

CAPITAL SOUTHWEST CORP  
Form 10-Q  
August 07, 2015

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2015

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, Dallas, Texas 75240  
(Address of principal executive offices) (Zip Code)

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

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 filings). Yes No

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

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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 Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

15,583,332 shares of Common Stock, \$0.25 value, as of August 6, 2015

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## TABLE OF CONTENTS

	<u>Page</u>
PART I FINANCIAL INFORMATION	
Item 1. <u>Consolidated Financial Statements</u>	3
<u>Consolidated Statements of Assets and Liabilities June 30, 2015 (Unaudited) and March 31, 2015</u>	3
<u>Consolidated Statements of Operations (Unaudited) For the three months ended June 30, 2015 and June 30, 2014</u>	4
<u>Consolidated Statements of Changes in Net Assets (Unaudited) For the three months ended June 30, 2015 and June 30, 2014</u>	5
<u>Consolidated Statements of Cash Flows (Unaudited) For the three months ended June 30, 2015 and June 30, 2014</u>	6
<u>Consolidated Schedule of Investments June 30, 2015 (Unaudited) and March 31, 2015</u>	7
<u>Notes to Consolidated Financial Statements</u>	13
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	32
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	36
Item 4. <u>Controls and Procedures</u>	36
PART II OTHER INFORMATION	
Item 1. <u>Legal Proceedings</u>	37
Item 1A. <u>Risk Factors</u>	37
Item 6. <u>Exhibits</u>	37
<u>Signatures</u>	38

Table of Contents

## PART I – FINANCIAL INFORMATION

## Item 1. Consolidated Financial Statements

## CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

(In thousands of dollars, except shares and per share data)

	June 30, 2015 (Unaudited)	March 31, 2015
Assets		
Investments at market or fair value		
Companies more than 25% owned (Cost: June 30, 2015 - \$12,396, March 31, 2015 - \$12,396)	\$ 495,653	\$489,415
Companies 5% to 25% owned (Cost: June 30, 2015 - \$5,443, March 31, 2015 - \$6,944)	5,961	8,345
Companies less than 5% owned (Cost: June 30, 2015 - \$54,745, March 31, 2015 - \$45,620)	45,791	37,776
Total investments (Cost: June 30, 2015 - \$72,584, March 31, 2015 - \$64,960)	547,405	535,536
Cash and cash equivalents	212,623	225,797
Receivables		
Dividends and interest	95	77
Other	4,176	4,246
Income tax receivable	684	95
Net pension assets	10,412	10,294
Other assets	742	827
Total assets	\$ 776,137	\$776,872
Liabilities		
Other liabilities		
Accrued restoration plan liability	\$ 2,212	\$4,923
Deferred income taxes	3,109	3,119
Total liabilities	2,030	1,412
	7,351	9,454
Net Assets		
Common stock, \$0.25 par value: authorized, 25,000,000 shares; issued, 17,922,844 shares at June 30, 2015 and 17,904,844 shares at March 31, 2015	4,481	4,476
Additional capital	299,079	298,338
Accumulated net investment loss	(8,762)	(4,390)
Accumulated net realized gain	23,104	22,355
Unrealized appreciation of investments	474,821	470,576
Treasury stock - at cost, 2,339,512 shares	(23,937)	(23,937)
Total net assets	768,786	767,418
Total liabilities and net assets	\$ 776,137	\$776,872
Net asset value per share (15,583,332 shares outstanding at June 30, 2015 and 15,565,332 at March 31, 2015)	\$ 49.33	\$49.30

The accompanying Notes are an integral part of these Consolidated Financial Statements.



Table of Contents

## CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands)

	Three Months Ended June 30,	
	2015	2014
Investment income:		
Interest	\$459	\$140
Dividends	300	500
Management fees and other income	205	140
	964	780
Operating expenses:		
Salaries	1,212	1,302
Share-based compensation expense	359	116
Net pension (benefit) expense	(70 )	44
Professional fees	1,538	390
Other operating expenses	725	478
	3,764	2,330
Loss before income taxes	(2,800)	(1,550 )
Income tax expense(benefit)	30	(67 )
Net investment loss	\$(2,830)	\$(1,483 )
Proceeds from disposition of investments	7,894	3,203
Cost of investments sold	(7,145)	(18,916)
Net realized gain (loss) on investments	749	(15,713)
Net increase in unrealized appreciation of investments	4,245	36,917
Net realized and unrealized gain on investments	\$4,994	\$21,204
Increase in net assets from operations	\$2,164	\$19,721

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Table of Contents

## CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(Unaudited)

(In thousands)

	Three Months Ended June 30, 2015      2014	
Operations:		
Net investment loss	\$(2,830)	\$(1,483 )
Net realized gain (loss) on investments	749	(15,713)
Net increase in unrealized appreciation of investments	4,245	36,917
Increase in net assets from operations	2,164	19,721
Distributions from:		
Undistributed net investment loss	(1,542)	(1,541 )
Undistributed net realized gain	-	-
Capital share transactions:		
Exercise of employee stock options	387	-
Share-based compensation expense		