

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

SCHEDULE 13D
(RULE 13d-101)

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT
TO RULE 13d-1(a) AND AMENDMENTS THERETO FILED PURSUANT TO
RULE 13d-2(a)

(Amendment No.)(1)

Capital Southwest Corporation

(Name of Issuer)

Common Stock, \$1 Par Value

(Title of Class of Securities)

140501107

(CUSIP Number)

STEVEN WOLOSKY, ESQ.
OLSHAN GRUNDMAN FROME ROSENZWEIG & WOLOSKY LLP
Park Avenue Tower
65 East 55th Street
New York, New York 10022
(212) 451-2300

(Name, Address and Telephone Number of Person
Authorized to Receive Notices and Communications)

August 16, 2007

(Date of Event Which Requires Filing of This Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1(e), 13d-1(f) or 13d-1(g), check the following box .

NOTE. Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. SEE Rule 13d-7 for other parties to whom copies are to be sent.

(Continued on following pages)

(Page 1 of 14 Pages)

(1) The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, SEE the NOTES).

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1	NAME OF REPORTING PERSONS
	I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

NED SHERWOOD

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP* (a) / /
(b) /X/

3 SEC USE ONLY

4 SOURCE OF FUNDS*

00

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e) / /

6 CITIZENSHIP OR PLACE OF ORGANIZATION

U.S.A.

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH 7 SOLE VOTING POWER

49,938

8 SHARED VOTING POWER

184,554

9 SOLE DISPOSITIVE POWER

73,938

10 SHARED DISPOSITIVE POWER

184,554

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

258,492

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES* / /

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

6.6%

14 TYPE OF REPORTING PERSON*

IN

*SEE INSTRUCTIONS BEFORE FILLING OUT!

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1 NAME OF REPORTING PERSONS I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

ZS CROSSOVER II GP, L.L.C.

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP* (a) / /
(b) /X/

3 SEC USE ONLY

4 SOURCE OF FUNDS*

00

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e) / /

6 CITIZENSHIP OR PLACE OF ORGANIZATION

DELAWARE

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH

7	SOLE VOTING POWER	-0-
8	SHARED VOTING POWER	174,332
9	SOLE DISPOSITIVE POWER	-0-
10	SHARED DISPOSITIVE POWER	174,332

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
174,332

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES* / /

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)
4.5%

14 TYPE OF REPORTING PERSON*
PN

=====

*SEE INSTRUCTIONS BEFORE FILLING OUT!

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1 NAME OF REPORTING PERSONS
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)
ZS CROSSOVER II L.P.

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP* (a) / /
(b) /X/

3 SEC USE ONLY

4 SOURCE OF FUNDS*
WC

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e) / /

6 CITIZENSHIP OR PLACE OF ORGANIZATION
DELAWARE

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER	-0-
	8	SHARED VOTING POWER	106,342
	9	SOLE DISPOSITIVE POWER	-0-
	10	SHARED DISPOSITIVE POWER	106,342

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

106,342

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES*

/ /

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

2.8%

14 TYPE OF REPORTING PERSON*

PN

*SEE INSTRUCTIONS BEFORE FILLING OUT!

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1 NAME OF REPORTING PERSONS
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

ZS SPECIAL I L.P.

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP*

(a) / /

(b) /X/

3 SEC USE ONLY

4 SOURCE OF FUNDS*

WC

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e)

/ /

6 CITIZENSHIP OR PLACE OF ORGANIZATION

DELAWARE

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH

7 SOLE VOTING POWER

-0-

8 SHARED VOTING POWER

67,990

9 SOLE DISPOSITIVE POWER

-0-

10 SHARED DISPOSITIVE POWER

67,990

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

67,990

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES*

/ /

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

1.3%

14 TYPE OF REPORTING PERSON*

PN

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*SEE INSTRUCTIONS BEFORE FILLING OUT!

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1 NAME OF REPORTING PERSONS
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

MRMP TRUST

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP* (a) / /
(b) /X/

3 SEC USE ONLY

4 SOURCE OF FUNDS*

00

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED / /
PURSUANT TO ITEM 2(d) OR 2(e)

6 CITIZENSHIP OR PLACE OF ORGANIZATION

SOUTH DAKOTA

NUMBER OF 7 SOLE VOTING POWER
SHARES

BENEFICIALLY 49,938
OWNED BY

EACH 8 SHARED VOTING POWER
REPORTING

PERSON WITH -0-

9 SOLE DISPOSITIVE POWER

49,938

10 SHARED DISPOSITIVE POWER

-0-

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING
PERSON

49,938

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES / /
CERTAIN SHARES*

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

LESS THAN 1%

14 TYPE OF REPORTING PERSON*

00

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*SEE INSTRUCTIONS BEFORE FILLING OUT!

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1 NAME OF REPORTING PERSONS
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

THE NED AND EMILY SHERWOOD FOUNDATION

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP* (a) / /
(b) /X/

3 SEC USE ONLY

4 SOURCE OF FUNDS*
00

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED
PURSUANT TO ITEM 2(d) OR 2(e) / /

6 CITIZENSHIP OR PLACE OF ORGANIZATION
DELAWARE

7 SOLE VOTING POWER
-0-

8 SHARED VOTING POWER
10,222

9 SOLE DISPOSITIVE POWER
-0-

10 SHARED DISPOSITIVE POWER
10,222

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING
PERSON
10,222

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES
CERTAIN SHARES* / /

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)
LESS THAN 1%

14 TYPE OF REPORTING PERSON*
00

*SEE INSTRUCTIONS BEFORE FILLING OUT!

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The following constitutes the Schedule 13D filed by the undersigned (the "Schedule 13D").

Item 1. SECURITY AND ISSUER.

This statement relates to shares of the Common Stock, \$1 Par Value (the "Shares"), of Capital Southwest Corporation (the "Issuer"). The address of the principal executive offices of the Issuer is 12900 Preston Road, Suite 700, Dallas, Texas 75230.

Item 2. IDENTITY AND BACKGROUND.

(a) This statement is being filed by Ned Sherwood, ZS Crossover II GP, L.L.C. ("Crossover GP"), a Delaware limited liability company, ZS Crossover II L.P. ("Crossover II"), a Delaware limited partnership, ZS Special I L.P. ("Special I"), a Delaware limited partnership, MRMP Trust ("MRMP"), a South Dakota trust and The Ned And Emily Sherwood Foundation (the "Foundation"), a charitable foundation organized in the State of Delaware. Each of the foregoing is referred to as a "Reporting Person" and collectively as the "Reporting Persons."

discussions with management and the Board of Directors of the Issuer concerning the business, operations and future plans of the Issuer. Depending on various factors including, without limitation, the Issuer's financial position and investment strategy, the price levels of the Shares, conditions in the securities markets and general economic and industry conditions, the Reporting Persons may in the future take such actions with respect to their investment in the Issuer as they deem appropriate including, without limitation, seeking Board representation, making proposals to the Issuer concerning changes to the capitalization, ownership structure or operations of the Issuer, purchasing additional Shares, selling some or all of their Shares, engaging in short selling of or any hedging or similar transaction with respect to the Shares or changing their intention with respect to any and all matters referred to in Item 4.

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Item 5. INTEREST IN SECURITIES OF THE ISSUER.

(a) The aggregate percentage of Shares reported owned the Reporting Persons is based upon 3,889,151 Shares outstanding, which is the total number of Shares outstanding as of July 31, 2007, as reported in the Issuer's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 3, 2007.

As of the close of business on August 16, 2007, Crossover II and Special I beneficially owned 106,342 and 67,990 Shares, respectively, constituting approximately 2.7%, and 1.8% respectively, of the Shares outstanding. Crossover GP, as the general partner of each of Crossover II and Special I, may be deemed to beneficially owned the 174,332 Shares owned in the aggregate by Crossover II and Special I, constituting approximately 4.5% of the Shares outstanding. As a management committee member of Crossover GP, Mr. Sherwood may be deemed to beneficially own the Shares owned by Crossover GP.

As of the close of business on August 16, 2007, MRMP beneficially owned 49,938 Shares, constituting 1.3% of the Shares outstanding. As a trustee with sole voting and dispositive power over the Shares owned by MRMP, Mr. Sherwood may be deemed to beneficially own the Shares owned by MRMP.

As of the close of business on August 16, 2007, The Foundation may be deemed to beneficially own 10,222 Shares, constituting less than 1% of the Shares outstanding. As a director of the Foundation Mr. Sherwood may be deemed to beneficially own the 10,222 Shares owned by the Foundation.

As of the close of business on August 16, 2007, Mr. Sherwood beneficially owned an additional 24,000 Shares, constituting less than 1% of the Shares outstanding, by virtue of a written agreement between Mr. Sherwood and the Warlen L.P. ("Warlen") that gives Mr. Sherwood approval to control all purchases and sales of the Shares owned by Warlen.

(b) By virtue of his positions with Crossover II, Special I and the Foundation, Mr. Sherwood has shared power to vote and dispose of the 184,554 Shares aggregately owned by Crossover II, Special I and the Foundation. Mr. Sherwood has sole power to vote and dispose of the 49,938 Shares owned by MRMP. By virtue of his agreement with Warlen, Mr. Sherwood has the sole power to dispose of the 24,000 Shares that he may be deemed to beneficially own. Mr. Sherwood does not have voting power over the 24,000 Shares owned by Warlen.

(c) Schedule A annexed hereto lists all transactions in the Securities by the Reporting Persons during the past sixty days. All of such transactions were effected in the open market, except as otherwise noted on Schedule A.

(d) No person other than the Reporting Persons is known to have the right to receive, or the power to direct the receipt of dividends from, or proceeds from the sale of, the Shares.

(e) Not applicable.

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Item 6. CONTRACTS, ARRANGEMENTS, UNDERSTANDINGS OR RELATIONSHIPS WITH RESPECT TO SECURITIES OF THE ISSUER.

Mr. Sherwood has entered into an agreement with Warlen that gives Mr. Sherwood approval to control all purchases and sales of the Shares owned by Warlen.

On August 16, 2007, the Reporting Persons entered into a Joint Filing Agreement (the "Joint Filing Agreement") in which the parties agreed to the joint filing on behalf of each of them of statements on Schedule 13D with respect to the securities of the Issuer to the extent required by applicable law. The Joint Filing Agreement is attached as Exhibit 99.1 hereto and is incorporated herein by reference.

Other than as described herein, there are no contracts, arrangements, understandings or relationships among the Reporting Persons, or between the Reporting Persons and any other person, with respect to the securities of the Issuer.

Item 7. MATERIAL TO BE FILED AS EXHIBITS.

99.1. Joint Filing Agreement by and among Ned Sherwood, ZS Crossover II GP, L.L.C., ZS Crossover II L.P., ZS Special I L.P., MRMP Trust and The Ned And Emily Sherwood Foundation, dated August 16, 2007.

99.2. Letter from Crossover II to the Board of Directors of the Issuer, dated August 16, 2007.

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SIGNATURES

After reasonable inquiry and to the best of his knowledge and belief, the undersigned certifies that the information set forth in this statement is true, complete and correct.

Dated: August 16, 2007

ZS CROSSOVER II L.P.

By: ZS Crossover II GP, L.L.C.
Its General Partner

By: /s/ Ned Sherwood

Name: Ned Sherwood
Title: Management Committee Member

ZS SPECIAL I L.P.

By: ZS Crossover II GP, L.L.C.
Its General Partner

By: /s/ Ned Sherwood

Name: Ned Sherwood
Title: Management Committee Member

ZS CROSSOVER II GP, L.L.C.

By: /s/ Ned Sherwood

Name: Ned Sherwood
Title: Management Committee Member

MRMP TRUST

By: /s/ Ned Sherwood

Name: Ned Sherwood
Title: Trustee

THE NED AND EMILY SHERWOOD FOUNDATION

By: /s/ Ned Sherwood

Name: Ned Sherwood
Title: Director

/s/ Ned Sherwood

NED SHERWOOD

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SCHEDULE A

TRANSACTIONS IN THE SHARES BY THE REPORTING PERSONS DURING THE PAST 60 DAYS:

Shares Purchased	Price Per Share (\$)	Date of Purchase
ZS SPECIAL I L.P.		
3,038	\$120.3470	08/09/07
704	\$128.4984	08/07/07
1,000	\$135.3265	07/31/07
2,200	\$136.4975	07/26/07
2,500	\$141.0009	07/25/07
4,900	\$145.3096	07/24/07
1,000	\$150.3210	07/23/07
4,189	\$150.0500	07/20/07
1,030	\$153.1782	07/19/07
1,300	\$150.4248	07/18/07
3,500	\$150.9457	07/17/07
1,500	\$153.2359	07/16/07
100	\$154.3200	07/12/07
1,600	\$151.2666	07/11/07
1,500	\$152.8386	07/09/07
200	\$154.5498	07/05/07
500	\$154.5700	07/05/07
2,090	\$155.2450	06/29/07
300	\$160.5900	06/27/07
1,413	\$155.1348	06/26/07
2,295	\$153.0079	06/25/07

Shares Purchased	Price Per Share (\$)	Date of Purchase
ZS CROSSOVER II L.P.		
1,000	\$135.3265	07/31/07
100	\$163.2900	06/19/07

ZS CROSSOVER II GP, L.L.C.

None

MRMP TRUST

None

THE NED AND EMILY SHERWOOD FOUNDATION

None

NED SHERWOOD

None

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- | | | |
|----|---|------|
| 1. | Joint Filing Agreement by and among Ned Sherwood,
ZS Crossover II GP, L.L.C., ZS Crossover II L.P.,
ZS Special I L.P., MRMP Trust and The Ned And
Emily Sherwood Foundation , dated August 16, 2007. | 99.1 |
| 2. | Letter from Crossover II to the Board of
Directors of the Issuer, dated August 16, 2007. | 99.2 |

JOINT FILING AGREEMENT

In accordance with Rule 13d-1(k)(1)(iii) under the Securities Exchange Act of 1934, as amended, the persons named below agree to the joint filing on behalf of each of them of a Statement on Schedule 13D dated August 16, 2007 (including amendments thereto) with respect to the Common Stock of Capital Southwest Corporation. This Joint Filing Agreement shall be filed as an Exhibit to such Statement.

Dated: August 16, 2007

ZS CROSSOVER II L.P.

By: ZS Crossover II GP, L.L.C.
Its General Partner

By: /s/ Ned Sherwood

Name: Ned Sherwood
Title: Management Committee Member

ZS SPECIAL I L.P.

By: ZS Crossover II GP, L.L.C.
Its General Partner

By: /s/ Ned Sherwood

Name: Ned Sherwood
Title: Management Committee Member

ZS CROSSOVER II GP, L.L.C.

By: /s/ Ned Sherwood

Name: Ned Sherwood
Title: Management Committee Member

MRMP TRUST

By: /s/ Ned Sherwood

Name: Ned Sherwood
Title: Trustee

THE NED AND EMILY SHERWOOD FOUNDATION

By: /s/ Ned Sherwood

Name: Ned Sherwood
Title: Director

/s/ Ned Sherwood

NED SHERWOOD

ZS CROSSOVER II L.P.
 1133 Avenue of the Americas
 27th Floor
 New York, NY 10036
 (212) 398-6200; (212) 398-1808 (fax)

August 16, 2007

Board of Directors
 Capital Southwest Corporation
 12900 Preston Road, Suite 700
 Dallas, Texas 75230

We appreciate the time management took to speak with us earlier this week. Based on our discussions with Capital Southwest Corporation ("CSWC" or the "Company") management and our in-depth review of publicly available information, it is our belief that the Company's stock price continues to trade at an excessive discount to the market value of its assets, which we estimate to range between \$175 and \$200 per share. This market value is 58% to 81% greater than yesterday's closing price of CSWC of \$110.66 per share. We believe that the Company is trading at a significant discount to its intrinsic value because of, among other things, certain policies and practices that the Company has historically adopted and has indicated it will continue to apply for the foreseeable future.

We also have serious issues with certain judgments of CSWC's Board of Directors (the "Board"). Unlike most Business Development Companies ("BDCs"), CSWC has generally chosen to retain its realized gains rather than distribute the proceeds to its shareholders. CSWC has also chosen not to exercise its registration rights on its four most significant holdings in public companies so such shares can be freely traded as market conditions warrant. Based on CSWC's Quarterly Report on Form 10-Q for the period ended June 30, 2007 (the "Form 10-Q"), these two policies resulted in a reduction of the Company's stated net asset value ("NAV") by nearly \$100 per share. In other words, as of June 30, 2007, CSWC's NAV would have been \$233.95 per share as opposed to the \$135.61 per share that was reported.

It is clear to us that the Board and senior management have adopted policies or utilized accounting presentation practices which result in a significant understatement of CSWC's NAV, and that these policies and practices should be changed immediately.

The rationale for this belief is as follows:

- o CSWC owns significant equity positions in four publicly traded companies (Alamo Group Inc., Encore Wire Corporation, Palm Harbor Homes, Inc., and Heelys, Inc.). Although CSWC has held these stakes for many years, it has chosen not to exercise its registration rights with respect to these securities and, therefore, it values these stakes at significant discounts (generally 30% or more) to their end-of-quarter market prices. Further, as a result of its affiliate's status, the failure to register the shares does not permit CSWC to sell a significant portion of its position when market conditions warrant.

- o CSWC has historically adopted a policy of electing to "retain all gains realized with one exception during the past 39 years" (quote from the Form 10-Q), and its stated intention is to continue to do so in the future. This policy is the most damaging with regard to value obfuscation because it the justification for the accrual of the deferred tax liability which totaled \$219.6 million, or \$56.47 per share, as of June 30, 2007.

CSWC is structured as a BDC and, therefore, all income and tax liabilities are the responsibility of the shareholders, and not of the Company. Nonetheless, CSWC, by choosing to retain all gains, has obligated the Company to pay on behalf of its shareholders a 35% tax to the IRS. If gains were distributed to the shareholders rather than retained, CSWC would owe no tax, and the shareholders would owe long-term capital gains taxes at either a 15% rate (for individuals) or 0% (for tax-exempt entities). In either case, the 35% rate is well in excess of what actually is owed. This practice is unwarranted and totally inconsistent with good business practice.

The Company has indicated that this policy permits it the flexibility to make new investments without having to raise new equity in the capital markets; however, the Form 10-Q showed that CSWC had approximately \$94.6 million of cash and unrestricted marketable securities plus \$41.4 million of available credit

lines or a total of \$136.0 million of liquidity. The Company could also increase its credit lines very significantly if it so decided.

During the past five years, CSWC has made new venture capital investments at the rate of approximately \$8.5 million per year. Therefore, the maintenance of a policy that requires the booking of a \$219.4 million deferred tax liability when the Company has enough liquidity to make 16 years of investments at its recent pace is unwarranted and totally inconsistent with good business practice. By just changing CSWC's distribution policy, this liability would no longer have to be accrued and CSWC's NAV would increase by \$56.47 per share from \$135.21 to \$191.68 per share (as of June 30, 2007). This figure does not include the discount attributable to CSWC's failure to register its shares in its four major public company holdings.

We also believe that CSWC has created value historically by being a successful growth capital investor in private companies. Your policy of retaining virtually all of your securities holdings even after the companies have matured (i.e., earnings have leveled off and/or the company has gone public) has significantly impaired shareholders' returns.

For example, in the case of Alamo, its compound annual return since its 1993 IPO has been approximately 5.4% versus the S&P 500's compound return of 10.2% over the same period. Similarly, since Palm Harbor's IPO in 1995, its stock price has increased by approximately 6.9% per year versus the S&P 500's compound annual return of 9.7% over the same period. Heely's went public in December 2006 at a price of \$21.00, and it closed yesterday at \$8.76. Given that CSWC does not have a track record of creating value in its publicly traded securities, the Company should have sold such securities as soon as was possible and/or distributed them to its shareholders who could then have made their own investment decisions.

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In summary, it is clear that the Board and senior management are not working to narrow the gap between CSWC's intrinsic value and its stock price but, instead, have adopted policies and practices which result in the significant and continued understatement of CSWC's intrinsic value. These practices are clearly not in the best interest of CSWC's stockholders.

We would expect the Board and the Company's new CEO to immediately change these policies and practices, including:

- the method of valuing its portfolio securities;
- the policy of retaining realized gains; and
- the holding on to investments after they are public and have matured.

Given our discussions with management and our review of publicly available information, however, we have little faith that the Board and the Company's new CEO are prepared to make the necessary changes. Absent such changes, we believe that a complete liquidation of the Company is the best way to realize the Company's full value for stockholders.

Accordingly, we believe that management should make the necessary changes we recommend or that the Board should adopt a formal plan of complete liquidation for CSWC under which all of its assets would be sold and the proceeds distributed to stockholders. We would be happy to meet with the Board and management to discuss our views on maximizing shareholder value for CSWC's stockholders; however, we can no longer tolerate inaction. We therefore must reserve all rights to take any and all actions we deem appropriate if the Board and new CEO are unwilling to do what is necessary and proper for its stockholders. We look forward to a positive response and hope further actions on our part will be unnecessary.

Sincerely,

/s/ Ned L. Sherwood

Ned L. Sherwood

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