

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2000
Commission File Number: 814-61

CAPITAL SOUTHWEST CORPORATION
(Exact name of registrant as specified in its charter)

Texas 75-1072796
(State or other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification Number)

12900 Preston Road, Suite 700, Dallas, Texas 75230
(Address of principal executive offices including zip code)

(972) 233-8242
(Registrant's telephone number including area code)

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 periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No
--- ---

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

3,815,051 shares of Common Stock, \$1 Par Value as of October 31, 2000

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARY
Consolidated Statements of Financial Condition

Assets	September 30, 2000	March 31, 2000
	-----	-----
	(Unaudited)	

Investments at market or fair value
Companies more than 25% owned
(Cost: September 30, 2000 - \$23,140,865,

March 31, 2000 - \$23,380,865)	\$ 209,123,759	\$ 200,608,759
Companies 5% to 25% owned		
(Cost: September 30, 2000 - \$23,579,414		
March 31, 2000 - \$22,579,414)	22,760,505	22,760,506
Companies less than 5% owned		
(Cost: September 30, 2000 - \$43,586,664		
March 31, 2000 - \$39,042,158)	90,320,044	100,259,870
	-----	-----
Total investments		
(Cost: September 30, 2000- \$90,306,943,		
March 31, 2000 - \$85,002,437)	322,204,308	323,629,135
Cash and cash equivalents	5,211,868	63,986,715
Receivables	330,796	238,594
Other assets	5,054,669	4,731,360
	-----	-----
Totals	\$ 332,801,641	\$ 392,585,804
	=====	=====

Liabilities and Shareholders' Equity

Notes payable to bank	\$ 5,000,000	\$ 60,000,000
Notes payable to subsidiary	4,500,000	5,000,000
Accrued interest and other liabilities	2,111,779	2,220,753
Income taxes payable	566,540	--
Deferred income taxes	81,197,512	83,489,085
Subordinated debenture	5,000,000	5,000,000
	-----	-----
Total liabilities	98,375,831	155,709,838
	-----	-----

Shareholders' equity

Common stock, \$1 par value: authorized,		
5,000,000 shares; issued, 4,252,416 shares		
at September 30, 2000 and March 31, 2000	4,252,416	4,252,416
Additional capital	6,450,747	6,450,747
Undistributed net investment income	4,366,061	4,117,104
Undistributed net realized gain on investments	75,055,521	73,613,301
Unrealized appreciation of investments -		
net of deferred income taxes	151,334,367	155,475,700
Treasury stock - at cost (437,365 shares)	(7,033,302)	(7,033,302)
	-----	-----
Net assets at market or fair value, equivalent		
to \$61.45 per share at September 30, 2000,		
and \$62.09 per share at March 31, 2000, on the		
3,815,051 shares outstanding	234,425,810	236,875,966
	-----	-----
Totals	\$ 332,801,641	\$ 392,585,804
	=====	=====

(See Notes to Consolidated Financial Statements)

CAPITAL SOUTHWEST CORPORATION
AND SUBSIDIARY
Consolidated Statements of Operations

(Unaudited)

	Three Months Ended		Six Months Ended	
	September 30		September 30	
	2000	1999	2000	1999
	----	----	----	----
Investment income:				
Interest	\$ 159,801	\$ 189,176	\$ 326,321	\$ 520,464
Dividends	1,188,336	720,320	1,476,672	1,123,639
Management and directors' fees	128,600	121,600	267,700	280,676

	1,476,737	1,031,096	2,070,693	1,924,779
Operating expenses:				
Interest	282,474	107,274	535,020	209,282
Salaries	188,750	166,254	362,000	329,877
Net pension expense (benefit)	(134,088)	(140,086)	(243,084)	(217,992)
Other operating expenses	124,304	125,974	319,591	257,222
	461,440	259,416	973,527	578,389
Income before income taxes	1,015,297	771,680	1,097,166	1,346,390
Income tax expense	28,706	49,000	85,199	76,300
Net investment income	\$ 986,591	\$ 722,680	\$ 1,011,967	\$ 1,270,090
Proceeds from disposition of investments	\$ --	\$ 2,007,144	\$ 7,046,708	\$ 14,892,513
Cost of investments sold	--	608,000	4,827,045	5,662,000
Realized gain on investments before income taxes	--	1,399,144	2,219,663	9,230,513
Income tax expense	--	489,701	777,443	3,230,680
Net realized gain on investments	--	909,443	1,442,220	5,999,833
Decrease in unrealized appreciation of investments before income taxes	(4,121,223)	(39,111,361)	(6,729,333)	(38,744,018)
Decrease in deferred income taxes on appreciation of investments	(1,443,000)	(13,689,000)	(2,588,000)	(13,560,000)
Net decrease in unrealized appreciation of investments	(2,678,223)	(25,422,361)	(4,141,333)	(25,184,018)
Net realized and unrealized loss on investments	\$ (2,678,223)	\$ (24,512,918)	\$ (2,699,113)	\$ (19,184,185)
Decrease in net assets from operations	\$ (1,691,632)	\$ (23,790,238)	\$ (1,687,146)	\$ (17,914,095)

(See Notes to Consolidated Financial Statements)

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CAPITAL SOUTHWEST CORPORATION
AND SUBSIDIARY
Consolidated Statements of Changes in Net Assets

	Six Months Ended September 30, 2000	Year Ended March 31, 2000
	(Unaudited)	
Operations		
Net investment income	\$ 1,011,967	\$ 1,662,930
Net realized gain on investments	1,442,220	6,019,892
Net decrease in unrealized appreciation of investments	(4,141,333)	(24,749,790)
Decrease in net assets from operations	(1,687,146)	(17,066,968)
Distributions from:		
Undistributed net investment income	(763,010)	(2,289,031)

Decrease in net assets	(2,450,156)	(19,355,999)
Net assets, beginning of period	236,875,966	256,231,965
	-----	-----
Net assets, end of period	\$ 234,425,810	\$ 236,875,966
	=====	=====

(See Notes to Consolidated Financial Statements)

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CAPITAL SOUTHWEST CORPORATION
AND SUBSIDIARY
Consolidated Statements of Cash Flows

(Unaudited)

	Three Months Ended September 30		Six Months Ended September 30	
	2000	1999	2000	1999
	----	----	----	----
Cash flows from operating activities				
Decrease in net assets from operations	\$ (1,691,632)	\$ (23,790,238)	\$ (1,687,146)	\$ (17,914,095)
Adjustments to reconcile decrease in net assets from operations to net cash provided by operating activities:				
Depreciation and amortization	7,242	7,184	14,463	14,159
Net pension benefit	(134,088)	(140,086)	(243,084)	(217,992)
Net realized and unrealized loss on investments	2,678,223	24,512,918	2,699,113	19,184,185
(Increase) decrease in receivables	(201,142)	80,701	(92,202)	19,380
(Increase) decrease in other assets	10,891	2,777	(18,812)	(21,505)
Increase (decrease) in accrued interest and other liabilities	105,586	102,311	(79,551)	(79,050)
Decrease in accrued pension cost	(52,487)	--	(104,974)	--
Deferred income taxes	28,706	49,000	85,199	76,300
	-----	-----	-----	-----
Net cash provided by operating activities	751,299	824,567	573,006	1,061,382
	-----	-----	-----	-----
Cash flows from investing activities				
Proceeds from disposition of investments	--	2,007,144	7,046,708	14,892,513
Purchases of securities	(262,500)	(6,340,047)	(10,371,551)	(6,740,047)
Maturities of securities	--	--	240,000	840,000
	-----	-----	-----	-----
Net cash provided (used) by investing activities	(262,500)	(4,332,903)	(3,084,843)	8,992,466
	-----	-----	-----	-----
Cash flows from financing activities				
Increase (decrease) in notes payable to bank	5,000,000	25,000,000	(55,000,000)	25,000,000
Increase (decrease) in notes payable to subsidiaries	(5,000,000)	--	(500,000)	--
Distributions from undistributed net investment income	--	--	(763,010)	(763,010)
	-----	-----	-----	-----
Net cash provided (used) by financing activities	--	25,000,000	(56,263,010)	24,236,990
	-----	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	488,799	21,491,664	(58,774,847)	34,290,838
Cash and cash equivalents at beginning of period	4,723,069	18,849,617	63,986,715	6,050,443
	-----	-----	-----	-----
Cash and cash equivalents at end of period	\$ 5,211,868	\$ 40,341,281	\$ 5,211,868	\$ 40,341,281
	=====	=====	=====	=====
Supplemental disclosure of cash flow information:				
Cash paid during the period for:				
Interest	\$ 177,220	\$ --	\$ 538,324	\$ 199,452
Income taxes	\$ --	\$ 6,490	\$ --	\$ 16,990

(See Notes to Consolidated Financial Statements)

CAPITAL SOUTHWEST CORPORATION
AND SUBSIDIARY
Notes to Consolidated Financial Statements

(Unaudited)

1. Basis of Presentation

The accompanying consolidated financial statements, which include the accounts of Capital Southwest Corporation and its wholly-owned small business investment company subsidiary (the "Company"), have been prepared on the value basis in accordance with generally accepted accounting principles for investment companies. All significant intercompany accounts and transactions have been eliminated in consolidation.

The financial statements included herein have been prepared in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Article 6 of Regulation S-X. The financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended March 31, 2000. Certain information and footnotes normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted, although the Company believes that the disclosures are adequate for a fair presentation. The information reflects all adjustments (consisting of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the results of operations for the interim periods.

2. Summary of Per Share Information

	Three Months Ended September 30		Six Months Ended September 30	
	2000	1999	2000	1999
	-----	-----	-----	-----
Investment income	\$.39	\$.27	\$.54	\$.50
Operating expenses	(.05)	(.04)	(.12)	(.09)
Interest expense	(.07)	(.03)	(.14)	(.06)
Income taxes	(.01)	(.01)	(.02)	(.02)
	-----	-----	-----	-----
Net investment income	.26	.19	.26	.33
Net realized gain on investments	-	.24	.38	1.58
Net decrease in unrealized appreciation of investments	(.70)	(6.66)	(1.08)	(6.60)
Distributions from undistributed net investment income	-	-	(.20)	(.20)
	-----	-----	-----	-----
Net decrease in net asset value	(.44)	(6.23)	(.64)	(4.89)
Net asset value:				
Beginning of period	61.89	68.50	62.09	67.16
	-----	-----	-----	-----
End of period	\$ 61.45	\$ 62.27	\$ 61.45	\$ 62.27
	=====	=====	=====	=====
Shares outstanding at end of period (000s omitted)	3,815	3,815	3,815	3,815

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

Net asset value at September 30, 2000 was \$234,425,810 equivalent to \$61.45 per share after deducting an allowance of \$21.12 per share for deferred taxes on net unrealized appreciation. Assuming reinvestment of all dividends and tax credits on retained long term capital gains, this represents an increase of

1.4% during the past twelve months.

	September 30, 2000 ----	September 30, 1999 ----
Net assets	\$234,425,810	\$237,554,860
Shares outstanding	3,815,051	3,815,051
Net assets per share	\$61.45	\$62.27

Interest income in the six months ended September 30, 2000 decreased from the year-ago period primarily because of a decrease in average idle funds invested. During the six months ended September 30, 2000 and 1999, the Company recorded dividend income from the following sources:

	Six Months Ended September 30 -----	
	2000 ----	1999 ----
AT&T	\$ 58,628	\$ 58,628
Alamo Group Inc.	338,556	452,200
Dennis Tool Company	24,999	24,999
Kimberly-Clark Corporation	41,677	40,134
The RectorSeal Corporation	480,000	240,000
Skylawn Corporation	300,000	150,000
TCI Holdings, Inc/Westmarc Communications, Inc.	40,635	40,635
Texas Shredder, Inc.	20,230	20,230
The Whitmore Manufacturing Company	120,000	60,000
Other	51,947	36,813
	-----	-----
	\$ 1,476,672	\$ 1,123,639
	=====	=====

Interest expense in the six months ended September 30, 2000 increased from the year-ago period due to borrowings from the bank and subsidiaries. Other operating expenses in the six months ended September 30, 2000 increased from the year-ago period primarily due to legal fees incurred related to documentation of the exchange of an investment.

During the six months ended September 30, 2000, the Company reported a realized gain before income taxes of \$2,219,663 including a gain of \$5,973,990 on our investment in Amfibe, Inc. and a loss of \$4,329,835 on our investment in Dyntec, Inc. It should be noted that a realized gain before income taxes occurs when an appreciated portfolio security is sold to realize a gain and a corresponding decrease in unrealized appreciation occurs by transferring the gain associated with the transaction from being "unrealized" to being "realized." Conversely, when a loss is realized on a depreciated portfolio security, an increase in unrealized appreciation occurs.

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

Set forth in the following table are the significant increases and decreases in unrealized appreciation (before the related change in deferred taxes and excluding the effect of gains or losses realized during the periods) by portfolio company:

	Three Months Ended September 30 -----		Six Months Ended September 30 -----	
	2000 ----	1999 ----	2000 ----	1999 ----
AT&T/Tele-Communications-	\$ (299,801)	\$ (1,640,579)	\$ (3,605,943)	\$ (1,293,586)

TCI Group				
AT&T-Liberty Media Group/Tele-Communications LM&TCI Ventures Group	(4,149,149)	190,522	(7,726,731)	3,731,728
Alamo Group Inc	--	1,834,053	1,410,000	1,834,053
All Components, Inc.	3,450,000	1,975,000	3,450,000	1,975,000
American Homestar Corporation	140,824	(2,159,294)	(281,647)	(2,534,824)
Dennis Tool Company	842,000	--	842,000	--
Encore Wire Corporation	2,725,000	--	--	--
iChoose, Inc.	--	--	(1,100,000)	--
International Talk.com, Inc.	(1,000,000)	--	(1,000,000)	--
Mail-Well, Inc.	(5,766,000)	--	(5,766,000)	2,097,000
Media Recovery, Inc.	--	--	5,000,000	--
Mylan Laboratories, Inc.	1,130,520	(1,042,324)	(72,161)	(1,162,592)
Palm Harbor Homes, Inc.	--	(31,421,000)	--	(31,421,000)
PETSMART, Inc.	899,552	(4,231,985)	1,103,996	(2,800,879)
The RectorSeal Corporation	--	--	3,500,000	--
Skylawn Corporation	--	--	3,000,000	--
Sprint Corporation-FON Group	(1,597,500)	90,000	(2,425,500)	373,500
Sprint Corporation-PCS Group	(877,500)	316,125	(1,093,500)	544,500
Texas Petrochemical Holdings, Inc.	--	(749,999)	--	(749,999)

During the quarter ended September 30, 2000, the Company made additional investments of \$262,500 in existing portfolio companies.

The Company has agreed, subject to certain conditions, to invest up to \$4,965,625 in six portfolio companies.

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Item 3. Quantitative and Qualitative Disclosure About Market Risk

The Company is subject to financial market risks, including changes in marketable equity security prices. The Company does not use derivative financial instruments to mitigate any of these risks. The return on the Company's investments is not affected by foreign currency fluctuations.

The Company's investment in portfolio securities consists of fixed rate debt securities which totalled \$11,948,413 at September 30, 2000, equivalent to 3.7% of the value of the Company's total investments. Since these debt securities usually have relatively high fixed rates of interest, minor changes in market yields of publicly-traded debt securities have little or no effect on the values of debt securities in the Company's portfolio and no effect on interest income. On the other hand, significant changes in the market yields of publicly-traded debt securities may have a material effect on the values of debt securities in our portfolio. The Company's investments in debt securities are generally held to maturity and their fair values are determined on the basis of the terms of the debt security and the financial condition of the issuer.

A portion of the Company's investment portfolio consists of debt and equity securities of private companies. The Company anticipates little or no effect on the values of these investments from modest changes in public market equity valuations. Should significant changes in market valuations of comparable publicly-owned companies occur, there may be a corresponding effect on valuations of private companies, which would affect the value and the amount and timing of proceeds eventually realized from these investments. A portion of the Company's investment portfolio also consists of restricted common stocks and warrants to purchase common stocks of publicly-owned companies. The fair values of these restricted securities are influenced by the nature of applicable resale restrictions, the underlying earnings and financial condition of the issuer, and the market valuations of comparable publicly-owned companies. A portion of the

Company's investment portfolio also consists of unrestricted, freely marketable common stocks of publicly-owned companies. These freely marketable investments are directly exposed to equity price risks, in that a change in an issuer's public market equity price would result in an identical change in the fair value of the Company's investment in such security.

PART II. OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

The Company's Annual Meeting of Stockholders was held on July 17, 2000, with the following results of elections and approval:

	Votes Cast		
	For	Against/ Withheld	Abstentions/ Non-Votes
a. The following Directors were elected to serve until the next Annual Meeting of Stockholders:			
Graeme W. Henderson	3,379,677	4,475	430,899
Gary L. Martin	3,379,309	4,843	430,899
James M. Nolan	3,379,677	4,475	430,899
William R. Thomas	3,379,277	4,875	430,899
John H. Wilson	3,379,677	4,475	430,899
b. KPMG LLP was approved as the Company's auditors for the 2001 fiscal year.	3,373,508	5,883	435,660

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits
 Exhibit 27 - Financial Data Schedule

(b) Reports on Form 8-K
 No reports on Form 8-K have been filed during the quarter for which this report is filed.

SIGNATURES

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

CAPITAL SOUTHWEST CORPORATION

Date: November 3, 2000 By: /s/ William R. Thomas

William R. Thomas
President

Date: November 3, 2000 By: /s/ Tim Smith

Tim Smith
Vice President & Secretary-Treasurer

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This schedule contains summary financial information extracted from the Consolidated Statement of Financial Condition at September 30, 2000 (unaudited) and the Consolidated Statement of Operations for the year ended September 30, 2000 (unaudited) and is qualified in its entirety by reference to such financial statements.

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<CIK>

0000017313

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Capital Southwest Corporation

<MULTIPLIER>

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