

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

**SCHEDULE 13D**

(Rule 13d-101)

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT  
TO § 240.13d-1(a) AND AMENDMENTS THERETO FILED PURSUANT TO  
§ 240.13d-2(a)

(Amendment No. 3)<sup>1</sup>

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)

March 11, 2008  
(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 §§ 240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box x.

*Note:* Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See § 240.13d-7 for other parties to whom copies are to be sent.

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<sup>1</sup> 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 ("Act") 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 PERSON  NED SHERWOOD	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="radio"/> (b) <input checked="" type="radio"/>	
3	SEC USE ONLY	
4	SOURCE OF FUNDS  OO	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) <input type="checkbox"/> 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  199,925
	9	SOLE DISPOSITIVE POWER  63,606
	10	SHARED DISPOSITIVE POWER  199,925
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON  263,531	
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES <input type="checkbox"/>	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)  6.8%	
14	TYPE OF REPORTING PERSON  IN	

1	NAME OF REPORTING PERSON  ZS CROSSOVER II GP, L.L.C.	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="radio"/> (b) <input checked="" type="radio"/>	
3	SEC USE ONLY	
4	SOURCE OF FUNDS  OO	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) <input type="checkbox"/> 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  189,703
	9	SOLE DISPOSITIVE POWER  -0-
	10	SHARED DISPOSITIVE POWER  189,703
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON  189,703	
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES <input type="checkbox"/>	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)  4.9%	
14	TYPE OF REPORTING PERSON  PN	

1	NAME OF REPORTING PERSON  ZS CROSSOVER II LP	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="radio"/> (b) <input checked="" type="radio"/>	
3	SEC USE ONLY	
4	SOURCE OF FUNDS  WC	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) <input type="checkbox"/> 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  107,348
	9	SOLE DISPOSITIVE POWER  -0-
	10	SHARED DISPOSITIVE POWER  107,348
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON  107,348	
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES <input type="checkbox"/>	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)  2.8%	
14	TYPE OF REPORTING PERSON  PN	

1	NAME OF REPORTING PERSON  ZS SPECIAL I L.P.	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="radio"/> (b) <input checked="" type="radio"/>	
3	SEC USE ONLY	
4	SOURCE OF FUNDS  WC	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) <input type="checkbox"/> 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  82,355
	9	SOLE DISPOSITIVE POWER  -0-
	10	SHARED DISPOSITIVE POWER  82,355
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON  82,355	
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES <input type="checkbox"/>	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)  2.1%	
14	TYPE OF REPORTING PERSON  PN	

1	NAME OF REPORTING PERSON  MRMP TRUST	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="radio"/> (b) <input checked="" type="radio"/>	
3	SEC USE ONLY	
4	SOURCE OF FUNDS  OO	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e) <input type="checkbox"/>	
6	CITIZENSHIP OR PLACE OF ORGANIZATION  SOUTH DAKOTA	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER  49,938
	8	SHARED VOTING POWER  -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 <input type="checkbox"/>	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)  1.3%	
14	TYPE OF REPORTING PERSON  OO	

1	NAME OF REPORTING PERSON  THE NED AND EMILY SHERWOOD FOUNDATION	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="radio"/> (b) <input checked="" type="radio"/>	
3	SEC USE ONLY	
4	SOURCE OF FUNDS  OO	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) <input type="checkbox"/> 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  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 <input type="checkbox"/>	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)  LESS THAN 1%	
14	TYPE OF REPORTING PERSON  OO	

The following constitutes Amendment No. 3 to the Schedule 13D filed by the undersigned (the "Schedule 13D"). This Amendment No. 3 amends the Schedule 13D as specifically set forth.

Item 3 is hereby amended and restated to read as follows:

Item 3. Source and Amount of Funds or Other Consideration.

The aggregate purchase cost of the 263,531 Shares beneficially owned by the Reporting Persons is approximately \$35,093,047. The 107,348 Shares owned by Crossover II and the 82,355 Shares owned by Special I were acquired with their working capital. The 49,938 Shares beneficially owned by MRMP were acquired with MRMP's investment capital. The 10,222 Shares beneficially owned by the Foundation were acquired with the Foundation's investment capital.

Item 4 is hereby amended to add the following:

On February 27, 2008, the Reporting Persons received a copy of a letter sent from Issuer's counsel to the Securities and Exchange Commission (the "SEC") requesting the SEC take no action regarding the Issuer's intent to exclude the proposal submitted by the Reporting Persons (the "Proposal") pursuant to Rule 14a-8 of the Securities and Exchange Act, as amended (the "Exchange Act"), from the Issuer's proxy materials relating to its upcoming meeting of shareholders. The Proposal requests that the Board immediately engage a nationally-recognized investment banking firm to evaluate strategic alternatives that would maximize shareholder value, including, but not limited to, the liquidation of certain or all of the Issuer's underlying portfolio assets with the subsequent distribution of all proceeds to the Issuer's shareholders. On March 10, 2008, pursuant to Rule 14a-8(k) of the Exchange Act, Crossover II delivered a letter to the SEC requesting the SEC deny no-action relief to the Issuer regarding the Issuer's intent to exclude the Proposal.

In addition, on March 11, 2008 the Reporting Persons also delivered a letter to the Issuer's Board of Directors expressing their surprise at the Issuer's attempt to exclude the Proposal from its proxy materials and their confusion with the Issuer's actions given the Issuer's stated position in support of shareholder rights. The letter further expresses the Reporting Persons' belief that rather than wasting corporate assets on fighting the Proposal, the Issuer should be taking the necessary steps to unlock shareholder value, and that its attempts to silence the voices of its shareholders is totally unwarranted and not in its best interests. The letter is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

Item 5 is hereby amended and restated to read as follows:

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 January 31, 2008, as reported in the Issuer's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on February 8, 2008.

As of the close of business on March 10, 2008, Crossover II and Special I beneficially owned 107,348 and 82,355 Shares, respectively, constituting approximately 2.8%, and 2.1% respectively, of the Shares outstanding. Crossover GP as the general partner of each of Crossover II and Special I may be deemed to beneficially own the 189,703 Shares owned in the aggregate by Crossover II and Special I, constituting approximately 4.9% 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 March 10, 2008, 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 March 10, 2008, 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 March 10, 2008, Mr. Sherwood beneficially owned an additional 13,668 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 199,925 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 13,668 Shares that he may be deemed to beneficially own. Mr. Sherwood does not have voting power over the 13,668 Shares owned by Warlen.

(c) Schedule A annexed hereto lists all transactions in the Securities by the Reporting Persons since the filing of Amendment No. 2. 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.

Item 7 is hereby amended to add the following exhibit:

Item 7. Material to be Filed as Exhibits.

99.1. Letter from Crossover II to the Board of Directors of the Issuer, dated March 11, 2008.

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: March 11, 2008

ZS CROSSOVER II LP

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

## SCHEDULE A

## Transactions in the Shares by the Reporting Persons Since the Filing of Amendment No. 2 to the Schedule 13D

Shares Purchased / (Sold)	Price Per Share (\$)	Date of Purchase / Sale
1,006	<u>ZS SPECIAL I L.P.</u> 100.7458	03/05/08
	<u>ZS CROSSOVER II LP</u> None	
	<u>ZS CROSSOVER II GP, L.L.C.</u> None	
	<u>MRMP TRUST</u> None	
	<u>THE NED AND EMILY SHERWOOD FOUNDATION</u> None	
(8,226)*	<u>NED SHERWOOD</u> 123.6808	02/26/08
(2,106)*	125.2595	02/27/08

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\* Shares sold on behalf of Warlen L.P.

**ZS Crossover II L.P.**  
1133 Avenue of the Americas  
New York, New York 10036

*Ned L. Sherwood*

*(212) 398-6200*  
*Fax (212) 398-1808*

March 11, 2008

The Board of Directors  
Capital Southwest Corporation  
12900 Preston Road at LBJ, Suite 700  
Dallas, TX 75230

Dear Board of Directors:

As you are aware, on January 30, 2008, in accordance with Rule 14a-8 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), we submitted a proposal for inclusion in the proxy statement of Capital Southwest Corporation ("CSWC" or the "Company") at its upcoming annual meeting of shareholders (the "Proposal"). Given the repeated declarations by Chairman William R. Thomas concerning shareholder rights in past annual reports, you could imagine our surprise when we received a copy of the Company's plea to the Securities and Exchange Commission (the "SEC") to take no action regarding the Company's intent to exclude our "non-binding" proposal from its proxy materials (the "Response"). We cannot understand, given CSWC's stated position concerning shareholder rights, why the Company would attempt to silence the voices of its shareholders.

We do understand, however, that the Company and the Board of Directors (the "Board") may be concerned with hearing the thoughts of shareholders, given the poor performance of the Company over the past decade. We believe that the performance of the Company's stock price and the fact that its shares continue to trade at a significant discount

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to its stated net asset value evidence the fact that shareholders have lost confidence in the ability of management and the Board to create value for shareholders. In fact, the current valuation of the Company's shares implies that shareholders believe that CSWC will actually lose value over time. Rather than wasting corporate assets on fighting the Proposal, the Board should be taking the necessary steps to unlock shareholder value as we suggested in our letter.

We know there are other shareholders who, like us, believe that including the Proposal in the proxy materials will benefit the Board by allowing it to better understand the desires of the shareholders, the true owners of the Company. Moreover, we believe such an action would be far more consistent with CSWC's past stated views on shareholder rights, as it would support the rights of shareholders rather than impinge on them through a unilateral decision made by management and the Board.

We have filed a reply to the Response with the SEC, as we believe the Company's basis for excluding the Proposal from its proxy materials is without merit. However, we encourage the Company to right this situation before the SEC makes its decision by dropping its opposition to including our proposal in its proxy materials, as CSWC's attempt to silence the voices of its shareholders is totally unwarranted and not in the best interests of the Company. We look forward to your prompt response.

Sincerely,

/s/ Ned L. Sherwood

Ned L. Sherwood