	$ —
Change in capital accounts payable and capital accruals	849	(4,181)
Prepayments applied to joint interest receivables	122	1,579
Change in asset retirement costs	(1)	4

See accompanying notes to the financial statements.

Morgan E&P, LLC

Notes to Financial Statements

December 31, 2024 and 2023

1. Nature of Operations

Morgan E&P, LLC ("Morgan E&P" of the "Company") was formed in April 2023 as a wholly-owned subsidiary of Equus Total Return, Inc. (the "Fund") to make investments in properties in the energy sector, with a particular emphasis on income-producing oil & gas properties in the Williston Basin in North Dakota.

Morgan E&P's current working interests include associated development rights situated throughout three (3) counties in North Dakota.

Liquidity and Going Concern

During the years ended December 31, 2024 and the period from inception (April 3, 2023) through December 31, 2023 the Company incurred net losses of $11.8 million and $1.8 million, respectively. At December 31, 2024 and 2023, the Company had a working capital deficit of $5.6 million and $3.7 million, respectively.

The financial statements of Morgan E&P have been prepared on a going concern basis, which contemplates the near-term sale of quantities of oil and gas, realization of assets and the satisfaction of liabilities and other commitments in the normal course of business. As such, the financial statements do not include adjustments relating to the recoverability and classification of assets and their carrying amount, or the amount and classification of liabilities that may result should Morgan E&P be unable to continue as a going concern. As of December 31, 2024, Morgan E&P does not have sufficient cash resources to fund its present operations. Morgan E&P is presently seeking external financing to enable it to continue operations over the twelve months from the date of this report, but we cannot assure you that Morgan E&P will be successful in doing so, or that such endeavors will generate sufficient liquidity to enable Morgan E&P to continue operations over the next twelve months. These factors raise substantial doubt about Morgan E&P's ability to continue as a going concern.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis of accounting as codified in the Financial Standards Accounting Board's ("FASB") Accounting Standards Codification ("ASC") and include the accounts of the Company.

Cash

The Company maintains cash and cash equivalent balances with a major financial institution, which at times exceed federally insured limits. The Company monitors the financial condition of the financial institution and has experienced no losses associated with these accounts. The Company did not have any cash equivalents as of December 31, 2024 or 2023.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

Significant estimates include volumes of oil and natural gas reserves used in calculating depreciation and depletion of oil and gas properties, future net revenues, abandonment obligations, impairment of unevaluated properties, full cost ceiling test, the collectability of outstanding accounts receivables, contingencies, and the results of any potential current and future litigation. As of the end of the year and of this report date, there were no known issues of collectability of amounts owed to the Company nor any outstanding litigation. Oil and natural gas reserve estimates, which are the basis for unit-of- production depreciation and depletion, and impairment have numerous inherent uncertainties. The accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. Subsequent drilling results, testing, and production may justify revision of such estimates. Accordingly, reserve estimates are often different from the quantities of oil and natural gas that are ultimately recovered. In addition, reserve estimates are sensitive to changes in wellhead prices of crude oil and natural gas.

The significant estimates are based on current assumptions that may be materially affected by changes to future economic conditions such as the market prices received for sales of volumes of oil and natural gas. Future changes in these assumptions may affect these significant estimates materially in the near term.

Morgan E&P, LLC

Notes to Financial Statements

December 31, 2024 and 2023

Revenue Receivables and Joint Interest Billing Receivables

Accounts receivable primarily consists of accrued revenue from oil and gas sales and costs related to joint interest partners' working interest share. The Company routinely assesses the recoverability of all material receivables to determine their collectability.

The Company estimates credit losses based on historical loss experience, current conditions, and reasonable and supportable forecasts. The estimation process considers relevant factors such as borrower creditworthiness, asset type, and the economic environment. These assumptions are based on management judgement and are reviewed and updated as necessary. No allowance for credit losses was considered necessary as of December 31, 2024 or 2023.

Oil and Gas Properties

The Company follows the full cost method of accounting for oil and gas properties. Under this method of accounting, all costs incurred for both successful and unsuccessful exploration and development activities, including salaries, benefits and other internal costs directly identified with these activities, and oil and gas property acquisitions are capitalized. All costs related to production, general corporate overhead or similar activities are expensed as incurred. Proved properties are amortized using the units of production method ("UOP"). The UOP calculation, in its simplest terms, multiplies the percentage of estimated proved reserves produced by the cost of those reserves. The amortization base in the UOP calculation includes the sum of proved property, net of accumulated depreciation, depletion and amortization ("DD&A"), estimated future development costs (future costs to access and develop reserves) and asset retirement costs that are not already included in oil and gas property, less related salvage value. In arriving at rates under the UOP method, the quantities of recoverable oil and natural gas reserves are established based on estimates made by the third-party geologists and engineers using end-of-period costs and an unweighted arithmetic average of commodity prices in effect on the first day of each of the previous twelve months, held flat for the life of the production, except where prices are defined by contractual arrangements. Prices are adjusted for "basis" or location differentials which require significant judgment, as does the projection of future production volumes and levels of future costs, including future development costs. In addition, considerable judgment is necessary in determining when unproved properties become impaired and in determining the existence of proved reserves once a well has been drilled. All of these judgments may have significant impact on the calculation of depletion expense.

Under the full-cost method of accounting, the net book value of oil and gas properties may not exceed a calculated "ceiling." The ceiling limitation is the estimated future net cash flows from proved oil and gas reserves, discounted at ten percent per annum. Estimated future cash flows exclude future cash outflows associated with settling accrued asset retirement obligations. The estimated future net cash flows are calculated using end-of-period costs and an unweighted arithmetic average of commodity prices in effect on the first day of each of the previous twelve months, held flat for the life of the production, except where prices are defined by contractual arrangements. Prices are adjusted for "basis" or location differentials. Any excess of the net book value of proved oil and gas properties over the ceiling is charged to expense and reflected as impairment in the accompanying statements of operations During the year ended December 31, 2024 and the period from inception (April 3, 2023) through December 31, 2023, the Company recognized impairment expense of $6,678,000 and $0, respectively.

Proceeds from the sales or disposition of oil and gas proved and unproved properties are accounted for as a reduction of capitalized costs with no gain or loss recognized, unless such reduction would significantly alter the relationship between capitalized costs and proved reserves, in which case the gain or loss is recognized in the statement of operations. In general, a significant alteration occurs when the deferral of gains or losses will result in an amortization rate materially different from the amortization rate calculated upon recognition of gains or losses. Abandonments of properties are accounted for as adjustments of capitalized costs with no loss recognized.

On November 7, 2023, the Company sold approximately 36.77% of its working interests in the first two (2) horizontal wells drilled, for $100. Additionally, the Company received a prepayment of $5,600,000 to be applied against future drilling costs related to the Company's first two wells. The funds were held in a Company-controlled bank account and accounted for as prepayments from owners on the balance sheet. As capital expenditures are incurred, the amounts recorded on the Joint Interest Billings ("JIBs") are credited against the prepaid account until the full amount is realized.

Morgan E&P, LLC

Notes to Financial Statements

December 31, 2024 and 2023

Other Property, Plant and Equipment

Other property, plant and equipment is stated at cost and is depreciated or amortized using the straight-line method over the estimated useful lives of the related assets which range from 2 to 5 years. Additions and improvements to other property, plant and equipment are capitalized and depreciated over the estimated useful lives. Routine maintenance and repair costs are expensed as incurred. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in earnings for the period. Depreciation expense related to other property and equipment was $12,000 and $2,000 for the year ended December 31, 2024 and the period from inception (April 3, 2023) through December 31, 2023, respectively.

Revenue Recognition

The Company recognizes revenue at the point in time when control of the promised goods is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services under ASC 606, *Revenue from Contracts with Customers* ("ASC 606").

The Company's revenue is generated primarily from the sale of oil, gas and natural gas liquids ("NGL") produced from working interests in oil and gas properties owned by the Company. As a working interest owner, the Company is responsible for the incurred production expenses proportionate to the interest stipulated in the operating agreement. As the operator, the Company manages the daily well operations and allocates the proportionate share of expenditures to each non-operated working interest owner through JIBs managed by a third party accounting vendor. Sales of oil, gas and NGLs are recognized at the time control of the product is transferred to the customer on a monthly basis.

As the operator, the Company is responsible for negotiating and determining pricing, volume, and delivery terms with its customers. Such pricing terms are often a function of a specified discount from the daily/monthly NYMEX or Henry Hub average. The discount is usually based on differentials such as distance of the field/wells from the distribution node or the buyer's storage facility, as well as the quality of the product itself (i.e., in the case of oil, its gravity).

Revenue is measured based on consideration specified in the contract with the customer and excludes any amounts allocated to third parties (royalty owners, non-operated working interest owners, unleased owners, etc.). The Company recognizes revenue at the amount that reflects the consideration it expects to be entitled to in exchange for transferring control of those goods to the customer. The contract consideration is typically allocated to specific performance obligations in the contract according to the terms of the contract. Each unit of oil or gas is considered a separate performance obligation under the contract. Wells are spot measured hourly to determine production and the composition of each of the products (i.e. oil, gas, NGLs) from the well. Each month the consideration obtained by the operator is allocated to the related performance obligations.

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in ASC 606. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. Revenue is recognized when performance obligations are satisfied in accordance with contractual terms, in an amount that reflects the consideration the Company expects to be entitled to in exchange for services rendered.

Depending on the contract and commodity, there are various means by which upstream entities can transfer control (i.e., at the wellhead, inlet, tailgate of the processing plant, or a location where the product is delivered to a third party). The Operator has control of the commodity before it is extracted, therefore consideration must be given to whether the transfer of control of the commodity is to the operator or to the end customer at the point of sale.

Unless special arrangements are entered into, the Company's performance obligations are generally considered performed when control of the extracted commodity transfers when it is delivered to the end customer at the agreed- upon market or index price. At the end of each month, when the performance obligation is satisfied, the variable consideration can be reasonably estimated. Variances between the Company's estimated revenue and actual payments are recorded in the month the payment is received.

Morgan E&P, LLC

Notes to Financial Statements

December 31, 2024 and 2023

Contract Balances

Receivables from contracts with customers are recorded when the right to consideration becomes unconditional, which generally occurs when control of the product has been transferred to the customer. As the operator, the Company processes invoices to non-operator working interest owners and makes appropriate payments to vendors, working interest owners, royalty owners, and other contracted parties. Other than trade receivables, the Company's contracts do not give rise to contract assets or liabilities under ASC 606.

Principal vs. Agent

ASC 606 focuses on control of the specified goods and services as the overarching principle for entities to consider when determining whether they are acting as a principal or an agent.

An entity acting as a principal records revenue on a gross basis if it controls a promised good or service before transferring that good or service to the customer. An entity is an agent if it does not control the promised good or service before transfer to the customer. If the entity is an agent, it records as revenue the net amount it retains for its agency services.

Under the Company's normal operating activity arrangements, the Company, as operator, is responsible for negotiating, fulfilling and collecting the agreed-upon amount from the sale with the end customer and is, therefore, determined to be acting as principal. The principal versus agent consideration will continue to be assessed for new contracts, both within and outside the Company's normal operating activities.

Major Customers and Concentration of Credit Risk

In the exploration, development and production business, production is normally sold to relatively few customers. All of the Company's customers are concentrated in the oil and natural gas industry and revenue can be materially affected by current economic conditions, the price of certain commodities such as crude oil and natural gas and the availability of alternate purchasers. The Company believes the loss of any of its major purchasers would not have a long-term material adverse effect on its operations.

Environmental Expenditures

The Company is subject to extensive federal, state and local environmental laws and regulations. These laws regulate the discharge of materials into the environment and may require the Company to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed.

Liabilities for expenditures of a non-capital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component is fixed or reliably determinable. No such liabilities existed or were recorded at December 31, 2024 and 2023.

Asset Retirement Obligations

The initial estimated asset retirement obligation related to property and equipment is recorded as a liability at its fair value, with an offsetting asset retirement cost recorded as an increase to the associated property and equipment on the balance sheet. If any of the assumptions used in determining the fair value of the recorded asset retirement obligation change, a revision is recorded to both the asset retirement obligation and the asset retirement cost. Revisions in estimated liabilities can result from changes in estimated inflation rates, changes in service and equipment costs and changes in the estimated timing of an asset's retirement. Asset retirement costs are depreciated using a systematic and rational method similar to that used for the associated property and equipment. Accretion on the liability is recognized over the estimated productive life of the related assets. Accretion expense for the year ended December 31, 2024 and the period from inception (April 3, 2023) through December 31, 2023 was $1,000 and $0, respectively.

Morgan E&P, LLC

Notes to Financial Statements

December 31, 2024 and 2023

Leases

The Company follows ASC 842 – *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 and the use of practical expedient for leases less 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 Company currently has one operating lease related to its office space located in Centennial, Colorado.

Income Taxes

The Company is a single member limited liability company that has elected to be taxed as a corporation under Subchapter C of the Internal Revenue Code. For state tax purposes, the Company will file a combined Texas margin tax filing with its direct parent, Equus Total Return, Inc., and its related affiliates.

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of the events that have been included in the financial statements.

Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statements and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

The Company records deferred tax assets to the extent the Company believes these assets will more-likely-than-not be realized. In making such determinations, the Company considers all available positive and negative evidence, including future reversals of existing temporary differences, projected future taxable income, tax planning strategies and recent financial operations. In the event the Company were to determine that it would be able to realize deferred income tax assets in the future in excess of their net recorded amount, an adjustment to the valuation allowance would be made which would reduce the provision for income taxes.

ASC Topic 740-10, *Income Taxes,* provides that a tax benefit from an uncertain position may be recognized in the financial statements when it is more-likely-than- not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on technical merits. This guidance also addresses measurement, derecognition, classification, interest and penalties, accounting for interim periods, disclosure and transition. The Company has no material uncertain tax positions in its prior or current filings.

Recently Issued Accounting Pronouncements

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. The guidance aims to improve the effectiveness of income tax disclosures primarily through improvements to the income tax rate reconciliation disclosure along with information on income taxes paid. The guidance is effective for the Company for fiscal years beginning after December 15, 2025 with early adoption permitted. We are currently evaluating the impact of this standard.

In November 2024, the FASB issued ASU 2024-03, Income Statement (Subtopic 220-40) Reporting Comprehensive Income-Expense Disaggregation Disclosures, which broadens the disclosures required for certain costs and expenses in the Company's annual and interim consolidated financial statements. This ASU is effective prospectively for fiscal years beginning after December 15, 2026, and interim reporting periods within fiscal years beginning after December 15, 2027.The Company is currently evaluating the impact of this standard.

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3. Note Payable – Due to Parent

The Company maintains a credit agreement with its parent organization, as amended, which provides for a maximum credit amount of $10.5 million which was increased from $10.0 million during first quarter 2024 and which may be further increased. As of December 31, 2024, the Company had outstanding borrowings under the credit agreement of $10,500,000 and $0 available for future borrowings. The interest rate on borrowings under the credit agreement was 12.0% for the year ended December 31, 2024 and the period from inception (April 3, 2023) through December 31, 2023. The payment terms of the credit agreement is the entire principal amount, together with all accrued but unpaid interest, shall be due and payable on the three-year anniversary date (the "Maturity Date"), which is May 12, 2026. The credit agreement is collateralized by all assets held by the Company and there are no covenants required by the lender, which is an affiliate.

4. Oil and Gas Properties

Oil and gas properties as of December 31, 2024 and 2023 consist of the following:

(in thousands)	December 31, 2024	December 31, 2023
Proved properties being depleted	$ 15,151	$ 10,385
	15,151	10,385
Less: Accumulated depreciation, depletion and impairment	(8,192)	(59)
Total proved oil and natural gas property balance	$ 6,959	$ 10,326

5. Asset Retirement Obligations

The fair value of a liability for Asset Retirement Obligations ("ARO") is recorded in the period in which it is 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 liability is accreted to its then present value each period, and the capitalized cost is depreciated over the useful life of the related asset. If the liability is settled for an amount other than the recorded amount, an adjustment is made to the full cost pool, with no gain or loss recognized, unless the adjustment would significantly alter the relationship between capitalized costs and proved reserves. The Company has estimated its future ARO with respect to its operations. The ARO assets, which are carried on the balance sheet as part of the full cost pool, have been included in the Company's amortization base for the purposes of calculating depreciation, depletion and amortization expense and the ceiling test for impairment

The Company estimates the initial fair value of its ARO based on discounted cash flow projections using numerous estimates, assumptions and judgments regarding such factors as the existence of a legal obligation for an ARO, amounts and timing of settlements; the credit-adjusted risk-free rate to be used; and inflation rates. The Company's initial recording of AROs are Level 3 fair value measurements.

The following summarizes the changes in the asset retirement obligation for the years ended December 31, 2024 and the period from inception (April 3, 2023) through December 31, 2023:

(in thousands)	2024	2023
Balances at beginning of period	$ 4	$ -
Additions	-	4
Revision of estimate	(1)	-
Accretion expense	1	-
Balances at end of period	$ 4	$ 4

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6. Fair Value Measurements

Morgan E&P uses various inputs in determining the fair value of certain assets and liabilities. ASC 820, *Fair Value Measurements and Disclosures, ASC 820,* establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The three levels of the fair value hierarchy under ASC 820, including the types of Company assets or liabilities that fall under each category and the valuation methodologies used to measure fair value, are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs to the methodology are other than quoted market prices in active markets that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices that are in inactive markets; inputs other than quoted prices that are observable for the assets or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable inputs (i.e. projections, estimates, interpretations, etc.) that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The inputs and methodology used for valuing the Company's assets and liabilities are not indicators of the risks associated with those assets and liabilities.

The following is a description of the valuation methodology used for assets and liabilities measured at fair value:

Asset retirement obligation at initial recognition: The Company's ARO is based on the present value of future estimated cash flows, using a credit-adjusted risk-free discount rate and has been categorized under ASC 820 as a Level 3 fair value assessment.

The Company's financial instruments consist primarily of cash, accounts receivable, accounts payable and other current liabilities and amounts due to parent. The carrying amounts of accounts receivable, accounts payable and other current liabilities and amounts due to parent are representative of their respective fair values due to short-term maturity of these instruments.

7. Concentrations of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash and receivables. The Company maintains its cash with a financial institution it believes has high credit quality. The Company at times maintains bank deposits in excess of insured limits. The possibility of a loss exists if the bank holding excess deposits were to fail. Trade receivables result from oil and gas sales to a small number of purchasers and cost-sharing amounts of operating and capital costs billed to partners for properties operated by the Company. To mitigate this credit risk, the Company closely monitors the payment history and credit worthiness of each customer.

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8. Legal Matters and Contingencies

Litigation and Other Legal Matters

On August 27, 2024, Ystaas Electrical Services, LLC and ENETK, LLC (collectively, the "YES-ENETK Plaintiffs") filed a complaint against Morgan in the Southwest Judicial District Court in Billings County, North Dakota alleging breach of contract by Morgan in connection with services provided by the YES-ENETK Plaintiffs relating to Morgan's two operating wells. The Complaint seeks damages of $605,336 in the aggregate, together with interest and attorneys' fees and, in the alternative, seeks to foreclose liens held by the YES-ENETK Plaintiffs on the two wells. Morgan is actively contesting the Complaint. The Company has accrued the total invoices outstanding to the YES-ENETK Plaintiffs of $605,336 within accounts payable on the balance sheet.

On February 26, 2025, Pro Energy I, LLC ("Pro Energy") filed a Petition with the District Court in Harris County, Texas alleging Morgan's breach of contract in connection with an agreement between Morgan and Pro Energy, dated October 17, 2024, wherein Morgan agreed to acquire Pro Energy's carried working interest in the development rights held by Morgan, in exchange for a payment of $2.4 million no later than January 31, 2025. The Company has recorded the amount within accrued liabilities on the balance sheet at December 31, 2024. The Petition seeks damages in the form of payment of the purchase price, together with interest, as well as attorneys' fees. Morgan has not yet responded to the Petition.

On February 6, 2025, Sabre Production Services, LLC ("Sabre") filed its complaint asserting claims for non-payment of services rendered. The parties reached a settlement in this case.

On January 21, 2025, Bob's Oil Field Services, Inc. ("Bob's") served the Company with its complaint in the Southwest Judicial District, Billings County, North Dakota, asserting claims for breach of contract, foreclosure of well lien, unjust enrichment, quantum meruit, and promissory estoppel. The parties are currently in the process of drafting a settlement agreement.

The Company has other vendors that have filed liens and/or threatened litigation as a result of non-payment of invoices, but the Company is not able to estimate any potential losses as of December 31, 2024, and has accrued all invoices the Company believes outstanding to the respective vendors.

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur. The Company's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a loss contingency indicates that it is probable that a loss has been incurred and the amount of the liability can be reasonably estimated, then the estimated liability is accrued in the Company's financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss, if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed. The Company expenses legal costs associated with contingencies as incurred.

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9. Income Taxes

The provisions for income taxes for the year ended December 31, 2024 and 2023 consisted of the following:

Years Ended December 31,		**2024**		**2023**
Current (expense) benefit:				
Federal	$	(2,468,353)	$	(378,285)
State		(386,332)		—
Total current (expense) benefit		(2,854,685)		(378,285)
Deferred (expense) benefit:				
Federal		2,468,353		378,285
State		386,332		—
Total deferred (expense) benefit	$	2,854,685	$	378,285

The components of the net deferred tax assets (liabilities) in the Company's balance sheets were as follows:

As of December 31,		**2024**		**2023**
Deferred tax assets:				
Asset retirement obligation	$	764	$	808
Net operating loss carryforwards		3,456,671		2,343,725
State Deferred Tax Asset		386,332		—
Other		11,777		15,105
Total Deferred Tax Assets		3,855,544		2,359,638
State Valuation Allowance		(386,332)		—
Federal Valuation allowance		(2,846,637)		(378,285)
Deferred Tax Assets after Valuation Allowance		622,575		1,981,353
Deferred tax liabilities:				
Oil & Gas Properties		(622,575)		(1,981,353)
Total Deferred Tax Liabilities		(622,575)		(1,981,353)
Total net deferred tax assets (liabilities)	$	—	$	—

The provision for income taxes varies from the maximum federal statutory rate of 21% for the year ended:

Years Ended December 31,		**2024**		**2023**
Income tax expense (benefit) at federal statutory rate	$	(2,469,326)	$	(378,835)
State Deferred Tax Benefit		(386,332)		—
Non-deductible Expenses		973		550
Change in valuation allowance		2,854,685		378,285
Total	**$**	—	**$**	—

Deferred income tax assets and liabilities are recorded based on enacted tax rates applicable to the future period when those temporary differences are expected to be recovered or settled. For the tax year ended December 31, 2024, the Company's U.S Federal statutory tax rate was 21%. The Company is also subject to the Texas Gross Margin tax of .75% of modified taxable income as determined for Texas purposes and North Dakota state income tax. This combination results in a marginal blended tax rate of approximately 23.9%.

At December 31, 2024, and 2023, the tax effected amount of U.S. Federal net operating loss carryforwards ("NOLs") totaled $3,456,671 and $2,343,725, respectively. The total amount of NOLs remaining can be carried forward indefinitely. The Company also has North Dakota net operating loss carryforwards totaling $497,743 at December 31, 2024, which can be carried forward indefinitely.

The Company has determined, after weighing both positive and negative evidence, that the net deferred tax asset (DTA) for the Company is not more-likely-than-not to be realizable. Therefore, federal valuation allowances of $2,846,637 and $378,285 were established at December 31, 2024 and 2023, respectively, to completely offset the net DTA at each year-end. A state valuation allowance of $386,332 was also established at December 31, 2024, to offset the net state DTA at year-end.

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10. Leases

The Company determines if an arrangement is a lease at inception of the contract. If an arrangement is a lease, the present value of the related lease payments is recorded as a liability, and an equal amount is capitalized as a right-of-use asset on the Company's balance sheet. The Company elected to include payments for non-lease components associated with certain leases when determining the present value of the lease payments. Right-of-use assets represent the Company's right to use an underlying asset for the lease term, and lease liabilities represent the Company's obligation to make lease payments arising from the lease. The Company's estimated incremental borrowing rate, determined at the lease commencement date, is used to calculate present value. The incremental annual borrowing rate used for the year ended December 31, 2024 and the period from inception (April 3, 20243) to December 31, 2023 was 12.00% for operating leases (there were no financing leases). For these purposes, the lease term includes options to extend the lease when it is reasonably certain that the Company will exercise such options. Leases with terms of 12 months or less at inception are not recorded on the balance sheet unless there is a significant cost to terminate the lease, including the cost of removal of the leased asset. As the Company is the responsible party under these arrangements, the Company records the resulting assets and liabilities on a gross basis on its balance sheet.

The Company has one operating lease related to office space. Lease expense related to this lease for the year ended December 31, 2024 and the period from inception (April 3, 2023) through December 31, 2023 was $73,000 and $11,630, respectively, and is included in the "General and administrative" line on the statements of operations. The remaining lease term for the lease is 5.25 years and 4.25 years at December 31, 2024 and 2023, respectively. The lease does not include a clause for extension, therefore any desired future occupation of the leased premises by the Company would be negotiated and completed under a new agreement with the Landlord. The Company may terminate the lease in the ordinary course of business, but would still be liable for payments on the remaining lease term. The only option the Company has to terminate the lease early would be in the event the property incurred significant damage that would require the premises to undergo restoration in excess of fifteen (15) months, which then the Company would need to provide a thirty (30) days notice to terminate the lease.

The following table presents a schedule of future minimum lease payments required under the lease agreement as of December 31, 2024.

(in thousands)

		Operating Lease
For the year ending December 31, 2025	$	74
For the year ending December 31, 2026		75
For the year ending December 31, 2027		77
For the year ending December 31, 2028		78
For the year ending December 31, 2029		19
Total lease payments		323
Less imputed interest		(69)
Total lease obligations		254
Less current obligations		(47)
Long-term lease obligation	$	207

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11. Asset Acquisition

On May 12, 2023, the Company entered into a Purchase and Sale Agreement ("PSA") to acquire lease rights in the Williston Basin from a private party (the "Seller"). In exchange for the rights to the leases, the Company paid the Seller a one-time payment of $500,000 at closing. There were no other assets nor liabilities included with the acquisition. The Company has recorded the acquisition at cost on the balance sheet. The asset acquired does not meet the definition of a business as the asset is merely leases provided for the right to drill for hydrocarbons within a specified timeframe.

As of October 1, 2024, the Company entered into a Settlement Agreement to acquire all interests from the carried working interest owner on the leases related to the acquisition above in exchange for a $2.4 million cash settlement payment to be made prior to January 31, 2025, forgiveness of the net joint-interest receivable due from the seller of $619,000, and a 2.0% overriding royalty interest ("ORRI") on the acreage. Any unpaid amounts bear interest from the closing date at the prime rate plus 2%. Accrued interest at December 31, 2024 related to the unpaid amounts was insignificant. The Company has recorded the acquisition and the related payment liability at cost within accrued liabilities on the balance sheet as of December 31, 2024.

12. Subsequent Events

The Company evaluates events and transactions occurring after the balance sheet date but before the financial statements are available to be issued. The Company evaluated such events and transactions through April 10, 2025, the date the financial statements were available for issuance.