

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 Quarter Ended June 30, 2002

Commission File Number: 814-61

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

Texas
 (State or other Jurisdiction of
 Incorporation or Organization)

75-1072796
 (I.R.S. Employer
 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.

3,829,051 shares of Common Stock, \$1 Par Value as of July 31, 2002

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARY
 Consolidated Statements of Financial Condition

Assets	June 30, 2002 ----- (Unaudited)	March 31, 2002 -----
Investments at market or fair value		
Companies more than 25% owned		
(Cost: June 30, 2002 - \$23,114,865		
March 31, 2002 - \$23,194,865)	\$ 228,731,000	\$ 243,024,999
Companies 5% to 25% owned		
(Cost: June 30, 2002 - \$27,120,124		
March 31, 2002 - \$27,167,649)	30,032,003	34,943,003
Companies less than 5% owned		
(Cost: June 30, 2002 - \$29,907,047,		
March 31, 2002 - \$31,831,341)	64,333,787	69,513,064
	-----	-----
Total investments		
(Cost: June 30, 2002 - \$80,142,036,		
March 31, 2002 - \$82,193,855)	323,096,790	347,481,066
Cash and cash equivalents	66,548,774	1,977,180
Receivables	135,058	1,753,297
Other assets	6,140,438	5,971,361

Totals	----- \$ 395,921,060 =====	----- \$ 357,182,904 =====
Liabilities and Shareholders' Equity		
Notes payable to bank	\$ 73,500,000	\$ 6,500,000
Notes payable to portfolio company	2,500,000	2,500,000
Accrued interest and other liabilities	1,887,855	2,018,140
Deferred income taxes	82,679,325	90,673,722
Subordinated debenture	--	5,000,000
	-----	-----
Total liabilities	160,567,180	106,691,862
	-----	-----
Shareholders' equity		
Common stock, \$1 par value: authorized, 5,000,000 shares; issued, 4,266,416 shares at June 30, 2002 and March 31, 2002	4,266,416	4,266,416
Additional capital	6,935,497	6,935,497
Undistributed net investment income	3,007,367	3,297,838
Undistributed net realized gain on investments	69,526,146	69,844,380
Unrealized appreciation of investments - net of deferred income taxes	158,651,756	173,180,213
Treasury stock - at cost (437,365 shares)	(7,033,302)	(7,033,302)
	-----	-----
Net assets at market or fair value, equivalent to \$61.47 per share at June 30, 2002, and \$65.42 per share at March 31, 2002 on the 3,829,051 shares outstanding	235,353,880	250,491,042
	-----	-----
Totals	\$ 395,921,060 =====	\$ 357,182,904 =====

(See Notes to Consolidated Financial Statements)

CAPITAL SOUTHWEST CORPORATION
AND SUBSIDIARY
Consolidated Statements of Operations

(Unaudited)

	Three Months Ended	
	June 30,	
	2002	2001
	-----	-----
Investment income:		
Interest	\$ 64,675	\$ 91,258
Dividends	708,992	705,879
Management and directors' fees	131,350	139,100
	-----	-----
	905,017	936,237
	-----	-----
Operating expenses:		
Salaries	200,750	193,333
Net pension benefit	(126,135)	(121,542)
Other operating expenses	149,907	120,680
	-----	-----
	224,522	192,471
	-----	-----
Income before interest expense and income taxes	680,495	743,766
Interest expense	160,956	271,801
	-----	-----
Income before income taxes	519,539	471,965
Income tax expense	44,200	42,600
	-----	-----
Net investment income	\$ 475,339	\$ 429,365
	=====	=====
Proceeds from disposition of investments	\$ 1,459,220	\$ --
Cost of investments sold	2,012,051	--
	-----	-----
Realized loss on investments before income taxes	(552,831)	--
Income tax benefit	(234,597)	--
	-----	-----
Net realized loss on investments	(318,234)	--
	-----	-----
Increase (decrease) in unrealized appreciation of investments before income taxes	(22,332,457)	23,253,060
Increase (decrease) in deferred income taxes on appreciation of investments	(7,804,000)	7,943,000
	-----	-----
Net increase (decrease) in unrealized appreciation of investments	(14,528,457)	15,310,060
	-----	-----
Net realized and unrealized gain (loss) on investments	\$(14,846,691)	\$ 15,310,060
	=====	=====
Increase (decrease) in net assets from operations	\$(14,371,352)	\$ 15,739,425
	=====	=====

(See Notes to Consolidated Financial Statements)

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

	Three Months Ended June 30, 2002 ----- (Unaudited)	Year Ended March 31, 2002 -----
Operations		
Net investment income	\$ 475,339	\$ 2,041,896
Net realized loss on investments	(318,234)	(537,934)
Net increase (decrease) in unrealized appreciation of investments	(14,528,457)	24,174,348
	-----	-----
Increase (decrease) in net assets from operations	(14,371,352)	25,678,310
Distributions from:		
Undistributed net investment income	(765,810)	(2,294,631)
Capital share transactions		
Exercise of employee stock options	--	498,750
	-----	-----
Increase (decrease) in net assets	(15,137,162)	23,882,429
Net assets, beginning of period	250,491,042	226,608,613
	-----	-----
Net assets, end of period	\$ 235,353,880 =====	\$ 250,491,042 =====

(See Notes to Consolidated Financial Statements)

CAPITAL SOUTHWEST CORPORATION
AND SUBSIDIARY
Consolidated Statements of Cash Flows

(Unaudited)

	Three Months Ended June 30,	
	----- 2002	----- 2001
	-----	-----
Cash flows from operating activities		
Increase (decrease) in net assets from operations	\$(14,371,352)	\$ 15,739,425
Adjustments to reconcile increase (decrease) in net assets from operations to net cash provided by operating activities:		
Depreciation and amortization	5,399	5,821
Net pension benefit	(126,135)	(121,542)
Net realized and unrealized (gain) loss on investments	14,846,691	(15,310,060)
Decrease in receivables	1,618,239	128,786
Increase in other assets	(16,630)	(15,104)
Decrease in accrued interest and other liabilities	(120,175)	(139,492)
Decrease in accrued pension cost	(41,820)	(52,487)
Deferred income taxes	44,200	42,600
	-----	-----
Net cash provided by operating activities	1,838,417	277,947
	-----	-----
Cash flows from investing activities		
Proceeds from disposition of investments	1,459,220	--
Purchases of securities	(40,233)	(497,929)
Maturities of securities	80,000	150,000
	-----	-----
Net cash provided by (used in) investing activities	1,498,987	(347,929)
	-----	-----
Cash flows from financing activities		
Increase in notes payable to bank	67,000,000	61,500,000
Decrease in subordinated debenture	(5,000,000)	--
Distributions from undistributed net investment income	(765,810)	(763,010)
	-----	-----
Net cash provided by financing activities	61,234,190	60,736,990
	-----	-----
Net increase in cash and cash equivalents	64,571,594	60,667,008
Cash and cash equivalents at beginning of period	1,977,180	1,137,767
	-----	-----
Cash and cash equivalents at end of period	\$ 66,548,774	\$ 61,804,775
	=====	=====
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	\$ 276,064	\$ 353,874
Income taxes	\$ 0	\$ 0

(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 fair value basis in accordance with accounting principles generally accepted in the United States of America 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 accounting principles generally accepted in the United States of America 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, 2002. Certain information and footnotes normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America 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 June 30	
	2002	2001
	-----	-----
Investment income	\$.23	\$.24
Operating expenses	(.06)	(.05)
Interest expense	(.04)	(.07)
Income taxes	(.01)	(.01)
	-----	-----
Net investment income	.12	.11
Distributions from undistributed net investment income	(.20)	(.20)
Net realized loss on investments	(.08)	--
Net increase (decrease) in unrealized appreciation of investments after deferred taxes	(3.79)	4.01
	-----	-----
Increase (decrease) in net asset value	(3.95)	3.92
Net asset value:		
Beginning of period	65.42	59.40
	-----	-----
End of period	\$ 61.47	\$ 63.32
	=====	=====
Increase (decrease) in deferred taxes on unrealized appreciation	\$ (2.03)	\$ 2.08
Deferred taxes on unrealized appreciation:		
Beginning of period	24.05	20.79
	-----	-----
End of period	\$ 22.02	\$ 22.87
	=====	=====
Shares outstanding at end of period (000s omitted)	3,829	3,815

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

Net asset value at June 30, 2002 was \$235,353,880, equivalent to \$61.47 per share after deducting an allowance of \$22.02 per share for deferred taxes on net unrealized appreciation. Assuming reinvestment of all dividends, this represents a decrease of 2.1% during the past twelve months and 5.8% during the past three months.

	June 30, 2002	June 30, 2001
	-----	-----
Net assets	\$235,353,880	\$241,585,028
Shares outstanding	3,829,051	3,815,051
Net assets per share	\$ 61.47	\$ 63.32

Interest income in the three months ended June 30, 2002 decreased from the year-ago period primarily because of a decrease in loans to portfolio companies. During the three months ended June 30, 2002 and 2001, the Company recorded dividend income from the following sources:

	Three Months Ended June 30	
	-----	-----
	2002	2001
AT&T Corp.	\$ 4,997	\$ 4,997
Alamo Group Inc.	169,278	169,278
Kimberly-Clark Corporation	23,154	21,610
The RectorSeal Corporation	240,000	240,000
Skylawn Corporation	150,000	150,000
TCI Holdings, Inc.	20,318	20,318
The Whitmore Manufacturing Company	60,000	60,000
Other	41,245	39,676
	-----	-----
	\$708,992	\$705,879
	=====	=====

Interest expense in the three months ended June 30, 2002 decreased from the year-ago period primarily due to a decrease in interest rates. Other operating expenses in the three months ended June 30, 2002 increased from the year-ago period primarily due to professional fees related to a prior investment.

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 changes in deferred taxes and excluding the effect of gains or losses realized during the periods) by portfolio company:

	Three Months Ended June 30	
	----- 2002	----- 2001
Balco, Inc.	\$ 2,000,000	\$ --
Concert Industries Ltd.	(2,186,000)	1,430,000
Encore Wire Corporation	(2,725,000)	4,086,000
Liberty Media Corporation (formerly AT&T-Liberty Media Group)	(1,788,368)	2,364,168
Mail-Well, Inc.	(1,363,000)	(1,048,000)
Organized Living, Inc.	--	(2,500,000)
Palm Harbor Homes, Inc.	(15,710,000)	15,710,000
PETSMART, Inc.	1,081,042	1,668,262
The RectorSeal Corporation	--	2,500,000

At June 30, 2002, the value of our investment in Palm Harbor Homes, Inc. was reduced due to the increasingly unfavorable outlook for the manufacturing industry and because Palm Harbor reported its first quarterly loss in 13 years for the three months ended June 30, 2002. Conversely, at June 30, 2001, the value of our Palm Harbor investment had been increased in recognition of Palm Harbor's ability to maintain a reduced but acceptable level of earnings despite the difficult condition of the manufactured housing industry.

On June 3, 2002, the Company repaid the \$5,000,000 subordinated debenture to the Small Business Administration ("SBA") from its cash and cash equivalents.

On July 1, 2002, the Company repaid the \$65,000,000 note payable to bank from its cash and cash equivalents.

The Company has agreed, subject to certain conditions, to invest up to \$5,989,346 in six portfolio companies.

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 totaled \$2,800,000 at June 30, 2002, equivalent to 0.87% 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. 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.

Item 3. Quantitative and Qualitative Disclosure About Market Risk
(continued)

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 6. Exhibits and Reports on Form 8-K

- (a) Exhibits
 - Exhibit 99.1- Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 of the Chief Executive Officer of the Corporation.
 - Exhibit 99.2- Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 of the Chief Financial Officer of the Corporation.
- (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: August 9, 2002

By: /s/ William R. Thomas

William R. Thomas, President

Date: August 9, 2002

By: /s/ Susan K. Hodgson

Susan K. Hodgson, Secretary-Treasurer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Capital Southwest Corporation (the "Company") on Form 10-Q for the period ended June 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William R. Thomas, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2002

By: /s/ William R. Thomas

William R. Thomas, Chief Executive Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Capital Southwest Corporation (the "Company") on Form 10-Q for the period ended June 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Susan K. Hodgson, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2002

By: /s/ Susan K. Hodgson

Susan K. Hodgson, Chief Financial Officer