

CAPITAL SOUTHWEST CORP
Form 10-Q
November 07, 2013

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 September 30, 2013

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: 814-61

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.)

12900 Preston Road, Suite 700, Dallas, Texas 75230
(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):

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

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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.

15,258,864 shares of Common Stock, \$0.25 par value, as of November 7, 2013

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PART I – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

(In thousands except per share data)

	September 30 2013 (Unaudited)	March 31 2013
Assets		
Investments at market or fair value		
Companies more than 25% owned (Cost: September 30, 2013 - \$13,711; March 31, 2013 - \$13,711)	\$ 369,912	\$344,790
Companies 5% to 25% owned (Cost: September 30, 2013 - \$15,594; March 31, 2013 - \$15,594)	193,356	157,394
Companies less than 5% owned (Cost: September 30, 2013 - \$68,783; March 31, 2013 - \$58,961)	76,748	72,003
Total investments (Cost: September 30, 2013 - \$98,088, March 31, 2013 - \$88,266)	640,016	574,187
Cash and cash equivalents	68,182	81,767
Receivables		
Dividends and interest	2,485	2,465
Affiliates	520	291
Pension assets	8,908	8,762
Other assets	146	200
Total assets	\$ 720,257	\$667,672
Liabilities		
Other liabilities	\$ 2,531	\$3,102
Accrued pension cost	2,884	2,650
Deferred income taxes	2,112	2,143
Total liabilities	7,527	7,895
Net Assets		
Common stock, \$.25 par value: authorized, 25,000,000 shares; issued, 17,598,376 shares at September 30, 2013 and 17,576,776 at March 31, 2013	4,400	4,394
Additional capital	184,470	183,668
Accumulated net investment loss	(4,623)	(706)
Accumulated net realized gain	10,492	10,437
Unrealized appreciation of investments	541,928	485,921
Treasury stock - at cost on 2,339,512 shares	(23,937)	(23,937)
Total net assets	712,730	659,777
Total liabilities and net assets	\$ 720,257	\$667,672
Net asset value per share (on the 15,258,864 shares outstanding at September 30, 2013 and 15,237,264 at March 31, 2013)	\$ 46.71	\$43.30

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

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CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands)

	Three Months Ended September 30		Six Months Ended September 30	
	2013	2012	2013	2012
Investment income:				
Interest	\$ 289	\$ 591	\$ 619	\$ 1,178
Dividends	545	668	1,090	1,240
Management and directors' fees	143	85	323	377
	977	1,344	2,032	2,795
Operating expenses:				
Salaries	1,398	746	2,867	1,363
Stock option expense	175	15	349	272
Net pension expense (benefit)	96	58	87	(17)
Professional fees	188	269	413	576
Other operating expenses	345	350	791	663
	2,202	1,438	4,507	2,857
Loss before income taxes	(1,225)	(94)	(2,475)	(62)
Income tax expense (benefit)	(34)	27	(82)	40
Net investment loss	\$(1,191)	\$(121)	\$(2,393)	\$(102)
Proceeds from disposition of investments	\$-	\$-	\$55	\$67,505
Cost of investments sold	-	7	-	624
Net realized gain (loss) on investments	-	(7)	55	66,881
Net increase (decrease) in unrealized appreciation of investments	45,615	50,321	56,007	(28,200)