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

ANNUAL REPORT PURSUANT TO SECTIONS 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FORM 10-K/A

Amendment No. 1

(Mark One)

[**X**] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **March 31, 2016**

OR

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

For the transition period from to

Commission File Number: **814-00061**

CAPITAL SOUTHWEST CORPORATION

(Exact name of registrant as specified in its charter)

Texas	**75-1072796**
(State or other jurisdiction of incorporation or organization)	(I.R.S. 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**: (214) 238-5700**

Securities registered pursuant to Section 12(g) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $0.25 par value per share	**The Nasdaq Global Select Market**

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☐NO ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES ☐ NO ☒

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 period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ☒ NO ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer ☐Accelerated filer ☒ Non-accelerated filer ☐Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).
YES ☐ NO ☒

The aggregate market value of the voting stock held by non-affiliates of the registrant as of September 30, 2016 was $217,104,932 based on the last sale price of such stock as quoted by The Nasdaq Global Select Market on such date.

The number of shares of common stock, $0.25 par value per share, outstanding as of September 30, 2016 was 15,726,626.

Documents Incorporated by Reference
Portions of the Proxy Statement for the 2016 Annual Meeting of Shareholders held July 20, 2016 are incorporated by reference in this Annual Report on Form 10-K in response to Part III.

EXPLANATORY NOTE

Capital Southwest Corporation (the “Company,” “we,” “us,” or “our”) is filing this Amendment No. 1 (the “Amendment”) to the Annual Report on Form 10-K for the fiscal year ended March 31, 2016 (the “Original 10-K”), which was filed with the Securities and Exchange Commission (the “SEC”) on June 14, 2016. Pursuant to Rule 3-09(b), this Amendment includes the separate audited financial statements for our unconsolidated portfolio company, Media Recovery, Inc., which were not included in the Annual Report on Form 10-K because Media Recovery, Inc.’s fiscal year ended later than the Company’s fiscal year.

We have determined that this unconsolidated portfolio company has met the conditions of a significant subsidiary under Rule 1-02(w) of Regulation S-X for which we are required, pursuant to Rule 3-09 of Regulation S-X, to attach separate financial statements as exhibits to the Form 10-K. In accordance with Rule 3-09(b)(1), the separate financial statements of Media Recovery, Inc. are being filed as an amendment to the Form 10-K within 90 days after the end of Media Recovery, Inc.’s fiscal year. The Rule 3-09 financial statements include Media Recovery, Inc.’s consolidated balance sheets as of September 30, 2016 and 2015, and its related consolidated statements of operations and comprehensive income (loss), consolidated statements stockholders’ equity, and consolidated statements of cash flows for the years ended September 30, 2016, 2015 and 2014.

This Amendment also updates, amends and supplements Part IV, Item 15 of the Form 10-K to include, among other items, the filing of new Exhibits 31.3, 31.4, 32.3 and 32.4, certifications of our Chief Executive Officer and Chief Financial Officer, pursuant to Rule 13a-14(a) and (b).

No other changes have been made to the Original 10-K other than as described above. This Amendment does not reflect subsequent events occurring after the original filing date of the Original 10-K or modify or update in any way disclosures made in the Original 10-K. Among other things, forward-looking statements made in the Original 10-K have not been revised to reflect events that occurred or facts that became known to us after the filing of the Original 10-K, and such forward-looking statements should be read in their historical context. Accordingly, this Amendment should be read in conjunction with the Original 10-K and our filings with the SEC made subsequent to the filing of the Original 10-K on June 14, 2016.

PART IV

Item 15. Exhibits and Financial Statement Schedules

The following documents are filed or incorporated by reference as part of this Annual Report:

1. The consolidated financial statements of the Company, as listed in Item 15 of the Original 10-K, are included in Item 8 of the Original 10-K.

2. The financial statement schedules and supplementary financial data of the Company, as listed in Item 15 of the Original 10-K, are included in Item 8 of the Original 10-K, including the Schedule of Investments in and Advances to Affiliates and the Reports of Independent Registered Public Accounting Firm.

   The financial statements and report of independent registered public accounting firm of Media Recovery, Inc. and its consolidated subsidiaries required by Rule 3-09 of Regulation S-X are provided as Exhibit 99.1 to this Amendment.

3. The exhibits listed in the Exhibit Index of the Original 10-K and this Amendment are filed with, or incorporated by reference in, this Annual Report.

SIGNATURES

Pursuant to the requirements 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

December 12, 2016	By: /s/ Bowen S. Diehl
Date	Bowen S. Diehl President and Chief Executive Officer
December 12, 2016	By: /s/ Michael S. Sarner
Date	Michael S. Sarner Chief Financial Officer

EXHIBIT INDEX

The following exhibits are included as part of this Amendment. Asterisk denotes exhibits filed with this Amendment. Double asterisk denotes exhibits furnished with this Amendment.

23.2 * Consent of Independent Auditors.

31.3 * Certification of President and Chief Executive Officer required by Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), filed herewith.

31.4 * Certification of Chief Financial Officer required by Rule 13a-14(a) or 15d-14(a) of the Exchange Act, filed herewith.

32.3 ** Certification of President and Chief Executive Officer required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code, furnished herewith.

32.4 ** Certification of Chief Financial Officer required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code, furnished herewith.

99.1 * Audited Consolidated Financial Statements of Media Recovery, Inc. as of September 30, 2016 and 2015 and for the years ended September 30, 2016, 2015 and 2014.

Exhibit 23.2

Consent of Independent Registered Public Accounting Firm

We consent to the inclusion of our report dated December 6, 2016, with respect to the consolidated financial statements of Media Recovery, Inc. as of September 30, 2016 and 2015 and for the years ended September 30, 2016, 2015 and 2014, as an exhibit to the Annual Report on Form 10-K/A of Capital Southwest Corporation for the fiscal year ended March 31, 2016, filed with the Securities and Exchange Commission. We consent to the incorporation by reference of said reports in the Registration Statements of Capital Southwest Corporation on Forms S-8 (File No. 333-207296, effective October 5, 2015; File No. 333-177433, effective October 21, 2011; File No. 333-177432, effective October 21, 2011; File No. 333-118681, effective August 31, 2004).

/s/ Whitley Penn LLP

Dallas, Texas

December 12, 2016

Exhibit 31.3

CERTIFICATIONS

I, Bowen S. Diehl, certify that:

1. I have reviewed this Amendment No. 1 to the annual report on Form 10-K of Capital Southwest Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report; and

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have;

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 12, 2016

By: /s/ Bowen S. Diehl
Bowen S. Diehl
President and Chief Executive Officer

Exhibit 31.4

CERTIFICATIONS

I, Michael S. Sarner, certify that:

1. I have reviewed this Amendment No. 1 to the annual report on Form 10-K of Capital Southwest Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report; and

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have;

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 12, 2016	By: /s/ Michael S. Sarner Michael S. Sarner Chief Financial Officer

Exhibit 32.3

Certification of the President

Pursuant to 18 US.C. Section, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Bowen S. Diehl, President of Capital Southwest Corporation, certify that, to my knowledge:

1. The Amendment No. 1 to the Annual Report of Capital Southwest Corporation on Form 10-K for the year ended March 31, 2016 as filed with the Securities and Exchange Commission on the date hereof ("accompanied 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 accompanied report fairly presents, in all material respects, the consolidated financial condition and results of operations of Capital Southwest Corporation.

Date: December 12, 2016

By: /s/ Bowen S. Diehl
Bowen S. Diehl
President and Chief Executive Officer

Exhibit 32.4

Certification of the Chief Financial Officer

Pursuant to 18 US.C. Section, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Michael S. Sarner, Chief Financial Officer of Capital Southwest Corporation, certify that, to my knowledge:

1. The Amendment No. 1 to the Annual Report of Capital Southwest Corporation on Form 10-K for the year ended March 31, 2016 as filed with the Securities and Exchange Commission on the date hereof ("accompanied 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 accompanied report fairly presents, in all material respects, the consolidated financial condition and results of operations of Capital Southwest Corporation.

Date: December 12, 2016

By: /s/ Michael S. Sarner
Michael S. Sarner
Chief Financial Officer

Exhibit 99.1

MEDIA RECOVERY, INC.

CONSOLIDATED FINANCIAL STATEMENTS

As of September 30, 2016 and 2015
and for the Years ended September 30, 2016, 2015, and 2014
with Report of Independent Auditors

MEDIA RECOVERY, INC.

CONSOLIDATED FINANCIAL STATEMENTS

As of September 30, 2016 and 2015
and for the Years ended September 30, 2016, 2015, and 2014

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholders of
Media Recovery, Inc.

We have audited the accompanying consolidated financial statements of Media Recovery, Inc. (the "Company") which comprise the consolidated balance sheets as of September 30, 2016 and 2015, and the related consolidated statements of operations and comprehensive income (loss), stockholders' equity, and cash flows for the years ended September 30, 2016, 2015, and 2014, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of September 30, 2016 and 2015, and the results of their operations and their cash flows for the years ended September 30, 2016, 2015, and 2014 in conformity with GAAP.

Emphasis of Matter

Goodwill

As discussed in Note B to the consolidated financial statements, the Company has changed its method of accounting for goodwill in the consolidated financial statements for the years ended September 30, 2016, 2015, and 2014, due to unwinding the effects of the adoption of Accounting Standards Update No. 2014-02, *Accounting for Goodwill*, *a Consensus of the Private Company Council* as the Company meets the definition of a public business entity. Our opinion is not modified with respect to this matter.

Redeemable Preferred Stock

As discussed in Note F to the consolidated financial statements, the Company has changed its classification for its mandatorily redeemable preferred stock in the consolidated financial statements as of September 30, 2016 and 2015, as the Company meets the definition of a public business entity and is no longer eligible for certain nonpublic company exceptions under Accounting Standards Codification 480, *Distinguishing Liabilities from Equity*. Our opinion is not modified with respect to this matter.

Whitley Penn LLP

Dallas, Texas
December 6, 2016

MEDIA RECOVERY, INC.

CONSOLIDATED BALANCE SHEETS

	September 30, 2016	September 30, 2015
Assets		
Current assets:		
Cash and cash equivalents	$ 4,125,854	$ 3,641,141
Accounts receivable - trade, net of allowance for doubtful accounts of $28,298 in 2016 and $54,997 in 2015	2,786,063	2,685,517
Accounts receivable, other	141,542	1,671,083
Inventories, net of allowance of $193,627 in 2016 and $455,940 in 2015	3,144,056	2,485,339
Prepaid expenses and other	126,502	74,387
Prepaid income taxes	-	878,255
Total current assets	10,324,017	11,435,722
Property and equipment, net	4,076,658	4,242,500
Other assets	43,202	55,452
Goodwill	19,403,349	19,403,349
Total assets	$ 33,847,226	$ 35,137,023
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 934,674	$ 779,019
Accrued liabilities	1,017,384	1,612,164
Income taxes payable	513,492	-
Total current liabilities	2,465,550	2,391,183
Long-term liabilities:		
Line of credit	-	-
Non-current deferred income taxes	2,094,755	1,629,563
Long-term accrued liabilities	97,334	123,870
Total liabilities	4,657,639	4,144,616
Commitments and contingencies		
Mandatorily redeemable preferred stock, $0.001 par value, $1 liquidating preference, 10,000,000 shares authorized, 5,850,000 shares issued and 800,000 shares outstanding	800,000	800,000
Stockholders' equity:		
Common stock, $0.001 par value, 20,000,000 shares authorized, 5,539,002 shares issued and 4,102,002 shares outstanding	5,539	5,539
Treasury common stock, 1,437,000 shares in 2016 and 2015, at cost	(13,712,275)	(13,712,275)
Additional paid-in capital	5,908,389	5,795,457
Other comprehensive income	966	2,070
Retained earnings	36,186,968	38,101,616
Total stockholders' equity	28,389,587	30,192,407
Total liabilities and stockholders' equity	$ 33,847,226	$ 35,137,023

See accompanying notes to consolidated financial statements.

MEDIA RECOVERY, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

	Year Ended September 30, 2016	2015	2014
Net sales	$ 20,423,432	$ 21,125,532	$ 21,300,336
Cost of sales	9,811,630	11,228,220	11,609,280
Gross profit	10,611,802	9,897,312	9,691,056
General and administrative expenses	7,883,368	9,392,459	7,393,256
Loss on disposal of property and equipment	-	315,182	-
Income from continuing operations	2,728,434	189,671	2,297,800
Interest expense	(305)	(11,351)	(108,660)
Interest income	-	-	17,272
Other	17,835	419,818	79,622
Income from continuing operations before income taxes	2,745,964	598,138	2,286,034
Income tax expense	1,344,602	527,123	650,778
Income from continuing operations	1,401,362	71,015	1,635,256
Discontinued operations Income from discontinued operations, net of tax	-	-	1,286,694
Loss on sale of discontinued operations, net of tax benefit	-	(119,310)	(2,017,569)
Loss from discontinued operations	-	(119,310)	(730,875)
Net income (loss)	$ 1,401,362	$ (48,295)	$ 904,381
Other comprehensive income (loss)			
Gain (loss) on cumulative translation adjustment	(1,104)	2,070	-
Comprehensive income (loss)	$ 1,400,258	$ (46,225)	$ 904,381

See accompanying notes to consolidated financial statements.

MEDIA RECOVERY, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Years Ended September 30, 2016, 2015 and 2014

	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Other Comprehensive Income (Loss)	Total
Balance at September 30, 2013	$ 5,539	$ (13,712,275)	$ 5,795,457	$ 37,245,530	$ -	$ 29,334,251
Net income	-	-	-	904,381	-	904,381
Balance at September 30, 2014	5,539	(13,712,275)	5,795,457	38,149,911	-	30,238,632
Cumulative translation adjustment	-	-	-	-	2,070	2,070
Net loss	-	-	-	(48,295)	-	(48,295)
Balance at September 30, 2015	5,539	(13,712,275)	5,795,457	38,101,616	2,070	30,192,407
Cumulative translation adjustment	-	-	-	-	(1,104)	(1,104)
Stock compensation expense	-	-	112,932	-	-	112,932
Dividends	-	-	-	(3,316,010)	-	(3,316,010)
Net income	-	-	-	1,401,362	-	1,401,362
Balance at September 30, 2016	$ 5,539	$ (13,712,275)	$ 5,908,389	$ 36,186,968	$ 966	$ 28,389,587

See accompanying notes to consolidated financial statements.

MEDIA RECOVERY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended September 30, 2016	2015	2014
Operating Activities			
Net income (loss)	$ 1,401,362	$ (48,295)	$ 904,381
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation	621,080	559,094	538,805
Deferred income taxes	465,192	1,048,056	(1,369,161)
Reserve for inventory obsolescence	-	619,000	904,116
Stock based compensation (forfeiture)	112,932	(441,258)	257,364
Loss on disposal of property and equipment	-	315,182	-
Changes in operating assets and liabilities:			
Accounts receivable, trade	(100,546)	759,302	(1,439,831)
Accounts receivable, other	1,529,541	5,192,990	(6,741,070)
Inventories	(658,717)	600,594	(535,113)
Prepaid expenses and other	(52,115)	262,583	596,069
Prepaid income taxes and income taxes payable	1,391,747	(44,180)	(786,959)
Other assets	12,250	58,031	98,959
Accounts payable	155,655	(176,946)	(513,402)
Accrued liabilities	(621,316)	(1,410,550)	452,891
Net cash provided by (used in) operating activities	4,257,065	7,293,603	(7,632,951)
Investing Activities			
Shocklog Holdings acquisition	-	-	(12,034,862)
Proceeds from note receivable	-	-	1,042,469
Purchases of property and equipment	(455,238)	(978,089)	(927,183)
Net cash used in investing activities	(455,238)	(978,089)	(11,919,576)
Financing Activities			
Payment of dividends	(3,316,010)	-	-
Proceeds from line of credit	-	-	36,697,582
Payments on line of credit	-	(2,754,794)	(33,942,788)
Net cash provided by (used in) financing activities	(3,316,010)	(2,754,794)	2,754,794
Effect of exchange rate changes on cash	(1,104)	2,070	-
Net cash provided by discontinued operations	-	-	16,871,488
Net increase in cash and cash equivalents	484,713	3,562,790	73,755
Cash and cash equivalents at beginning of year	3,641,141	78,351	4,596
Cash and cash equivalents at end of year	$ 4,125,854	$ 3,641,141	$ 78,351
Supplemental Disclosure of Cash Flow Information			
Cash paid during the year for interest	$ -	$ 28,042	$ 87,952
Cash paid during the year for income taxes	$ 133,080	$ 293,181	$ 2,137,100
Non-cash Transactions			
Deferred payment Shocklog Holdings acquisition	$ -	$ -	$ 633,414

See accompanying notes to consolidated financial statements.

MEDIA RECOVERY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of September 30, 2016 and 2015
and the Years ended September 30, 2016, 2015, and 2014

A. Nature of Business

Media Recovery, Inc. (the "Company") is a manufacturing and distribution company that manufactures shipping and handling monitors and recorders, which measure impact, temperature, and tilt of products during shipment and equipment monitors, used primarily to measure impact and other safety factors. The Company has two distribution and manufacturing facilities located in Graham, Texas and Loenen, Netherlands. The Company's corporate offices are located in Dallas, Texas.

B. Summary of Significant Accounting Policies

A summary of the Company's significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows:

Basis of Accounting

The accounts are maintained and the consolidated financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries ShockWatch, Inc.; MRI DPC; DataSpan, Inc.; Shocklog Holdings Limited; and ShockWatch Europe, B.V. All significant intercompany accounts and transactions have been eliminated in consolidation. MRI DPC and DataSpan were sold during 2014 and classified as discontinued operations in the accompanying consolidated financial statements, see Note L.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates and assumptions.

Foreign Currency Translation

All assets and liabilities in the balance sheet of foreign subsidiaries whose functional currency is other than the U.S. dollar are translated at year-end exchange rates. All revenues and expenses in the statement of operations, of these foreign subsidiaries, are translated at average exchange rates for the year. Translation gains and losses are not included in determining net income but are shown in other comprehensive income on the consolidated balance sheets. Foreign currency transaction gains and losses are included in determining net income.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. At September 30, 2016 and 2015, the Company had no such investments. The Company maintains deposits primarily in one financial institution, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation ("FDIC"). The Company has not experienced any losses related to amounts in excess of FDIC limits.

MEDIA RECOVERY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

Accounts Receivable

Accounts receivable are stated at amounts management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the consolidated financial statements. Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers comprising the Company’s customer base, and their dispersion across many different industries and geographies. One customer’s accounts receivable balance consisted of approximately 12% and 10% of the accounts receivable balance as of September 30, 2016 and 2015, respectively.

Inventories

Inventories are stated at the lower of cost or market value. Cost is principally determined by the weighted-average cost method, which approximates the first-in, first-out method. Inventories include factory overhead that is applied on the basis of labor costs and manufacturing expenses incurred, less allowances for obsolete items. The Company determines that items are slow moving or obsolete based on whether they have been sold or used in production between 180 and 365 days, or greater than 365 days, respectively, during the fiscal year. Such items are then specifically reviewed for obsolescence based on other criteria which include the frequency that these items are purchased, manufactured, and sold. The amount of the inventory reserve for each year presented is disclosed in Note D.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation. Depreciation is provided on the straight-line method over the assets’ estimated service lives. For major renewals and betterments that extend the useful lives are capitalized. Expenditures for maintenance and repairs are charged to expense in the period in which they are incurred, and betterments are capitalized. The cost of assets sold or abandoned and the related accumulated depreciation are eliminated from the accounts and any gains or losses are reflected in the accompanying consolidated statements of operations and comprehensive loss of the respective period. The estimated useful lives for buildings and improvements range from 10 to 39 years and for machinery and equipment range from 3 to 7 years.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of trade accounts receivable. The Company continually evaluates its customers’ financial condition and generally does not require collateral. Concentrations of credit risk with respect to trade accounts receivable are generally limited due to the large number of entities comprising the Company’s customer base. Additionally, credit losses have historically been within management’s expectations.

Revenue Recognition

The Company recognizes revenue on product sales upon the passage of title, which generally occurs upon shipment, or the rendering of services, and when collectability is deemed probable.

Presentation of Sales Tax

The states in which the Company operates and the counties within those states impose a sales tax on all of the Company’s sales to nonexempt customers. The Company collects that sales tax from customers and remits the entire amount to the applicable state. The Company’s accounting policy is to exclude the tax collected and remitted to the states from revenue and cost of sales.

Shipping and Handling Costs

Shipping and handling costs are included in cost of sales on the consolidated statements of operations and comprehensive income.

Advertising

The Company expenses advertising costs as incurred. Total advertising costs for the years ended September 30 2016, 2015, and 2014, were approximately $100, $400, and $21,000, respectively.

Stock Awards

The Company may, with the approval of its Board of Directors, grant stock awards for a fixed number of shares to employees with an exercise price equal to the fair value of the shares at the date of grant. The Company uses the Black-Scholes option valuation model for use in estimating the fair value of stock awards.

Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations.

Goodwill

In January 2014 the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) 2014-02 related to the accounting for goodwill by private companies. Under this guidance, private companies may elect to amortize goodwill over 10 years, or less than 10 years if the entity can demonstrate that another useful life is more appropriate, and to test goodwill for impairment only upon occurrence of a triggering event that indicates that the book value of the entity may exceed the fair value of the entity, as opposed to testing goodwill for impairment annually under prior accounting guidance. The accounting guidance was originally adopted by the Company for the fiscal year ending September 30, 2014, however, these consolidated financial statements were revised as the Company now meets the definition of a public business entity and is precluded from adopting ASU 2014-02.

The Company records goodwill when consideration paid in an acquisition exceeds the fair value of the assets acquired. Goodwill is not amortized, but rather is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable. The Company conducted their annual impairment test of goodwill as of September 30, 2016 and 2015. They have elected to first assess the qualitative factors to determine whether it is more likely than not that the fair value of the single reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment under GAAP. If the Company determines that it is more likely than not that its fair value is less than its carrying amount, then the two-step goodwill impairment test is performed. The first step, identifying a potential impairment, compares the fair value of the reporting unit with its carrying amount. If the carrying amount exceeds its fair value, the second step would need to be performed; otherwise, no further step is required. The second step, measuring the impairment loss, compares the implied fair value of the goodwill with the carrying amount of the goodwill. Any excess of the goodwill carrying amount over the applied fair value is recognized as an impairment loss, and the carrying value of goodwill is written down to fair value. No impairment of goodwill was required at September 30, 2016, 2015, and 2014.

Long-lived Assets

The Company evaluates its long-lived assets including goodwill, property, and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of these assets is measured by comparison of their carrying amounts to future undiscounted cash flows that the assets are expected to generate. If long-lived assets are considered to be impaired, the impairment to be recognized equals the amount by which the carrying value of the asset exceeds its fair market value and is recorded in the period the determination was made. Based upon management's assessment, there was no impairment of long- lived assets at September 30, 2016 or 2015.

Income Taxes

Deferred income taxes are determined using the asset and liability method of accounting for income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income taxes are measured using enacted tax rates expected to apply to taxable income in years in which such temporary differences are expected to be recovered or settled. The effect on deferred income taxes of a change in tax rates is recognized in the consolidated statement of operations of the period that includes the enactment date. In addition, a valuation allowance is established to reduce any deferred tax asset for which it is determined that it is more likely than not that some portion of the deferred tax asset will not be realized.

The Financial Accounting Standards Board issued ASU 2015-17 in November of 2015. The Company has early adopted this guidance for the year ended September 30, 2016. ASU 2015-17 eliminates the requirement to present deferred tax assets and liabilities as current and noncurrent amounts in a classified balance sheet. The new standard requires deferred tax liabilities and assets to be netted together and classified as noncurrent.

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction, various states, and foreign jurisdictions. The Company has not taken a tax position that, if challenged, would have a material effect on the financial statements or the effective tax rate for the year ended September 30, 2016, or during the prior three years. The Company and its subsidiaries are currently subject to a three-year statute of limitations by major tax jurisdictions.

Fair Value of Financial Instruments

The Company calculates the fair value of its assets and liabilities which qualify as financial instruments and includes this additional information in the notes to consolidated financial statements when the fair value is different than the carrying value of those financial instruments. The estimated fair value of accounts receivable (trade and other), accounts payable, and accrued liabilities approximate the carrying amounts due to the relatively short maturity of these instruments. The carrying value of the line of credit also approximates fair value since the instrument bears market rates of interest. None of these instruments are held for trading purposes.

C. Fair Value Measurements

GAAP defines fair value, establishes a framework for measuring fair value, and expands disclosures about assets and liabilities measured at fair value. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a three-tier hierarchy that is used to identify assets and liabilities measured at fair value. The hierarchy focuses on the inputs used to measure fair value and requires that the lowest level input be used. The three levels defined are as follows:

- Level 1 — observable inputs that are based upon quoted market prices for identical assets or liabilities within active markets.

- Level 2 — observable inputs other than Level 1 that are based upon quoted market prices for similar assets or liabilities, based upon quoted prices within inactive markets, or inputs other than quoted market prices that are observable through market data for substantially the full term of the asset or liability.

- Level 3 — inputs that are unobservable for the particular asset or liability due to little or no market activity and are significant to the fair value of the asset or liability. These inputs reflect assumptions that market participants would use when valuing the particular asset or liability.

MEDIA RECOVERY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

The Company holds no instruments which have fair value measured at Level 1 or Level 2. The Company's stock awards and goodwill were valued using Level 3 inputs of the fair value hierarchy contained in ASC 820-10, in accordance with policies disclosed in Note B, and are reflected in the accompanying consolidated balance sheets at fair value. The following table summarizes the fair value of the Company's Level 3 financial assets and liabilities as of September 30, 2016 and 2015:

	September 30, 2016	September 30, 2015
Assets:		
Goodwill	$ 19,403,349	$ 19,403,349

There were no changes to fair value for the Company's Goodwill using Level 3 inputs during the fiscal years ended September 30, 2016 and 2015.

D. Inventories

Inventories consist of the following as of September 30:

	2016	2015
Raw materials	$ 974,374	$ 1,038,549
Work-in-progress	331,612	343,966
Finished goods	2,031,697	1,558,764
Allowance for obsolescence	(193,627)	(455,940)
	$ 3,144,056	$ 2,485,339

E. Property and Equipment

Property and equipment consisted of the following at September 30:

	2016	2015
Land	$ 63,332	$ 63,332
Buildings & improvements	2,865,116	2,865,116
Machinery & equipment	6,803,184	6,354,651
Projects in progress	204,508	197,007
	9,936,140	9,480,106
Less: accumulated depreciation	(5,859,482)	(5,237,606)
	$ 4,076,658	$ 4,242,500

F. Mandatorily Redeemable Preferred Stock

In fiscal year 1998 the Company issued 5,850,000 shares of Series A preferred stock which are convertible into shares of voting common stock at the option of the holder at any time at the initial conversion price of $1.00 per share, resulting in an initial conversion rate of one fully paid and non-assessable share of voting common stock for each share of Series A preferred stock, subject to adjustment. During the year ended September 30, 2006, 5,050,000 preferred shares were converted to common shares. No preferred shares were converted to common shares during the years ended September 30, 2016, 2015, and 2014. Dividends are paid to holders of preferred stock concurrently with dividends paid to holders of common stock and such dividends do not accumulate. In addition, at any time on or after December 31, 2004, holders of preferred stock representing in the aggregate at least 10% of the then outstanding shares of Series A preferred stock may require the Company to redeem such stock for $1.00 per share. The Company has classified the Series A Preferred Stock as temporary equity in accordance with ASC Topic No. 480, *Distinguishing Liabilities from Equity*, which states that certain mandatorily redeemable financial instruments should be classified as temporary equity.

The Series A preferred stock has a $0.01 par value and a $1 liquidation preference. The Series A preferred stock could be redeemed through a cash payment if requested by the stockholders. Holders of preferred stock are not allowed to vote on matters submitted to a vote of the stockholders of the Company. However, certain corporate matters including dividend payments, issuances of certain stock awards, disposal of shares of capital stock, and a merger of the Company, require the consent of the holders of at least 85% of the then outstanding shares of Series A preferred stock. The Company has reserved 800,000 shares of common stock for the potential conversion of preferred stock. When the Company did not meet the definition of a public business entity it was eligible for certain nonpublic company exceptions under Accounting Standards Codification 480, *Distinguishing Liabilities from Equity*, and classified these redeemable preferred shares as equity.

G. Stockholders' Equity

Stock Awards

During October of 2010 the Company canceled all 160,260 phantom stock awards previously outstanding and granted 215,260 new phantom stock awards to key management employees. The 2010 phantom stock awards vested at the expiration of a 63 month period (December 31, 2014). The awards were not exercisable until the end of the period (December 31, 2014), and were to be automatically exercised by the Company between February 1, 2015 and February 28, 2015, entitling the employees to a cash payment at an amount equal to the excess of the value of a share of the Company's stock (as determined by the Board of Directors of a corporation that is the major stockholder of the Company) over the phantom award "exercise price" of $2.46 per share. The Company recorded compensation expense for valuing its phantom stock awards based on the Company's assessment of its enterprise value at each fiscal year end. In assessing such value, the Company considered its financial condition and operating results; the long-term potential of its business; the market for and recent sales prices of the Company's securities, if any; and the values of similar securities issued by companies in similar businesses. Two of the key management employees left the Company and forfeited 65,000 of the 2010 phantom stock awards.

During 2015 all remaining phantom stock awards were forfeited or expired. For the years ended September 30, 2016, 2015, and 2014, the Company recorded approximately $0, ($441,000), and $257,000, respectively, in compensation expense (benefit) associated with the issuance of forfeitures of phantom stock awards. As of September 30, 2016 and 2015, there was no phantom stock award liability.

Option Grants

During 2016 certain officers of the Company were granted options to purchase common shares of the Company. Option transactions for the year ended September 31, 2016, are as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
Balance at October 1, 2015	-	$ -	-
Granted	350,744	5.22	3.76
Balance at September 30, 2016	350,744	$ 5.22	3.76
Exercisable at September 30, 2016	51,600	$ 5.15	3.59

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

As of September 30, 2016, the range of exercise prices for outstanding options was $5.15 to $5.76.

All stock-based compensation must be recognized as an expense in the consolidated financial statements and such cost should be measured at the fair value of the award. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. The expected life of awards granted represents the period of time that they are expected to be outstanding. The Company determined the initial expected life based on a simplified method, giving consideration to the contractual terms, vesting schedules, and pre-vesting and post-vesting forfeitures.

The fair value of options granted for the year ended September 30, 2016, was estimated to be $550,262 at the date of grant using a Black-Scholes option-pricing model using the following weighted average assumptions at the date of grant:

Risk-free interest rate	1.63%
Expected option life	6.5 years
Expected stock volatility	23.61%
Expected dividend yields	-

The expected stock volatility was calculated by averaging the historical volatility of a comparable public entity. As of September 30, 2016, all options were outstanding.

During the year ended September 30, 2016, the Company recorded $112,932 of stock-based compensation related to the awards, which is included in general and administrative expense in the accompanying consolidated statement of operations. Total unamortized stock-based compensation expense at September 30, 2016, was $437,330 and will be expensed ratably through 2021. There was no stock-based compensation expense or unamortized expense as of or for the years ended September 30, 2015 and 2014.

H. Line of Credit

The Company maintains a financing arrangement with a bank. The line of credit requires compliance with certain financial covenants and is secured by substantially all of the assets of the Company. Outstanding amounts bear interest at the prime or LIBOR rate plus an applicable margin (2.25% at September 30, 2016). The Company had no debt outstanding as of September 30, 2016 and 2015. There was approximately $2,755,000 outstanding under this line of credit at September 30, 2014, which was paid off in 2015. The line of credit matured in 2016 but was extended until March 19, 2017.

I. Income Taxes

Significant components of the provision for income taxes are as follows:

	2016	2015
Current	$ (879,410)	$ 582,396
Deferred	(465,192)	(1,048,056)
Less: income tax expense from discontinued operations	-	(61,463)
Total income tax expense from continuing operations	$ (1,344,602)	$ (527,123)

The difference between income tax expense and tax expense computed by applying the federal statutory income tax rate to income before taxes is due primarily to the effect of nondeductible goodwill impairment, applicable state income taxes, foreign tax credits, and nondeductible meals and entertainment expense. Deferred tax assets and liabilities for the years ended September 30, consisted of the following:

	2016	2015
Deferred tax assets (liabilities):		
Allowance for doubtful accounts	$ 10,753	$ 20,899
Inventory reserves	73,578	173,257
Other accruals	191,356	141,703
Deferred compensation	760	760
Charitable contributions	1,959	1,442
State NOL	109,093	101,805
Foreign tax credit	899,034	444,601
Depreciation	(497,122)	(418,175)
Goodwill	(1,025,287)	(1,025,287)
Unrepatriated foreign earnings	(959,845)	(625,967)
Valuation allowance for deferred tax assets	(899,034)	(444,601)
Net deferred tax liability	$ (2,094,755)	$ (1,629,563)

J. Employee Benefit Plan

The Company has a 401(k) deferred compensation plan for all eligible employees. Active participants may contribute up to 90% of their annual compensation, subject to annual limit established by the government. The Company matches 50% of the employees' contributions up to 6% of the employees' salaries. Effective November 30, 2015, the Plan merged into the Capital Southwest Management Corporation Employee Savings Plan. For the years ended September 30, 2016, 2015, and 2014, the Company recognized approximately $111,000, $128,000, and $284,000, respectively, of expense related to this Plan.

K. Commitments and Contingencies

Operating Leases

The Company leases operating facilities and equipment under non-cancelable operating leases. Lease agreements expire at various dates through 2021. Associated rent expense for the years ended September 30, 2016, 2015, and 2014, was approximately $128,000, $148,000, and $308,000, respectively. As a result of escalating lease payments, the Company has recorded deferred rent of approximately $124,000 and $148,000 as of September 30, 2016 and 2015, respectively, included in accrued liabilities and long-term accrued liabilities in the accompanying consolidated balance sheets.

Future minimum payments under non-cancelable operating leases with initial terms of one year or more consisted of the following at September 30, 2016:

2017	$ 132,000
2018	132,000
2019	132,000
2020	132,000
2021	88,000
Total minimum lease payments	$ 616,000

MEDIA RECOVERY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

Litigation

The Company is subject to legal proceedings and claims that arise in the ordinary course of operations. As of September 30, 2016 and 2015, the Company has no known material legal contingencies.

L. Discontinued Operations

On October 14, 2013, the Company sold substantially all the assets of MRI DPC, Inc. for a purchase price of approximately $6.3 million, which included a working capital price adjustment of approximately $207,000.

On September 30, 2014, the Company sold substantially all the assets of DataSpan, Inc. for a purchase price of approximately $8.7 million, which included a working capital price adjustment of approximately $2.3 million. The Company incurred a net loss of $119,310 and $730,875 on the sale of the entity for 2015. No gain or loss was recorded in 2016.

The operations of both entities net of applicable income taxes, are presented as discontinued operations and comprehensive income for the years ended September 30, 2016, 2015, and 2014, in the accompanying consolidated statements of operations and comprehensive income. Interest expense was not allocated to the reporting unit and, therefore, all of the Company's interest expense is included in continuing operations.

	2016	2015	2014
Income from discontinued operations	$ -	$ -	$ 910,183
Loss on sale of discontinued operations		(180,773)	(2,017,569)
Income tax benefit	-	61,463	376,511
Net loss from discontinued operations	$ -	$ (119,310)	$ (730,875)
Net sales from discontinued operations	$ -	$ -	$ 71,497,005

M. Subsequent Events

Management has evaluated and considered disclosure of subsequent events up to and including December 6, 2016, which is the date the consolidated financial statements were available for issuance.