

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

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**FORM 8-K**

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

Date of report (Date of earliest event reported): **August 8, 2016**

**CAPITAL SOUTHWEST CORPORATION**

(Exact Name Of Registrant As Specified In Charter)

**Texas**  
(State or Other Jurisdiction of  
Incorporation)

**814-00061**  
(Commission File Number)

**75-1072796**  
(IRS Employer Identification No.)

**5400 Lyndon B. Johnson Freeway, Suite 1300**  
**Dallas, Texas 75240**  
(Address of Principal Executive Offices) (Zip Code)

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

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 2.02 Results of Operations and Financial Condition.**

On August 8, 2016, Capital Southwest Corporation (the "Company") issued a press release, a copy of which has been furnished as Exhibit 99.1 hereto.

The information furnished in this Current Report on Form 8-K under Item 2.02, including Exhibit 99.1, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1934, except as shall be expressly set forth by reference in a future filing.

**Item 7.01 Regulation FD Disclosure.**

The Company expects to hold a conference call with analysts and investors on August 9, 2016. A copy of the investor presentation slides to be used by the Company on such conference call is furnished as Exhibit 99.2 to this Form 8-K and incorporated herein by reference.

The information set forth under this Item 7.01, including Exhibit 99.2, is being furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference in such filing.

**Item 9.01 Financial Statements and Exhibits**

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press release issued by Capital Southwest Corporation on August 8, 2016
99.2	Investor presentation slides

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**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 hereunto duly authorized.

Dated: August 8, 2016

By: /s/ Bowen S. Diehl

Name: Bowen S. Diehl  
Title: Chief Executive Officer and  
President

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**EXHIBIT INDEX**

<u>Exhibit No.</u>	<u>Description</u>
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## Capital Southwest Announces Financial Results for First Fiscal Quarter Ended June 30, 2016

*CSWC Grows Pre-Tax Net Investment Income to \$0.06 Per Share*

**Dallas, Texas – August 8, 2016** – Capital Southwest Corporation (“Capital Southwest” or the “Company”; Nasdaq: CSWC) today announced its financial results for the first fiscal quarter ended June 30, 2016.

### First Quarter Fiscal Year 2017 Financial Highlights

- Total Investment Portfolio: \$175.9 million
    - o Total Credit Portfolio: \$83.7 million
    - o Total Equity Portfolio, excluding I-45 SLF: \$51.1 million
    - o I-45 SLF investment portfolio grew to \$134.5 million from \$99.2 million
      - ü I-45 SLF portfolio consists of 98% 1<sup>st</sup> Lien Debt in 32 credits
      - ü Total Capital Southwest investment in I-45 SLF: \$41.1 million
  - Pre-Tax Net Investment Income of \$0.9 million, or \$0.06 per weighted average diluted share
  - Dividends paid: \$0.06 per share
  - Principal repayment proceeds: \$11.1 million
    - o Freedom Truck Finance (\$6 million proceeds / 14.3% IRR)
    - o Bob’s Discount Furniture (\$5 million proceeds / 15.1% IRR)
  - Total Cash: \$97.0 million
  - Net Realized and Unrealized Portfolio Appreciation (Depreciation): \$2.3 million
  - Total Net Assets: \$273.3 million
  - Net Asset Value per Share: \$17.39
  - Weighted Average Yield on Debt Investments: 10.08%
  - No investment assets currently on non-accrual
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In commenting on the Company's results, Bowen Diehl, President and Chief Executive Officer, stated, "Our Upper Middle Market business saw nice growth as I-45 provided a levered vehicle in which to originate fundamentally sound first lien credits in a tightening spread environment. Our Lower Middle Market business saw quality deal flow slow significantly early in the quarter with a pick up late in the quarter. Subsequent to quarter end, we were able to make a \$13 million lower middle market first lien loan in Amware Fulfillment and a \$10 million last out unitranche club deal that we should be in a position to announce shortly. Additionally, we are pleased with the performance of the portfolio having seen net appreciation of \$2.3 million during the quarter. The appreciation was granular throughout the Upper Middle Market and Lower Middle Market portfolios and based on both fundamental and technical improvements."

#### **Portfolio and Investment Activities**

During the quarter ended June 30, 2016, the Company grew the I-45 SLF investment portfolio to \$134.5 million from \$99.2 million. The Company closed one on-balance sheet credit investment totaling \$1.7 million. The Company received proceeds related to the prepayments of certain debt securities totaling \$11.1 million and recognized net realized gains on such prepayments totaling \$0.2 million. New investment transactions which occurred during the quarter ended June 30, 2016 are summarized as follows:

**InfoGroup Inc., \$1.7 million 1<sup>st</sup> Lien Senior Secured Debt:** InfoGroup helps companies increase sales and customer loyalty through its high value data and innovative multi-channel digital and offline marketing solutions.

Subsequent to quarter end, the Company originated two new investments totaling \$23.4 million, which are summarized as follows:

**Amware Fulfillment, LLC, \$13.4 million 1<sup>st</sup> Lien Senior Secured Debt:** Amware provides logistics fulfillment services for business-to-consumer, business-to-business, and multi-channel verticals.

#### **Undisclosed Club Deal, \$10.0 million 1<sup>st</sup> Lien Senior Secured Debt (Last Out Unitranche)**

Subsequent to quarter end, the Company also made follow-on investments in two existing credit investments totaling \$3.1 million, which are summarized as follows:

**Imagine! Print Solutions, Inc., \$0.9 million 1<sup>st</sup> Lien Senior Secured Debt:** Imagine! is the leading provider of in-store marketing solutions in North America.

**InfoGroup Inc., \$2.2 million 1<sup>st</sup> Lien Senior Secured Debt**

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### **First Fiscal Quarter 2017 Operating Results**

For the quarter ended June 30, 2016, Capital Southwest reported total investment income of \$4.2 million, compared to \$3.8 million in the prior quarter. The increase in investment income was attributable to both an increase in average debt investments outstanding and dividends paid from certain portfolio companies.

For the quarter ended June 30, 2016, total expenses (excluding tax expense) were \$3.2 million, compared to \$3.1 million in the prior quarter. The increase in expenses was primarily due to an increase in legal and accounting fees incurred in connection with the 2016 audit.

For the quarter ended June 30, 2016, total pre-tax net investment income was \$0.9 million compared to \$0.7 million in the prior quarter.

For the quarter ended June 30, 2016, there was a tax expense of \$0.5 million recorded compared to a benefit of \$0.8 million in the prior quarter. The change was due mainly to an increase in the valuation allowance against our deferred tax asset at Capital Southwest Management Company (CSMC), a wholly-owned management company subsidiary.

During the quarter ended June 30, 2016, Capital Southwest recorded realized and unrealized gains on investments of \$2.8 million. The net increase in net assets resulting from operations was \$2.7 million, compared to \$2.5 million in the prior quarter.

The company's net asset value, or NAV, at June 30, 2016 was \$17.39 per share, as compared to \$17.34 at March 31, 2016. The increase in NAV was primarily due to an increase in net realized and unrealized gains in the current quarter offset by a one-time operational charge related to the Spin-Off Compensation Plan.

### **Liquidity and Capital Resources**

At June 30, 2016, Capital Southwest had unrestricted cash and money market balances of approximately \$97.0 million, total assets of approximately \$280.9 million, and net assets of approximately \$273.3 million. As of June 30, 2016, Capital Southwest had no borrowings outstanding.

During the quarter, I-45 SLF increased the total commitments outstanding on its credit facility to \$100 million from \$75 million. Subsequent to quarter end, I-45 SLF increased the total commitments outstanding on its credit facility to \$120 million from \$100 million. I-45 SLF had \$73 million in borrowings outstanding as of June 30, 2016.

### **Share Repurchase Program**

On January 25<sup>th</sup>, 2016, Capital Southwest announced that its Board of Directors authorized the repurchase of up to \$10 million of its common stock at prices below the Company's net asset value per share as reported in its most recent financial statements. The Board authorized the plan because it believes that the Company's common stock may be undervalued from time to time due to market volatility. As of June 30, 2016, no shares have been purchased under the plan.

### **First Fiscal Quarter 2017 Financial Results Conference Call and Webcast**

Capital Southwest has scheduled a conference call on Tuesday, August 9, 2016, at 11:00 a.m. Eastern Time to discuss the first fiscal quarter 2017 financial results. You may access the call by dialing 1-855-835-4076 and using the passcode 52956949 at least 10 minutes before the call. The call can also be accessed using the Investor Relations section of Capital Southwest's website at [www.capitalsouthwest.com](http://www.capitalsouthwest.com), or by using <http://edge.media-server.com/m/p/xqoyfqyk>.

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A telephonic replay will be available through August 16, 2016 by dialing 1-855-859-2059 and using the passcode 52956949. An audio archive of the conference call will also be available on the Investor Relations section of Capital Southwest's website.

For a more detailed discussion of the financial and other information included in this press release, please refer to the Capital Southwest Form 10-Q for the period ended June 30, 2016 to be filed with the Securities and Exchange Commission and Capital Southwest's First Fiscal Quarter 2017 Earnings Presentation to be posted on the Investor Relations section of Capital Southwest's website at [www.capitalsouthwest.com](http://www.capitalsouthwest.com).

### **About Capital Southwest**

Capital Southwest Corporation (Nasdaq: CSWC) is a Dallas, Texas-based publicly traded business development company, with approximately \$273.3 million in net assets as of June 30, 2016. On September 30, 2015, Capital Southwest completed the spin-off to shareholders of its industrial businesses, CSW Industrials, Inc. Capital Southwest is a credit investment firm focused on supporting the acquisition and growth of middle market businesses with \$5 to \$20 million investments across the capital structure, including first lien, unitranche, second lien and subordinated debt, as well as non-control equity co-investments. Since Capital Southwest's formation in 1961, it has always sought to invest in companies with strong management teams and sound financial performance. As a public company with a permanent capital base, Capital Southwest is fortunate to have the flexibility to be creative in its financing solutions and to invest to support the growth of its portfolio companies over long periods of time.

### **Forward-Looking Statements**

This press release contains historical information and forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995 with respect to the business and investments of Capital Southwest. Forward-looking statements are statements that are not historical statements and can often be identified by words such as "will," "believe," "expect" and similar expressions, and variations or negatives of these words. These statements are based on management's current expectations, assumptions and beliefs. They are not guarantees of future results and are subject to numerous risks, uncertainties and assumptions that could cause actual results to differ materially from those expressed in any forward-looking statement. These risks include risks related to changes in the markets in which Capital Southwest invests, changes in the financial and lending markets and general economic and business conditions.

Readers should not place undue reliance on any forward-looking statements and are encouraged to review Capital Southwest's Annual Report on Form 10-K for the year ended March 31, 2016 and subsequent filings with the Securities and Exchange Commission for a more complete discussion of the risks and other factors that could affect any forward-looking statements. Except as required by the federal securities laws, Capital Southwest does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changing circumstances or any other reason after the date of this press release.

### **Investor Relations Contacts:**

Michael S. Samer, Chief Financial Officer  
214-884-3829

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*Capital Southwest Corporation*

## *Q1 2017 Earnings Presentation*

August 9, 2016

5400 Lyndon B. Johnson Freeway, Suite 1300 | Dallas, Texas 75240 | 214.238.5700 | [capitalsouthwest.com](http://capitalsouthwest.com)



# Forward-Looking Statements

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- This presentation contains forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995 relating to, among other things the business, financial condition and results of operations of Capital Southwest, the anticipated investment strategies and investments of Capital Southwest, and future market demand. Any statements preceded or followed by or that include the words "believe," "expect," "intend," "plan," "should" or similar words, phrases or expressions or the negative thereof, or any other statements that are not historical statements are forward-looking statements. These statements are made on the basis of the current beliefs, expectations and assumptions of the management of Capital Southwest. There are a number of risks and uncertainties that could cause Capital Southwest's actual results to differ materially from the forward-looking statements included in this presentation.
- In light of these risks, uncertainties, assumptions, and other factors inherent in forward-looking statements, actual results may differ materially from those discussed in this presentation. Other unknown or unpredictable factors could also have a material adverse effect on Capital Southwest's actual future results, performance, or achievements. For a further discussion of these and other risks and uncertainties applicable to Capital Southwest and its business, see Capital Southwest's Annual Report on Form 10-K for the fiscal year ended March 31, 2016 and its subsequent filings with the Securities and Exchange Commission. As a result of the foregoing, readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this presentation. Capital Southwest does not assume any obligation revise or to update these forward-looking statements to reflect any new information, subsequent events or circumstances, or otherwise, except as may be required by law.

# Conference Call Participants

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***Bowen S. Diehl***

***President and Chief Executive Officer***

***Michael S. Sarnier***

***Chief Financial Officer***

***Chris Rehberger***

***VP Finance / Treasurer***

# CSWC Company Overview

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*CSWC has refocused its investment strategy to become a lender to middle-market companies across the capital structure*

- CSWC was formed in 1961, and became a BDC in 1988
- Publicly-traded on Nasdaq under CSWC ticker
- Internally-managed BDC with RIC status for tax purposes
- In December 2014, announced split into two separate companies with spin-off of industrial growth company (“CSW Industrials”; Nasdaq: CSWI) which was completed September 30<sup>th</sup>, 2015
- 15 employees based in Dallas, Texas
- Investable capital base of approximately \$273 MM
- CSWC has made significant strides towards rotating its investment portfolio from equity to credit

# CSWC Corporate Strategy

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- Building a BDC that pays shareholders attractive and sustainable dividends by establishing:
  - A portfolio of investments balanced between liquid and illiquid asset classes
  - A portfolio of predominantly cash generating loans
  - An investment discipline focused on granularity and diversity across asset classes
  - Consistent NAV per share growth through selective equity co-investments
  - A match of fixed and floating rates with financing sources
- Maintaining a shareholder friendly Internally Managed structure which:
  - Aligns management incentives with shareholder value
  - Incurs lower operating expenses versus the Externally Managed Structure
  - Historically has rewarded performing Internally Managed BDCs with price to book premiums of 0.5x versus Externally Managed peers
- Continuing to execute on our I-45 SLF joint venture with Main Street which:
  - Enhances CSWC origination capabilities in the middle market
  - Grows recurring cash income by investing in a pool of granular and diversified larger middle market first lien loans
  - Cultivates relationships with financial institutions within the Senior Loan Fund credit facility
- Pursuing an SBIC License and participation in the Debenture Program to capitalize our smaller lower middle market investment strategy

# Two Pronged Investment Strategy

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## Lower Middle Market: CSWC led or club deals

- Companies with EBITDA greater than \$3 MM
- Typically leverage of 2x – 4x Debt to EBITDA through CSWC debt
- Commitment size up to \$20 million with hold sizes of \$5 MM to \$15 MM
- Originate both Sponsored and Non-sponsored debt investments
- Securities include first lien, unitranche, second lien and subordinated debt
- Non-control equity co-investments alongside debt investments

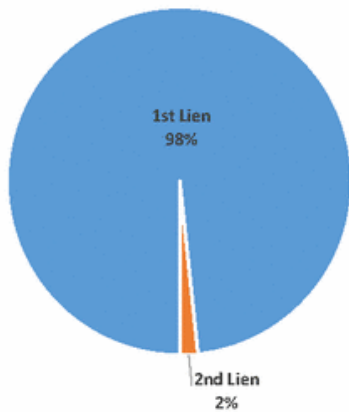
## Upper Middle Market: Participate/Purchase First and Second Lien positions

- Companies typically have in excess of \$50 MM in EBITDA
- Typically leverage of 3x – 5.5x Debt to EBITDA through CSWC debt position
- Hold sizes of \$5 MM to \$7 MM
- Floating Rate First and Second Lien debt securities
- More liquid assets relative to Lower Middle Market investments
- Provides flexibility to invest/divest opportunistically based on market conditions and liquidity position

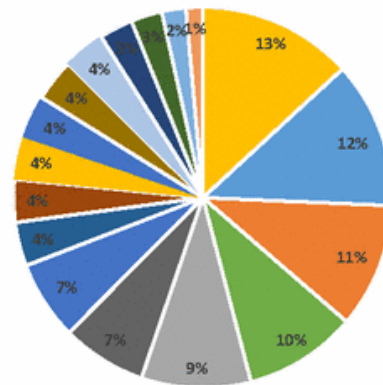
# I-45 Senior Loan Fund Portfolio

Invested \$4 MM additional equity to fund I-45 loan portfolio growth to \$134 MM

Current I-45 Portfolio (By Type)



Current I-45 Portfolio (By Industry)



I-45 Portfolio Statistics			
	<u>Q3 2016</u>	<u>Q4 2016</u>	<u>Q1 2017</u>
Total Debt Investments at Cost	\$82,508	\$99,836	\$134,222
Number of Issuers	19	24	31
Avg. Investment Size as a % of Portfolio	5.26%	4.17%	3.23%
Wtd. Avg. CSWC Leverage on Investments	3.3x	3.3x	3.7x
Wtd. Avg. Yield to Maturity	7.59%	7.85%	8.36%
Wtd. Avg. Duration (Yrs)	4.5	4.2	4.2

# Q1 2017 Portfolio Originations

In Thousands

Q1 2017 Portfolio Originations					
Name	Industry	Type	Market Segment	Par Value	Yield
Infogroup	Software & IT Services	1st Lien	Upper Middle Market	\$1,734	L + 5.5% (1.5% Floor)
<b>Total</b>				<b>\$1,734</b>	

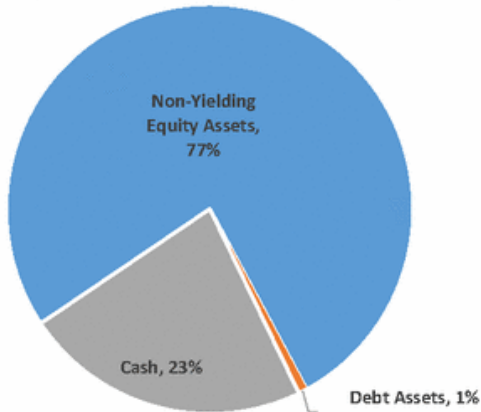
Portfolio Originations - Since Quarter End					
Name	Industry	Type	Market	Par Value	Yield
Infogroup	Software & IT Services	1st Lien	Upper Middle Market	\$2,204	L + 5.5% (1.5% Floor)
Imagine! Print Solutions	Media, Marketing, & Entertainment	1st Lien	Upper Middle Market	\$900	L + 6.0% (1.0% Floor)
Amware Fulfillment, LLC	Transportation & Logistics	1st Lien	Lower Middle Market	\$13,400	L + 9.5% (1.0% Floor)
Middle Market Club	Undisclosed	1st Lien	Upper Middle Market	\$10,000	L + 9.0% (1.0% Floor)
<b>Total</b>				<b>\$26,504</b>	

# Portfolio Rotation Focused on Credit

- Since June 2014, CSWC has transformed its investment portfolio increasing income earning assets from 1% of the investable portfolio to 58%
  - Exited 21 legacy portfolio equity investments, generating \$222 MM in proceeds
  - Invested \$102 MM in 18 middle-market credit investments
  - Invested \$152 MM in 33 credits within I-45 Senior Loan Fund (“I-45”)

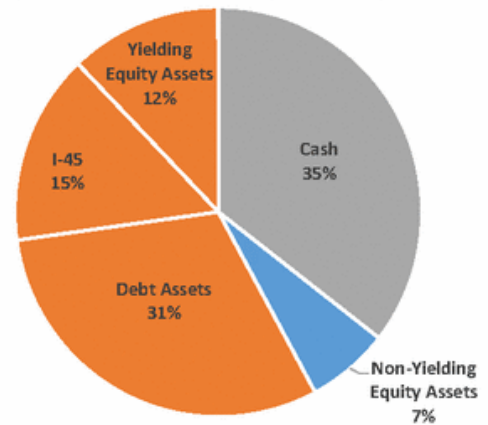
## 6/30/2014 (excl. CSWI Companies)

1% of Total Assets Generating Recurring Income



## 6/30/2016 Investable Assets

58% of Total Assets Generating Recurring Income

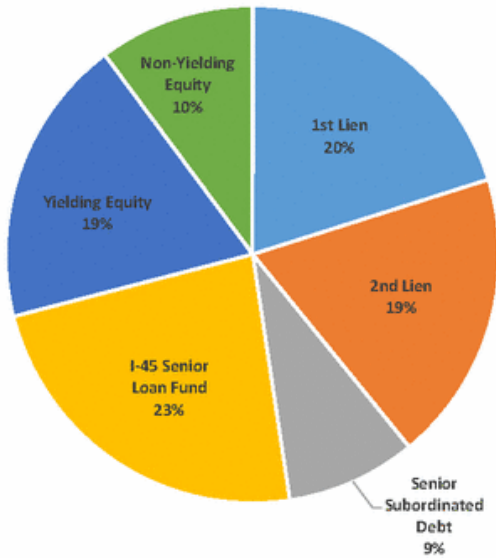




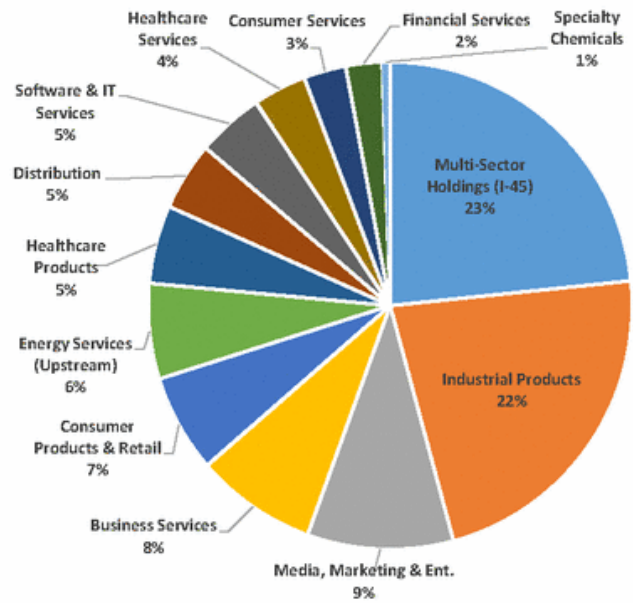
# Portfolio Mix as of 6/30/16 at Fair Value

Current Portfolio of \$178 MM continues to be granular, diverse, and focused on income generating securities

**Current Investment Portfolio (By Type)**



**Current Investment Portfolio (By Industry)**



# Q1 2017 Highlights

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## Financial Highlights

- Q1 2017 Pre-Tax Net Investment Income of \$918 K or \$0.06 per weighted average diluted share
- Paid quarterly dividend of \$0.06 per share
- No non-accruals within debt investment portfolio
- Increased I-45 Senior Loan Fund investment portfolio to \$134 MM from \$99 MM
  - Increased Deutsche Bank led Credit Facility to \$120 MM from \$100 MM
  - I-45 distributed \$1.1 MM dividend to CSWC during the quarter
- \$11.1 MM principal repayments during the quarter
  - Freedom Truck Finance (\$6 million proceeds / 14.3% IRR)
  - Bob's Discount Furniture (\$5 million proceeds / 15.1% IRR)
- \$97 MM in cash available for investment activity

# Key Highlights

<i>(In Thousands, except per share amounts)</i>	Quarter Ended 9/30/2015	Quarter Ended 12/31/2015	Quarter Ended 3/31/2016	Quarter Ended 6/30/2016
<b>Financial Highlights</b>				
Pre-Tax Net Investment Income / (Loss) Per Wtd. Avg. Diluted Share	(\$0.59)	(\$0.04)	\$0.04	\$0.06
Dividends Per Share	\$0.00	\$0.00	\$0.04	\$0.06
NAV Per Share	\$17.68	\$17.22	\$17.34	\$17.39
Cash & Cash Equivalents	\$184,111	\$143,680	\$95,969	\$96,957
Debt to Equity	0.0x	0.0x	0.0x	0.0x
Shares Outstanding	15,583	15,725	15,726	15,718
Weighted Average Shares Outstanding (Diluted)	15,680	15,751	15,795	15,791
<b>Portfolio Statistics</b>				
Fair Value of Debt Investments	\$45,115	\$60,929	\$92,832	\$83,730
Average Debt Investment Hold Size	\$5,013	\$5,077	\$5,157	\$4,925
Fair Value of Debt Investments as a % of Cost	100%	100%	99%	99%
% of Debt Portfolio on Non-Accrual (at Fair Value)	0.3%	0.0%	0.0%	0.0%
Weighted Average Investment Rating <sup>1</sup>	N/A	2.0	2.0	1.9
Weighted Average Yield on Debt Investments	10.11%	10.31%	10.67%	10.08%
Total Fair Value of Portfolio Investments	\$93,339	\$134,935	\$178,436	\$175,915
Weighted Average Yield on all Portfolio Investments	4.37%	10.82%	9.46%	9.35%
Investment Mix (Debt vs. Equity) <sup>2</sup>	47% / 53%	57% / 43%	65% / 35%	62% / 38%
Investment Mix (Yielding vs. Non-Yielding)	80% / 20%	89% / 11%	90% / 10%	90% / 10%

<sup>1</sup> CSWC utilizes an internal 1 - 4 investment rating system in which 1 represents material outperformance and 4 represents material underperformance. All new investments are initially set to 2.

<sup>2</sup> Excludes CSWC equity investment in I-45 Senior Loan Fund

## Balance Sheet Highlights

<i>(In Thousands, except per share amounts)</i>	Quarter Ended 9/30/2015	Quarter Ended 12/31/2015	Quarter Ended 3/31/2016	Quarter Ended 6/30/2016
<b>Assets</b>				
Portfolio Investments	\$93,339	\$134,935	\$178,436	\$175,915
Cash & Cash Equivalents	\$184,111	\$143,680	\$95,969	\$96,957
Deferred Tax Asset	\$1,649	\$1,544	\$2,342	\$1,874
Other Assets	\$6,551	\$6,421	\$7,746	\$6,110
<b>Total Assets</b>	<b>\$285,650</b>	<b>\$286,580</b>	<b>\$284,493</b>	<b>\$280,856</b>
<b>Liabilities</b>				
Payable for Unsettled Transaction	\$0	\$4,850	\$3,940	\$0
Income Tax Payable	\$0	\$2,948	\$0	\$601
Other Liabilities	\$10,059	\$7,997	\$7,918	\$6,971
<b>Total Liabilities</b>	<b>\$10,059</b>	<b>\$15,795</b>	<b>\$11,858</b>	<b>\$7,572</b>
<b>Shareholders Equity</b>				
<b>Net Asset Value</b>	<b>\$275,591</b>	<b>\$270,785</b>	<b>\$272,635</b>	<b>\$273,284</b>
Shares Outstanding at Period End	15,583	15,725	15,726	15,718
NAV per Share	\$17.68	\$17.22	\$17.34	\$17.39
Debt to Equity	0.0x	0.0x	0.0x	0.0x

# Income Statement Highlights

<i>(In Thousands, except per share amounts)</i>	Quarter Ended 9/30/15	Quarter Ended 12/31/15	Quarter Ended 3/31/16	Quarter Ended 6/30/16
<b>Investment Income</b>				
Interest Income	\$945	\$1,415	\$2,110	\$2,292
Dividend Income	\$0	\$1,612	\$1,578	\$1,769
Fees and Other Income	\$133	\$280	\$123	\$96
<b>Total Investment Income</b>	<b>\$1,078</b>	<b>\$3,307</b>	<b>\$3,811</b>	<b>\$4,157</b>
<b>Expenses</b>				
Cash Compensation	\$3,411	\$1,675	\$1,403	\$1,484
Share Based Compensation	\$370	\$195	\$257	\$239
General & Administrative	\$1,070	\$1,354	\$1,192	\$1,344
Spin-off Related Expenses	\$5,474	\$710	\$251	\$172
<b>Total Expenses</b>	<b>\$10,325</b>	<b>\$3,934</b>	<b>\$3,103</b>	<b>\$3,239</b>
<b>Pre-Tax Net Investment Income / (Loss)</b>	<b>(\$9,247)</b>	<b>(\$627)</b>	<b>\$708</b>	<b>\$918</b>
<b>Taxes and Gain / (Loss)</b>				
Income Tax Benefit (Expense)	(\$88)	\$607	\$788	(\$547)
Net realized gain (loss) on investments	(\$3,396)	(\$8,170)	\$12	\$199
Net increase (decrease) in unrealized appreciation of investments	\$3,783	\$7,060	\$1,001	\$2,127
<b>Net increase (decrease) in net assets resulting from operations</b>	<b>(\$8,948)</b>	<b>(\$1,130)</b>	<b>\$2,509</b>	<b>\$2,697</b>
Weighted Average Shares Outstanding	15,680	15,751	15,795	15,791
<b>Pre-Tax Net Investment Income Per Weighted Average Share</b>	<b>(\$0.59)</b>	<b>(\$0.04)</b>	<b>\$0.04</b>	<b>\$0.06</b>
<b>Dividends Per Share</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.04</b>	<b>\$0.06</b>

# Investment Income Detail

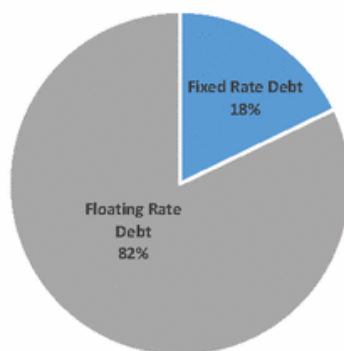
*Constructing a portfolio of investments with recurring cash yield*

<i>(In Thousands)</i>	Quarter Ended 9/30/2015	Quarter Ended 12/31/2015	Quarter Ended 3/31/2016	Quarter Ended 6/30/2016
<b>Investment Income Breakdown</b>				
Cash Interest	\$930	\$1,392	\$2,063	\$2,216
Cash Dividends	\$0	\$1,612	\$1,578	\$1,769
Management Fees	\$133	\$275	\$115	\$95
Amortization of purchase discounts and fees	\$15	\$23	\$47	\$76
Other Income (non-recurring)	\$0	\$5	\$8	\$1
<b>Total Investment Income</b>	<b>\$1,078</b>	<b>\$3,307</b>	<b>\$3,811</b>	<b>\$4,157</b>
<b>Key Metrics</b>				
Cash Income as a % of Investment Income	98.6%	99.3%	98.8%	98.2%
% of Total Investment Income that is Recurring	100.0%	99.8%	99.8%	100.0%

# Interest Rate Sensitivity

## Impact of Base Rate Changes on Net Investment Income

### Debt Portfolio Composition



Change in Base Interest Rates	Illustrative NII Change (\$'s)	Illustrative NII Change (Per Share)
50 bps	(\$61,563)	(\$0.00)
100bps	\$437,577	\$0.03
150bps	\$1,001,926	\$0.06
200bps	\$1,566,276	\$0.10

Note: Illustrative change in NII is based on a projection of our existing debt investments as of 6/30/16, adjusted only for changes in Base Rates. The results of this analysis include the I-45 Senior Loan Fund, which is comprised of 100% floating rate assets and liabilities.

# Corporate Information

Board of Directors
<b>Inside Directors</b> Joseph B. Armes Bowen S. Diehl
<b>Independent Directors</b> John H. Wilson William R. Thomas T. Duane Morgan David R. Brooks Jack D. Furst

Corporate Offices & Website
5400 LBJ Freeway 13th Floor Dallas, TX 75240 <a href="http://www.capitalsouthwest.com">http://www.capitalsouthwest.com</a>

Senior Management
Bowen S. Diehl <i>President &amp; Chief Executive Officer</i>
Michael S. Sarner <i>Chief Financial Officer, Secretary &amp; Treasurer</i>

Investor Relations
Michael S. Sarner Capital Southwest 214-884-3829 <a href="mailto:msarner@capitalsouthwest.com">msarner@capitalsouthwest.com</a>

Securities Listing
NASDAQ: CSWC

Fiscal Year End
March 31

Independent Auditor
Grant Thornton Dallas, TX

Corporate Counsel
Thompson & Knight / Jones Day Dallas, TX

Transfer Agent
American Stock Transfer & Trust Company, LLC 800-937-5449 <a href="http://www.amstock.com">www.amstock.com</a>