

RENZ D. JENNINGS
CHAIRMAN

MARCIA WEEKS
COMMISSIONER

DALE H. MORGAN
COMMISSIONER



ARIZONA CORPORATION COMMISSION

JAMES MATTHEWS
EXECUTIVE SECRETARY

SECURITIES DIVISION
(602) 542-4242
(602) 255-2600
FAX: (602) 255-2617

December 10, 1991

Sally B. Shaw, Esq.
Butler & Binion
1600 First Interstate Bank Plaza
1000 Louisiana
Houston, Texas 77002-5093

RE: Equus Investments II, L.P.
A.R.S. § 44-1844(A)(6)

Dear Ms. Shaw:

On the basis of the facts set forth in your letter of October 10, and in reliance upon your opinion as counsel, the Securities Division will not recommend enforcement action for violation of the Securities Act of Arizona should the transaction take place as set forth in your letter.

As this position is premised upon the facts set forth in your letter, it should not be relied on for any other set of facts or by any other person. Please also note that this position applies only to the registration requirements of the Act; the anti-fraud provisions of the Act continue to be applicable.

We have attached a photocopy of your letter. By doing this we are able to avoid having to recite or summarize the facts set forth therein.

Very truly yours,

DEE RIDDELL HARRIS
Director of Securities

DRH:MGB:wjw

Attachment

BUTLER & BINION
1600 FIRST INTERSTATE BANK PLAZA
1000 LOUISIANA
HOUSTON, TEXAS 77002-5093
(713) 237-3111
TELEX 775532 (WU)
TELECOPIER 237-3201 237-3202

ATTORNEYS AT LAW
A PARTNERSHIP INCLUDING
PROFESSIONAL CORPORATIONS

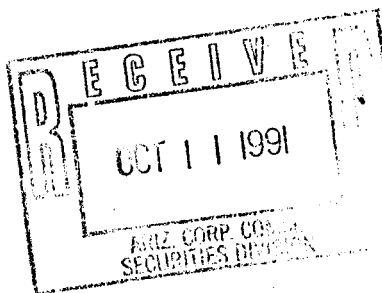
Sally B. Shaw
Associate
(713) 237-2076

WASHINGTON, D.C.
(202) 466-6900
DALLAS
(214) 220-3100
SAN ANTONIO
(512) 227-2200

October 10, 1991

BY FEDERAL EXPRESS

Mr. Dee R. Harris
Director
Arizona Corporation Commission,
Securities Division
1200 West Washington Street,
2nd Floor
Phoenix, Arizona 85007



Re: No-Action Request for Equus Investments II, L.P.

Dear Mr. Harris:

We are counsel to Equus Investments II, L.P., a Delaware limited partnership (the "Partnership"). In connection with a proposed reorganization of the Partnership which is described in more detail below, the Partnership plans to transfer all the assets of the Partnership to Equus II Incorporated, a newly formed Delaware corporation (the "Fund"), in exchange for shares of common stock of the Fund (the "Exchange"). The limited partners of the Partnership will vote on the Exchange pursuant to a Proxy Statement/Prospectus which outlines the terms of the Exchange and sets forth information about the Fund. Upon approval and consummation of the Exchange, the shares received by the Partnership will be distributed to the limited partners. The Partnership then will be liquidated and dissolved.

On behalf of the Partnership, we hereby request confirmation from the staff of the Arizona Securities Division that, on the basis of the facts presented below, the Division will recommend no enforcement action if the Partnership distributes the common stock of the Fund to its limited partners, based on the exemption from the registration requirements of the Arizona Securities Act (the "Act"), provided by Section 44-1844(6) of the Act.

The Partnership

The Partnership was organized as a limited partnership under Delaware law on June 2, 1986, and shortly thereafter elected to be a business development company under the Investment Company Act of 1940, as amended (the "Investment Company Act"). The investment objective of the Partnership is to achieve capital appreciation by making equity investments in leveraged buyouts of established companies or divisions thereof and subsequently disposing of such investments. The

Mr. Dee R. Harris
October 10, 1991
Page 2

Partnership will terminate in 1998, unless continued for up to four additional years. In any event, the Partnership must be liquidated no later than 2002.

Equus Capital Corporation, a Delaware corporation ("ECC"), is the managing general partner of the Partnership. ECC is a registered investment adviser under the Investment Advisers Act of 1940 and is responsible for approving the Partnership's investments. Three independent individuals also serve as general partners of the Partnership, and are responsible for providing overall guidance and supervision to the Partnership. The Partnership has engaged both a management company that provides certain management and administrative services to the Partnership, and an investment advisor that provides certain investment advisory services to the Partnership.

There are 1,844,041 depository units representing limited partners' interests ("Units") of the Partnership outstanding. These Units are held by 4,403 holders of units of limited partnership interests (the "Limited Partners"). There is no public market for the Units.

The Fund

The Fund was organized as a Delaware corporation on August 16, 1991, and has elected to be treated as a business development company under the Investment Company Act. The duration of the Fund will be until December 31, 1992. The Fund has substantially the same investment objectives as the Partnership, which is to provide investors with capital appreciation by making investments in leveraged buyouts of established companies or divisions thereof and subsequently disposing of such investments. The Fund will be managed by the same investment personnel as the Partnership.

The authorized capital stock of the Fund consists of ten million shares of common stock, par value of \$.001 (the "Common Stock") and five million shares of preferred stock, par value \$.001. The common stock of the Fund will be registered with the Securities Exchange Commission on a Form N-14 Registration Statement under the Securities Act of 1933, as amended. Application will be made to have the Common Stock listed on the American Stock Exchange. The Fund intends to furnish to the holders of its Common Stock annual reports containing audited financial statements examined by independent public accountants and semi-annual reports containing unaudited condensed financial statements for the first six months of each year, including a list of investments held.

The Exchange

The Exchange is being proposed by the general partners of the Partnership to the Limited Partners pursuant to a Proxy Statement/Prospectus a copy of which is attached hereto. In accordance with the Partnership Agreement, an affirmative vote of a majority in interest of the Limited Partners of the Partnership is required to approve the Exchange. If a majority of the Limited Partners do not approve the Exchange, the Partnership will continue to do business as a Delaware limited partnership. Subject to the requisite approval of the Limited Partners, on the date of the Exchange, the Partnership will transfer to the Fund all of its assets (subject to liabilities), in exchange for shares of the Common Stock of the Fund (the "Shares") having an aggregate net asset value equal to the value of the net assets of the Partnership acquired. The Partnership will distribute all Fund Shares received by it pro rata among the general partners and the Limited Partners in proportion to the number of Units held. The Partnership will then liquidate and dissolve. Immediately following the Exchange, the former partners of the Partnership will hold the only outstanding Shares of the Fund.

Mr. Dee R. Harris
October 10, 1991
Page 3

The effect of the Exchange will be to establish the Fund as a successor investment vehicle to the Partnership. Recent changes in the tax laws have discouraged people from investing in limited partnerships, and enable a corporate business development company to qualify for pass-through tax treatment. The purpose of the Exchange is to provide the Limited Partners with liquidity for their investment, while retaining a pass through tax treatment.

Analysis

We are of the opinion that the distribution of the Fund's Shares by the Partnership to the 69 Limited Partners located in Arizona, pursuant to the Exchange, falls within the exemption provided by Section 44-1844(6) of the Act which states that the registration provisions of the Act shall not apply to: "any transaction or series of transactions incident to a statutory or judicially approved reorganization, merger, triangular merger, consolidation, or sale of assets, incident to a vote by securities holders pursuant to the articles of incorporation, the applicable corporate statute, partnership agreement or the controlling agreement among securities holders."

As set forth above, the purpose of the Exchange is to provide the Limited Partners liquidity for their investment by providing the corporate rather than the partnership form of organization. In accordance with the Partnership Agreement, the Exchange will not be effective until it has been approved by a majority of the Limited Partners. The Exchange will permit the Limited Partners to pursue as stockholders of the Fund the same investment objectives and policies.

Adequate public information concerning the Exchange and the Fund will be made available to the Limited Partners prior to the Exchange by means of the Proxy Statement/ Prospectus. Adequate information will continue to be available with respect to the Fund on an ongoing basis as a result of the periodic reporting obligations arising from the Fund's registration of its Common Stock.

In light of the foregoing, we respectfully request that the staff of the Arizona Securities Division confirm to us that no enforcement action will be taken if the Fund's Common Stock is distributed to the Limited Partners of the Partnership pursuant to the Exchange without registration in Arizona of such Shares.

If for any reason you do not concur in any of the views discussed above, we respectfully request the opportunity to discuss the matter with you before you issue any written response.

If you have any questions or require any further information regarding this request, please call the undersigned at (713) 237-2076 or 1-800-999-0529, or Mr. John T. Unger at (713) 237-3625.

Very truly yours,



Sally B. Shaw