





- o Count and inspection of all securities located in the vault of JPMorgan Chase in New York City, New York without prior notice to management.
- o Confirmation of all securities held by Smith Barney.
- o Reconciliation of all such securities to the books and records of the Company and the Custodian.
- o Agreement of one security purchase 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 subsidiaries complied with the requirements of subsections (b) and (c) of rule 17f-2 of the Investment Company Act of 1940 as of March 31, 2008, 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 subsidiaries and the Securities and Exchange Commission and is not intended to be and should not be used by anyone other than these specified parties.

Dallas, Texas  
May 9, 2008

/s/ Grant Thornton LLP

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 March 31, 2008 and from December 31, 2007 through March 31, 2008.

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 March 31, 2008, and from December 31, 2007 through March 31, 2008 with respect to securities reflected in the investment account of the Company.

Capital Southwest Corporation  
[Name of Company]

/s/ Tracy L. Morris  
[Name]

Controller  
[Title]

March 31, 2008  
[Date]