

NEUBERGER BERMAN INTERMEDIATE MUNICIPAL FUND INC
Form N-CSR
January 04, 2010

As filed with the Securities and Exchange Commission on January 4, 2010

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF
REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811-21168

NEUBERGER BERMAN INTERMEDIATE MUNICIPAL FUND INC.

(Exact Name of the Registrant as Specified in Charter)

c/o Neuberger Berman Management LLC
605 Third Avenue, 2nd Floor
New York, New York 10158-0180
(Address of Principal Executive Offices – Zip Code)

Registrant's telephone number, including area code: (212) 476-8800

Robert Conti, Chief Executive Officer
c/o Neuberger Berman Management LLC
Neuberger Berman Intermediate Municipal Fund Inc.
605 Third Avenue, 2nd Floor
New York, New York 10158-0180

Arthur C. Delibert, Esq.
K&L Gates LLP
1601 K Street, N.W.
Washington, D.C. 20006-1600
(Names and Addresses of agents for service)

Date of fiscal year end: October 31, 2009

Date of reporting period: October 31, 2009

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget (“OMB”) control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

Item 1. Report to Stockholders

Neuberger Berman
Intermediate Municipal
Closed-End Funds

Neuberger Berman California Intermediate Municipal Fund Inc.

Neuberger Berman Intermediate Municipal Fund Inc.

Neuberger Berman New York Intermediate Municipal Fund Inc.

Annual Report

October 31, 2009

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President's Letter

Dear Shareholder,

I am pleased to present this annual report for the Neuberger Berman Intermediate Municipal Closed-End Funds for the fiscal year ended October 31, 2009. The report includes portfolio commentary, listings of the Funds' investments, and their audited financial statements for the reporting period.

Each Fund's investment objective is to provide a high level of current income exempt from regular federal income tax and, for each state-specific fund, a high level of current income exempt from that state's personal income taxes (and, in the case of the New York Fund, New York City personal income tax).

We invest in intermediate-term municipal bonds because our experience and research indicate strongly that this maturity range has historically offered the best risk/reward profile on the yield curve, providing much of the return of longer-term bonds — with less volatility and risk. We believe that our conservative investment philosophy and disciplined investment process will benefit you with superior tax exempt current income over the long term.

We are pleased to report that the Funds increased their distributions effective in August 2009 and again in January 2010.

In addition, I would like to provide an update on the Funds' tender offer activity. In June 2009, each Fund completed its first tender offer and accepted for tender approximately 10% of its outstanding common shares. Additionally, during the fiscal year, each Fund announced the implementation of a semi-annual tender offer program consisting of up to four tender offers over a two-year period. Under its tender offer program, if a Fund's common shares trade at an average daily discount to net asset value per share (NAV) of greater than 10% during a 12-week measurement period, the Fund would conduct a tender offer for between 5% and 20% of its outstanding common shares at a price equal to 98% of its NAV determined on the day the tender offer expires.

The Funds' initial measurement periods commenced on June 5, 2009 and ended on August 28, 2009. Given the results of its measurement period, Neuberger Berman California Intermediate Municipal Fund Inc. conducted a tender offer and accepted for tender approximately 10% of its outstanding common shares in October 2009. The discounts to NAV of the other two Funds were low enough that, under the terms of their semi-annual tender offer programs, no tender offers were required. To offset the expenses associated with the tender offers, Neuberger Berman agreed to extend the management fee waiver currently in place for each Fund.

Thank you for your confidence in the Funds. We will continue to do our best to earn your confidence and trust in the years to come.

Sincerely,

Robert Conti
President and CEO
Neuberger Berman California Intermediate Municipal Fund Inc.
Neuberger Berman Intermediate Municipal Fund Inc.
Neuberger Berman New York Intermediate Municipal Fund Inc.

Intermediate Municipal Closed-End Funds Portfolio Commentaries

For the fiscal year ended October 31, 2009, on a net asset value (NAV) basis, all three of the Neuberger Berman closed-end intermediate municipal bond funds posted strong returns and outperformed the Barclays Capital 10-Year Municipal Bond Index.

As the fiscal year began in November 2008, the municipal market was slowly beginning to emerge from one of its most challenging periods in recent memory. Collectively, the turmoil in the financial markets, frozen credit conditions, forced selling into illiquid markets and the rapidly weakening economy had caused risk aversion to spike. With investors seeking shelter in short-term Treasuries, even high quality municipal bonds were shunned. This, in turn, caused municipal prices to fall and AAA tax-exempt yields to reach 125% to 150% of comparable maturity U.S. Treasury yields.

After largely treading water in November 2008, interest in what we considered attractively valued municipal securities picked up steam in December and demand remained strong for the remainder of the reporting period. Further supporting municipal bond prices were signs of stabilization in the financial markets, improved liquidity and sharply falling new issuance of tax-exempt bonds. The decline in the new issue calendar of traditional tax-exempt municipal bonds can be partially attributed, we believe, to the successful launch of the taxable Build America Bond program.

Demand for tax-exempt securities was robust as many investors were seeking better returns than were available in various money market options. In addition, toward the conclusion of the period, the end of the most severe recession since the Great Depression appeared to be at hand. With risk aversion being replaced with increased risk appetite, lower-rated municipal bonds outperformed their higher quality counterparts as the fiscal year progressed.

The Funds' outperformance versus the benchmark during the fiscal year was due to a variety of factors. For example, the Funds' exposure to a number of lower-tier investment grade municipal bonds and non-rated and below-investment-grade securities enhanced their results. Also positively contributing to results was exposure to somewhat longer-term municipal bonds, as they outperformed short-term securities over the reporting period. Finally, the use of leverage was beneficial, as it served to amplify the strong returns in the overall municipal market.

Looking ahead, we maintain our positive outlook for the long-term prospects of the municipal bond market. The economy appears to have turned the corner and we believe inflation should be well contained for the time being. While we believe valuations are not as compelling as they were when the fiscal year began, in our opinion, municipal bonds should remain appealing given their steady stream of tax-exempt income. In addition, the potential for higher tax rates in the future could support the asset class.

To be sure, it will take time for state and local municipalities to mend their balance sheets. Therefore, we believe an emphasis on higher quality securities is warranted. As always, we will continue to actively manage the Funds and conduct thorough in-house fundamental research on the underlying credit characteristics of our existing and potential holdings.

California Intermediate Municipal Fund Inc.

For the fiscal year ended October 31, 2009, on a NAV basis, California Intermediate Municipal Fund returned 17.12% compared to the Barclays Capital 10-Year Municipal Bond Index's 12.42%.

As of October 31, 2009, the Fund was comprised of 83.9% revenue bonds, 13.8% general obligation bonds, and 2.3% cash and cash equivalents. Bonds subject to the Alternative Minimum Tax (AMT) equaled 7.4% of assets. At the close of the reporting period, the Fund's duration was 4.3 years and its leverage position was 42.6% of total assets.

Intermediate Municipal Fund Inc.

For the fiscal year ended October 31, 2009, on a NAV basis, Intermediate Municipal Fund returned 14.73% compared to the Barclays Capital 10-Year Municipal Bond Index's 12.42%.

As of October 31, 2009, the Fund was comprised of 80.6% revenue bonds, 15.3% general obligation bonds, 1.9% pre-refunded/escrowed bonds, and 2.2% cash and cash equivalents. Bonds subject to the Alternative Minimum Tax (AMT) equaled 6.9% of assets. At the close of the reporting period, the Fund's duration was 4.9 years and its leverage position was 40.5% of total assets.

New York Intermediate Municipal Fund Inc.

For the fiscal year ended October 31, 2009, on a NAV basis, New York Intermediate Municipal Fund returned 16.74% compared to the Barclays Capital 10-Year Municipal Bond Index's 12.42%.

As of October 31, 2009, the Fund was comprised of 91.9% revenue bonds, 3.7% general obligation bonds, and 4.4% cash and cash equivalents. Bonds subject to the Alternative Minimum Tax (AMT) equaled 15.4% of assets. At the close of the reporting period, the Fund's duration was 4.1 years and its leverage position was 40.6% of total assets.

Sincerely,

James L. Iselin
Portfolio Manager

TICKER SYMBOLS

California Intermediate Municipal Fund	NBW
Intermediate Municipal Fund	NBH
New York Intermediate Municipal Fund	NBO

CALIFORNIA INTERMEDIATE

MUNICIPAL FUND

RATING DIVERSIFICATION

(% by Market Value)	
AAA/Government/ Government Agency	13.1%
AA	21.6
A	44.3
BBB	16.0
BB	5.0
B	0.0
CCC	0.0
CC	0.0
C	0.0
D	0.0
Short Term	0.0

INTERMEDIATE MUNICIPAL FUND

RATING DIVERSIFICATION

(% by Market Value)	
AAA/Government/ Government Agency	27.5%
AA	22.1
A	31.9
BBB	11.8
BB	4.1
B	0.5
CCC	0.0
CC	0.0
C	0.0
D	0.0
Short Term	2.1

NEW YORK INTERMEDIATE

MUNICIPAL FUND

RATING DIVERSIFICATION

(% by Market Value)	
AAA/Government/ Government Agency	12.3%
AA	27.8
A	29.7
BBB	17.7

BB	7.7
B	0.0
CCC	2.1
CC	0.0
C	0.0
D	0.0
Short Term	2.7

PERFORMANCE HIGHLIGHTS as of 10/31/09

Neuberger Berman				
NAV^{1,3,4,5}	Inception Date	1 Year	Average Annual Total Return	
			5 Years	Life of Fund
California Intermediate Municipal Fund	09/24/2002	17.12%	4.39%	5.44%
Intermediate Municipal Fund	09/24/2002	14.73%	4.08%	5.32%
New York Intermediate Municipal Fund	09/24/2002	16.74%	4.26%	5.23%
Market Price^{2,3,4,5}	Inception Date	1 Year	Average Annual Total Return	
			5 Years	Life of Fund
California Intermediate Municipal Fund	09/24/2002	29.29%	4.80%	3.40%
Intermediate Municipal Fund	09/24/2002	24.76%	4.37%	3.41%
New York Intermediate Municipal Fund	09/24/2002	28.71%	4.76%	3.25%

Closed-end funds, unlike open-end funds, are not continually offered. There is an initial public offering and, once issued, common shares of closed-end funds are sold in the open market through a stock exchange.

The composition, industries and holdings of the Funds are subject to change. Investment return will fluctuate. Past performance is no guarantee of future results.

Endnotes

- 1** Returns based on the net asset value (NAV) of the Funds.
- 2** Returns based on the market price of Fund shares on the NYSE Amex.
- 3** A portion of the income from each Fund may be a tax preference item for purposes of the Federal Alternative Minimum Tax for certain investors.
- 4** Neuberger Berman Management LLC ("Management") has contractually agreed to waive a portion of the management fees that it is entitled to receive from each Fund. Each undertaking lasts until October 31, 2011. Please see the notes to the financial statements for specific information regarding the rate of the management fees waived by Management. Absent such a waiver, the performance of each Fund would be lower.
- 5** Unaudited performance data current to the most recent month-end are available at www.nb.com.

Glossary

**Barclays Capital 10-Year
Municipal Bond Index:**

An unmanaged index that is the 10-year (8-12) component of the Barclays Capital Municipal Bond Index, which is a rules based, market-value-weighted index engineered for the long-term tax-exempt bond market. To be included in the index, bonds must have a minimum credit rating of Baa. They must have an outstanding par value of at least \$5 million and be issued as part of a transaction of at least \$50 million. The bonds must have a dated-date after December 31, 1990 and must be at least one year from their maturity date. Remarketed issues, taxable municipal bonds, bonds with floating rates, and derivatives, are excluded from the benchmark.

Please note that the index does not take into account any fees and expenses or any tax consequences of investing in the individual securities that it tracks and that individuals cannot invest directly in any index. Data about the performance of this index is prepared or obtained by Management and include reinvestment of all dividends and capital gain distributions. The Funds may invest in securities not included in the index.

Schedule of Investments California Intermediate Municipal Fund Inc.

PRINCIPAL AMOUNT (000's omitted)	SECURITY [@]	VALUE [†] (000's omitted)
Arizona (0.9%)		
	Verrado Comm. Fac. Dist. Number 1 G.O., Ser. 2003, 6.15%, due	\$
\$ 750	7/15/17	707
California (153.1%)		
	Abag Fin. Au. Cert. of Participation Rev. (Episcopal Homes Foundation), Ser. 1998, 5.13%, due	
3,050	7/1/18	3,055 ^B
	Abag Fin. Au. Rev. (San Diego Hosp. Assoc.), Ser. 2003-C, 5.13%, due	
900	3/1/18	902 ^B
	Alameda Co. Cert. of Participation Ref. Rev., Ser. 2001-A, (National Public Finance Guarantee Corp. Insured), 5.38%, due	
1,250	12/1/17	1,297
1,285		1,215 ⁰⁰

	Bay Area Governments Assoc. BART SFO Extension Rev. (Arpt. Premium Fare), Ser. 2002-A, (AMBAC Insured), 5.00%, due 8/1/21	
	Burbank Pub. Svc. Dept. Elec. Rev., Ser. 1998, (FSA Insured), 5.13%, due 6/1/16	1,005
1,000		
	California Co. Tobacco Securitization Agcy. Tobacco Settlement Asset-Backed Rev., Ser. 2002, 4.75%, due 6/1/19	204
205		
	California Ed. Fac. Au. Ref. Rev. (Stanford Univ.), Ser. 2001-R, 5.00%, due 11/1/21	1,822 ^B
1,750		
500	California Ed. Fac. Au. Rev. (Scripps College), Ser.	535 ^B

	2007, (National Public Finance Guarantee Corp. Insured), 5.00%, due 11/1/15	
	California HFA Home Mtge. Rev., Ser. 2006-E, (FGIC Insured), 4.88%, due 2/1/17	1,963
2,000		
	California HFA Rev. (Home Mtge.), Ser. 2007-E, 5.00%, due 2/1/42	1,875
1,875		
	California Hlth. Fac. Fin. Au. Rev. (Catholic Healthcare West), Ser. 2004-I, 4.95%, due 7/1/26 Putable 7/1/14	2,093 ^{uB}
2,000		
	California Hlth. Fac. Fin. Au. Rev. (Catholic Healthcare West), Ser. 2009-C, 5.00%, due 7/1/37 Putable 7/2/12	2,079 ^{uB}
2,000		
2,000	California Hlth.	2,052 ^B

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	Fac. Fin. Au. Rev. (Cedars-Sinai Med. Ctr.), Ser. 2005, 5.00%, due 11/15/21	
	California Hlth. Fac. Fin. Au. Rev. (Kaiser Permanente), Ser. 1998-B, 5.00%, due 10/1/20	1,007 ^B
1,000		
	California Muni. Fin. Au. Ed. Rev. (American Heritage Ed. Foundation Proj.), Ser. 2006-A, 5.00%, due 6/1/16	474 ^B
500		
	California Muni. Fin. Au. Rev. (Loma Linda Univ.), Ser. 2007, 5.00%, due 4/1/21	1,074 ^B
1,040		
	California St. Dept. of Wtr. Res. Pwr. Supply Rev., Ser. 2002-A, 5.75%, due 5/1/17 Pre-Refunded	
2,500	5/1/12	2,816
1,470		1,636

	California St. Dept. of Wtr. Rev. (Ctrl. Valley Proj.), Ser. 2008-AE, 5.00%, due 12/1/20	
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2,250	California St. G.O., Ser. 2002, 5.00%, due 10/1/17	2,317
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	California St. Pub. Works Board Lease Rev. (California Comm. Colleges), Ser. 2004-B, 5.50%, due 6/1/20	
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1,095		1,107
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California
St. Pub.
Works
Board
Lease
Rev.
(Dept. of
Gen.
Svc.)
(Cap.
East End
, Ser.
2002-A,
(AMBAC
Insured),
5.25%,
due

1,000	12/1/16	1,026
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1,000	California St. Univ. Fresno Assoc., Inc. Rev. (Auxiliary Organization Event Ctr.), Ser. 2002,	1,095
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	5.00%, due 7/1/12	
	California Statewide CDA Cert. of Participation Rev. (Children's Hosp. Los Angeles), Ser. 1999, 5.13%, due 8/15/19	2,000 ^B
2,000		
	California Statewide CDA Cert. of Participation Rev. (The Internext Group), Ser. 1999, 5.38%, due 4/1/17	
1,490		1,493 ^B
	California Statewide CDA Hlth. Fac. Rev. (Adventist Hlth.), Ser. 2005-A, 5.00%, due 3/1/20	990 ^B
1,000		
	California Statewide CDA Hlth. Fac. Rev. (Mem. Hlth. Svcs.), Ser. 2003-A, 6.00%, due 10/1/16	5,307 ^B
5,000		
1,490	California Statewide CDA	1,367 ^B

	Rev. (California Baptist Univ.), Ser. 2007-A, 5.30%, due 11/1/18	
	California Statewide CDA Rev. (Daughters of Charity Hlth.), Ser. 2005-G, 5.00%, due 7/1/22	931 ^B
1,000		
	California Statewide CDA Rev. (Sr. Living So. California Presbyterian Homes), Ser. 2009, 6.25%, due 11/15/19	1,327 ^B
1,255		
	California Statewide CDA Rev. (Valley Care Hlth. Sys.), Ser. 2007-A, 4.80%, due 7/15/17	432 ^B
450		
1,020	Cerritos Pub. Fin. Au. Sub. Tax Allocation Rev. (Cerritos Redev. Proj.), Ser. 2002-B, 4.40%, due	944

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	11/1/16						
	Compton Unified Sch. Dist. Ref. G.O. (Election 2002), Ser. 2006-D, (AMBAC Insured), due 6/1/14	1,500		1,241			
	Daly City Hsg. Dev. Fin. Agcy. Rev. Ref. (Franciscan Mobile Home Park), Ser. 2007-A, 5.00%, due 12/15/21	1,365		1,307			
Douglass Trust IV-FBO Preston**		282,791	3.2%	282,791	0	282,791	0
Douglass Trust IV-FBO Brooke**		282,792	3.2%	282,792	0	282,792	0
Tiel Trust FBO SPD**		52,257	0.6%	52,257	0	52,257	0
Paula T. Douglass* Tiel Trust FBO PTD***		115,751	1.3%	115,751	0	115,751	0
Lance T. Funston		217,033	2.4%	217,033	0	217,033	0
Dr. Francis D. Tuggle		6,536	0.0007%	6,536	0	6,536	0
Charles M. Boyd		1,098	0.0001%	1,098	0	1,098	0
					671,191	7.6%	671,191 0 671,191 0

* As of the date of this Amendment, Douglass and Paula Douglass, in their individual capacities, and as trustees of the respective trusts listed herein, have beneficial ownership of 786,942 shares of Common Stock, representing 8.9% of the shares of Common Stock outstanding.

** Douglass, as trustee of the Trusts, has sole voting and dispositive power over the Common Stock held by the Trusts.

** Paula Douglass, as trustee of Tiel Trust FBO PTD, has sole voting and dispositive power over the Common Stock held by Tiel Trust FBO PTD.

(c) Except as described below in this paragraph (c), none of the persons described in Item 2 have effected any transaction involving the Common Stock within the past 60 days. In the past 60 days, Funston purchased shares of Common Stock through a brokerage account:

Date of Purchase	Shares of Common Stock	Price Per Share
February 19, 2010	12,718	\$ 3.09

February 19, 2010	24,000	\$ 3.15
February 22, 2010	24,000	\$ 3.12
February 22, 2010	12,315	\$ 3.17
February 23, 2010	24,000	\$ 3.16
February 23, 2010	24,000	\$ 3.16
February 24, 2010	24,000	\$ 3.10
February 25, 2010	24,000	\$ 3.11
February 26, 2010	24,000	\$ 3.16
March 1, 2010	24,000	\$ 3.17

(d) With respect to each person listed in Item 2, no person other than the Reporting Persons is known to have the right to receive or the power to direct receipt of dividends from, or the proceeds from the sale of, the securities owned by such person (except to the extent of the marital property interest therein of the spouse of any such person).

(e) Not applicable.

Item 6. Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer.

Item 6 of the Schedule 13D is hereby amended and restated in its entirety, with effect from the date of this Amendment, as follows:

See the discussion of the Reporting Persons' intention to solicit proxies from the Issuer's stockholders to replace at least a majority of the Issuer's current directors, all as referenced in Item 4 above. The Reporting Persons intend to vote their shares of Common Stock for the election of the Nominees at the 2010 Meeting.

See the discussion of MCCA's obligations under the ECMC Purchase referenced in Item 3 of Amendment No. 1 to the Schedule 13D.

Pursuant to Rule 13d-1(k) promulgated under the Act, the Reporting Persons have entered into an agreement with respect to the joint filing of the Schedule 13D and any amendments thereto.

Except for the relationship of Sam P. Douglass as a director of the Issuer, the relationship of Paula T. Douglass, as the wife of Sam P. Douglass, and as otherwise described in prior Amendments No. 1 or No. 4 or this Amendment, there are no contracts, arrangements, understandings or relationships (legal or otherwise) among the Reporting Persons and any other person with respect to any securities of the Issuer, including, but not limited to, transfer or voting of any of the Common Stock, finder's fees, joint ventures, loan or option arrangements, put or calls, guarantees of profits, division of profits or loss, or the giving or withholding of proxies.

In accordance with Rule 13d-4 promulgated under the Securities Exchange Act of 1934, as amended, each Reporting Person expressly declares that the filing of this statement shall not be construed as an admission that he, she or it is, for purposes of Section 13(d) or Section 13(g) of such Act, the beneficial owner of any securities of the Issuer other than as expressly described in Item 5 (including the notes thereto).

Item 7. Material to be Filed as Exhibits.

Item 7 of the Schedule 13D is hereby amended and supplemented, with effect from the date of this Amendment, as follows:

Exhibit 1 Joint Filing Agreement.

Exhibit 2 Letter, dated April 2, 2010, from Tiel Trust FBO Paula T. Douglass to Brett M. Chiles, Secretary of Equus Total Return, Inc., regarding Notice of Nominations of Persons for Election to the Board of Directors of Equus Total Return, Inc.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: April 2, 2010

/s/ Sam P. Douglass
Sam P. Douglass, Individually

/s/ Paula T. Douglass
Paula T. Douglass, Individually

/s/ Sam P. Douglass
Sam P. Douglass, as Trustee of Douglass
Trust IV for the Benefit of S. Preston
Douglass, Jr.

/s/ Sam P. Douglass
Sam P. Douglass, as Trustee of Douglass
Trust IV for the Benefit of Brooke
Douglass

/s/ Sam P. Douglass
Sam P. Douglass, as Trustee of Tiel Trust
for the
Benefit of Sam P. Douglass

/s/ Paula T. Douglass
Paula T. Douglass, as Trustee of Tiel Trust
for the
Benefit of Paula T. Douglass

/s/ Lance T. Funston
Lance T. Funston

/s/ Dr. Francis D. Tuggle
Dr. Francis D. Tuggle

/s/ Charles M. Boyd
Charles M. Boyd

