

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, 1999

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.

3,815,051 shares of Common Stock, \$1 Par Value as of October 31, 1999

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARY
Consolidated Statements of Financial Condition

Assets	September 30, 1999 (Unaudited)	March 31, 1999
Investments at market or fair value		
Companies more than 25% owned (Cost: September 30, 1999 - \$22,480,865, March 31, 1999 - \$22,130,818)	\$202,562,459	\$231,819,359
Companies 5% to 25% owned (Cost: September 30, 1999 - \$14,691,914, March 31, 1999 - \$18,841,914)	20,696,161	31,596,160
Companies less than 5% owned (Cost: September 30, 1999 - \$36,645,282, March 31, 1999 - \$32,607,282)	88,513,911	86,862,983
Total investments (Cost: September 30, 1999- \$73,818,061, March 31, 1999 - \$73,580,014)	311,772,531	350,278,502
Cash and cash equivalents	40,341,281	6,050,443
Receivables	296,327	315,707

Other assets	4,437,201	4,141,136
	-----	-----
Totals	\$356,847,340	\$360,785,788
	=====	=====
Liabilities and Shareholders' Equity		
Note payable to bank	\$ 25,000,000	\$ --
Accrued interest and other liabilities	2,029,140	2,023,625
Income taxes payable	3,499,583	282,741
Deferred income taxes	83,763,757	97,247,457
Subordinated debenture	5,000,000	5,000,000
	-----	-----
Total liabilities	119,292,480	104,553,823
	-----	-----
Shareholders' equity		
Common stock, \$1 par value: authorized, 5,000,000 shares; issued, 4,252,416 shares at September 30, 1999 and March 31, 1999	4,252,416	4,252,416
Additional capital	6,450,747	6,450,747
Undistributed net investment income	5,250,285	4,743,205
Undistributed net realized gain on investments	73,593,242	67,593,409
Unrealized appreciation of investments - net of deferred income taxes	155,041,472	180,225,490
Treasury stock - at cost (437,365 shares)	(7,033,302)	(7,033,302)
	-----	-----
Net assets at market or fair value, equivalent to \$62.27 per share at September 30, 1999, and \$67.16 per share at March 31, 1999, on the 3,815,051 shares outstanding	237,554,860	256,231,965
	-----	-----
Totals	\$356,847,340	\$360,785,788
	=====	=====

(See Notes to Consolidated Financial Statements)

CAPITAL SOUTHWEST CORPORATION
AND SUBSIDIARY
Consolidated Statements of Operations

(Unaudited)

	Three Months Ended September 30		Six Months Ended September 30	
	1999	1998	1999	1998
Investment income:				
Interest	\$ 189,176	\$ 321,794	\$ 520,464	\$ 724,641
Dividends	720,320	373,568	1,123,639	1,194,315
Management and directors' fees	121,600	153,100	280,676	290,450
	1,031,096	848,462	1,924,779	2,209,406
Operating expenses:				
Interest	107,274	110,193	209,282	212,201
Salaries	166,254	282,600	329,877	506,419
Net pension expense (benefit)	(140,086)	(77,435)	(217,992)	(155,813)
Other operating expenses	125,974	120,189	257,222	365,571
	259,416	435,547	578,389	928,378
Income before income taxes	771,680	412,915	1,346,390	1,281,028
Income tax expense	49,000	27,100	76,300	54,500
	722,680	385,815	1,270,090	1,226,528
Net investment income	\$ 722,680	\$ 385,815	\$ 1,270,090	\$ 1,226,528
	=====	=====	=====	=====
Proceeds from disposition of investments	\$ 2,007,144	\$ --	\$ 14,892,513	\$ 761,837
Cost of investments sold	608,000	--	5,662,000	--
	1,399,144	--	9,230,513	761,837
Realized gain on investments before income taxes	1,399,144	--	9,230,513	761,837
Income tax expense	489,701	--	3,230,680	266,643
	909,443	--	5,999,833	495,194
Net realized gain on investments	909,443	--	5,999,833	495,194
	-----	-----	-----	-----
Decrease in unrealized appreciation of investments before income taxes	(39,111,361)	(48,549,992)	(38,744,018)	(43,933,639)
Decrease in deferred income taxes on appreciation of investments	(13,689,000)	(16,993,000)	(13,560,000)	(15,376,000)
	(25,422,361)	(31,556,992)	(25,184,018)	(28,557,639)
Net decrease in unrealized appreciation of investments	(25,422,361)	(31,556,992)	(25,184,018)	(28,557,639)
	-----	-----	-----	-----
Net realized and unrealized loss on investments	\$(24,512,918)	\$(31,556,992)	\$(19,184,185)	\$(28,062,445)
	=====	=====	=====	=====
Decrease in net assets from operations	\$(23,790,238)	\$(31,171,177)	\$(17,914,095)	\$(26,835,917)
	=====	=====	=====	=====

(See Notes to Consolidated Financial Statements)

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

	Six Months Ended September 30, 1999 ----- (Unaudited)	Year Ended March 31, 1999 -----
Operations		
Net investment income	\$ 1,270,090	\$ 1,761,718
Net realized gain on investments	5,999,833	994,949
Net decrease in unrealized appreciation of investments	(25,184,018)	(41,232,545)
	-----	-----
Decrease in net assets from operations	(17,914,095)	(38,475,878)
Distributions from:		
Undistributed net investment income	(763,010)	(2,280,411)
Capital share transactions		
Exercise of employee stock options	--	965,438
	-----	-----
Decrease in net assets	(18,677,105)	(39,790,851)
Net assets, beginning of period	256,231,965	296,022,816
	-----	-----
Net assets, end of period	\$ 237,554,860	\$ 256,231,965
	=====	=====

(See Notes to Consolidated Financial Statements)

CAPITAL SOUTHWEST CORPORATION
AND SUBSIDIARY
Consolidated Statements of Cash Flows

(Unaudited)

	Three Months Ended September 30		Six Months Ended September 30	
	1999	1998	1999	1998
	----	----	----	----
Cash flows from operating activities				
Decrease in net assets from operations	\$ (23,790,238)	\$ (31,171,177)	\$ (17,914,095)	\$ (26,835,917)
Adjustments to reconcile decrease in net assets from operations to net cash provided by operating activities:				
Depreciation and amortization	7,184	6,530	14,159	12,355
Net pension benefit	(140,086)	(77,435)	(217,992)	(155,813)
Net realized and unrealized loss on investments	24,512,918	31,556,992	19,184,185	28,062,445
(Increase) decrease in receivables	80,701	233,106	19,380	(81,212)
(Increase) decrease in other assets	2,777	(1,056)	(21,505)	(62,443)
Increase (decrease) in accrued interest and other liabilities	102,311	110,272	(79,050)	(142,971)
Deferred income taxes	49,000	27,100	76,300	54,500
	-----	-----	-----	-----
Net cash provided by operating activities	824,567	684,332	1,061,382	850,944
	-----	-----	-----	-----
Cash flows from investing activities				
Proceeds from disposition of investments	2,007,144	--	14,892,513	761,837
Purchases of securities	(6,340,047)	(4,849,523)	(6,740,047)	(11,272,272)
Maturities of securities	--	--	840,000	451,539
	-----	-----	-----	-----
Net cash provided (used) by investing activities	(4,332,903)	(4,849,523)	8,992,466	(10,058,896)
	-----	-----	-----	-----
Cash flows from financing activities				
Increase (decrease) in note payable to bank	25,000,000	40,000,000	25,000,000	(60,000,000)
Distributions from undistributed net investment income	--	--	(763,010)	(757,590)
Proceeds from exercise of employee stock options	--	181,688	--	181,688
	-----	-----	-----	-----
Net cash provided (used) by financing activities	25,000,000	40,181,688	24,236,990	(60,575,902)
	-----	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	21,491,664	36,016,497	34,290,838	(69,783,854)
Cash and cash equivalents at beginning of period	18,849,617	11,247,569	6,050,443	117,047,920
	-----	-----	-----	-----
Cash and cash equivalents at end of period	\$ 40,341,281	\$ 47,264,066	\$ 40,341,281	\$ 47,264,066
	=====	=====	=====	=====
Supplemental disclosure of cash flow information:				
Cash paid during the period for:				
Interest	\$ --	\$ --	\$ 199,452	\$ 217,288
Income taxes	\$ 6,490	\$ --	\$ 16,990	\$ 8,500

(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, 1999. 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	
	----- 1999	----- 1998	----- 1999	----- 1998
Investment income	\$.27	\$.22	\$.50	\$.58
Operating expenses	(.04)	(.08)	(.09)	(.18)
Interest expense	(.03)	(.03)	(.06)	(.06)
Income taxes	(.01)	(.01)	(.02)	(.02)
	-----	-----	-----	-----
Net investment income	.19	.10	.33	.32
Net realized gain on investment	.24	--	1.58	.13
Net decrease in unrealized appreciation of investments	(6.66)	(8.32)	(6.60)	(7.53)
Distributions from undistributed net investment income	--	--	(.20)	(.20)
Exercise of employee stock options (1)	--	(.05)	--	(.05)
	-----	-----	-----	-----
Net decrease in net asset value	(6.23)	(8.27)	(4.89)	(7.33)
Net asset value:				
Beginning of period	68.50	79.09	67.16	78.15
	-----	-----	-----	-----
End of period	\$ 62.27	\$ 70.82	\$ 62.27	\$ 70.82
	=====	=====	=====	=====
Shares outstanding at end of period (000s omitted)	3,815	3,793	3,815	3,793

(1) Net decrease is due to the exercise of employee stock options at prices less than beginning of period net asset value.

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

Net asset value at September 30, 1999 was \$237,554,860, equivalent to \$62.27 per share after deducting an allowance of \$21.73 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 a decrease of 11.4% during the past twelve months and a decrease of 7.0% during the past six months.

	September 30, 1999	September 30, 1998
	----	----
Net assets	\$237,554,860	\$268,610,997
Shares outstanding	3,815,051	3,793,051
Net assets per share	\$62.27	\$70.82

Interest income in the six months ended September 30, 1999 decreased from the year-ago period primarily because of the suspension of interest accruals related to one of our portfolio companies. During the six months ended September 30, 1999 and 1998, the Company recorded dividend income from the following sources:

	Six Months Ended September 30	
	1999	1998
	----	----
AT&T	\$ 58,628	\$ --
Alamo Group Inc.	452,200	585,200
Dennis Tool Company	24,999	--
Kimberly-Clark Corporation	40,134	38,590
The RectorSeal Corporation	240,000	240,000
Skylawn Corporation	150,000	150,000
TCI Holdings, Inc/Westmarc Communications, Inc.	40,635	40,635
Texas Shredder, Inc.	20,230	20,230
The Whitmore Manufacturing Company	60,000	60,000
Other	36,813	59,660
	-----	-----
	\$1,123,639	\$1,194,315
	=====	=====

Salaries in the six months ended September 30, 1999 decreased from the year-ago period primarily due to reductions in staff. Other operating expenses in the six months ended September 30, 1999 decreased from the year-ago period primarily due to the payment in the prior period of a finders fee related to an investment.

During the six months ended September 30, 1999, the Company reported a realized gain before income taxes of \$9,230,513. 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.

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	
	1999	1998	1999	1998
AT&T/Tele-Communications- TCI Group	\$(1,640,579)	\$ 85,887	\$ (1,293,586)	\$ 923,286
AT&T-Liberty Media Group/Tele- Communications LM&TCI Ventures Group	190,522	(499,792)	3,731,728	275,067
Alamo Group Inc.	1,834,053	(10,640,000)	1,834,053	(10,640,000)
All Components, Inc.	1,975,000	1,225,000	1,975,000	1,225,000
American Homestar Corporation	(2,159,294)	(1,830,706)	(2,534,824)	(844,941)
Amfibe, Inc.	(600,000)	--	(600,000)	--
Balco, Inc.	--	--	--	1,904,680
Dennis Tool Company	--	(828,177)	--	(828,177)
Dyntec, Inc.	--	--	(3,749,998)	--
Encore Wire Corporation	--	(13,884,000)	--	(15,988,000)
Kimberly-Clark Corporation	(328,015)	(414,843)	371,429	(742,858)
Mail-Well, Inc.	--	(14,575,000)	2,097,000	(12,493,000)
Mylan Laboratories, Inc.	(1,042,324)	(96,215)	(1,162,592)	833,859
Palm Harbor Homes, Inc.	(31,421,000)	(4,713,000)	(31,421,000)	(4,713,000)
PETSMART, Inc.	(4,231,985)	(2,003,548)	(2,800,879)	(2,473,769)
Texas Petrochemical Holdings, Inc.	(749,999)	--	(749,999)	--
The Whitmore Manufacturing Company	--	1,200,000	--	1,200,000

During the quarter ended September 30, 1999, the Company made new investments of \$2,000,000 and additional investments of \$4,340,047 in existing portfolio companies.

On October 1, 1999, the Company repaid the \$25,000,000 note payable to bank from its cash and cash equivalents.

The Company has agreed, subject to certain conditions, to invest up to \$3,800,000 in seven portfolio companies.

Many computer software systems in use today cannot properly process date-related information from and after January 1, 2000. Should any of the computer systems employed by our major portfolio companies fail to process this type of information properly, it could have a negative impact on the Company's shareholders. The Company has reviewed its computer system and determined that it will be Year 2000 compliant. In addition, the Company has inquired of its major service providers as well as its major portfolio companies to determine if they will be prepared for the Year 2000. All have indicated they are taking the necessary steps to be Year 2000 compliant. It is anticipated that the Company will incur no material expenses related to the Year 2000 issues.

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 \$11,955,970 at September 30, 1999, equivalent to 3.8% 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 19, 1999, 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	3,380,865	11,002	423,184
Gary L. Martin	3,380,865	11,002	423,184
James M. Nolan	3,380,865	11,002	423,184
William R. Thomas	3,380,865	11,002	423,184
John H. Wilson	3,380,865	11,002	423,184
b. The 1999 Stock Option Plan of the Corporation was authorized and approved.	3,328,857	35,644	450,550
c. KPMG LLP was approved as the Company's auditors for the 2000 fiscal year.	3,380,181	7,534	427,336

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 5, 1999

By: /s/ William R. Thomas

William R. Thomas
President

Date: November 5, 1999

By: /s/ Tim Smith

Tim Smith
Vice President & Secretary-Treasurer

[TYPE]

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This schedule contains summary financial information extracted from the Consolidated Statement of Financial Condition at September 30, 1999 (unaudited) and the Consolidated Statement of Operations for the year ended September 30, 1999 (unaudited) and is qualified in its entirety by reference to such financial statements.

0000017313
 Capital Southwest Corporation
 1
 US Dollars

6-MOS

	MAR-31-1999	APR-01-1999	SEP-30-1999
			1
	73,818,061		
	311,772,531		
		296,327	
		4,437,201	
	40,341,281		
		356,847,340	
	0		
	5,000,000		
	114,292,480		
		119,292,480	
			0
	3,669,861		
	3,815,051		
	3,815,051		
	5,250,285		
			0
	73,593,242		
			0
	155,041,472		
		237,554,860	
		1,123,639	
		520,464	
		280,676	
		578,389	
	1,270,090		
	5,999,833		
	(25,184,018)		
	(17,914,095)		
			0
	763,010		
			0
			0
			0
			0
	(18,677,105)		
	4,743,205		
	67,593,409		
			0
	0		
			0
		209,282	
		578,389	
			0
	67.16		
			.33
	(5.02)		
	(.20)		
	0		
			0
	62.27		
			0
[AVG-DEBT-OUTSTANDING]			0
[AVG-DEBT-PER-SHARE]			0