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CAPITAL SOUTHWEST CORP
Form 40-17F2
November 15, 2006

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

FORM N-17f-2

Certificate of Accounting of Securities and Similar
Investments in the Custody of
Management Investment Companies

Pursuant to Rule 17f-2 [17 CFR 270.17f-2]

1. Investment Company Act File Number: Date examination completed:
811-1056 October 2, 2006

2. State identification Number:

AL	AK	AZ	AR	CA	CO
CT	DE	DC	FL	GA	HI
ID	IL	IN	IA	KS	KY
LA	ME	MD	MA	MI	MN
MS	MO	MT	NE	NV	NH
NJ	NM	NY	NC	ND	OH
OK	OR	PA	RI	SC	SD
TN	TX	UT	VT	VA	WA
WV	WI	WY	PUERTO RICO		

Other (specify):

3. Exact name of investment company as specified in registration statement:
Capital Southwest Corporation

4. Address of principal executive office (number, street, city, state, zip code):
12900 Preston Road, Suite 700, Dallas, Texas 75230

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examining, on a test basis, evidence about the Company's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. Included among our procedures were the following tests performed as of October 2, 2006, and with respect to agreement of security purchases and sales, for the period from March 31, 2006 (the date of the last examination) through October 2, 2006:

- o Count and inspection of all securities located in the vault of JPMorgan Chase & Co. Safekeeping Department in New York City, New York.
- o Confirmation of all securities held by Citigroup Smith Barney.
- o Reconciliation of all such securities to the books and records of the Company.
- o Agreement of two security purchases and one security sale since our last report from the books and records of the Company to the Company's bank statements.

We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Company's compliance with specified requirements.

In our opinion, management's assertion that Capital Southwest Corporation and subsidiary complied with the requirements of subsections (b) and (c) of rule 17f-2 of the Investment Company Act of 1940 as of October 2, 2006, with respect to securities reflected in the investment account of the Company is fairly stated, in all material respects.

This report is intended solely for the information and use of management and the Board of Directors of Capital Southwest Corporation and subsidiary and the Securities and Exchange Commission and is not intended to be and should not be used by anyone other than these specified parties.

/s/ Grant Thornton LLP

Dallas, Texas
October 16, 2006

Management Statement Regarding Compliance With Certain Provisions of the Investment Company Act of 1940

We, as members of management of Capital Southwest Corporation and subsidiary (the "Company"), are responsible for complying with the requirements of subsections (b) and (c) of rule 17f-2, "Custody of Investments by Registered Management Investment Companies," of the Investment Company Act of 1940. We are also responsible for establishing and maintaining effective internal controls over compliance with those requirements. We have performed an evaluation of the Company's compliance with the requirements of subsections (b) and (c) of rule 17f-2 as of October 2, 2006 and from March 31, 2006 through October 2, 2006.

Based on this evaluation, we assert that the Company was in compliance with the requirements of subsections (b) and (c) of rule 17f-2 of the Investment Company Act of 1940 as of October 2, 2006, and from March 31, 2006 through October 2,

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2006, with respect to securities reflected in the investment account of the Company.

Capital Southwest Corporation
[Name of Company]

/s/ Susan K. Hodgson
[Name]

Secretary-Treasurer
[Title]

October 2, 2006
[Date]