

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, 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 July 31, 1999

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARY
Consolidated Statements of Financial Condition

Assets	June 30, 1999	March 31, 1999
	(Unaudited)	
Investments at market or fair value		
Companies more than 25% owned (Cost: June 30, 1999 - \$21,890,818, March 31, 1999 - \$22,130,818)	\$ 231,588,359	\$ 231,819,359
Companies 5% to 25% owned (Cost: June 30, 1999 - \$12,941,914, March 31, 1999 - \$18,841,914)	19,696,160	31,596,160
Companies less than 5% owned (Cost: June 30, 1999 - \$33,253,282 March 31, 1999 - \$32,607,282)	93,867,326	86,862,983
Total investments (Cost: June 30, 1999 - \$68,086,014,		

March 31, 1999 - \$73,580,014)	345,151,845	350,278,502
Cash and cash equivalents	18,849,617	6,050,443
Receivables	377,028	315,707
Other assets	4,273,988	4,141,136
	-----	-----
Totals	\$ 368,652,478	\$ 360,785,788
	=====	=====
Liabilities and Shareholders' Equity		
Accrued interest and other liabilities	\$ 1,890,403	\$ 2,023,625
Income taxes payable	3,013,220	282,741
Deferred income taxes	97,403,757	97,247,457
Subordinated debenture	5,000,000	5,000,000
	-----	-----
Total liabilities	107,307,380	104,553,823
	-----	-----
Shareholders' equity		
Common stock, \$1 par value: authorized, 5,000,000 shares; issued, 4,252,416 shares at June 30, 1999 and March 31, 1999	4,252,416	4,252,416
Additional capital	6,450,747	6,450,747
Undistributed net investment income	4,527,605	4,743,205
Undistributed net realized gain on investments	72,683,799	67,593,409
Unrealized appreciation of investments - net of deferred income taxes	180,463,833	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 \$68.50 per share at June 30, 1999, and \$67.16 per share at March 31, 1999 on the 3,815,051 shares outstanding	261,345,098	256,231,965
	-----	-----
Totals	\$ 368,652,478	\$ 360,785,788
	=====	=====

(See Notes to Consolidated Financial Statements)

CAPITAL SOUTHWEST CORPORATION
AND SUBSIDIARY
Consolidated Statements of Operations

(Unaudited)

	Three Months Ended June 30	
	1999	1998
	----	----
Investment income:		
Interest	\$ 331,288	\$ 402,847
Dividends	403,319	820,747
Management and directors' fees	159,076	137,350
	-----	-----
	893,683	1,360,944
	-----	-----
Operating expenses:		
Interest	102,008	102,008
Salaries	163,623	223,819
Net pension expense (benefit)	(77,906)	(78,378)
Other operating expenses	131,248	245,382
	-----	-----
	318,973	492,831
	-----	-----
Income before income taxes	574,710	868,113
Income tax expense	27,300	27,400
	-----	-----
Net investment income	\$ 547,410	\$ 840,713
	=====	=====
Proceeds from disposition of investments	\$ 12,885,369	\$ 761,837
Cost of investments sold	5,054,000	--
	-----	-----
Realized gain on investments before income taxes	7,831,369	761,837
Income tax expense	2,740,979	266,643
	-----	-----
Net realized gain on investments	5,090,390	495,194
	-----	-----
Increase in unrealized appreciation of investments before income taxes	367,343	4,616,353
Increase in deferred income taxes on appreciation of investments	129,000	1,617,000
	-----	-----
Net increase in unrealized appreciation of investments	238,343	2,999,353
	-----	-----
Net realized and unrealized gain on investments	\$ 5,328,733	\$ 3,494,547
	=====	=====
Increase in net assets from operations	\$ 5,876,143	\$ 4,335,260
	=====	=====

(See Notes to Consolidated Financial Statements)

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

	Three Months Ended June 30, 1999 ----- (Unaudited)	Year Ended March 31, 1999 -----
Operations		
Net investment income	\$ 547,410	\$ 1,761,718
Net realized gain on investments	5,090,390	994,949
Net increase (decrease) in unrealized appreciation of investments	238,343	(41,232,545)
	-----	-----
Increase (decrease) in net assets from operations	5,876,143	(38,475,878)
Distributions from:		
Undistributed net investment income	(763,010)	(2,280,411)
Capital share transactions		
Exercise of employee stock options	--	965,438
	-----	-----
Increase (decrease) in net assets	5,113,133	(39,790,851)
Net assets, beginning of period	256,231,965	296,022,816
	-----	-----
Net assets, end of period	\$ 261,345,098 =====	\$ 256,231,965 =====

(See Notes to Consolidated Financial Statements)

CAPITAL SOUTHWEST CORPORATION
AND SUBSIDIARY
Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended June 30	
	1999	1998
	----	----
Cash flows from operating activities		
Increase in net assets from operations	\$ 5,876,143	\$ 4,335,260
Adjustments to reconcile increase in net assets from operations to net cash provided by operating activities:		
Depreciation and amortization	6,975	5,825
Net pension benefit	(77,906)	(78,378)
Net realized and unrealized gain on investments	(5,328,733)	(3,494,547)
Increase in receivables	(61,321)	(314,318)
Increase in other assets	(24,282)	(61,387)
Decrease in accrued interest and other liabilities	(181,361)	(253,243)
Deferred income taxes	27,300	27,400
	-----	-----
Net cash provided by operating activities	236,815	166,612
	-----	-----
Cash flows from investing activities		
Proceeds from disposition of investments	12,885,369	761,837
Purchases of securities	(400,000)	(6,422,749)
Maturities of securities	840,000	451,539
	-----	-----
Net cash provided (used) by investing activities	13,325,369	(5,209,373)
	-----	-----
Cash flows from financing activities		
Decrease in note payable to bank	--	(100,000,000)
Distributions from undistributed net investment income	(763,010)	(757,590)
	-----	-----
Net cash used by financing activities	(763,010)	(100,757,590)
	-----	-----
Net increase (decrease) in cash and cash equivalents	12,799,174	(105,800,351)
Cash and cash equivalents at beginning of period	6,050,443	117,047,920
	-----	-----
Cash and cash equivalents at end of period	\$ 18,849,617	\$ 11,247,569
	=====	=====
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	\$ 199,452	\$ 217,288
Income taxes	\$ 10,500	\$ 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 June 30 -----	
	1999	1998
Investment income	\$.23	\$.36
Operating expenses	(.05)	(.10)
Interest expense	(.03)	(.03)
Income taxes	(.01)	(.01)
	-----	-----
Net investment income	.14	.22
Net realized gain on investments	1.34	.13
Net increase in unrealized appreciation of investments	.06	.79
Distributions from undistributed net investment income	(.20)	(.20)
	-----	-----
Net increase in net asset value	1.34	.94
Net asset value:		
Beginning of period	67.16	78.15
	-----	-----
End of period	\$68.50	\$79.09
	=====	=====
Shares outstanding at end of period (000s omitted)	3,815	3,788

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

Net asset value at June 30, 1999 was \$261,345,098, equivalent to \$68.50 per share after deducting an allowance of \$25.32 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 12.7% during the past twelve months and an increase of 2.3% during the past three months.

	June 30, 1999	June 30, 1998
	----	----
Net assets	\$261,345,098	\$299,600,486
Shares outstanding	3,815,051	3,787,951
Net assets per share	\$68.50	\$79.09

Interest income in the three months ended June 30, 1999 decreased from the year-ago period primarily because of a decrease in average idle funds invested. During the three months ended June 30, 1999 and 1998, the Company recorded dividend income from the following sources:

	Three Months Ended June 30	
	-----	-----
	1999	1998
	----	----
Alamo Group Inc.	\$292,600	\$292,600
Kimberly-Clark Corporation	20,067	19,295
The RectorSeal Corporation	--	240,000
Skylawn Corporation	--	150,000
The Whitmore Manufacturing Company	--	60,000
AT&T	29,314	--
TCI Holdings, Inc./Westmarc Communications, Inc.	20,318	20,318
Other	41,020	38,534
	-----	-----
	\$403,319	\$820,747
	=====	=====

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

During the three months ended June 30, 1999, the Company reported a realized gain before income taxes of \$7,831,369. 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 changes in deferred taxes and excluding the effect of gains or losses realized during the periods) by portfolio company:

	Three Months Ended June 30	
	----- 1999	----- 1998
AT&T/Tele-Communications - TCI Group	346,993	837,399
AT&T-Liberty Media Group/Tele-Communications LM & TCI Ventures Goup	3,541,206	774,859
American Homestar Corporation	(375,530)	985,765
Balco, Inc.	--	1,904,680
Dyntec, Inc.	(3,749,998)	--
Encore Wire Corporation	--	(2,104,000)
Kimberly-Clark Corporation	699,444	(328,015)
Mail-Well, Inc.	2,097,000	2,082,000
Mylan Laboratories, Inc.	(120,268)	930,074
PETSMART, Inc.	1,431,106	(470,221)

During the quarter ended June 30, 1999, the Company made a new investment of \$100,000 and an additional investment of \$300,000 in an existing portfolio company.

The Company has agreed, subject to certain conditions, to invest up to \$6,000,000 in six 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.

PART II. OTHER INFORMATION

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: August 5, 1999 By: /s/ William R. Thomas

William R. Thomas, President

Date: August 5, 1999 By: /s/ Tim Smith

Tim Smith, Vice President and Secretary-Treasurer

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

0000017313
Capital Southwest Corporation

1
US Dollars

3-MOS

	MAR-31-1999	APR-01-1999	JUN-30-1999
			1
	68,086,014		
	345,151,845		
		377,028	
		4,273,988	
	18,849,617		
		368,652,478	
	0		
	5,000,000		
102,307,380			
	107,307,380		
		0	
	3,669,861		
	3,815,051		
	3,815,051		
4,527,605			
	0		
	72,683,799		
	0		
180,463,833			
		261,345,098	
		403,319	
		331,288	
		159,076	
		318,973	
	547,410		
	5,090,390		
238,343			
	5,876,143		
		0	
	763,010		
	0		
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		0	
0			
		0	
	5,113,133		
	4,743,205		
67,593,409			
	0		
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		102,008	
		318,973	
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	67.16		
		.14	
	1.40		
	(.20)		
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		68.50	
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[AVG-DEBT-OUTSTANDING]
[AVG-DEBT-PER-SHARE]

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