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

ANNUAL REPORT PURSUANT TO SECTIONS 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FORM 10-K

(Mark One)
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **March 31, 2012**

OR

o 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**

Securities registered pursuant to section 12(b) of the Act: **None**

Securities registered pursuant to section 12(g) of the Act: **Common Stock, $1.00 par value**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES o NO x.

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES o NO x.

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 x NO o.

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 files). YES x NO o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check One):

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).
YES o NO x.

The aggregate market value of the voting stock held by non-affiliates of the registrant as of September 30, 2011 was $193,363,554, based on the last sale price of such stock as quoted by The Nasdaq Stock Market on such date.

The number of shares of common stock outstanding as of May 1, 2012 was 3,754,538.

Documents Incorporated by Reference
Proxy Statement for Annual Meeting of Shareholders to be held July 18, 2012 is incorporated by reference in this Annual Report on Form 10-K in response to Part III.

TABLE OF CONTENTS

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements regarding the plans and objectives of management for future operations. Any such forward-looking statements may involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by any forward looking statements. Forward-looking statements which involve assumptions and describe our future plans, strategies and expectations are generally identifiable by use of the words "may," "will," "should," "expect," "anticipate," "estimate," "believe," "intend" or "project" or the negative of these words or other variations on these words or comparable terminology. These forward-looking statements are based on assumptions that may be incorrect, and we cannot assure you that the projections included in these forward-looking statements will come to pass. Our actual results could differ materially from those expressed or implied by the forward-looking statements as a result of various factors, including the factors discussed in Item 1A entitled "Risk Factors" in Part I of this Annual Report on Form 10-K and elsewhere in this Annual Report on Form 10-K. Other factors that could cause actual results to differ materially include changes in the economy and future changes in laws or regulations and conditions in our operating areas.

We have based the forward-looking statements included in this Annual Report on Form 10-K on information available to us on the date of this Annual Report on Form 10-K, and we assume no obligation to update any such forward-looking statements, unless we are required to do so by applicable law. However, you are advised to consult any additional disclosures that we may make directly to you or through reports that we in the future may file with the SEC, including subsequent annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.

PART I

Item 1. Business

Overview

Capital Southwest Corporation ("CSC") was organized as a Texas corporation on April 19, 1961. Until September 1969, we operated as a licensee under the Small Business Investment Act of 1958. At that time, CSC transferred to our wholly-owned subsidiary, Capital Southwest Venture Corporation ("CSVC"), certain assets and our license as a small business investment company ("SBIC"). CSVC is a closed-end, non-diversified investment company registered under the Investment Company Act of 1940 (the "1940 Act"). Prior to March 30, 1988, CSC was registered as a closed-end, non-diversified investment company under the 1940 Act. On that date, we elected to become a business development company ("BDC") subject to the provisions of the 1940 Act, as amended by the Small Business Incentive Act of 1980. Because CSC wholly owns CSVC, the portfolios of CSC and CVSC are referred to collectively as "our," "we" and "us." Capital Southwest Management Company ("CSMC"), a wholly-owned subsidiary of CSC, is the management company for CSC and CSVC. CSMC generally incurs all normal operating and administrative expenses, including, but not limited to, salaries and related benefits, rent, equipment and other administrative costs required for its day-to-day operations.

Our portfolio is a composite of companies, consisting of companies in which we have controlling interests, developing companies and marketable securities of established publicly traded companies. We make available significant managerial assistance to the companies in which we invest and believe that providing material assistance to such investee companies is critical to their business development activities.

The 12 largest investments we own had a combined cost of $49,252,842 and a value of $529,313,328, representing 94.7% of the value of our consolidated investment portfolio at March 31, 2012. The following table illustrates our 12 largest investments at March 31, 2012. A full description of these investments is set forth under the heading "Consolidated Schedule of Investments" in Item 8.

	CSC	
	Cost	Value
The RectorSeal Corporation	$ 52,600	$ 166,300,000
Encore Wire Corporation	5,800,000	121,458,210
Alamo Group Inc.	2,190,937	85,138,938
The Whitmore Manufacturing Company	1,600,000	67,200,000
Heelys, Inc.	102,490	20,498,082
Media Recovery, Inc.	5,415,000	18,700,000
Hologic, Inc.	220,000	13,637,271
Extreme International, Inc.	3,325,875	10,162,000
Trax Holdings, Inc.	8,200,000	9,800,000
Cinatra Clean Technologies, Inc.	13,563,842	6,002,348
CapStar Holdings Corporation	3,703,619	5,338,000
iMemories, Inc.	5,078,479	5,078,479
	$ 49,252,842	$ 529,313,328

Investment Criteria and Objectives

We are a venture capital investment company whose objective is to achieve capital appreciation through long-term investments in businesses believed to have favorable growth potential. Our investment interests are focused on growth capital, management-led buyouts and acquisition in a broad range of industry segments.

Our investment team has identified the following investment criteria that we believe are important in evaluating prospective portfolio companies:

- **Excellent Management**: Management teams with a proven record of achievement, exceptional ability, unyielding determination and unquestionable integrity. We believe management teams with these attributes are more likely to manage the companies in a manner that protects our debt investment and enhances the value of our equity investment.

- **Investment Size**: $5 million to $15 million of equity capital. We occasionally partner with other investors to engage in larger transactions.

- **Established Companies with Positive Cash Flow**: We generally seek to invest in established companies with sound historical financial performance. We typically focus on companies that have historically generated near positive EBITDA (earnings before interest, taxes, depreciation and amortization) to $10 million of EBITDA.

- **Industry:** We primarily focus on companies having competitive advantages in their respective markets and/or operating in industries with barriers to entry, which may help protect their market position. Overall, our portfolio is spread over many diverse industries.

- **Location:** We focus on companies located in the United States, and we are most focused on the Southwest, Southeast, Midwest and Mountain Regions.

- **Quality referral from a reputable source:** Excellent management is the cornerstone of our investment philosophy; therefore, it is helpful if mutually-known parties reach out to us on behalf of prospective investments. Accomplished managers generally have prior investors or directors willing to speak on their behalf.

We provide a platform that enables successful operators to build businesses at their desired pace and on their terms. Our investment approach is distinctive because we:

- **Provide long-term, patient capital for sustained growth.** Our public ownership structure eliminates the pressure to exit our investments in the five to seven year timeframe typical of most venture capital and private equity partnerships. A third of our active investments have been held continuously for over 20 years.

- **Leave control with current owners.** We find that the best recipe for success is a committed management team with significant ownership. Over half of our active portfolio companies are minority holdings. When operating control and ownership control remain with the management team, they have the flexibility to execute plans that serve customers, employees and shareholders well for the long term.

- **Have a time-tested business model.** Many investment firms are first or second time funds – in other words, relatively unproven managers with unproven models. In contrast, we have partnered with over 160 companies to achieve superior returns for owners, management teams and investors for half a century.

- **Always have funds to invest.** Our significant capital base enables us to fund businesses today and in the future, should the need arise. Since we take our responsibility as partners seriously, we have provided follow-on financing for a number of our portfolio companies, often years after our initial investment.

Investment Process

Our investment strategy involves a "team" approach, whereby potential transactions are screened by our investment team before they are presented to the Board of Directors for approval. Our investment team generally categorizes the investment process into seven distinctive stages:

- Deal Generation/Origination: Deal generation and origination is maximized through long-standing and extensive relationships with industry contacts, brokers, commercial and investment bankers, entrepreneurs, service providers, such as lawyers and accountants, as well as current and former portfolio companies and investors.

- Screening: Once it is determined that a potential investment has met our investment criteria, we will perform preliminary due diligence or screening. It is during this stage that we will take into consideration potential investment structures and price terms, as well as regulatory compliance. Upon successful screening of the proposed investment, the investment team makes a recommendation to move forward. We then issue a non-binding term sheet.

- Term Sheet: The non-binding term sheet will include the key economic terms based upon our analysis performed during the screening process as well as a proposed timeline and our qualitative expectation for the transaction. Upon execution of the term sheet, we begin our formal due diligence process.

- Due Diligence: Due diligence is performed by the leader of the designated investment team and certain external resources who together perform due diligence to understand the relationships among the prospective portfolio company's business plan, operations and financial performance. Additionally, we may include site visits with management and key personnel; detailed review of historical and projected financial statements; interviews with key customers and suppliers; detailed evaluation of company management, including background checks; review of material contracts; in-depth industry, market and strategy analysis; and review by legal, environmental or other consultants, if needed. In certain cases, we may decide not to make an investment based on the results of due diligence.

- Document and Close: Upon completion of a satisfactory due diligence review, our investment team presents its findings, in writing, to our Board of Directors for approval. If any adjustments to the investment terms or structures are proposed by our Board of Directors, such changes are made and applicable analysis is updated. Upon Board approval for the investment, we will re-confirm our regulatory company compliance, process and finalize all required legal documents and fund the investment.

- Post-Investment: We continuously monitor the status and progress of our portfolio companies. We offer managerial assistance to our portfolio companies, giving them access to our investment experience, direct industry expertise and contacts. The same investment team lead that was involved in the investment process will continue involvement in the portfolio company post-investment. This provides for continuity of knowledge and allows the investment team to maintain a strong business relationship with key management of our portfolio companies for post-investment assistance and monitoring purposes. As part of the monitoring process, our investment team leader will analyze monthly/quarterly/annual financial statements versus the previous periods, review financial projections, meet with management, attend board meetings and review all compliance certificates and covenants. While we maintain limited involvement in the ordinary course of operations of our portfolio companies, we maintain a higher level of involvement in non-ordinary course financings, potential acquisitions and other strategic activities.

- Exit Strategies: While our approach is primarily focused on providing long-term patient capital for sustained growth, we assist our portfolio companies in developing and planning exit opportunities, including any sale or merger of our portfolio companies, at the appropriate time. We assist in the structure, timing, execution and transition of the exit strategy.

Determination of Net Asset Value and Portfolio Valuation Process

We determine our net asset value per share on a quarterly basis. The net asset value per share is equal to our total assets minus liabilities divided by the total number of shares of common stock outstanding.

We determine in good faith the fair value of our portfolio investments pursuant to a valuation policy in accordance with Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurements and Disclosures* ("ASC 820") and a valuation process approved by our Board of Directors and in accordance with the 1940 Act. Our valuation policy is intended to provide a consistent basis for determining the fair value of the portfolio.

As described below, we undertake a multi-step valuation process each quarter in connection with determining the fair value of our investments, with our Board of Directors ultimately and solely responsible for overseeing, reviewing and approving, in good faith, our estimate of the fair value of each individual investment.

- Our quarterly valuation process begins with each portfolio company or investment being initially valued by the investment team leader responsible for the portfolio investment; and

- Preliminary valuation conclusions will then be reviewed and discussed with our investment team; and

- Our Board of Directors will assess the valuations and will ultimately approve the fair value of each investment in our portfolio, in good faith.

Our Board of Directors is ultimately and solely responsible for determining the fair value of portfolio investments on an annual basis. Annually, Duff & Phelps, LLC ("Duff & Phelps") provides third party valuation consulting services to our Board of Directors, which consists of certain limited procedures that our Board of Directors identifies and requests them to perform. For the year ended March 31, 2012, the Board of Directors asked Duff & Phelps to perform the limited procedures on six investments comprising approximately 85.8% of the total investments at fair value as of March 31, 2012. Upon completion of the limited procedures, Duff & Phelps concluded that the fair value of those investments, subject to the limited procedures, did not appear unreasonable.

Competition

We compete for attractive investment opportunities with private equity funds, venture capital partnerships and corporations, venture capital affiliates of industrial and financial companies, SBICs and wealthy individuals. We believe we are able to be competitive with these entities primarily on the basis of the experience and contacts of our management team and our responsive and efficient investment analysis and decision-making processes; however, this competitive environment could have a material adverse effect on our ability to acquire attractive investments.

Regulation

Regulation as a Business Development Company

We have elected to be regulated as a BDC under the 1940 Act. The 1940 Act contains prohibitions and restrictions relating to transactions between BDCs and their affiliates, principal underwriters and affiliates of those affiliates or underwriters. The 1940 Act requires that a majority of the members of the board of directors of a BDC be persons other than "interested persons," as defined in the 1940 Act. In addition, the 1940 Act provides that we may not change the nature of our business so as to cease to be, or to withdraw our election as, a BDC unless approved by a majority of our outstanding voting securities.

The 1940 Act defines “a majority of the outstanding voting securities” as the lesser of (i) 67% or more of the voting securities present at a meeting if the holders of more than 50% of our outstanding voting securities are present or represented by proxy or (ii) more than 50% of our voting securities.

The following is a brief description of the 1940 Act provisions applicable to BDCs, which is qualified in its entirety by reference to the full text of the 1940 Act and rules issued thereunder by the SEC.

- Generally, to be eligible to elect BDC status, a company must primarily engage in the business of furnishing capital and making significant managerial assistance available to companies that do not have ready access to compare through conventional financial channels. Such companies that satisfy certain additional criteria are defined as "eligible portfolio companies." In general, in order to qualify as a BDC, a company must: (i) be a domestic company; (ii) have registered a class of its securities pursuant to Section 12 of the Securities Exchange Act of 1934; (iii) operate for the purpose of investing in the securities of certain types of portfolio companies, including early stage or emerging companies and businesses suffering or just recovering from financial distress (see following paragraph); (iv) make available significant managerial assistance to such portfolio companies; and (v) file a proper notice of election with the SEC.

- An eligible portfolio company generally is a domestic company that is not an investment company or a company excluded from investment company status pursuant to exclusions for certain types of financial companies (such as brokerage firms, banks, insurance companies and investment banking firms) and that: (i) does not have a class of securities listed on a national securities exchange; (ii) does have a class of equity securities listed on a national securities exchange with a market capitalization of less than $250 million; or (iii) is controlled by the BDC itself or together with others (control under the 1940 Act is presumed to exist where a person owns at least 25% of the outstanding voting securities of the portfolio company) and has a representative on the Board of Directors of such company.

- We are required to provide and maintain a bond issued by a reputable fidelity insurance company to protect the BDC. Furthermore, as a BDC, we are prohibited from protecting any director or officer against any liability to us or our shareholders arising from willful malfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person’s office.

- We are required to adopt and implement written policies and procedures reasonably designed to prevent violation of the federal securities laws, review these policies and procedures annually for their adequacy and the effectiveness of their implementation and designate a chief compliance officer to be responsible for administering these policies and procedures.

Qualifying Assets

The 1940 Act provides that we may not make an investment in non-qualifying assets unless at the time at least 70% of the value of our total assets (measured as of the date of our most recently filed financial statements) consists of qualifying assets. Qualifying assets include: (i) securities of eligible portfolio companies; (ii) securities of certain companies that were eligible companies at the time we initially acquired their securities and in which we retain a substantial interest; (iii) securities of certain controlled companies; (iv) securities of certain bankrupt, insolvent or distressed companies; (v) securities received in exchange for or distributed in or with respect to any of the foregoing; and (vi) cash items, U.S. government securities and high-quality short-term debt. The SEC has adopted a rule permitting a BDC to invest its funds in certain money market funds. The 1940 Act also places restrictions on the nature of the transactions in which, and the persons for whom, securities can be purchased in some instances in order for the securities to be considered qualifying assets.

Managerial Assistance to Portfolio Companies

In order to count portfolio securities as qualifying assets for the purpose of the 70% test, we must either control the issuer of the securities or must offer to make available to the issuer of the securities (other than small and solvent companies described above) significant managerial assistance; except that, where we purchase such securities in conjunction with one or more other persons acting together, one of the other persons in the group may make available such managerial assistance. Making available managerial assistance means, among other things, any arrangement whereby the BDC, through its directors, officers or employees, offers to provide, and, if accepted, does so provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company.

Marketable Securities and Idle Funds Investments

Pending investments in “qualifying assets,” as described above, our investments may consist of cash, cash equivalents, U.S. government securities, short-term investments in secured debt investments, independently rated debt investments and diversified bond funds, which we refer to, collectively, as marketable securities and idle funds investments, so that 70% of our assets are qualifying assets.

Senior Securities

We are permitted by the 1940 Act, under specific conditions, to issue multiple classes of debt and a single class of preferred stock if our asset coverage, as defined by the 1940 Act, is at least 200% after the issuance of the debt or the preferred stock (i.e. such senior securities may not be in excess of our net assets). Under specific conditions, we are also permitted by the 1940 Act to issue warrants.

Common Stock

Except under certain conditions, we may sell our securities at a price that is below the prevailing net asset value per share only during the 12-month period after (i) a majority of our directors and our disinterested investors have determined that such sale would be in the best interests of us and our stockholders and (ii) the holders of a majority of our outstanding voting securities and the holders of a majority of our voting securities held by persons who are not affiliated person of ours approve such issuances. A majority of the disinterested directors must determine in good faith that the price of the securities being sold is not less than a price which closely approximates market value of the securities, less any distribution discount or commission.

Code of Ethics

We adopted a code of ethics pursuant to Rule 17j-1 under the 1940 Act that establishes procedures for personal investments and restricts certain personal securities transactions. Personnel subject to the code may invest in securities for their personal investment accounts including securities that may be purchased or held by us, so long as such investments are made in accordance with the code's requirements. Certain transactions involving certain persons closely related to us including our directors, officers and employees, may require approval of the SEC. However, the 1940 Act ordinarily does not restrict transactions between us and our portfolio companies.

We may be periodically examined by the SEC for compliance with the 1940 Act.

Small Business Investment Company Regulations

CSVC is licensed by the Small Business Administration ("SBA") to operate as a SBIC under Section 301(c) of the Small Business Investment Act of 1958.

SBICs are designed to stimulate the flow of private equity capital to eligible small businesses. Under SBIC regulations, an SBIC may make loans to eligible small businesses, invest in equity securities of such businesses and provide them with consulting and advisory services.

Under current SBIC regulations, eligible small businesses generally include businesses that (together with their affiliates) have a tangible net worth not exceeding $18 million and have average annual net income after federal income taxes not exceeding $6 million (average net income to be computed without benefit of any carryover loss) for the two most recent fiscal years. In addition, an SBIC must devote 20% of its investment activity to "smaller" concerns as defined by the SBA. A smaller concern generally includes businesses that have a tangible net worth not exceeding $6 million and have average annual net income after federal income taxes not exceeding $2 million (average net income to be computed without benefit of any net carryover loss) for the two most recent fiscal years. SBIC regulations also provide alternative size standard criteria to determine eligibility for designation as an eligible small business or smaller concern, which criteria depend on the primary industry in which the business is engaged and are based on such factors as the number of employees and gross revenue. However, once an SBIC has invested in a company, it may continue to make follow on investments in the company, regardless of the size of the portfolio company at the time of the follow on investment, up to the time of the portfolio company's initial public offering.

The SBA prohibits an SBIC from providing funds to small businesses for certain purposes, such as relending and investment outside the United States, to businesses engaged in a few prohibited industries and to certain "passive" (non-operating) companies. In addition, without prior SBA approval, an SBIC may not invest an amount equal to more than approximately 30% of the SBIC's regulatory capital in any one portfolio company and its affiliates.

The SBA places certain limitations on the financing terms of investments by SBICs in portfolio companies (such as limiting the permissible interest rate on debt securities held by an SBIC in a portfolio company). Although prior regulations prohibited an SBIC from controlling a small business concern except in limited circumstances, regulations adopted by the SBA in 2002 now allow an SBIC to exercise control over a small business for a period of seven years from the date on which the SBIC initially acquires its control position. This control period may be extended for an additional period of time with the SBA's prior written approval.

The SBA restricts the ability of a SBIC to lend money to any of its officers, directors and employees or to invest in affiliates thereof. The SBA also prohibits, without prior SBA approval, a "change of control" of a SBIC or transfers that would result in any person (or a group of persons acting in concert) owning 10% or more of a class of capital stock of a licensed SBIC. A "change of control" is any event which would result in the transfer of the power, direct or indirect, to direct the management and policies of a SBIC, whether through ownership, contractual arrangements or otherwise.

An SBIC (or group of SBICs under common control) may generally have outstanding debentures guaranteed by the SBA in amounts up to twice the amount of the privately-raised funds of the SBIC(s). Debentures guaranteed by the SBA have a maturity of 10 years, require semi-annual payments of interest, do not require any principal payments prior to maturity and, historically, were subject to certain prepayment penalties. Those prepayment penalties no longer apply as of September 2006. As of March 31, 2012 and 2011, we had no SBA-guaranteed debentures.

SBICs must invest idle funds that are not being used to make loans in investments permitted under SBIC regulations in the following limited types of securities: (i) direct obligations of, or obligations guaranteed as to principal and interest by, the United States government, which mature within 15 months from the date of the investment; (ii) repurchase agreements with federally insured institutions with a maturity of seven days or less (and the securities underlying the repurchase obligations must be direct obligations of or guaranteed by the federal government); (iii) certificates of deposit with a maturity of one year or less, issued by a federally insured institution; (iv) a deposit account in a federally insured institution that is subject to a withdrawal restriction of one year or less; (v) a checking account in a federally insured institution; or (vi) a reasonable petty cash fund.

SBICs are periodically examined and audited by the SBA's staff to determine their compliance with SBIC regulations and are periodically required to file forms with the SBA.

Taxation as a Regulated Investment Company

We elected to be treated as a regulated investment company (a "RIC"), taxable under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"), for federal income tax purposes. In general, a RIC is not taxed on its income or gains to the extent it distributes such income or gains to its shareholders. In order to qualify as a RIC, we must, in general, (1) annually derive at least 90% of our gross income from dividends, interest and gains from the sale of securities and similar sources (the "Income Source Rule"); (2) quarterly meet certain investment asset diversification requirements; and (3) annually distribute at least 90% of our investment company taxable income as a dividend (the "Income Distribution Rule"). Any taxable investment company income not distributed is subject to corporate level tax. Any taxable investment company income distributed generally is taxable to shareholders as dividend income.

In addition to the requirement that we must annually distribute at least 90% of our investment company taxable income, we may either distribute or retain our realized net capital gains from investments, but any net capital gains not distributed may be subject to corporate level tax. It is our current intention not to distribute net capital gains. Any net capital gains distributed generally will be taxable to shareholders as long-term capital gains.

In lieu of actually distributing our realized net capital gains, we as a RIC may retain all or part of our net capital gains and elect to be deemed to have made a distribution of the retained portion to our shareholders under the "designated undistributed capital gain" rules of the Code. We currently intend to retain and so designate all of our net capital gains. In this case, the "deemed distribution" generally is taxable to our shareholders as long-term capital gains. Although we pay tax at the corporate rate on the amount deemed to have been distributed, our shareholders receive a tax credit equal to their proportionate share of the tax paid and an increase in the tax basis of their shares by the amount per share retained by us.

To the extent that we retain capital gains and have a "deemed distribution," each shareholder will receive an IRS Form 2439 that will reflect each shareholder's receipt of the deemed distribution income and a tax credit equal to each shareholder's proportionate share of the tax paid by us. This tax credit, which is paid at the corporate rate, is often credited at a higher rate than the actual tax due by a shareholder on the deemed distribution income. The "residual" credit can be used by the shareholder to offset other taxes due in that year or to generate a tax refund to the shareholder. Tax exempt investors may file for a refund.

Although we may retain income and gains subject to the limitations described above (including paying corporate level tax on such amounts), we could be subject to an additional 4% excise tax if we fail to distribute 98% of our aggregate annual taxable income.

The NASDAQ Global Select Market Corporate Governance Regulations

The Nasdaq Global Select Market has adopted corporate governance regulations with which listed companies must comply in order to remain listed. We believe we are in compliance with such corporate governance listing standards. We intend to monitor our compliance with all future listing standards and to take all necessary actions to ensure that we stay in compliance.

Securities Act of 1934 and Sarbanes-Oxley Act Compliance

We are subject to the reporting and disclosure requirements of the Securities Exchange Act of 1934 (the “Exchange Act”), including the filing of quarterly, annual and current reports, proxy statements and other required items. In addition, we are subject to the Sarbanes-Oxley Act of 2002, which imposes a wide variety of regulatory requirements on publicly-held companies and their insiders. For example:

- pursuant to Rule 13a-14 of the Exchange Act, our Chief Executive Officer and Chief Financial Officer are required to certify the accuracy of the financial statements contained in our periodic reports;
- pursuant to Item 307 of Regulation S-K, our periodic reports are required to disclose our conclusions about the effectiveness of our disclosure controls and procedures;
- pursuant to Rule 13a-15 of the Exchange Act, our management is required to prepare a report regarding its assessment of our internal control over financial reporting, and our independent registered public accounting firm separately audits our internal control over financial reporting; and
- pursuant to Item 308 of Regulation S-K and Rule 13a-15 of the Exchange Act, our periodic reports must disclose whether there were significant changes in our internal control over financial reporting or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Corporate information

Our principal executive offices are located at 12900 Preston Road, Suite 700, Dallas, Texas 75230. We maintain a Website on the Internet at www.capitalsouthwest.com. You can review the filings we have made with the SEC, free of charge by linking directly from our website to NASDAQ, a database that links to EDGAR, the Electronic Data Gathering, Analysis, and Retrieval System of the SEC. You may also use the site to access our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934. The public may read and copy materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website that contains the reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at http://www.sec.gov. The charters adopted by the committees of our Board of Directors are also available on our website. Information contained on our website is not incorporated by reference into this Annual Report on Form 10-K, and you should not consider that information to be part of this Annual Report on Form 10-K.

Employees

As of March 31, 2012, we had fifteen employees, each of whom was employed by our management company, CSMC. These employees include our corporate officers, investment and portfolio management professionals and administrative staff. We will hire additional investment professionals and additional administrative personnel, as necessary. All of our employees are located in our Dallas office.

Item 1A. Risk Factors

Investing in our common stock involves a number of significant risks. In addition to other information contained in this Annual Report on Form 10-K, investors should consider the following information before making an investment in our common stock. The risks and uncertainties described below decrease the material risks we face; However, risks and uncertainties not presently known to us, or not presently deemed material by us, may also impair our operations and performance. If any of the following risks actually occur, our business, financial condition or results of operations could be materially adversely affected. If that happens, the trading price of our common stock could decline, and you may lose all or part of your investment.

RISKS RELATED TO ECONOMIC CONDITIONS

The current state of the economy and financial markets increases the likelihood of adverse effects on our financial position and results of operations. Continued economic adversity could impair our portfolio companies' financial position and operating results and affect the industries in which we invest, which could, in turn, harm our operating results.

The broader economic fundamentals of the U.S. economy remain uncertain. Unemployment levels remain elevated and consumer fundamentals remain depressed, which has led to significant reductions in spending by both consumers and businesses. In the event that the U.S. economy remains depressed, it is likely that the financial results of small to mid-size companies, like those in which we invest, could experience deterioration or limited growth from current levels, which could ultimately lead to difficulty in meeting their debt service requirements and increase defaults. In addition, the end markets for certain of our portfolio companies' products and services have experienced negative economic trends. Consequently, we can provide no assurance that the performance of certain of our portfolio companies will not be negatively impacted by these economic and other conditions, which could also have a negative impact on our future results.

RISKS RELATED TO OUR BUSINESS AND STRUCTURE

Our investment portfolio is and will continue to be recorded at fair value, with our Board of Directors having final responsibility for overseeing, reviewing and approving, in good faith, our estimate of fair value. As a result, there is and will continue to be uncertainty as to the value of our portfolio investments.

Under the 1940 Act, we are required to carry our portfolio investments at market value or, if there is no readily available market value, at fair value as determined by us, with our Board of Directors having final responsibility for overseeing, reviewing and approving, in good faith, our estimate of fair value. Typically, there is not a public market for the securities of the privately held companies in which we have invested and generally will continue to invest. As a result, we value these securities quarterly at fair value based on inputs from management and our investment team, along with the oversight, review and approval of our Board of Directors.

The determination of fair value and consequently, the amount of unrealized gains and losses in our portfolio, are to a certain degree, subjective and dependent on a valuation process approved by our Board of Directors. Certain factors that may be considered in determining the fair value of our investments include external events, such as private mergers, sales and acquisitions involving comparable companies. Because of the inherent uncertainty of the valuation of portfolio securities which do not have readily ascertainable market values, our fair value determinations may differ materially from the values a third party would be willing to pay for such securities or the values which would be applicable to unrestricted securities having a public market. Due to this uncertainty, our fair value determinations may cause our net asset value on a given date to be materially understated or overstate the value that we may ultimately realize on one or more of our investments. As a result, investors purchasing our common stock based on an overstated net asset value may pay a higher price than the value of our investments might warrant. Conversely, investors selling shares during a period in which the net asset value understates the value of our investments may receive a lower price for their shares than the value of our investments might warrant.

Our financial condition and results of operations will depend on our ability to effectively manage any future growth and deploy capital.

Our ability to achieve our investment objective of maximizing our portfolio's total return by generating income from our debt investments and capital appreciation from our equity and equity-related investments depends on our ability to effectively manage and deploy capital, which depends, in turn, on our investment team's ability to identify, evaluate and monitor, and our ability to finance and invest in, companies that meet our investment criteria.

Accomplishing our investment objective on a cost-effective basis is largely a function of our investment team's handling of the investment process, its ability to provide competent, attentive and effective services and our access to investments offering acceptable terms. In addition to monitoring the performance of our existing investments, members of our investment team are called upon, from time to time, to provide managerial assistance to some of our portfolio companies. These demands on their time may distract them and slow the rate of investment.

Even if we are able to grow and build upon our investment operations, any failure to manage or sustain our growth effectively could have a material adverse effect on our business, financial condition, results of operations and prospects. The results of our operations will depend on many factors, including the availability of opportunities for investment, readily accessible short and long-term funding alternatives in the financial markets and economic conditions. Furthermore, if we cannot successfully operate our business or implement our investment policies and strategies as described herein, it could negatively impact our ability to pay dividends.

Sustaining growth depends on our ability to identify, evaluate, finance, and invest in companies that meet our investment criteria. Accomplishing such results on a cost-effective basis is a function of our marketing capabilities and skillful management of the investment process. Failure to achieve future growth could have a material adverse effect on our business, financial condition, and results of operations. The results of our operations will depend on many factors, including the availability of opportunities for investment, readily accessible short and long-term funding alternatives in the financial markets and economic conditions. Furthermore, if we cannot successfully operate our business or implement our investment policies and strategies as described herein, it could negatively impact our ability to pay dividends.

If we fail to invest our capital effectively, our return on equity may be decreased, which could reduce the price of the shares of our common stock.

We operate in a highly competitive market for investment opportunities.

We compete for attractive investment opportunities with private equity funds, venture capital partnerships and corporations, venture capital affiliates of industrial and financial companies, SBICs and wealthy individuals. Some of these competitors are substantially larger and have greater financial, technical and marketing resources, and some are subject to different and frequently less stringent regulations. As a result of this competition, we may not be able to take advantage of attractive investment opportunities from time to time and there can be no assurance that we will be able to identify and make investments that satisfy our objectives. A significant increase in the number and/or size of our competitors in our target market could force us to accept less attractive investment terms. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a BDC.

We are dependent upon management for our future success.

Selection, structuring and closing our investments depends upon the diligence and skill of our management, which is responsible for identifying, evaluating, negotiating, monitoring and disposing of our investments. Our management's capabilities may significantly impact our results of operations. If we lose any member of our management team and he/she cannot be promptly replaced with an equally capable team member, we may not be able to operate our business as we expect and our ability to compete could be harmed, which could cause our operating results to suffer.

Our success depends on attracting and retaining qualified personnel in a competitive environment.

Our growth will require that we retain new investment and administrative personnel in a competitive environment. Our ability to attract and retain personnel with the requisite credentials, experience and skills depends on several factors, including but not limited to, our ability to offer competitive wages, benefits and professional growth opportunities.

The competitive environment for qualified personnel may require us to take certain measures to ensure that we are able to attract and retain experienced personnel. Such measures may include increasing the attractiveness of our overall compensation packages, altering the structure of our compensation packages through the use of additional forms of compensation or other steps. The inability to attract and retain experienced personnel would have a material adverse effect on our business.

Our business model depends to a significant extent upon strong referral relationships, and our inability to maintain or develop these relationships, as well as the failure of these relationships to generate investment opportunities, could adversely affect our business.

We expect that members of our management team will maintain their relationships with intermediaries, financial institutions, investment bankers, commercial bankers, financial advisors, attorneys, accountants, consultants and other individuals within our network, and we will rely to a significant extent upon these relationships to provide us with potential investment opportunities. If our management team fails to maintain its existing relationships or develop new relationships with sources of investment opportunities, we will not be able to grow our investment portfolio. In addition, individuals with whom members of our management team have relationships are not obligated to provide us with investment opportunities, and therefore, there is no assurance that such relationships will generate investment opportunities for us.

We will be subject to corporate-level income tax if we are unable to qualify as a RIC under Subchapter M of the Code.

To maintain RIC tax treatment under the Code, we must meet the following annual distribution, income source and asset diversification requirements:

- The annual distribution requirement for a RIC will be satisfied if we distribute to our stockholders on an annual basis at least 90% of our net ordinary income and realized short-term capital gains in excess of realized net long-term capital losses, if any. Depending on the level of taxable income earned in a tax year, we may choose to carry forward taxable income in excess of current year distributions into the next year and pay a 4% excise tax on such income. Any such carryover taxable income must be distributed through a dividend declared prior to filing the final tax return related to the year which generated such taxable income.

- The source of income requirement will be satisfied if we obtain 90% of our income for each year from distributions, interest, gains from the sale of stock or securities or similar sources.

- The asset diversification requirement will be satisfied if we meet certain asset diversification requirements at the end of each quarter of our taxable year. To satisfy this requirement, at least 50% of the value of our assets must consist of cash, cash equivalents, U.S Government securities, securities of other RICs, and other acceptable securities; no more that 25% of the value of our assets can be invested in the securities, other than U.S Government securities or securities of other RICs, of two or more issuers that are controlled, as determined under applicable Code rules, by us and that are engaged in the same or similar or related trades or businesses or of certain “qualified publicly traded partnerships.”

Failure to meet these requirements may result in us having to dispose of certain unqualified investments quickly in order to prevent the loss of RIC status. If we fail to maintain RIC tax treatment for any reason and are subject to corporate income tax, the resulting corporate taxes could substantially reduce our net assets, the amount of income available for distribution and the amount of our distributions. In addition, to the extent we had unrealized gains, we would have to establish deferred tax liabilities for taxes, which would reduce our net asset value accordingly. In addition, our shareholders would lose the tax credit realized when we, as a RIC, decide to retain the net realized capital gain and make deemed distributions of net realized capital gains, and pay taxes on behalf of our shareholders at the end of the tax year. The loss of this pass-through tax treatment could have a material adverse effect on the total return, if any, obtainable from an investment in our common stock.

We may not be able to pay you dividends, our dividends may not grow over time and a portion of our dividends paid to you may be a return of capital.

We intend to pay semi-annual dividends to our shareholders out of assets legally available for distribution. We cannot assure you that we will achieve investment results that will allow us to pay a specified level of cash dividends, previously projected dividends for future periods or year-to-year increases in cash dividends. Our ability to pay dividends might be adversely affected by, among other things, the impact of one or more of the risk factors described herein. In addition, the inability to satisfy the asset coverage test applicable to us as a BDC could limit our ability to pay dividends. All dividends will be paid at the discretion of our Board of Directors and will depend upon our earnings, our financial condition, maintenance of our RIC status, compliance with applicable BDC regulations, CSVC's compliance with applicable SBIC regulations and such other factors as our Board of Directors may deem relevant from time to time. We cannot assure you that we will pay dividends to our shareholders in the future.

Historically, we have retained net realized capital gains, paid the resulting tax at the corporate level and retained the after-tax gains to supplement our equity capital and support continuing additions to our portfolio. Our shareholders then report such capital gains on their tax returns, receive credit for the tax we paid and are deemed to have reinvested the amount of the retained after-tax gain. We cannot assure you that we will achieve investment results or maintain a RIC tax status that will allow any specified level of cash distributions or our shareholders' current tax treatment of realized and retained capital gains.

We may in the future choose to pay dividends in our own stock, in which case you may be required to pay tax in excess of the cash receive.

We may distribute taxable dividends that are payable in part in our stock as well as stock in any of our other public holdings. Under an IRS revenue procedure, up to 90% of any such taxable dividend declared on or before December 31, 2013 with respect to taxable years ended on or before December 31, 2012 could be payable in our stock. Where the IRS revenue procedure is not currently applicable, the IRS has also issued private letter rulings on cash and stock dividends paid by RICs and real estate investment trusts using a 20% cash standard (and, more recently, the 10% cash standard of the above-referenced IRS revenue procedure) if certain requirements are satisfied. Taxable shareholders receiving such dividends will be required to include the full amount of the dividend as ordinary income (or as long-term capital gain to the extent such distributions is properly designated as a capital gain dividend) to the extent of our current and accumulated earnings and profits for United States federal income tax purposes. As a result, a U.S. shareholder may be required to pay tax with respect to such dividends in excess of any cash received. If a U.S. shareholder sells the stock it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. Furthermore, with respect to non-U.S. shareholders, we may be required to withhold U.S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock. In addition, if a significant number of our shareholders determine to sell shares of our stock in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our stock.

Because we intend to distribute substantially all of our net ordinary income to our shareholders to maintain our status as a RIC, we may need additional capital to finance our growth.

In order to satisfy the requirements applicable to a RIC and to minimize corporate-level taxes, we intend to distribute to our shareholders substantially all of our net ordinary income. We may carry forward excess undistributed taxable income into the next year, net of the 4% excise tax. Any such carryover taxable income must be distributed through a dividend declared prior to filing the final tax return related to the year which generated such taxable income.

Accordingly, in the event that we develop a need for additional capital in the future to sustain or grow our operations or for any other reason, we cannot assure you that any sources for such funding will be available to us for potential capital needs in the future. If additional funds are not available to us, we could be forced to curtail or cease new investment activities, and our net asset value could decline.

Changes in laws or regulations governing our operations or our failure to comply with those laws or regulations may adversely affect our business.

We and our portfolio companies are subject to regulation by laws at the local, state and federal level. These laws and regulations, as well as their interpretation, may be changed from time to time. Accordingly, any changes in these laws and regulations or failure to comply with them could have a material adverse effect on our business. Certain of these laws and regulations pertain specifically to BDCs such as us.

Terrorist attacks, act of war or natural disasters may affect any market for our common stock, impact the businesses in which we invest and harm our business, operating results and financial condition.

Terrorist attacks, acts of war or natural disasters may disrupt our operations, as well as the operations of the businesses in which we invest. Such acts have created, and continue to create, economic and political uncertainties and have contributed to global economic instability. Future terrorist activities, military or security operations, or natural disasters could further weaken the domestic/global economies and create additional uncertainties, which may negatively impact the businesses in which we invest directly or indirectly and, in turn, could have a material adverse impact on our business, operating results and financial condition. Losses from terrorist attacks and natural disasters are generally uninsurable.

RISKS RELATED TO OUR INVESTMENTS

Our investments in portfolio companies involve higher levels of risk, and we could lose all or part of our investment.

Investing in our portfolio companies involves a number of significant risks. Among other things, these companies:

- may have limited financial resources and may be unable to meet their obligations under their debt instruments that we hold, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of us realizing any guarantees from subsidiaries or affiliates of our portfolio companies that we may have obtained in connection with our investment, as well as a corresponding decrease in the value of the equity components of our investments;

- may have shorter operating histories, narrower product lines, smaller market shares and/or significant customer concentrations than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns;
- are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation, termination, or significant under-performance of one or more of these persons could have a material adverse impact on our portfolio company and, in turn, on us;
- may have less predictable operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position; and
- may have less publicly available information about their businesses, operations and financial condition. We are required to rely on the ability of our management team and investment professionals to obtain adequate information to evaluate the potential returns from investing in these companies. If we are unable to uncover all material information about these companies, we may not make a fully informed investment decision and may lose all or part of our investment.

In addition, in the course of providing significant managerial assistance to certain of our portfolio companies, certain of our officers and directors may serve as directors on the boards of such companies. To the extent that litigation arises out of our investments in these companies, our officers and directors may be named as defendants in such litigation, which could result in an expenditure of funds (through our indemnification of such officers and directors) and the diversion of management's time and resources.

We may not have the funds or ability to make additional investments in our portfolio companies.

We may not have the funds or ability to make additional investments in our portfolio companies. After our initial investment in a portfolio company, we may be called upon from time to time to provide additional funds to such company or have the opportunity to increase our investment through the exercise of a warrant to purchase common stock. There is no assurance that we will make, or will have sufficient funds to make, follow-on investments. Any decisions not to make a follow-on investment or any inability on our part to make such an investment may have a negative impact on a portfolio company in need of such an investment, may result in a missed opportunity for us to increase our participation in a successful operation or may reduce the expected yield on the investment.

Certain of our portfolio companies are highly leveraged.

Some of our portfolio companies have incurred substantial indebtedness in relation to their overall capital base. Such indebtedness often has terms that will require the balance of the loan to be refinanced when it matures. If portfolio companies cannot generate adequate cash flow to meet the principal and interest payments on their indebtedness, the value of our investments could be reduced or eliminated through foreclosure on the portfolio company's assets or by the portfolio company's reorganization or bankruptcy.

Defaults by our portfolio companies may harm our operating results.

A portfolio company's failure to satisfy financial or operating covenants imposed by us or other lenders could lead to non-payment of interest and other defaults and, potentially, termination of its loans and foreclosure on its secured assets, which could trigger cross-defaults under other agreements and jeopardize a portfolio company's ability to meet its obligations under the debt or equity securities that we hold. We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms, which may include the waiver of certain financial covenants, with a defaulting portfolio company.

There is limited publicly available information regarding the companies in which we invest.

Many of the securities in our portfolio are issued by privately held companies. There is generally little or no publicly available information about such companies, and we must rely on the diligence of our management to obtain the information necessary for our decision to invest. There can be no assurance that such diligence efforts will uncover all material information necessary to make fully informed investment decisions.

Potential sales of large volume of publicly traded companies' stocks could have an adverse effect on our ultimate gain.

In March 2012, Form S-3 registration statements of Alamo Group, Inc. (NYSE: ALG), Encore Wire Corporation (NASDAQ: WIRE) and Heelys Inc. (NASDAQ: HLYS) were filed with the Securities and Exchange Commission ("SEC"). As a result of these registrations becoming effective with the SEC, restrictions in the sale of the common stock of these companies imposed by Rule 144 of the Securities Exchange Act of 1933 were lifted, and valuation discounts previously applied to these holdings were removed. Due to our ownership of a large number of shares of the stocks and fluctuation in the trading prices, sales of these stocks may be traded at a discount to fair market value. Sales may also be limited by unfavorable market conditions. The size of our investments may preclude or delay the disposition of such securities, Our potential sales of these stocks could have an adverse impact on the price of these stocks and subsequently affect the potential gain we could receive from the sales.

RISKS RELATING TO OUR COMMON STOCK

Investment in shares of our common stock should not be considered a complete investment program.

Our stock is intended for investors seeking long-term capital appreciation. Our investments in portfolio securities generally require many years to reach maturity, and such investments generally are illiquid. An investment in our shares should not be considered a complete investment program. Each prospective purchaser should take into account his or her investment objectives as well as his or her other investments when considering the purchase of our shares.

Our common stock often trades at a discount from net asset value.

Our common stock is listed on The NASDAQ Global Market ("NASDAQ"). Shareholders desiring liquidity may sell their shares on NASDAQ at current market value, which has often been below net asset value. Shares of closed-end investment companies frequently trade at discounts from net asset value, which is a risk separate and distinct from the risk that a fund's performance will cause its net asset value to decrease.

The market price of our common stock may fluctuate significantly.

The market price and marketability of shares of our common stock may from time to time be significantly affected by numerous factors, including:

- our investment results;
- market conditions;
- departure of our key personnel;
- changes in regulatory policies, accounting pronouncements or tax guidelines, particularly with respect to RICs, BDCs or SBICs; and
- other influences and events over which we have no control and that may not be directly related to us.

Item 1B. Unresolved Staff Comments

We have no unresolved comments from the staff of the SEC.

Item 2. Properties

We maintain our offices at 12900 Preston Road, Suite 700, Dallas, Texas 75230, where we rent approximately 7,250 square feet of office space pursuant to a lease agreement expiring in September 2014. We believe that our offices are adequate to meet our current and expected future needs.

Item 3. Legal Proceedings

We may, from time to time, be involved in litigation arising out of our operations in the normal course of business or otherwise. Furthermore, third parties may try to seek to impose liability on us in connection with the activities of our portfolio companies. We have no current pending legal proceedings to which we are a party or to which any of our assets is subject.

Item 4. Mine Safety Disclosures

Not Applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

PRICE RANGE OF COMMMON STOCK AND HOLDERS

Our common stock is traded on the NASDAQ Global Select Market under the symbol “CSWC.” The following high and low selling prices for shares during each quarter of the last two fiscal years were taken from quotations provided to the Company by NASDAQ:

Quarter Ended	High	Low
March 31, 2012	$ 96.46	$ 81.42
December 31, 2011	92.10	70.07
September 30, 2011	101.67	71.79
June 30, 2011	98.26	89.90
March 31, 2011	$ 104.81	$ 89.14
December 31, 2010	111.01	90.47
September 30, 2010	93.50	86.25
June 30, 2010	96.61	84.26

DIVIDENDS

The payment dates and amounts of cash dividends per share since April 1, 2009 are as follows:

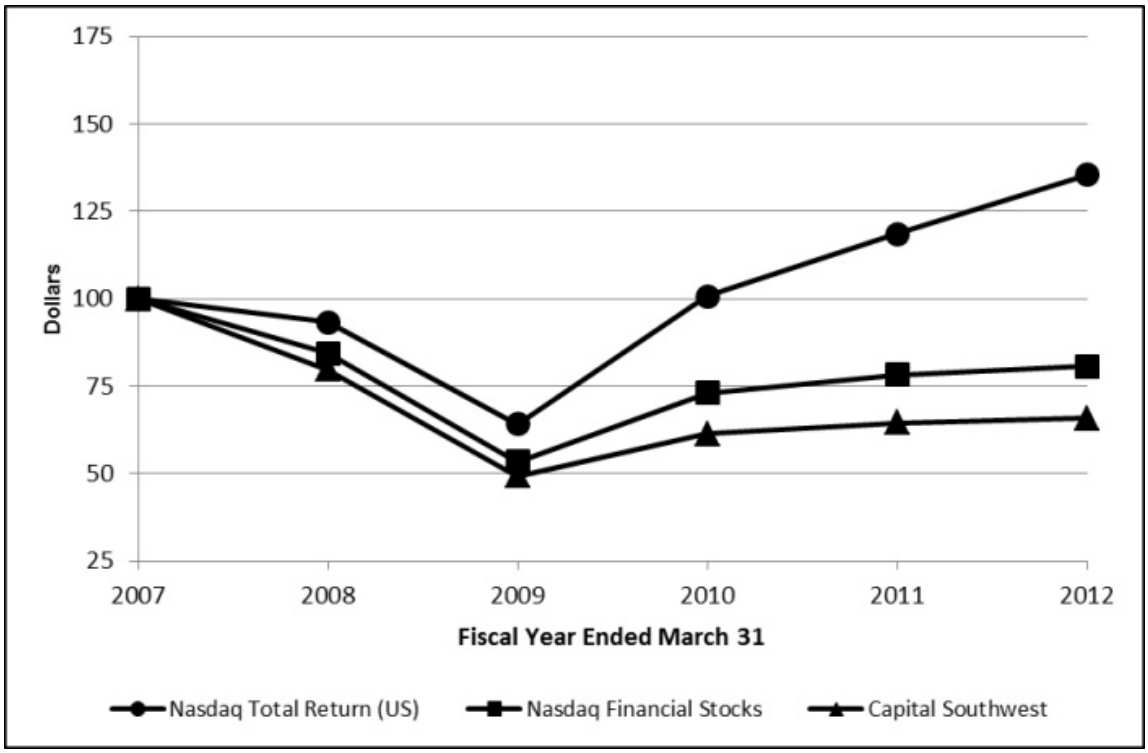
Payment Date	Cash Dividend
May 29, 2009	$ 0.40
November 30, 2009	0.40
May 28, 2010	0.40
November 30, 2010	0.40
May 31, 2011	0.40
November 30, 2011	0.40

The amounts and timing of cash dividend payments have generally been dictated by requirements of the Internal Revenue Code ("IRC") regarding the distribution of taxable net investment income (ordinary income) of regulated investment companies. Instead of distributing realized long-term capital gains to shareholders, the Company has ordinarily elected to retain such gains to fund future investments.

Performance Graph

The following graph compares our cumulative total shareholder return during the last five years (based on the market price of our common stock and assuming reinvestment of all dividends and tax credits on retained long-term capital gains) with the Total Return Index for NASDAQ (U.S. companies) and with the Total Return Index for Nasdaq Financial Stocks. Both indices were provided by NASDAQ.

Comparison of Five Year Cumulative Total Returns



Item 6. Selected Financial Data

The following table provides selected financial data relating to our historical financial condition and results of operations as of and for each of the years ended March 31, 2008 through 2012. This data should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes.

Selected Consolidated Financial Data
(In thousands except per share data)

Financial Position *(as of March 31)*	2012	2011	2010	2009	2008
Investments at cost	$ 88,993	$ 98,355	$ 100,023	$ 89,339	$ 81,027
Unrealized appreciation	469,553	390,918	377,920	307,296	466,544
Investments at market or fair value	558,546	489,273	477,943	396,635	547,571
Total assets	632,989	543,214	491,175	417,543	586,685
Net assets	628,706	539,233	486,926	415,263	583,700
Shares outstanding	3,755	3,753	3,741	3,741	3,889
Changes in Net Assets *(years ended March 31)*					
Net investment income	$ 2,544	$ 1,804	$ 2,091	$ 10,183	$ 3,715
Net realized gain on investments	10,578	38,885	826	10,756	240
Net increase (decrease) in unrealized appreciation before distributions*	78,635	12,999	70,624	(159,246)	(142,969)
Increase (decrease) in net assets from operations before distributions	91,757	53,688	73,541	(138,307)	(139,014)
Cash dividends paid	(3,003)	(2,994)	(2,993)	(12,257)	(2,333)
Employee stock options exercised	99	745	–	–	231
Stock option expense	1050	957	675	503	263
Change in pension plan funded status	(430)	(88)	440	(1,473)	(1,178)
Treasury stock	–	–	–	(16,903)	–
Increase (decrease) in net assets	$ 89,473	$ 52,308	$ 71,663	$ (168,437)	$ (142,031)
Per share data *(as of March 31)*					
Net assets	$ 167.45	$ 143.68	$ 130.14	$ 110.98	$ 150.09
Closing market price	94.55	91.53	90.88	76.39	123.72
Cash dividends paid	.80	.80	.80	3.26	.60

*See **Note 3** Investments.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our financial statements and the notes thereto included elsewhere in this Annual Report on Form 10-K.

Statements we make in the following discussion which express a belief, expectation or intention, as well as those that are not historical fact, are forward-looking statements that are subject to risks, uncertainties and assumptions. Our actual results, performance or achievements, or industry results, could differ materially from those we express in the following discussion as a result of a variety of factors, including the risks and uncertainties we have referred to under the headings "Cautionary Statement Concerning Forward-Looking Statements" and "Risks Factors" in Part I of this report.

Results of Operations

The composite measure of our financial performance in the Consolidated Statements of Operations is captioned "Increase in net assets from operations" and consists of three elements. The first is "Net investment income," which is the difference between income from interest, dividends and fees and our combined operating and interest expenses, net of applicable income taxes. The second element is "Net realized gain (loss) on investments," which is the difference between the proceeds received from the disposition of portfolio securities and their stated cost, net of applicable income tax expense based on our tax year. The third element is the "Net increase (decrease) in unrealized appreciation of investments," which is the net change in the market or fair value of our investment portfolio, compared with stated cost. It should be noted that the "Net realized gain (loss) on investments" and "Net increase (decrease) in unrealized appreciation of investments" are directly related in that when an appreciated portfolio security is sold to realize a gain, a corresponding decrease in net unrealized appreciation occurs by transferring the gain associated with the transaction from being "unrealized" to being "realized." Conversely, when a loss is realized on a depreciated portfolio security, an increase in net unrealized appreciation occurs.

Net Investment Income

For the year ended March 31, 2012, total investment income was $9,334,236, a $1,766,089, or 23.3%, increase over the $7,568,147 of total investment income for the year ended March 31, 2011. This comparable period increase was primarily attributable to a $1,288,170 or 23.7% increase in dividend income and a $616,042 or 45.1% increase in interest income, partially offset by a $138,122 or 17.9% decrease in management and director fee income. For the year ended March 31, 2011, total investment income was $7,568,147, a $1,458,841, or 23.9%, increase over the $6,109,306 of total investment income for the year ended March 31, 2010. This comparable period increase was primarily attributable to a $1,643,591 or 43.4% increase in dividend income and a $319,271 or 30.6% increase in interest income, partially offset by a $504,921 or 39.5% decrease in management and director fee income

Our principal objective is to achieve capital appreciation. Therefore, a significant portion of the investment portfolio is structured to maximize the potential return from equity participation and provides minimal current yield in the form of interest or dividends. We also earn interest income from the short-term investment of cash funds, and the annual amount of such income varies based upon the average level of funds invested during the year and fluctuations in short-term interest rates. During the three years ended March 31, we also had interest income from temporary cash investments of $52,477 in 2012, $59,642 in 2011 and $19,618 in 2010.

We also receive management fees primarily from our controlled affiliated investments which aggregated $564,050 in 2012, $695,567 in 2011 and $984,800 in 2010. As compared to the period ended March 31, 2011, management fees for the year ended March 31, 2012 decreased by $131,517 or 18.9%, primarily due to the sale of Lifemark Group, which was offset by increase in management fees from Trax Holdings and Instawares Holding Company, LLC. As compared to March 31, 2010, management fees for the year ended March 31, 2011 decreased by $289,233 or 29.4%, primarily due to the sale of Lifemark Group in June 2010.

During the three years ended March 31 2012, we recorded dividend income from the following sources:

	Years Ended March 31		
	2012	2011	2010
Alamo Group, Inc.	$ 679,632	$ 679,272	$ 679,272
Balco, Inc.	–	1,817,503	–
Dennis Tool Company	–	–	33,333
Encore Wire Corporation	326,940	326,940	326,940
The RectorSeal Corporation	4,442,512	2,021,829	2,117,870
TCI Holdings, Inc.	81,270	81,270	81,270
The Whitmore Manufacturing Company	1,110,628	505,457	529,467
Other	79,459	–	20,528
	$ 6,720,441	$ 5,432,271	$ 3,788,680

Due to the nature of our business, the majority of our Company's operating expenses are related to employee and director compensation, office expenses, legal, professional and accounting fees and the net pension benefit. Total operating expenses, increased by $1,033,836 or 18.3% during the year ended March 31, 2012, while total operating expenses increased by $1,735,100 or 44.4% during the year ended March 31, 2011. The increase in 2012 is due primarily to salary increases, bonuses paid, stock options granted, rent increase and an increase in legal and other professional fees. The increase in 2011 is due primarily to the creation of two new officer positions, as well as bonuses paid, stock option granted, and an increase in remediation costs related to the Bowie Plant, a prior portfolio holding.

Net Realized Gain (Loss) on Investments

Net realized gain on investments was $10,577,944 (after income tax expense of $1,248,932) during the year ended March 31, 2012, compared with a gain of $38,885,026 (after income tax expense of $24,577,557) during fiscal 2011 and a gain of $1,639,994 (after income tax expense of $814,503) during fiscal 2010.

During the twelve months ended March 31, 2012, we sold Phi Health, Inc. on June 29, 2011 for $38,959 resulting in a realized loss of $5,910,655. On September 9, 2011, All Components was sold for $18,000,000, resulting in a realized gain of $17,850,000. We also sold all of our shares of common stock of Texas Capital Bancshares, Inc. in November, resulting in a realized gain of $9,866,335. On December 5, 2011, Palm Harbor Homes Inc. filed Chapter 11 bankruptcy in state of Delaware; therefore, we subsequently wrote off this investment of $10,931,955.

Net realized gain on investments was $38,885,026 (after income tax expense of $24,577,557) during the year ended March 31, 2011, compared with a gain of $1,639,994 (after income tax expense of $814,503) during fiscal 2010 During the twelve months ended March 31, 2011, we sold all of our shares of common stock of Lifemark Group to NorthStar Memorial Group LLC resulting in net cash proceeds of $70,547,210 and $3,703,619 of real estate and assets, which were directly transferred to CapStar Holdings Corporation, our controlled affiliate created to hold assets transferred from Lifemark Group at time of sale. Transfer taxes in the amount of $1,218,855 related to the transfer of real estate were deducted from the realized gain on the Lifemark transaction

Management does not attempt to maintain a consistent level of realized gains from year to year, but instead attempts to maximize total investment portfolio appreciation. This strategy often dictates the long-term holding of portfolio securities in pursuit of increased values and increased unrealized appreciation, but may at opportune times dictate realizing gains or losses through the disposition of certain portfolio investments.

Net Increase/(Decrease) in Unrealized Appreciation of Investments

For the three years ended March 31, 2012, we recorded an increase in unrealized appreciation of investments of $78,634,914 in 2012, an increase in unrealized appreciation of investments of $12,998,532 in 2011 and an increase in unrealized appreciation of investments of $70,624,231 in 2010, in each case compared to the prior fiscal year. This change in unrealized appreciation of investments for the year ended March 31, 2011 includes a $66,489,600 reduction related to the aforementioned sale of Lifemark Group. Excluding the Lifemark Group, net unrealized appreciation of investments for the year ended March 31, 2011 increased by $79,488,132. As explained in the first paragraph of “Results of Operations” above, the realization of gains or losses results in a corresponding decrease or increase in unrealized appreciation of investments. Set forth in the following table are the significant increases and decreases in unrealized appreciation excluding the effect of gains or losses realized during the year by the portfolio company for securities held at the end of each year.

	Years Ended March 31		
	2012	2011	2010
Alamo Group, Inc.	$ 22,872,338	$ 19,812,100	$ 19,812,100
Encore Wire Corporation	39,723,210	14,303,625	2,043,375
Heelys, Inc.	1,304,723	(652,211)	5,869,905
The Whitmore Manufacturing Company	11,600,000	8,100,000	11,500,000
The RectorSeal Corporation	21,600,000	24,500,000	13,000,000

As shown in the table for the year ended March 31, 2012, we recognized significant increases in several of our largest investments. The largest increases in unrealized appreciation are attributable to Encore Wire Corporation, which increased $39,723,210 and Alamo Group, which increased $22,872,338. In March 2012, Form S-3 registration statements of Alamo Group, Inc. (NYSE: ALG), Encore Wire Corporation (NASDAQ: WIRE), and Heelys Inc. (NASDAQ: HLYS) were filed with the Securities and Exchange Commission, or SEC. As a result of these registrations becoming effective, restrictions of the common stock of these companies imposed by Rule 144 of the Securities Exchange Act of 1933 were lifted, and discounts on these common stocks were subsequently removed. Due to these recent registrations with the SEC, Encore Wire Corporation, Alamo Group Inc. and Heelys Inc. common stock was transferred from Level 3 to Level 1 under the fair value hierarchy of ASC 820. On March 13, 2012, Encore’s registration statement became effective. As a result, Encore’s fair value is equivalent to the company’s closing bid price of $29.72 per share on March 31, 2012. Alamo’s registration statement became effective March 28, 2012. As a result, Alamo’s fair value is equivalent to the company’s closing bid price of $30.06 per share on March 31, 2012.

In addition, unrealized appreciation in RectorSeal Corporation and Whitmore Manufacturing Company increased $21,600,000 and $11,600,000, respectively, due to improved earnings; Heelys, Inc. increased $1,304,723 due to recent Form S-3 registration statement filed with the SEC. On April 17, 2012, Heelys' registration statement became effective. As a result, Heelys' fair value is equivalent to the company's closing bid price of $2.20 per share (See **Note 3** Investments).

A description of the investments listed above and other material components of the investment portfolio are included elsewhere in this report under the caption "Consolidated Schedule of Investments – March 31, 2012 and 2011" in Item 8 "Financial Statements and Supplemental Data."

Portfolio Investments

During the year ended March 31, 2012, we invested a total of $13,377,408. During the year ended March 31, 2011, we invested $17,136,824 ($10,519,954 in cash and $6,616,870 non-cash, consisting of $3,707,619 in transferred real estate and assets from sale of Lifemark Group, Inc. and $2,913,251 in preferred stock in Phi Health, Inc. resulting from the conversion of CMI Holding Company, Inc. notes as part of its friendly foreclosure transaction). In various portfolio securities listed elsewhere under the caption "Portfolio Changes During the Year Ended March 31, 2012," which also lists dispositions of portfolio securities. During the 2010 fiscal year, the Company invested a total of $17,234,456.

Financial Liquidity and Capital Resources

At March 31, 2012, we had cash and cash equivalents of approximately $64.9 million. Pursuant to the SBA regulations, cash and cash equivalents of $3.2 million held by CSVC may not be transferred or advanced to CSC without the consent of the SBA.

With the exception of a capital gain distribution made in the form of a distribution of the stock of a portfolio company in the fiscal year ended March 31, 1996, we elected to retain all gains realized during its 50 years of operations. Retention of future gains is viewed as an important source of funds to sustain our investment activity. Approximately $240 million of our investment portfolio is represented by unrestricted publicly traded securities and represents a source of liquidity as of March 31, 2012.

Funds to be used by us for operating or investment purposes may be transferred in the form of dividends or management fees from The RectorSeal Corporation and The Whitmore Manufacturing Company, controlled affiliates of the Company, to the extent of their available cash reserves and borrowing capacities.

Management believes that our cash and cash equivalents and cash available from other sources described above are adequate to meet our expected requirements. Consistent with our long-term strategy, the disposition of investments from time to time may also be an important source of funds for future investment activities.

Contractual Obligations

As shown below, we had the following contractual obligations as of March 31, 2012. For information on our capital commitments, see Note 9 of the Notes to Consolidated Financial Statements.

	Payments Due By Period (In thousands)			
Contractual Obligations	Total	1 Year	2-3 Years	More Than 3 Years
Operating lease obligations	$ 333	$ 133	$ 200	$ –

Critical Accounting Policies

Valuation of Investments

In accordance with the Investment Company Act of 1940, investments in unrestricted securities (freely marketable securities having readily available market quotations) are valued at market, and investments in restricted securities (securities subject to one or more resale restrictions) are valued at fair value determined in good faith by our Board of Directors. Under our valuation policy, unrestricted securities are valued at the closing sale price for NYSE listed securities and at the lower of the closing bid price or the last sale price for Nasdaq securities on the valuation date.

Among the factors considered by our Board of Directors in determining the fair value of restricted securities are the financial condition and operating results of the issuer, the long-term potential of the business of the issuer, the market for and recent sales prices of the issuer's securities, the values of similar securities issued by companies in similar businesses, the proportion of the issuer's securities owned by us. Valuations as of any particular date, however, are not necessarily indicative of amounts which may ultimately be realized as a result of future sales or other dispositions of securities.

Impact of Inflation

We do not believe that our business is materially affected by inflation, other than the impact which inflation may have on the securities markets, the valuations of business enterprises and the relationship of such valuations to underlying earnings, all of which will influence the value of our investments.

BDC Risks

Pursuant to Section 64(b)(1) of the Investment Company Act of 1940, a BDC is required to describe the risk factors involved in an investment in the securities of such company due to the nature of the company's investment portfolio. Accordingly we state that:

Our objective is to achieve capital appreciation through investments in businesses believed to have favorable growth potential. Such businesses are often undercapitalized small companies which lack management depth and have not yet attained profitability. Our venture investments often include securities which do not yield interest or dividends and are subject to legal or contractual restrictions on resale, which restrictions adversely affect the liquidity and marketability of such securities.

Because of the speculative nature of our investments and the lack of any market for the securities initially purchased by us, there is a significantly greater risk of loss than is the case with traditional investment securities. The high-risk, long-term nature of our venture investment activities may prevent shareholders of our Company from achieving price appreciation and dividend distributions.

Portfolio Changes During the Year Ended March 31, 2012

New Investments and Additions to Previous Investments

	Amount
Ballast Point Ventures II, L.P.	$ 525,000
BankCap Partners Fund I, L.P.	46,200
Capital South Partners Fund III, L.P.	500,000
Cinatra Clean Technologies, Inc.	3,550,454
Discovery Alliance, LLC	280,000
iMemories, Inc.	78,479
Instawares Holding Company, LLC	5,000,000
Phi Health, Inc.	197,275
Trax Holdings, Inc.	3,200,000
	$ 13,377,408

Dispositions

	Cost	Amount Received
All Components, Inc.	$ 150,000	$ 18,000,000
Essex Corporation	-	1,000,000
Lifemark Group	-	(1,562)*
PalletOne, Inc.	45,746	459
Palm Harbor Homes, Inc.	10,931,955	-
Phi Health, Inc.	5,949,614	38,959
Texas Capital Bancshares, Inc.	3,550,006	13,416,341
	$ 20,627,321	$ 32,454,197
Realized gain before income taxes		$ 11,826,876

* Represents net monies paid to NorthStar Memorial Group LLC resulting from final accounting for the June 2010 sale of Lifemark Group.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are subject to financial market risks, including changes in marketable equity security prices. We do not use derivative financial instruments to mitigate any of these risks.

Our investment performance is a function of our portfolio companies' profitability, which may be affected by economic cycles, competitive forces, foreign currency fluctuations and production costs including labor rates, raw material prices and certain basic commodity prices. Most of the companies in our investment portfolio do not hedge their exposure to raw material and commodity price fluctuations. However, the portfolio company with the greatest exposure to foreign currency fluctuations generally hedges its exposure. All of these factors may have an adverse effect on the value of our investments and on our net asset value.

Our investment in portfolio securities includes fixed-rate debt securities which totaled $15,283,582 at March 31, 2012, equivalent to 2.7% of the value of our total investments. Generally, these debt securities are below investment grade and have relatively high fixed rates of interest; therefore, minor changes in market yields of publicly traded debt securities have little or no effect on the values of debt securities in our portfolio and no effect on interest income. Our investments in debt securities are generally held to maturity and their fair values are determined on the basis of the terms of the debt security and the financial condition of the issuer.

A portion of our investment portfolio consists of debt and equity securities of private companies. We anticipate little or no effect on the values of these investments from modest changes in public market equity valuations. Should significant changes in market valuations of comparable publicly traded companies occur, there may be a corresponding effect on valuations of private companies, which would affect the value and the amount and timing of proceeds eventually realized from these investments. A portion of our investment portfolio also consists of unrestricted, freely marketable common stocks of publicly traded companies. These freely marketable investments, which are valued at the public market price, are directly exposed to equity price risks; in that a change in an issuer's public market equity price would result in an identical change in the value of our investment in such security.

Item 8. Financial Statements and Supplementary Data

Index to Financial Statements

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
Capital Southwest Corporation

We have audited the accompanying consolidated statements of assets and liabilities of Capital Southwest Corporation (a Texas Corporation) and subsidiaries (the "Company") as of March 31, 2012 and 2011, including the schedule of investments as of March 31, 2012 and 2011, and the related consolidated statements of operations, changes in net assets, and cash flows for each of the three years in the period ended March 31, 2012, and the selected per share data and ratios for each of the five years in the period ended March 31, 2012. Our audits of the basic financial statements included the Schedule of Investments In and Advances to Affiliates. These financial statements, per share data and ratios and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements, per share data and ratios and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and selected per share data and ratios are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included verification by confirmation and examination of securities held by the custodian as of March 31, 2012 . An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements and the selected per share data and ratios referred to above present fairly, in all material respects, the financial position of Capital Southwest Corporation and subsidiaries as of March 31, 2012 and 2011, and the results of their operations, changes in their net assets, and their cash flows for each of the three years in the period ended March 31, 2012, and the selected per share data and ratios for each of the five years in the period ended March 31, 2012, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Capital Southwest Corporation and subsidiaries' internal control over financial reporting as of March 31, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated June 1, 2012, expressed an unqualified opinion thereon.

/s/ GRANT THORNTON LLP
Dallas, Texas
June 1, 2012

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
Capital Southwest Corporation

We have audited Capital Southwest Corporation (a Texas Corporation) and subsidiaries' (the "Company") internal control over financial reporting as of March 31, 2012, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2012, based on criteria established in Internal Control—Integrated Framework issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of assets and liabilities of the Company as of March 31, 2012 and 2011, including the schedule of investments as of March 31, 2012 and 2011, and the related consolidated statements of operations, changes in net assets and cash flows for each of the three years in the period ended March 31, 2012, and the selected per share data and ratios for each of the five years in the period ended March 31, 2012, and our report dated June 1, 2012 expressed an unqualified opinion.

/s/ GRANT THORNTON LLP

Dallas, Texas
June 1, 2012

CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES
(In thousands except per share data)

	March 31 2012	March 31 2011
Assets		
Investments at market or fair value		
Companies more than 25% owned (Cost: March 31, 2012 - $14,870, March 31, 2011 - $25,521)	$ 283,575	$ 310,181
Companies 5% to 25% owned (Cost: March 31, 2012 - $14,003, March 31, 2011 - $14,049)	209,222	83,335
Companies less than 5% owned (Cost: March 31, 2012 - $60,120, March 31, 2011 - $58,784)	65,749	95,757
Total investments (Cost: March 31, 2012 - $88,993, March 31, 2011 - $98,354)	558,546	489,273
Cash and cash equivalents	64,895	45,498
Receivables		
Dividends and interest	1,741	523
Affiliates	220	340
Pension assets	7,349	7,398
Other assets	238	182
Total assets	$ 632,989	$ 543,214
Liabilities		
Other liabilities	$ 688	$ 574
Pension liability	1,568	1,257
Deferred income taxes	2,027	2,150
Total liabilities	4,283	3,981
Net Assets		
Common stock, $1 par value: authorized, 5,000,000 shares; issued, 4,339,416 shares at March 31, 2012 and 4,337,916 shares at March 31, 2011	4,339	4,338
Additional capital	177,841	173,905
Accumulated net investment income	412	872
Accumulated net realized gain (loss)	498	(6,863)
Unrealized appreciation of investments	469,553	390,918
Treasury stock - at cost on 584,878 shares	(23,937)	(23,937)
Total net assets	628,706	539,233
Total liabilities and net assets	$ 632,989	$ 543,214
Net asset value per share (on the 3,754,538 shares outstanding at March 31, 2012 and 3,753,038 shares outstanding at March 31, 2011)	$ 167.45	$ 143.68

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

CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands)

	Years Ended March 31		
	2012	2011	2010
Investment income:			
Interest	$ 1,980	$ 1,364	$ 1,045
Dividends	6,720	5,432	3,789
Management and directors' fees	634	772	1,275
	9,334	7,568	6,109
Operating expenses:			
Salaries	3,653	3,089	2,164
Stock option expense	1,050	957	675
Net pension benefit	(300)	(291)	(369)
Professional fees	990	819	551
Other operating expenses	1,279	1,064	882
	6,672	5,638	3,903
Income before income taxes	2,662	1,930	2,206
Income tax expense	118	126	115
Net investment income	$ 2,544	$ 1,804	$ 2,091
Proceeds from disposition of investments	32,454	77,750	5,191
Cost of investments sold	20,627	14,287	3,550
Realized gain on investments before income tax	11,827	63,463	1,641
Income tax expense	1,249	24,578	815
Net realized gain on investments	10,578	38,885	826
Net increase in unrealized appreciation of investments	78,635	12,999	70,624
Net realized and unrealized gain on investments	$ 89,213	$ 51,884	$ 71,450
Increase in net assets from operations	$ 91,757	$ 53,688	$ 73,541

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

CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
(In thousands)

	Years Ended March 31		
	2012	2011	2010
Operations:			
Net investment income	$ 2,544	$ 1,804	$ 2,091
Net realized gain on investments	10,578	38,885	826
Net increase in unrealized appreciation of investments	78,635	12,999	70,624
Increase in net assets from operations	91,757	53,688	73,541
Distributions from:			
Undistributed net investment income	(3,003)	(2,994)	(2,993)
Net realized gains deemed distributed to shareholders	(3,216)	(45,748)	(868)
Capital share transactions:			
Allocated increase in share value for deemed distribution	3,216	45,748	868
Change in pension plan funded status	(430)	(89)	440
Exercise of employee stock options	99	745	–
Stock option expense	1,050	957	675
Increase in net assets	89,473	52,307	71,663
Net assets, beginning of period	539,233	486,926	415,263
Net assets, end of period	$ 628,706	$ 539,233	$ 486,926

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

CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Years Ended March 31		
	2012	2011	2010
Cash flows from operating activities			
Increase in net assets from operations	$ 91,757	$ 53,688	$ 73,541
Adjustments to reconcile increase in net assets from operations to net cash provided by (used in) operating activities:			
Net proceeds from disposition of investments	32,454	71,133	5,191
Proceeds from repayment of loans	2,111	4,519	3,000
Purchases of securities	(13,377)	(10,520)	(17,234)
Depreciation and amortization	25	27	33
Net pension benefit	(300)	(291)	(369)
Realized gain on investments before income tax	(11,827)	(63,463)	(1,640)
Taxes payable on behalf of shareholders on deemed distribution	1,249	24,577	815
Net increase in unrealized appreciation of investments	(78,635)	(12,999)	(70,624)
Stock option expense	1,050	957	675
(Increase) decrease in dividend and interest receivable	(1,218)	490	(514)
Decrease (increase) in receivables from affiliates	120	525	(617)
Increase in other assets	(81)	(18)	(26)
Increase (decrease) in other liabilities	344	(496)	819
(Decrease) increase in deferred income taxes	(123)	102	130
Net cash provided by (used in) operating activities	23,549	68,231	(6,820)
Cash flows from financing activities			
Distributions from undistributed net investment income	(3,003)	(2,994)	(2,993)
Proceeds from exercise of employee stock options	99	745	–
Payment of federal income tax for deemed capital gains distribution	(1,249)	(24,577)	(815)
Net cash used in financing activities	(4,153)	(26,826)	(3,808)
Net increase (decrease) in cash and cash equivalents	19,396	41,405	(10,628)
Cash and cash equivalents at beginning of period	45,498	4,094	14,722
Cash and cash equivalents at end of period	$ 64,895	$ 45,499	$ 4,094
Supplemental disclosure of cash flow information:			
Income taxes	$ –	$ –	$ –

Non-cash transactions:

a. In June 2010, we transferred $3,703,619 in certain tracts of Real Estate from Lifemark Group to their newly formed CapStar Holdings Corporation, wholly-owned by the Company.

b. In January 2011, CMI Holding Company completed a friendly foreclosure that allowed the conversion of CMI Holding Company notes in the amount $2,913,521 to preferred stock to their newly formed Phi Health, Inc.

These transactions had the following non-cash effect on our Consolidated Statements of Assets and Liabilities:

Total Investments	$ -	$ 6,617	$ –

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

CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2012

Company	Equity (a)	Investment (b)	Cost	Value (c)
*†**ALAMO GROUP INC.** **Seguin, Texas** Tractor-mounted mowing and mobile excavation equipment for governmental, industrial and agricultural markets; street-sweeping equipment for municipalities.	22.0%	‡2,832,300 shares common stock (acquired 4-1-73 thru 5-09-11)	$ 2,190,937	$ 85,138,938
ATLANTIC CAPITAL BANCSHARES, INC **Atlanta, Georgia** Holding company of Atlantic Capital Bank, a full service commercial bank.	1.9%	300,000 shares common stock (acquired 4-10-07)	3,000,000	2,299,000
¥**BALCO, INC.** **Wichita, Kansas** Specialty architectural products used in the construction and remodeling of commercial and institutional buildings.	95.7%	445,000 shares common stock and 60,920 shares Class B non-voting common stock (acquired 10-25-83 and 5-30-02)	624,920	4,100,000
***BOXX TECHNOLOGIES, INC.** **Austin, Texas** Workstations for computer graphic imaging and design.	14.9%	3,125,354 shares Series B Convertible Preferred Stock, convertible into 3,125,354 shares of common stock at $0.50 per share (acquired 8-20-99 thru 8-8-01)	1,500,000	600,000
CINATRA CLEAN TECHNOLOGIES, INC. **Houston, Texas** Cleans above ground oil storage tanks with a patented, automated system.	73.4%	12% subordinated secured promissory note, due 2016 (acquired 5-19-10 thru 10-20-10)	779,278	444,189
		12% subordinated secured promissory note, due 2017 (acquired 5-9-11 thru 10-26-11)	2,285,700	1,302,849
		12% subordinated secured promissory note, due 2016 (acquired 9-9-11 and 10-26-11)	1,264,754	720,910
		10% subordinated secured promissory note, due 2017 (acquired 7-14-08 thru 4-28-10)	6,200,700	3,534,399
		3,033,410 shares Series A Convertible Preferred Stock, convertible into 3,033,410 shares common stock at $1.00 per share (acquired 7-14-08 thru 11-18-10)	3,033,410	1
		Warrants to purchase 1,269,833 shares of common stock at $1.00 per share, expiring 2021 (acquired 5-9-11 thru 8-31-11)	–	–
			13,563,842	6,002,348
*†**ENCORE WIRE CORPORATION** **McKinney, Texas** Electric wire and cable for residential, commercial and industrial construction use.	16.9%	‡4,086,750 shares common stock (acquired 7-16-92 thru 10-7-98)	5,800,000	121,458,210

†Publicly-owned company ¥ Control investment * Affiliated investment ‡Unrestricted securities as defined in Note (b)

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

CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2012

Company	Equity (a)	Investment (b)	Cost	Value (c)
EXTREME INTERNATIONAL, INC. **Sugar Land, Texas** Owns Bill Young Productions, Texas Video and Post, and Extreme and television commercials and corporate communications videos.	53.6%	13,035 shares Series A Common Stock (acquired 9-26-08 and 12-18-08)	325,875	714,000
		39,359.18 shares Series C Convertible Preferred Stock, convertible into 157,437.72 shares of common stock at $25.00 per share (acquired 9-30-03)	2,625,000	8,626,000
		3,750 shares 8% Series A Convertible Preferred Stock, convertible into 15,000 shares of common stock at $25.00 per share (acquired 9-30-03)	375,000	822,000
			3,325,875	10,162,000
¥†**HEELYS, INC.** **Carrollton, Texas** Heelys stealth skate shoes, equipment and apparel sold through sporting goods chains, department stores and footwear retailers.	31.1%	‡9,317,310 shares common stock (acquired 5-26-00)	102,490	20,498,082
†**HOLOGIC, INC.** **Bedford, Massachusetts** Medical instruments including bone densitometers, mammography devices and digital radiography systems.	< 1%	‡632,820 shares common stock (acquired 8-27-99)	220,000	13,637,271
¡**MEMORIES, INC.** **Scottsdale, Arizona** Enables online video and photo sharing and DVD creation for home movies recorded in analog and new digital format.	25.3%	17,391,304 shares Series B Convertible Preferred Stock, convertible into 19,891,304 shares of common stock at $0.23 per share (acquired 7-10-09)	4,000,000	4,000,000
		4,684,967 shares Series C Convertible Preferred Stock, convertible into 4,684,967 shares of common stock at $0.23 per share (acquired 7-20-11)	1,078,479	1,078,479
		Warrants to purchase 2,500,000 shares of common stock at $0.12 per share, expiring 2020 (acquired 9-13-10 thru 1-21-11)	–	–
			5,078,479	5,078,479
INSTAWARES HOLDING COMPANY, LLC **Atlanta, Georgia** Provides services to the restaurant industry via its five subsidiary companies.	4.5%	3,846,154 Class D shares (acquired 5-20-11)	5,000,000	5,000,000
KBI BIOPHARMA, INC. **Durham, North Carolina** Provides fully-integrated, outsourced drug development and bio-manufacturing services.	17.1%	7,142,857 shares Series B-2 Convertible Preferred Stock, convertible into 10,204,082 shares of common stock at $0.49 per share (acquired 9-08-09)	5,000,000	3,200,000

†Publicly-owned company ¥ Control investment * Affiliated investment ‡Unrestricted securities as defined in Note (b)

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

CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2012

Company	Equity (a)	Investment (b)	Cost	Value (c)
¥**MEDIA RECOVERY, INC.** **Dallas, Texas** Computer datacenter and office automation supplies and accessories; impact, tilt monitoring and temperature sensing devices to detect mishandling shipments; dunnage for protecting shipments.	97.9%	800,000 shares Series A Convertible Preferred Stock, convertible into 800,000 shares of common stock at $1.00 per share (acquired 11-4-97)	800,000	3,100,000
		4,000,002 shares common stock (acquired 11-4-97)	4,615,000	15,600,000
			5,415,000	18,700,000
***PALLETONE, INC.** **Bartow, Florida** Manufacturer of wooden pallets and pressure-treated lumber.	7.7%	12.3% senior subordinated notes, $2,000,000 principal due 2015 (acquired 9-25-06)	1,553,150	2,000,000
		150,000 shares common stock (acquired 10-18-01)	150,000	2
			1,703,150	2,000,002
¥**THE RECTORSEAL CORPORATION** **Houston, Texas** Specialty chemicals for plumbing, HVAC, electrical, construction, industrial, oil field and automotive applications; smoke containment systems for building fires; also owns 20% of The Whitmore Manufacturing Company.	100.0%	27,907 shares common stock (acquired 1-5-73 and 3-31-73)	52,600	166,300,000
TCI HOLDINGS, INC. **Denver, Colorado** Cable television systems and microwave relay systems.	–	21 shares 12% Series C Cumulative Compounding Preferred Stock (acquired 1-30-90)	–	802,000
TRAX HOLDINGS, INC. **Scottsdale, Arizona** Provides a comprehensive set of solutions to improve the transportation validation, accounting, payment and information management process.	29.4%	18% convertible promissory note, $3,200,000 principal due 2012 (acquired 4-6-11 thru 11-10-11)	3,200,000	3,200,000
		1,061,279 shares Series A Convertible Preferred Stock, convertible into 1,061,279 common stock at $4.64 per share (acquired 12-8-08 and 2-17-09)	5,000,000	6,600,000
			8,200,000	9,800,000
VIA HOLDINGS, INC. **Sparks, Nevada** Designer, manufacturer and distributor of high-quality office seating.	3.2%	12,686 shares common stock (acquired 3-4-11 and 3-25-11)	4,926,290	2
***WELLOGIX, INC.** **Houston, Texas** Developer and supporter of software used by the oil and gas industry.	19.1%	4,788,371 shares Series A-1 Convertible Participating Preferred Stock, convertible into 4,788,371 shares of common stock at $1.0441 per share (acquired 8-19-05 thru 6-15-08)	5,000,000	25,000
¥**THE WHITMORE MANUFACTURING COMPANY** **Rockwall, Texas** Specialized surface mining, railroad and industrial lubricants; coatings for automobiles and primary metals; fluid contamination control devices.	80.0%	80 shares common stock (acquired 8-31-79)	1,600,000	67,200,000

†Publicly-owned company ¥ Control investment * Affiliated investment ‡Unrestricted securities as defined in Note (b)

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

CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2012

Company	Equity (a)	Invesment (b)	Cost	Value (c)
MISCELLANEOUS	–	Ballast Point Ventures II, L.P. 2.2% limited partnership interest (acquired 8-4-08 thru 6-18-10)	1,725,000	1,551,000
	–	BankCap Partners Fund I, L.P. 5.5% limited partnership interest (acquired 7-14-06 thru 11-30-11)	5,808,470	5,012,000
	–	CapitalSouth Partners Fund III, L.P. 1.9% limited partnership interest (acquired 1-22-08 and 11-16-11)	1,331,256	1,438,000
	100.0%	¥CapStar Holdings Corporation 500 shares common stock (acquired 6-10-10)	3,703,619	5,338,000
	–	Diamond State Ventures, L.P. 1.4% limited partnership interest (acquired 10-12-99 thru 8-26-05)	76,000	184,000
	–	¥Discovery Alliance, LLC 90.0% limited liability company (acquired 9-12-08 thru 10-20-11)	1,180,000	1,280,000
	–	First Capital Group of Texas III, L.P. 3.0% limited partnership interest (acquired 12-26-00 thru 8-12-05)	778,895	662,000
	100%	¥Humac Company 1,041,000 shares common stock (acquired 1-31-75 and 12-31-75)	–	159,000
	–	STARTech Seed Fund I 12.1% limited partnership interest (acquired 4-17-98 thru 1-5-00)	178,066	39,000
Miscellaneous (continued)	–	STARTech Seed Fund II 3.2% limited partnership interest (acquired 4-28-00 thru 2-23-05)	843,891	371,000
	–	Sterling Group Partners I, L.P. 1.7% limited partnership interest (acquired 4-20-01 thru 1-24-05)	1,064,042	511,000
TOTAL INVESTMENTS			$ 88,992,822	$ 558,546,332

†Publicly-owned company ¥ Control investment * Affiliated investment ‡Unrestricted securities as defined in Note (b)

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

CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2011

Company	Equity (a)	Investment (b)	Cost	Value (c)
*†**ALAMO GROUP INC.** **Seguin, Texas** Tractor-mounted mowing and mobile excavation equipment for governmental, industrial and agricultural markets; street-sweeping equipment for municipalities.	22.0%	2,830,300 shares common stock (acquired 4-1-73 thru 5-25-07)	$ 2,190,937	$ 62,266,600
ALL COMPONENTS, INC. **Pflugerville, Texas** Electronics contract manufacturing; distribution and production of memory and other components for computer manufacturers, retailers and value-added resellers	80.4%	8.25% subordinate note, $2,000,000 principal due 2012 (acquired 6-27-07)	2,000,000	2,000,000
		150,000 shares Series A Convertible Preferred Stock; convertible into 600,000 shares of common stock at $0.25 per share (acquired 9-16-94)	150,000	8,431,388
		Warrant to purchase 350,000 shares of common stock at $11.00 per share, expiring 2017 (acquired 6-27-07)	–	3,068,552
			2,150,000	13,499,940
ATLANTIC CAPITAL BANCSHARES, INC **Atlanta, Georgia** Holding company of Atlantic Capital Bank, a full service commercial bank.	1.9%	300,000 shares common stock (acquired 4-10-07)	3,000,000	2,257,000
¥**BALCO, INC.** **Wichita, Kansas** Specialty architectural products used in the construction and remodeling of commercial and institutional buildings.	90.9%	445,000 shares common stock and 60,920 shares Class B non-voting common stock (acquired 10-25-83 and 5-30-02)	624,920	5,200,000
***BOXX TECHNOLOGIES, INC.** **Austin, Texas** Workstations for computer graphic imaging and design.	14.9%	3,125,354 shares Series B Convertible Preferred Stock, convertible into 3,125,354 shares of common stock at $0.50 per share (acquired 8-20-99 thru 8-8-01)	1,500,000	2
CINATRA CLEAN TECHNOLOGIES, INC. **Houston, Texas** Cleans above ground oil storage tanks with a patented, automated system.	68.8%	12% subordinated secured promissory note, due 2012 (acquired 5-19-10 thru 10-20-10)	890,604	890,604
		10% subordinated secured promissory note, due 2013 (acquired 7-14-08 thru 4-28-10)	6,200,700	6,200,700
		3,033,410 shares Series A Convertible Preferred Stock, convertible into 3,033,410 shares common stock at $1.00 per share (acquired 7-14-08 thru 11-18-10)	3,033,410	3,033,410
			10,124,714	10,124,714

†Publicly-owned company ¥ Control investment * Affiliated investment ‡Unrestricted securities as defined in Note (b)

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

CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2011

Company	Equity (a)	Investment (b)	Cost	Value (c)
*†**ENCORE WIRE CORPORATION** **McKinney, Texas** Electric wire and cable for residential, commercial and industrial construction use.	16.9%	4,086,750 shares common stock (acquired 7-16-92 thru 10-7-98)	5,800,000	81,735,000
EXTREME INTERNATIONAL, INC. **Sugar Land, Texas** Owns Bill Young Productions, Texas Video and Post, and Extreme and television commercials and corporate communications videos.	53.6%	13,035 shares Series A Common Stock (acquired 9-26-08 and 12-18-08)	325,875	815,000
		39,359.18 shares Series C Convertible Preferred Stock, convertible into 157,437.72 shares of common stock at $25.00 per share (acquired 9-30-03)	2,625,000	9,850,000
		3,750 shares 8% Series A Convertible Preferred Stock, convertible into 15,000 shares of common stock at $25.00 per share (acquired 9-30-03)	375,000	938,000
			3,325,875	11,603,000
¥†**HEELYS, INC.** **Carrollton, Texas** Heelys stealth skate shoes, equipment and apparel sold through sporting goods chains, department stores and footwear retailers.	31.6%	9,317,310 shares common stock (acquired 5-26-00)	102,490	19,193,659
†**HOLOGIC, INC.** **Bedford, Massachusetts** Medical instruments including bone densitometers, mammography devices and digital radiography systems.	< 1%	‡632,820 shares common stock (acquired 8-27-99)	220,000	14,042,276
iMEMORIES, INC. **Scottsdale, Arizona** Enables online video and photo sharing and DVD creation for home movies recorded in analog and new digital format.	27.2%	10% convertible promissory note, due 2012 (acquired 9-13-10)	1,000,000	1,000,000
		17,391,304 shares Series B Convertible Preferred Stock, convertible into 17,391,304 shares of common stock at $0.23 per share (acquired 7-10-09)	4,000,000	4,000,000
		Warrant to purchase 968,750 shares of common stock at $0.12 per share, expiring 2020 (acquired 9-13-10)	–	–
			5,000,000	5,000,000

†Publicly-owned company ¥ Control investment * Affiliated investment ‡Unrestricted securities as defined in Note (b)

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

CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2011

Company	Equity (a)	Investment (b)	Cost	Value (c)
KBI BIOPHARMA, INC. **Durham, North Carolina** Provides fully-integrated, outsourced drug development and bio-manufacturing services.	17.1%	7,142,857 shares Series B-2 Convertible Preferred Stock, convertible into 10,204,082 shares of common stock at $0.49 per share (acquired 9-08-09)	5,000,000	4,200,000
¥MEDIA RECOVERY, INC. **Dallas, Texas** Computer datacenter and office automation supplies and accessories; impact, tilt monitoring and temperature sensing devices to detect mishandling shipments; dunnage for protecting shipments.	97.5%	800,000 shares Series A Convertible Preferred Stock, convertible into 800,000 shares of common stock at $1.00 per share (acquired 11-4-97)	800,000	3,000,000
		4,000,002 shares common stock (acquired 11-4-97)	4,615,000	15,100,000
			5,415,000	18,100,000
***PALLETONE, INC.** **Bartow, Florida** Manufacturer of wooden pallets and pressure-treated lumber.	8.4%	12.3% senior subordinated notes, $2,000,000 principal due 2015 (acquired 9-25-06)	1,553,150	1,600,000
		150,000 shares common stock (acquired 10-18-01)	150,000	2
		Warrant to purchase 15,294 shares of common stock at $1.00 per share, expiring 2011 (acquired 2-17-06)	45,746	–
			1,748,896	1,600,002
¥†PALM HARBOR HOMES, INC. **Dallas, Texas** Integrated manufacturing, retailing, financing and insuring of manufactured housing and modular homes.	30.4%	7,855,121 shares common stock (acquired 1-3-85 thru 7-31-95)	10,931,955	2
		Warrant to purchase 286,625 shares of common stock at $3.14 per share, expiring 2019 (acquired 4-24-09)	–	–
			10,931,955	2
PHI HEALTH, INC. **Richardson, Texas** Develops and sells cardiac MRI systems and software.	67.0%	1,559,111 shares Series A-1 Convertible Preferred Stock convertible into 1,559,111 shares of common stock at $0.0015 per share (acquired 1-27-11)	2,339	2,339
		555,556 shares Series B-1 Convertible Preferred Stock convertible into 555,556 shares common stock at $2.25 per share (acquired 1-27-11)	1,250,000	1,250,000
		4,500,000 Shares Series C-1 Convertible Preferred Stock convertible into 4,500,000 shares common stock at $0.20 per share (acquired 1-7-11 and 1-27-11)	4,500,000	4,500,000
			5,752,339	5,752,339

†Publicly-owned company ¥ Control investment * Affiliated investment ‡Unrestricted securities as defined in Note (b)

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

CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2011

Company	Equity (a)	Investment (b)	Cost	Value (c)
¥**THE RECTORSEAL CORPORATION** **Houston, Texas** Specialty chemicals for plumbing, HVAC, electrical, construction, industrial, oil field and automotive applications; smoke containment systems for building fires; also owns 20% of The Whitmore Manufacturing Company.	100.0%	27,907 shares common stock (acquired 1-5-73 and -31-73)	52,600	144,700,000
TCI HOLDINGS, INC. **Denver, Colorado** Cable television systems and microwave relay systems.	–	21 shares 12% Series C Cumulative Compounding Preferred Stock (acquired 1-30-90)	–	840,778
†**TEXAS CAPITAL BANCSHARES, INC.** **Dallas, Texas** Regional bank holding company with banking operations in six Texas cities.	1.6%	‡489,656 shares common stock (acquired 5-1-00)	3,550,006	12,711,470
TRAX HOLDINGS, INC. **Scottsdale, Arizona** Provides a comprehensive set of solutions to improve the transportation validation, accounting, payment and information management process.	30.7%	1,061,279 shares Series A Convertible Preferred Stock, convertible into 1,077,203 common stock at $4.64 per share (acquired 12-8-08 and 2-17-09)	5,000,000	5,758,030
VIA HOLDINGS, INC. **Sparks, Nevada** Designer, manufacturer and distributor of high-quality office seating.	28.1%	12,686 shares common stock (acquired 3-4-11 and 3-25-11)	4,926,290	4
***WELLOGIX, INC.** **Houston, Texas** Developer and supporter of software used by the oil and gas industry.	19.2%	4,788,371 shares Series A-1 Convertible Participating Preferred Stock, convertible into 4,788,371 shares of common stock at $1.0441 per share (acquired 8-19-05 thru 6-15-08)	5,000,000	2
¥**THE WHITMORE MANUFACTURING COMPANY** **Rockwall, Texas** Specialized surface mining, railroad and industrial lubricants; coatings for automobiles and primary metals; fluid contamination control devices.	80.0%	80 shares common stock (acquired 8-31-79)	1,600,000	55,600,000
MISCELLANEOUS	–	Ballast Point Ventures II, L.P. 2.2% limited partnership interest (acquired 8-4-08 thru 6-18-10)	1,200,000	1,200,000

†Publicly-owned company ¥ Control investment * Affiliated investment ‡Unrestricted securities as defined in Note (b)

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

CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2011

Company	Equity (a)	Investment (b)	Cost	Value (c)
	–	BankCap Partners Fund I, L.P. 5.5% limited partnership interest (acquired 7-14-06 thru 12-13-10)	5,762,270	5,101,727
	–	CapitalSouth Partners Fund III, L.P. 1.9% limited partnership interest (acquired 1-22-08 and 2-12-09)	831,256	790,000
	100.0%	¥CapStar Holdings Corporation 500 shares common stock (acquired 6-10-10)	3,703,619	4,380,481
	–	Diamond State Ventures, L.P. 1.4% limited partnership Interest (acquired 10-12-99 thru 8-26-05)	76,000	177,996
	–	¥Discovery Alliance, LLC 90.0% limited liability company (acquired 9-12-08 thru 5-14-10)	900,000	574,488
	–	Essex Capital Corporation 10% unsecured promissory note due 8-19-10 (acquired 8-16-09)	–	1,000,000
	–	First Capital Group of Texas III, L.P. 3.0% limited partnership interest (acquired 12-26-00 thru 8-12-05)	778,894	407,731
	100%	¥Humac Company 1,041,000 shares common stock (acquired 1-31-75 and 12-31-75)	–	166,000
	–	STARTech Seed Fund I 12.1% limited partnership interest (acquired 4-17-98 thru 1-5-00)	178,066	52,606
	–	STARTech Seed Fund II 3.2% limited partnership interest (acquired 4-28-00 thru 2-23-05)	843,891	317,392
	–	Sterling Group Partners I, L.P. 1.6% limited partnership interest (acquired 4-20-01 thru 1-24-05)	1,064,042	919,417
TOTAL INVESTMENTS			$ 98,354,060	$ 489,272,655

†Publicly-owned company ¥ Control investment * Affiliated investment ‡Unrestricted securities as defined in Note (b)

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

Notes to Consolidated Schedule of Investments

(a) Equity

The percentages in the "Equity" column express the potential equity interests held by Capital Southwest Corporation and Capital Southwest Venture Corporation (together, the "Company") in each issuer. Each percentage represents the amount of the issuer's common stock the Company owns or can acquire as a percentage of the issuer's total outstanding common stock, plus stock reserved for all warrants, convertible securities and employee stock options.

(b) Investments

Unrestricted securities (indicated by ‡) are freely marketable securities having readily available market quotations. All other securities are **restricted securities**, which are subject to one or more restrictions on resale and are not freely marketable. At March 31, 2012, restricted securities represented approximately **56.9%** of the value of the consolidated investment portfolio.

Our investments are carried at fair value in accordance with the Investment Company Act of 1940 (the "1940 Act") and FASB Accounting Standards Codification™ (ASC) Topic 820, Fair Value Measurements and Disclosures. In accordance with the 1940 Act, unrestricted minority-owned publicly traded securities, for which the market quotations are readily available, are valued at the closing sale price for the NYSE listed securities and the lower of the closing bid price or the last sale price for NASDAQ securities on the valuation date; and other privately held securities are valued as determined in good faith by our Board of Directors.

ASC Topic 820 defines fair value in terms of the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the "exit price") and excludes transaction costs. Under ASC Topic 820, the fair value measurement also assumes that the transaction to sell an asset occurs in the principal market for the asset or, in the absence of a principal market, the most advantageous market for the asset. The principal market is the market in which the reporting entity would sell or transfer the asset with the greatest volume and level of activity for the asset. In determining the principal market for an asset or liability under ASC Topic 820, it is assumed that the reporting entity has access to the market as of the measurement date.

(c) Value

Debt Securities are generally valued on the basis of the price the security would command in order to provide a yield-to-maturity equivalent to the present yield of comparable debt instruments of similar quality. Issuers whose debt securities are judged to be of poor quality and doubtful collectability may instead be valued by assigning percentage discounts commensurate with the quality of such debt securities. Debt securities may also be valued based on the resulting value from the sale of the business at the estimated fair market value.

Partnership Interests, Preferred Equity and Common Equity, including unrestricted marketable securities are valued at the closing sale price for the NYSE listed securities and the lower of the closing bid price or the last sale price for NASDAQ securities on the valuation date.For those without a principal market, our Board of Directors considers the financial condition and operating results of the issuer; the long-term potential of the business of the issuer; the market for and recent sales prices of the issuer's securities; the values of similar securities issued by companies in similar businesses; the proportion of the issuer's securities owned by the Company. In determining the fair value of restricted securities, our Board of Directors considers the inherent value of such securities without regard to the restrictive feature and adjusts for any diminution in value resulting from restrictions on resale. Investments in certain entities that calculate net asset value per share (or its equivalent) and for which fair market value is not readily determinable, are valued using the net asset value per share (or its equivalent, such as member units or ownership interest in partners' capital to which a proportionate share of net assets is attributed) of the investment.

Equity Warrants are valued on the basis of the Black-Scholes model which defines the market value of a warrant in relation to the market price of its common stock, share price volatility, and time to maturity.

(d) Agreements between Certain Issuers and the Company

Agreements between certain issuers and the Company provide that the issuer will bear substantially all costs in connection with the disposition of common stock, including those costs involved in registration under the Securities Act of 1933, but excluding underwriting discounts and commissions. These agreements cover common stock owned at March 31, 2012 and common stock which may be acquired thereafter through the exercise of warrants and conversion of debentures and preferred stock. They apply to restricted securities of all issuers in the investment portfolio of the Company except securities of the following issuers which are not obligated to bear registration costs: Humac Company and The Whitmore Manufacturing Company.

(e) Descriptions and Ownership Percentages

The descriptions of the companies and ownership percentages shown in the Consolidated Schedule of Investments were obtained from published reports and other sources believed to be reliable. Acquisition dates indicated are the dates specific securities were acquired, which may differ from the original investment dates. Certain securities were received in exchange for or upon conversion or exercise of other securities previously acquired.

Notes to Consolidated Financial Statements

1. ORGANIZATION AND BASIS OF PRESENTATION

Organization

Capital Southwest Corporation (“CSC”) was organized as a Texas corporation on April 19, 1961. Until September 1969, CSC operated as a licensee under the Small Business Investment Act of 1958. At that time, we transferred to our wholly-owned subsidiary, Capital Southwest Venture Corporation ("CSVC") certain assets and our license as a small business investment company ("SBIC"). CSVC is a closed-end, non-diversified investment company registered under the Investment Company Act of 1940 (the “1940 Act”). Prior to March 30, 1988, CSC was registered as a closed-end, non-diversified investment company under the 1940 Act. On that date, CSC elected to become a Business Development Company (“BDC”) subject to the provisions of the 1940 Act, as amended by the Small Business Incentive Act of 1980. Because CSC wholly owns CSVC, the portfolios of both CSC and CSVC are referred to collectively as “our,” “we” and “us.” Capital Southwest Management Company (“CSMC”), a wholly-owned subsidiary of CSC, is the management company for CSC and CSVC. CSMC generally incurs all normal operating and administrative expenses, including, but not limited to, salaries and related benefits, rent, equipment and other administrative costs required for its day-to-day operations.

Our portfolio is a composite of companies, consisting of companies in which we have controlling interests, developing companies and marketable securities of established publicly traded companies. We make available significant managerial assistance to the companies in which we invest and believe that providing managerial assistance to such investee companies is critical to their business development activities. CSMC receives a monthly fixed fee for management services provided to certain of our control portfolio companies.

Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Under rules and regulations applicable to investment companies, we are precluded from consolidating any entity other than another investment company. An exception to this general principle occurs if the investment company has an investment in an operating company that provides services to the investment company. Accordingly, consolidated financial statements include CSMC, our management company.

Portfolio Investment Classification

We classify our investments in accordance with the requirements of the 1940 Act. Under the 1940 Act, “Control Investments” are defined as investments in which we own more than 25% of the voting securities or have rights to maintain greater than 50% of the board representation; “Affiliated Investments” are defined as investments in which we own between 5% and 25% of the voting securities; and “Non-Control/Non-Affiliated Investments” are defined as investments that are neither “Control Investments” nor “Affiliated Investments.”

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed in the preparation of the consolidated financial statements of CSC, CSVC and CSMC.

Fair Value Measurements We adopted FASB ASC Topic 820 on April 1, 2008. ASC Topic 820 (1) creates a single definition of fair value, (2) establishes a framework for measuring fair value, and (3) expands disclosure requirements about items measured at fair value. The Statement applies to both items recognized and reported at fair value in the financial statements and items disclosed at fair value in the notes to the financial statements. The Statement does not change existing accounting rules governing what can or what must be recognized and reported at fair value in our financial statements, or disclosed at fair value in our notes to financial statements. Additionally, ASC Topic 820 does not eliminate practicability exceptions that exist in accounting pronouncements amended by this Statement when measuring fair value.

Fair value is generally determined based on quoted market prices in the active markets for identical assets or liabilities. If quoted market prices are not available, we use valuation techniques that place greater reliance on observable inputs and less reliance on unobservable inputs. Due to the inherent uncertainty in the valuation process, our estimate of fair value may differ materially from the values that would have been used had a ready market for the securities existed. In addition, changes in the market environment, portfolio company performance and other events may occur over the lives of the investments that may cause the gains or losses ultimately realized on these investments to be materially different than the valuations currently assigned. We determine the fair value of each individual investment and record changes in fair value as unrealized appreciation or depreciation.

Pursuant to our internal valuation process, each portfolio company is valued once a quarter. In addition to our internal valuation process, our Board of Directors retains a nationally recognized firm to provide limited scope third party valuation services on certain portfolio investments. Our Board of Directors retained Duff & Phelps to provide limited scope third party valuation services on six investments comprising 76.2% of our net asset value at March 31, 2012. For full disclosure of Duff & Phelps' services, see page 5 of this Annual Report on Form 10-K under the heading "Determination of Net Asset Value and Portfolio Valuation Process."

We believe our investments at March 31, 2012 and March 31, 2011 approximate fair value as of those dates based on the market in which we operate and other conditions in existence at those reporting periods.

Investments Investments are stated at fair value determined by our Board of Directors as described in Notes to the Consolidated Schedule of Investments and Note 3 below. The average cost method is used in determining cost of investments sold. Investments are recorded on a trade date basis.

Cash and Cash Equivalents Cash and cash equivalents consist of highly liquid investments with an original maturity of three months or less at the date of purchase. Cash and cash equivalents are carried at cost, which approximates fair value.

Segment Information We operate and manage our business in a singular segment. As an investment company, we invest in portfolio companies in various industries and geographic areas as presented in the Consolidated Schedule of Investments.

Use of Estimates The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Interest and Dividend Income Interest and dividend income is recorded on an accrual basis to the extent amounts are expected to be collected. Dividend income is recorded at the ex-dividend date for marketable securities and restricted securities. In accordance with our valuation policy, accrued interest and dividend income is evaluated periodically for collectability. When a debt or loan becomes 90 days or more past due, and if we otherwise do not expect the debtor to be able to service all of its debt or other obligations, we will generally establish a reserve against the interest income, thereby placing the loan or debt security's status on non-accrual basis, and cease to recognize interest income on that loan or debt security until the borrower has demonstrated the ability and intent to pay contractual amounts due. If a loan or debt security's status significantly improves regarding ability to service debt or other obligations, it will be restored to accrual basis.

Federal Income Taxes CSC and CSVC have elected and intend to comply with the requirements of the Internal Revenue Code (IRC) necessary to qualify as regulated investment companies (RICs). By meeting these requirements, they will not be subject to corporate federal income taxes on ordinary income distributed to shareholders. In order to comply as a RIC, each company is required to timely distribute to its shareholders at least 90% of investment taxable income, as defined by the IRC, each year. Taxable income generally differs from net income for financial reporting purposes due to temporary and permanent differences in the recognition of income and expenses. Taxable income generally excludes net unrealized appreciation or depreciation, as investment gains and losses are not included in taxable income until they are realized. Our policy is to retain and pay the 35% corporate tax on realized long-term capital gains. As an investment company that qualifies as RICs under the IRC, federal income taxes payable on security gains that we elect to retain are accrued only on the last day of our tax year, December 31. See Note 4 for further discussion.

CSMC, a wholly owned subsidiary of CSC, is not a RIC and is required to pay taxes at the current corporate rate.

We account for interest and penalties as part of operating expenses. There were no interest or penalties incurred during the years ended March 31, 2012, 2011 and 2010.

Deferred Taxes CSMC sponsors a qualified defined benefit pension plan which covers its employees and employees of certain of its controlled affiliates. Deferred taxes related to the qualified defined benefit pension plan are recorded as incurred.

Stock-Based Compensation We account for our stock-based compensation using the fair value method, as prescribed by ASC 718, *Compensation – Stock Compensation*. Accordingly, we recognize stock-based compensation cost over the straight-line method for all share-based payments granted on or after that date and for all awards granted to employees prior to April 1, 2006 that remain unvested on that date. The fair value of stock options are determined on the date of grant using the Black-Scholes pricing model and are expensed over the vesting period of the related stock options. For restricted stock awards, we measured the grant date fair value based upon the market price of our common stock on the date of the grant and will amortize this fair value to shared-based compensation expense over the vesting term. See Note 6 for further discussion.

Defined Pension Benefits and Other Postretirement Plans We record annual amounts relating to the defined benefit pension plan based on calculations, which include various actuarial assumptions such as discount rates and assumed rates of return depending on the pension plan. Material changes in pension costs may occur in the future due to changes in the discount rate, changes in the expected long-term rate of return, changes in level of contributions to the plans and other factors. The funded status is the difference between the fair value of plan assets and the benefit obligation. We recognize changes in the funded status of defined benefit plan in the Statement of Assets and Liabilities in the year in which the changes occur and measure defined benefit plan assets and obligations as of the date of the employer's fiscal year-end. We presently use March 31 as the measurement date for our defined benefit plan.

Concentration of Risk We place our idle cash in financial institutions, and at times, such balances may be in excess of the federally insured limits. On November 19, 2010, the Federal Deposit Insurance Corporation ("FDIC") issued a Final Rule implementing section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act that provides for unlimited insurance coverage of noninterest-bearing transaction accounts beginning December 31, 2010 through December 31, 2012. As of March 31, 2012 and 2011, the Company's money market account balances exceeded the Federal Deposit Insurance Corporation limits by $64.4 million and $45.3 million respectively.

Recent Accounting Pronouncements

In May 2011, the FASB issued Accounting Standards Update ("ASU") 2011-04, Fair Value Measurements (Topic 820), Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs ("ASU 2011-04"). ASU 2011-04 results in common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs. ASU 2011-04 is effective for interim and annual reporting periods beginning after December 15, 2011. Adoption of ASU 2011-04 is not expected to have a significant impact on our financial condition and result of operations.

3. INVESTMENTS

We record our investments at fair value as determined in good faith by our Board of Directors in accordance with GAAP. When available, we base the fair value of our investments on directly observable market prices or on market data derived for comparable assets. For all other investments, inputs used to measure fair value reflect management's best estimate of assumptions that would be used by market participants in pricing the investments in a hypothetical transaction.

The levels of fair value inputs used to measure our investments are characterized in accordance with the fair value hierarchy established by the Accounting Standard Codification ("ASC"). We use judgment and consider factors specific to the investment in determining the significance of an input to a fair value measurement. While management believes our valuation methodologies are appropriate and consistent with market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. The three levels of the fair value hierarchy and investments that fall into each of the levels are described below:

- *Level 1:* Investments whose values are based on unadjusted quoted prices in active markets for identical assets or liabilities that we have has the ability to access. We use Level 1 inputs for publicly traded unrestricted securities. Such investments are valued at the closing price for listed securities and at the lower of the closing bid price or the closing sale price for NASDAQ securities on the valuation date.

- *Level 2:* Investments whose values are based on observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument in non-active markets, quoted prices for similar instruments in active markets and similar data. We did not value any of our investments using Level 2 inputs as of March 31, 2012 and 2011.

- *Level 3:* Investments whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the investment. We use Level 3 inputs for measuring the fair value of approximately 56.9% of our investments. See "Notes to Consolidated Schedule of Investments" (c) on page 48 for the investment policy used to determine the fair value of these investments.

As required by ASC 820, when the inputs used to measure a fair value fall within different levels of the hierarchy, the level within the fair value measurement is categorized based on the lowest level input that is significant to the fair value measurement which may include inputs that are observable (Levels 1 and 2) and unobservable (Level 3). Therefore, gains and losses for such investments categorized within the Level 3 table below may include changes in fair value that are attributable to both observable inputs (Levels 1 and 2) and unobservable (Level 3). We conduct reviews of fair value hierarchy classifications on a quarterly basis. Changes in the observability of valuation inputs may result in a reclassification of certain investments.

In March 2012, Form S-3 registration statements of Alamo Group Inc. (NYSE: ALG), Encore Wire Corporation (NASDAQ: WIRE), and Heelys Inc. (NASDAQ: HLYS) were filed with the Securities and Exchange Commission, or SEC. Due to these recent registrations with the SEC, the common stock of Alamo Group Inc., Encore Wire Corporation, and Heelys Inc. was transferred from Level 3 to Level 1 under ASC 820. As a result of these registrations becoming effective with the SEC, restrictions in the sale of the common stock of these companies imposed by Rule 144 of the Securities Act were lifted and valuation discounts previously applied to these holdings were removed. Had the prior period discounts been applied to ALG, WIRE, HLYS, our resulting net asset value would have been $597,793,096, or $159.22 per share at March 31, 2012. This would have represented increases of 12.3% over the March 31, 2011 net asset values.

As of March 31, 2012 and 2011, 56.9% and 94.5%, respectively, of our portfolio investments were categorized as Level 3. Fair value determination of each portfolio investment required one or more of the following unobservable inputs:

- Financial information obtained from each portfolio company, including unaudited statements of operations and balance sheets for the most recent period available as compared to budget numbers;
- Audited financial information is obtained from each portfolio company, annually;
- Current and projected financial condition of the portfolio company;
- Current and projected ability of each portfolio company to service its debt obligations;
- Current liquidity of the investment;
- Projected operating results of the portfolio company;

- Current information regarding any offers to purchase the investment;
- Current ability of the portfolio company to raise any additional financing, as needed;
- Changes in the economic environment which may have a material impact on the operating results of the portfolio company;
- Internal occurrences that may have an impact (both positive and negative) on the operating performance of the portfolio company;
- Qualitative assessment of key management; and
- Other factors deemed relevant.

The following fair value hierarchy tables set forth our investment portfolio by level as of March 31, 2012 and March 31, 2011 (in millions):

		Fair Value Measurements at 3/31/12 Using		
Asset Category	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt	$ 11.2	$ –	$ –	$ 11.2
Partnership Interests	11.0	–	–	11.0
Preferred Equity	33.9	–	–	33.9
Common Equity	502.4	240.7	–	261.7
Total Investments	$ 558.5	$ 240.7	$ –	$ 317.8

		Fair Value Measurements at 3/31/11 Using		
Asset Category	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt	$ 12.7	$ –	$ –	$ 12.7
Partnership Interests	9.5	–	–	9.5
Preferred Equity	45.8	–	–	45.8
Common Equity	421.3	26.8	–	394.5
Total Investments	$ 489.3	$ 26.8	$ –	$ 462.5

Changes in Fair Value Levels

We monitor the availability of observable market data to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model based valuation techniques may require the transfer of financial instruments from one fair value to another.

In March 2012, Form S-3 registration statements of Alamo Group, Inc. (NYSE: ALG), Encore Wire Corporation (NASDAQ: WIRE) and Heelys Inc. (NASDAQ: HLYS) were filed with the Securities and Exchange Commission ("SEC"). As a result of these registrations becoming effective, restrictions in the sale of common stock of these companies imposed by Rule 144 of the Securities Exchange Act of 1933 were lifted, and discounts on the common stocks of these entities were subsequently removed. Due to these recent registrations with the SEC, we transferred $227 million securities from Level 3 to Level 1 under the fair value hierarchy of ASC 820.

The following table provides a summary of changes in the fair value of investments measured using Level 3 inputs during the years ended March 31, 2012 and 2011 (in millions):

	Fair Value 3/31/11	Net Unrealized Appreciation (Depreciation)	New Investments	Divestitures	Net Changes from Unrealized to Realized	Conversion of Security from Debt to Equity	Transfer out of Level 3	Fair Value at 3/31/12
Debt	$ 12.7	$ (4.6)	$ 6.6	$ (1.0)	$ (2.5)	$ 0.0	-	$ 11.2
Partnership Interest	$ 9.5	$ 0.2	$ 1.3	$ 0.0	$ 0.0	$ 0.0	-	$ 11.0
Preferred Equity	$ 45.8	$ (2.9)	$ 6.3	$ (6.1)	$ (9.2)	$ 0.0	-	$ 33.9
Common Equity	$ 394.5	$ 87.0	$ 0.0	$ 0.0	$ 7.3	$ 0.0	$ 227.1	$ 261.7
Total Investments	$ 462.5	$ 79.7	$ 14.2	$ (7.1)	$ (4.4)	$ 0.0	$ 227.1	$ 317.8

	Fair Value 3/31/10	Net Unrealized Appreciation (Depreciation)	Net Changes from Unrealized to Realized	New Invest-ments	Divesti-tures	Conversion of Security from Debt to Equity	Fair Value 3/31/11
Debt	$ 14.6	$ 0.1	$ 0.9	$ 4.2	$ (4.2)	$ (2.9)	$ 12.7
Partnership Interest	8.6	–	–	0.9	–	–	9.5
Preferred Equity	35.3	2.9	6.9	4.7	(6.9)	2.9	45.8
Common Equity	398.4	63.4	(66.5)	3.7	(4.5)	–	394.5
Total Investments	$ 456.9	$ 66.4	$ (58.7)	$ 13.5	$ (15.6)	$ –	$ 462.5

The total unrealized gains included in earnings that related to assets still held at report date for the years ended March 31, 2012 and 2011 were $96,949,860 and $76,132,546, respectively.

4. INCOME TAXES

We operate to qualify as a RIC under Subchapter M of the IRC. In order to qualify as a RIC, we must annually distribute at least 90% of our taxable ordinary income, based on our tax year, to our shareholders in a timely manner. Ordinary income includes net short-term capital gains but excludes net long-term capital gains. A RIC is not subject to federal income tax on the portion of its ordinary income and long-term capital gains that are distributed to its shareholders, including "deemed distributions" discussed below. As permitted by the Code, a RIC can designate dividends paid in the subsequent tax year as dividends of current year ordinary income and net long-term gains if those dividends are both declared by the extended due date of the RIC's federal income tax return and paid to shareholders by the last day of the subsequent tax year. We have a calendar tax year end of December 31.

We have distributed or intend to distribute sufficient dividends to eliminate taxable income for our completed tax years. If we fail to satisfy the 90% distribution requirement or otherwise fail to qualify as a RIC in any tax year, we would be subject to tax in such year on all of our taxable income, regardless of whether we made any distributions to our shareholders. For the tax year ended December 31, 2011 and 2010, we declared and paid ordinary dividends in the amount of $3,003,030 and $2,993,623, respectively.

Additionally, we are subject to a nondeductible federal excise tax of 4% if we do not distribute at least 98% of our investment company ordinary taxable income before the end of our tax year. For the tax years ended December 31, 2011 and 2010, we distributed 100% of our investment company ordinary taxable income. As a result, we have made no tax provisions for income taxes on ordinary taxable income for the tax years ended December 31, 2011 and 2010.

A RIC may elect to retain its long-term capital gains by designating them as "deemed distribution" to its shareholders and paying a federal tax rate of 35% on the long-term capital gains for the benefit of its shareholders. Shareholders then report their share of the retained capital gains on their income tax returns as if it had been received and report a tax credit for tax paid on their behalf by the RIC. Shareholders then add the amount of the "deemed distribution" net of such tax, to the basis of their shares.

- For the tax year ended December 31, 2011, we had net long-term capital gains of $3,568,376 for tax purposes and $4,465,088 for book purposes, which we elected to retain and treat as deemed distributions to our shareholders. For the tax year ended December 31, 2010, we had net long-term capital gains of $70,221,589 for tax purposes and $70,325,930 for book purposes, which we elected to retain and treat as deemed distributions to our shareholders. During the quarter ended December 31, 2010 we recorded a $4,217,985 reduction in the gain on sale of Lifemark Group, Inc. This reduction was the result of a net asset adjustment calculated in accordance with the Stock Purchase Agreement signed on June 10, 2010.

- In order to make the election to retain capital gains, we incurred federal taxes on behalf of our shareholders in the amount of $1,248,932 for the tax year ended December 31, 2011. For the tax year ended December 31, 2010, we incurred federal taxes on behalf of our shareholders in the amount of $24,577,557. For the tax year ended December 31, 2009, we had net long-term capital gains of $2,327,150 for tax purposes and $1,682,616 for book purposes, which we elected to retain and treat as deemed distributions to our shareholders. In order to make the election to retain capital gains, we incurred federal taxes on behalf of our shareholders in the amount of $814,502 for the tax year ended December 31, 2009.

For the years ended March 31, 2012, 2011 and 2010, CSC and CSVC qualified to be taxed as RICs. We intend to meet the applicable qualifications to be taxed as a RIC in future years. Management feels it is probable that we will maintain our RIC status for a period longer than one year. However, either company's ability to meet certain portfolio diversification requirements of RICs in future years may not be controllable by such company.

CSMC, a wholly owned subsidiary of CSC, is not a RIC and is required to pay taxes at the current corporate rate. CSMC sponsors a qualified defined benefit pension plan which covers its employees and employees of certain of its wholly owned portfolio companies. Deferred taxes related to the qualified defined pension plan are recorded as incurred.

5. UNDISTRIBUTED NET REALIZED GAINS (LOSSES) ON INVESTMENTS

Distributions made by RICs often differ from aggregate GAAP-basis undistributed net investment income and accumulated net realized gains (total GAAP-basis net realized gains). The principal cause is that required minimum fund distributions are based on income and gain amounts determined in accordance with federal income tax regulations, rather than GAAP. The differences created can be temporary, meaning that they will reverse in the future, or they can be permanent. In subsequent periods, when all or a portion of a temporary difference becomes a permanent difference, the amount of the permanent difference will be reclassified to "additional capital."

The following table sets forth a summary of our net realized gains on transactions by category:

Net Realized Gains on Transactions In Investment Securities of	For the Tax Year Ended December 31	
	2011	2010
Control Investments	$ -	$ 70,294,097
Affiliated Investments	–	–
Non-Control/Non-Affiliated Investments	4,465,088	31,833
Net realized gain on investments before taxes	$ 4,465,088	$ 70,325,930
Income tax expense	1,248,932	24,577,557
Net realized gains on investments	$ 3,216,156	$ 45,748,373
Net realized gains on investment (for tax purposes)	$ 3,568,376	$ 70,221,589

As a result of our election to retain long-term capital gains, we incurred federal taxes on behalf of our shareholders in the amounts listed in the table above. As of March 31, 2012, we had undistributed long-term capital gains of $498,438. As of March 31, 2011 we had undistributed long-term capital losses of $6,863,347.

6. EMPLOYEE STOCK BASED COMPENSATION PLANS

Stock Options

On July 20, 2009, shareholders approved our 2009 Stock Incentive Plan (the "2009 Plan"), which provides for the granting of stock options to employees and officers and authorizes the issuance of common stock upon exercise of such options for up to 140,000 shares. All options are granted at or above market price, generally expire up to ten years from the date of grant and are generally exercisable on or after the first anniversary of the date of grant in five annual installments. Options to purchase 38,750 shares at a price of $76.74 (market price at the time of the grant) were granted on October 19, 2009 and remain outstanding. Additionally, options to purchase 20,000 shares at a price of $95.79 (market price at time of the grant) were granted on March 22, 2010, options to purchase 15,000 shares at a price of $88.20 were granted on July 19, 2010 and options to purchase 10,000 shares at a price of $96.92 were granted on July 18, 2011. All 83,750 options remain outstanding, thus leaving 56,250 options available for grant under the 2009 plan.

We previously granted stock options under its 1999 Stock Option Plan (the "1999 Plan"), as approved by shareholders on July 19, 1999. The 1999 Plan expired on April 19, 2009. Options previously made under our 1999 Stock Option Plan and outstanding on July 20, 2009 continue in effect governed by provisions of the 1999 Plan. All options granted under the 1999 Plan were granted at or above market price, generally expire up to ten years from the date of grant and are generally exercisable on or after the first anniversary of the date of grant in five to ten annual installments.

We recognize compensation cost over the straight-line method for all share-based payments granted on or after that date and for all awards granted to employees prior to April 1, 2006 that remain unvested on that date. The fair value of stock options are determined on the date of grant using the Black-Scholes pricing model and are expensed over the vesting period of the related stock options. Share-based compensation cost for restricted stocks is measured based on the closing fair market value of our common stock on the date of the grant. Accordingly, for the years ended March 31, 2012, 2011 and 2010, we recognized stock option compensation expense of $1,009,922, $957,168 and $675,210 respectively.

As of March 31, 2012, the total remaining unrecognized compensation cost related to non-vested stock options was $2,113,807, which will be amortized over the weighted-average service period of approximately 2.5 years.

The following table summarizes the 2009 Plan and the 1999 Plan price per option at grant date using the Black-Scholes pricing model:

		Black-Scholes Pricing Model Assumptions			
Date of Issuance	Weighted Average Fair Value	Expected Dividend Yield	Risk-Free Interest Rate	Expected Volatility	Expected Life (in years)
2009 Plan					
July 18, 2011	$ 33.07	0.83%	1.45%	40.0%	5
July 19, 2010	$ 28.58	0.91%	1.73%	37.5%	5
March 22, 2010	$ 32.56	0.84%	2.43%	37.8%	5
October 19, 2009	$ 25.36	1.04%	2.36%	37.6%	5
1999 Plan					
July 30, 2008	$ 29.93	0.62%	3.36%	20.2%	5
July 21, 2008	$ 27.35	0.67%	3.41%	20.2%	5
July 16, 2007	$ 41.78	0.39%	4.95%	19.9%	5
July 17, 2006	$ 33.05	0.61%	5.04%	21.2%	7
May 15, 2006	$ 31.28	0.64%	5.08%	21.1%	7

The following table summarizes activity in the 2009 Plan and the 1999 Plan as of March 31, 2012:

	Number of Shares	Weighted Average Exercise Price
2009 Plan		
Balance at March 31, 2010	58,750	$ 83.23
Granted	15,000	88.20
Exercised	–	–
Canceled	–	–
Balance at March 31, 2011	73,750	$ 84.24
Granted	10,000	96.92
Exercised	–	–
Canceled	–	–
Balance at March 31, 2012	83,750	$ 85.75
1999 Plan		
Balance at March 31, 2010	107,900	$ 114.78
Granted	–	–
Exercised	(11,400)	65.37
Canceled	–	–
Balance at March 31, 2011	96,500	$ 114.78
Granted	–	–
Exercised	(1,500)	65.70
Canceled	–	–
Balance at December 31, 2011	95,000	$ 113.63
Combined Balance at March 31, 2012	178,750	$ 104.74

March 31, 2012	Weighted Average Aggregate Intrinsic Remaining Contractual Term	Value
Outstanding	2.5 years	$ 5,382,148
Exercisable	2.1 years	$ 2,731,427

At March 31, 2012, the range of exercise prices and weighted-average remaining contractual life of outstanding options was $76.74 to $152.98 and 2.5 years, respectively. The number of options exercisable under the 2009 Plan and the 1999 Plan, at March 31, 2012, was 87,590 with a weighted-average exercise price of $112.25. During the year ended March 31, 2012, 1,500 options were exercised with exercise price at $65.70 per share and 11,400 options were exercised with exercise prices ranging from $65.00 to $65.70 per share during the year ended March 31, 2011. New shares were issued for $98,550 and $745,200 cash received from options exercised during the year ended March 31, 2012 and the year ended March 31, 2011, respectively. There were no options exercised during the year ended March 31, 2010

At March 31, 2012, 2011 and 2010, the number of options exercisable was 87,590, 54,325 and 38,960, respectively, and the weighted average price of those options was $112.25, $115.57 and $107.94, respectively.

Stock Awards

On January 15, 2012, our Board of Directors approved the issuance of shares of restricted stock to certain key employees pursuant to the Capital Southwest Corporation 2010 Restricted Stock Award Plan. A restricted stock award is an award of shares of our common stock (which have full voting and dividend rights but are restricted with regard to sale or transfer), the restrictions over which lapse ratably over a specified period of time (generally five years). Restricted stock awards are independent of stock option grants and are subject to forfeit if employment terminates prior to these restrictions lapsing. These shares vest over a five-year period from the grant date and are expensed over the five-year service period starting on the grant date. The following table summarizes the restricted stock issuances approved by our Board of Directors and the remaining shares of restricted stock available for issuance as of March 31, 2012:

Restricted stock authorized under the plan:	47,000
Less restricted stock granted on 1/16/2012:	9,650
Restricted stock available for issuance as of March 31, 2012	37,350

We expense the cost of the restricted stock awards, which is determined to equal the fair value of the restricted stock award at the date of the grant on a straight-line basis over the vesting period in which the restrictions on these stock awards lapse. For these purposes, the fair value of the restricted stock award is determined based on the closing price of our common stock on the date of grant. For the fiscal year ended March 31, 2012, we recognized total share based compensation expense of $40,377 related to the restricted stock issued to our employees and officers. For the fiscal years ended March 31, 2011 and 2010, no restricted stock was issued.

As of March 31, 2012, the total remaining unrecognized compensation cost related to non-vested restricted stock awards was $766,403, which will be amortized over the weighted-average service period of approximately 4.8 years.

The following table represents a summary of the activity for our restricted stock awards for the fiscal year ended March 31, 2012:

Restricted Stock Awards	Number of Shares	Weighted Average Fair Value Per Share	Weighted Average Remaining Vesting Term (in Years)
Unvested at March 31, 2011	-	$ -	-
Granted	9,650	83.60	4.8
Vested	-	-	-
Forfeited or expired	-	-	
Unvested at March 31, 2012	9,650	$ 83.60	4.8

Phantom Stock Plan

On January 16, 2012, our Board of Directors approved the issuance of Phantom stock options to certain key employees pursuant to the Capital Southwest Corporation Phantom Stock Option Plan. Under the plan, awards vest on the fifth anniversary of the award date. Upon exercise of the phantom option, a cash payment in an amount for each Phantom share equal to estimated fair market value minus the phantom option exercise price will be distributed to plan participants. On January 16, 2012, 26,000 shares of phantom stock options were issued to provide deferred compensation to certain key employees. The exercise price of each phantom share is $146.95 (Net Asset Value at December 31, 2011), and estimated fair market value of phantom stock awards is calculated based on our net asset value, as of December 31 of each year.

The following table represents a summary of the activity for our phantom stock plan for the fiscal year ended March 31, 2012:

	Number of Shares	Exercise Price Per Share	Weighted Average Remaining Vesting Term (in Years)
Unvested at March 31, 2011	-	$ -	-
Granted	26,000	146.95	4.8
Vested	-	-	-
Forfeited or expired	-	-	
Unvested at March 31, 2012	26,000	$ 146.95	4.8

7. EMPLOYEE STOCK OWNERSHIP PLAN

CSC and one of its controlled affiliates sponsor a qualified employee stock ownership plan (“ESOP”) in which certain employees participate. Contributions to the plan, which are invested in our stock, are made at the discretion of our Board of Directors. A participant’s interest in contributions to the ESOP fully vests after three years of active service.

During the 3 years ended March 31, 2012, we made contributions to the ESOP, which were included in operating expenses, of $222,179 in 2012, $147,212 in 2011, and $144,436 in 2010.

8. RETIREMENT PLANS

CSC sponsors a qualified defined benefit pension plan which covers its employees and employees of certain of its controlled affiliates. The following information about the plan represents amounts and information related to CSC’s participation in the plan and is presented as though CSC sponsored a single-employer plan. Benefits are based on years of service and an average of the highest five consecutive years of compensation during the last 10 years of employment. The funding policy of the plan is to contribute annual amounts that are currently deductible for tax reporting purposes. No contribution was made to the plan during the three years ended March 31, 2012.

Additionally, CSC sponsors an unfunded Retirement Restoration Plan, which is a nonqualified plan that provides for the payment, upon retirement, of the difference between the maximum annual payment permissible under the qualified retirement plan pursuant to Federal limitations and the amount which would otherwise have been payable under the qualified plan.

The following tables set forth the qualified plan's net pension benefit, benefit obligation, fair value of plan assets, and amounts recognized in our consolidated statements of operations at March 31, 2012, 2011 and 2010, as well as amounts recognized in our consolidated statements of assets and liabilities at March 31, 2012 and 2011:

	Years Ended March 31		
	2012	2011	2010
Net pension benefit			
Service cost-benefits earned during the year	$ 133,729	$ 161,047	$ 116,746
Interest cost on projected benefit obligation	256,558	231,332	191,936
Expected return on assets	(781,299)	(771,025)	(735,366)
Net amortization	9,377	9,377	9,006
Net pension benefit from qualified plan	$ (381,635)	$ (369,269)	$ (417,678)

	Years Ended March 31		
	2012	2011	2010
Change in benefit obligation			
Benefit obligation at beginning of year	$ 4,213,349	$ 3,450,443	$ 2,914,813
Service cost	133,729	161,047	116,746
Interest cost	256,558	231,332	191,936
Actuarial gain (loss)	601,402	437,959	295,379
Benefits paid	(68,483)	(67,432)	(68,131)
Benefit obligation at end of year	$ 5,136,555	$ 4,213,349	$ 3,450,743

	Years Ended March 31		
	2012	2011	2010
Change in plan assets			
Fair value of plan assets at beginning of year	$ 11,610,994	$ 10,519,400	$ 8,383,373
Actual return on plan assets	943,365	1,159,026	2,204,158
Benefits paid	(68,483)	(67,432)	(68,131)
Fair value of plan assets at end of year	$ 12,485,876	$ 11,610,994	$ 10,519,400

	Years Ended March 31	
	2012	2011
Funded status and amounts recognized in consolidated statements of assets and liabilities		
Actuarial present value of benefit obligations: Accumulated benefit obligation	$ (4,755,675)	$ (3,859,769)
Projected benefit obligation for service rendered to date	$ (5,136,555)	$ (4,213,349)
Plan assets at fair value*	12,485,876	11,610,994
Funded status	7,349,321	7,397,645
Unrecognized net loss from past experience different from that assumed and effects of changes in assumptions	1,818,042	1,378,706
Unrecognized prior service costs	131,956	141,333
ASC 715 adjustment	(1,949,998)	(1,520,039)
Prepaid pension cost included in pension assets	7,349,321	$ 7,397,645

*Primarily equities and bonds including approximately 25,000 shares of CSC Common Stock.

The following tables set forth the retirement restoration plan's net pension benefit and benefit obligation amounts at March 31, 2012, 2011 and 2010, as well as amounts recognized in our consolidated statements of assets and liabilities at March 31, 2012, 2011:

	Years Ended March 31		
	2012	2011	2010
Net pension cost			
Service cost-benefits earned during the year	$ 18,163	$ 33,216	$ 26,847
Interest cost on projected benefit obligation	79,056	69,248	60,334
Net amortization	(15,428)	(24,507)	(38,605)
Net pension cost from qualified plan	$ 81,791	$ 77,957	$ 48,576

	Years Ended March 31		
	2012	2011	2010
Change in benefit obligation			
Benefit obligation at beginning of year	$ 1,256,895	$ 1,082,941	$ 934,428
Service cost	18,163	33,216	26,847
Interest cost	79,056	69,248	60,334
Actuarial gain (loss)	214,278	132,940	61,332
Other adjustments	-	(61,450)	–
Benefit obligation at end of year	$ 1,568,392	$ 1,256,895	$ 1,082,941

	Years Ended March 31	
	2012	2011
Amounts recognized in our consolidated statements of assets and liabilities		
Projected benefit obligation	$ (1,568,392)	$ (1,256,895)
Unrecognized net (gain) loss from past experience different from that assumed and effects of changes in assumptions	8,556	(205,722)
Unrecognized prior service costs	(130,798)	(146,226)
ASC 715 adjustment	122,242	351,948
Accrued pension cost included in pension liabilities	$ (1,568,392)	$ (1,256,895)

The following assumptions were used in estimating the actuarial present value of the projected benefit obligations:

	Years Ended March 31		
	2012	2011	2010
Discount rate	5.25%	6.00%	6.00%
Rate of compensation increases	5.00%	5.00%	5.00%

The following assumptions were used in estimating the net periodic (income)/expense:

	Years Ended March 31		
	2012	2011	2010
Discount rate	5.25%	6.00%	6.50%
Expected return on plan assets	6.50%	6.50%	6.50%
Rate of compensation increases	5.00%	5.00%	5.00%

Following are the expected benefit payments for the next five years and in the aggregate for the years 2018-2022:

(In thousands)	2013	2014	2015	2016	2017	2018-2022
Qualified Plan	$ 208	$ 274	$ 265	$ 262	$ 312	$ 1,704
Restoration Plan	$ 104	$ 103	$ 101	$ 100	$ 98	$ 573

The expected rate of return on assets assumption was determined based on the anticipated performance of the various asset classes in the plan's portfolio and the allocation of assets to each class. The anticipated asset class return is developed using historical and predicted asset return performance, considering the investments underlying each asset class and expected investment performance based on forecasts of inflation, interest rates and market indices for fixed income and equity securities.

Plan Assets

Our pension plan is administered by a board-appointed committee that has fiduciary responsibility for the plan's management. The trustee of the plan is JPMorgan Asset Management. Currently, approximately 18% of the assets are selected and managed by the trustee and the remainder of the assets is managed by the committee, invested mostly in equity securities, including our stock. The plan assets are invested using a total return approach whereby a mix of equity securities, debt securities and other investments are used to preserve asset values, diversify risk and achieve our targeted investment return benchmark. Investment performance and asset allocation are measured and monitored on an ongoing basis.

Plan assets are managed in a balanced portfolio comprised of two major components: an equity portion and a fixed income portion. The expected role of plan equity investments is to maximize the long-term real growth of the plan's assets, while the role of fixed income investments is to generate current income, provide for more stable periodic returns and provide some protection against prolonged decline in the market value of the plan's equity investments.

The current target allocations for plan assets are 60-80% equity, 15-40% for fixed income, and 0-15% for cash and cash equivalents. Equity investments include U.S. and foreign equities, as well as publicly traded and non-publicly traded mutual funds. Fixed income securities include long-duration government obligations, government agency obligations and corporate obligations.

Our pension plan asset allocations are as follows:

Asset Category	Percentage of Plan Assets at March 31 2012	2011
Equity securities	77.7%	77.2%
Fixed income securities	16.6%	16.8%
Cash and cash equivalents	5.7%	6.0%
	100.0%	100.0%

Below is our pension plan asset for Capital Southwest Corporation and its affiliates, of which Capital Southwest assets were $12,485,876 and $11,610,994 as of March 31, 2012 and 2011 respectively. The following fair value hierarchy table sets forth our pension plan investment portfolio by level as of March 31, 2012 (in millions):

		Fair Value Measurements at Reporting Date Using		
Asset Category	Total	Quoted Prices in Active Markets for Identical Assets Level I	Significant Other Observable Inputs Level 2	Significant Observable Inputs Level 3
Equity securities (a)	$ 32.9	$ 21.4	$ 11.5	$ –
Fixed income securities (b)	7.0	–	7.0	–
Cash and cash equivalents	2.4	2.4	–	–
Total	$ 42.3	$ 23.8	$ 18.5	$ –

The following fair value hierarchy table sets forth our pension plan investment portfolio by level as of March 31, 2011 (in millions):

		Fair Value Measurements at Reporting Date Using		
Asset Category	Total	Quoted Prices in Active Markets for Identical Assets Level I	Significant Other Observable Inputs Level 2	Significant Observable Inputs Level 3
Equity securities (a)	$ 30.8	$ 25.0	$ 5.8	$ –
Fixed income securities (b)	6.7	–	6.7	–
Cash and cash equivalents	2.4	2.4	–	–
Total	$ 39.9	$ 27.4	$ 12.5	$ –

There were no plan assets valued using significant unobservable inputs (level 3) as of March 31, 2012 or 2011.

(a) This category includes investment in equity securities of large, medium and small companies and equity investments in foreign companies. Mutual funds included in this category are valued using the net asset value per unit as of the valuation date. These investments include shares of our common stock. At March 31, 2012 and 2011, our common stock represented 19.7% and 20.2%, respectively, of the plan assets.

(b) This category includes investments in investment grade fixed income instruments, primarily U.S. government obligations.

9. COMMITMENTS

As of March 31, 2012, we had agreed, subject to certain conditions, to invest up to $8,608,215 in eight portfolio companies.

We lease office space under an operating lease which requires base annual rentals of approximately $133,000 through September 2014. For the three years ended March 31, 2012, total rental expense charged to investment income was $117,199 in 2012, $103,703 in 2011, and $92,075 in 2010.

10. SOURCES OF INCOME

Year Ended March 31, 2012	Investment Income			Realized Gain (Loss) on Investments Before Income Taxes
	Interest	Dividends	Other Income	
Companies more than 25% owned	$ –	$ 5,553,140	$ 493,967	$ (10,933,517)
Companies 5% to 25% owned	253,652	1,006,572	59,700	(45,287)
Companies less than 25% owned	1,674,051	160,729	79,250	22,805,680
Other sources, including temporary investments	52,477	–	699	–
	$ 1,980,180	$ 6,720,441	$ 633,616	$ 11,826,876

Year Ended March 31, 2011	Investment Income			Realized Gain (Loss) on Investments Before Income Taxes
	Interest	Dividends	Other Income	
Companies more than 25% owned	$ –	$ 5,024,061	$ 671,867	$ 70,294,097
Companies 5% to 25% owned	–	326,940	13,000	(6,863,347)
Companies less than 25% owned	1,304,496	81,270	–	31,833
Other sources, including temporary investments	59,642	–	86,871	–
	$ 1,364,138	$ 5,432,271	$ 771,738	$ 63,462,583

Year Ended March 31, 2010	Investment Income			Realized Gain (Loss) on Investments Before Income Taxes
	Interest	Dividends	Other Income	
Companies more than 25% owned	$ 14,473	$ 3,359,942	$ 1,055,900	$ 1,433,472
Companies 5% to 25% owned	1,500	326,940	13,000	–
Companies less than 25% owned	1,009,276	101,798	206,522	206,522
Other sources, including temporary investments	19,618	–	337	–
	$ 1,044,867	$ 3,788,680	$ 1,275,759	$ 1,639,994

11. SELECTED QUARTERLY FINANCIAL DATA

The following presents a summary of the unaudited quarterly consolidated financial information for the years ended March 31, 2012 and 2011 (in thousands except per share amounts):

2012	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Net investment income (loss)	$ 14	$ 23	$ 4,385	$ (1,878)	$ 2,544
Net realized gain (loss) on investments	(5,911)	18,500	(2,360)	349	10,578
Net increase (decrease) in unrealized appreciation of investments	(4,588)	(44,076)	48,798	78,501	78,635
Net increase (decrease) in net assets from operations	(10,455)	(25,703)	50,823	77,092	91,757
Net increase in net operations per share	(2.79)	(6.85)	13.53	20.53	24.42

2011	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Net investment income (loss)	$ 1,962	$ 81	$ 1,227	$ (1,466)	$ 1,804
Net realized gain (loss) on investments	74,015	530	(28,797)	(6,863)	38,885
Net increase (decrease) in unrealized appreciation of investments	(65,742)	23,360	21,837	33,544	12,999
Net increase (decrease) in net assets from operations	10,235	23,971	(5,732)	25,214	53,688
Net increase (decrease) in net operations per share	2.73	6.41	(1.53)	6.72	14.33

12. SELECTED PER SHARE DATA AND RATIOS

The following presents a summary of the selected per share data for the years ended March 31, 2008 through 2012 (in thousands except per share amounts):

	Years Ended March 31				
Per Share Data	2012	2011	2010	2009	2008
Investment income	$ 2.49	$ 2.01	$ 1.63	$ 3.74	$ 1.75
Operating expenses	(1.78)	(1.50)	(1.04)	(.98)	(.76)
Interest expense	–	–	–	–	–
Income taxes	(.03)	(.03)	(.03)	(.04)	(.03)
Net investment income	.68	.48	.56	2.72	.96
Distributions from undistributed net investment income	(.80)	(.80)	(.80)	(3.28)	(.60)
Net realized gain net of tax	2.81	10.36	.22	2.87	.06
Net increase (decrease) in unrealized appreciation of investments	20.93	3.46	18.88	(42.56)	(36.76)
Exercise of employee stock options**	(.02)	(.20)	–	–	(.09)
Stock option expense	.28	.26	.18	.13	.07
Net change in pension plan funded status	(.11)	(.02)	.12	(.39)	(.30)
Treasury stock*	–	–	–	1.40	–
Adjustment to initially apply ASC 715, net of tax	–	–	–	–	–
Increase (decrease) in net asset value	23.77	13.54	19.16	(39.11)	(36.66)
Net asset value					
Beginning of year	143.68	130.14	110.98	150.09	186.75
End of year	$ 167.45	$ 143.68	$ 130.14	$ 110.98	$ 150.09
Ratios and Supplemental Data					
Ratio of operating expenses to average net assets	1.07%	1.10%	.87%	.71%	.46%
Ratio of net investment income to average net assets	.41%	.35%	.47%	1.96%	.58%
Portfolio turnover rate	2.15%	2.78%	1.16%	2.51%	.22%
Net asset total return	18.07%	18.40%	18.50%	(22.56)%	(19.27)%
Shares outstanding at end of period (000s) omitted	3,755	3,753	3,741	3,741	3,889

* Net increase is due to purchases of common stock at prices less than beginning period net asset value.
** Net decrease is due to the exercise of employee stock options at prices less than beginning of period net asset value.

13. SUBSEQUENT EVENTS

On May 14, 2012, Capital Southwest Venture Corporation, a wholly owned subsidiary of Capital Southwest Corporation, entered into a Share Repurchase Agreement with Encore Wire Corporation dated May 14, 2012 pursuant to which Encore Wire repurchased 2,774,250 shares of Encore Wire's common stock held by Capital Southwest Venture Corporation. Pursuant to terms of the Share Repurchase Agreement, the aggregate sale price was $66,637,485, based on a price of $24.02 per share. Capital Southwest Corporation continues to hold 1,312,500 shares of common stock in Encore Wire Corporation. Additionally, the Board of Directors of Capital Southwest Corporation declared a cash dividend in the amount of $17.59 per share of common stock. The dividend is payable on June 8, 2012 to shareholders of record on May 24, 2012. This dividend represents a distribution of the entire capital gain proceeds to its shareholders.

SCHEDULE 12-14

Schedule of Investments in and Advances to Affiliates
(In thousands)

Portfolio Company / Type of Investment (1)	Amount of Interest, Fees or Dividends Credited in Income (2)	Fair Value at March 31, 2011	Gross Additions (3)	Gross Reductions (4)	Fair Value at March 31, 2012
Control Investments					
The RectorSeal Corporation					
27,907 shares common stock	$ 4,803	$ 144,700	$ 21,600	–	$ 166,300
The Whitmore Manufacturing Company					
80 shares common stock	1,231	55,600	11,600	–	67,200
Heelys, Inc.					
9,317,310 shares common stock	–	19,194	1,304	–	20,498
Media Recovery, Inc.					
800,000 shares Series A Convertible Preferred Stock, convertible into 800,000 shares common stock	–	3,000	100	–	3,100
4,000,002 shares common stock	–	15,100	500	–	15,600
Balco, Inc.					
445,000 shares common stock; 60,920 shares Class B non-voting common	–	5,200	–	1,100	4,100
CapStar Holdings Corporation					
500 shares common stock	–	4,380	958	–	5,338
Discovery Alliance, LLC					
90.0% limited liability company	–	574	706	–	1,280
Humac Company					
1,041,000 shares of common stock	5	166	-	7	159
Total Control Investments	$ 6,039	$ 247,914	$ 36,768	$ 1,107	$ 283,575

Portfolio Company / Type of Investment (1)	Amount of Interest, Fees or Dividends Credited in Income (2)	Fair Value at March 31, 2011	Gross Additions (3)	Gross Reductions (4)	Fair Value at March 31, 2012
Affiliated Investments					
Alamo Group, Inc.					
2,830,300 shares common stock	$ 726	$ 62,267	22,872		85,139
Encore Wire Corporation					
4,086,750 shares of common stock	340	81,735	39,723	–	121,458
PalletOne, Inc.					
12.3% Senior Subordinated Notes, $2,000,000 due 2015	254	1,600	400		2,000
150,000 shares of common stock	–	–	–		–
Warrant to purchase 15,294 shares of common stock at $1,00 per share, expiring 2011	–	–	–	–	–
Boxx Technologies, Inc.					
3,125,354 shares Series B Convertible Preferred Stock, convertible into 3,125,354 shares of common stock at $0.50 per share	–	–	600	–	600
Wellogix, Inc.					
4,788,371 shares Series A-1 Convertible Preferred Stock, convertible into 4,788,371 shares of common stock at $1.0441 per share	–	–	25	–	25
Total Affiliated Investments	$ 1,320	$ 145,602	$ 63,620	–	$ 209,222
Total Control & Affiliated Investments	$ 7,359	$ 393,516	$ 100,388	$ 1,107	$ 492,797

This schedule should be read in conjunction with our Consolidated Financial Statements, including the Consolidated Schedules of Investments and Notes to Consolidated Financial Statements.

(1) The principal amount and ownership detail as shown in the Consolidated Schedules of Investments.

(2) Represents the total amount of interest, fees and dividends, credited to income for the portion of the year an investment was included in the Control or Non-Control/Non-Affiliate categories, respectively.

(3) Gross additions include increases in the cost basis of investments resulting from new portfolio investments, follow-on investments and accrued PIK interest, and the exchange of one or more existing securities for one or more new securities. Gross additions also include net increases in unrealized appreciation or net decreases in unrealized depreciation as well as movement of an existing portfolio company into this category and out of a different category.

(4) Gross reductions included in decreases in the cost basis of investment resulting from principal payments or sales and exchanges of one or more existing securities for one or more new securities. Gross reductions also include net increases in unrealized depreciation or net decreases in unrealized appreciation as well as the movement of an existing portfolio company out of this category and into a different category.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this annual report on Form 10-K, our Chairman of the Board and President and Chief Financial Officer conducted an evaluation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934). Based upon this evaluation, our Chairman of the Board and President, and Chief Financial Officer concluded that our disclosure controls and procedures were effective to allow timely decisions regarding disclosure of any material information relating to us that is required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934.

(b) Management's report on internal control over financial reporting

The management of Capital Southwest Corporation and its subsidiaries (the Company) is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of the effectiveness of the Company's internal control over financial reporting based on the criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the Company's evaluation under the framework in Internal Control — Integrated Framework, management concluded that the Company's internal control over financial reporting was effective as of March 31, 2012. Grant Thornton, LLP, the Company's independent registered public accounting firm, has issued an attestation report on the effectiveness of the Company's internal control over financial reporting as of March 31, 2012, as stated in its report which is included herein.

(c) Attestation report of the registered public accounting firm

Our independent registered public accounting firm, Grant Thornton LLP, has issued an attestation report on the effectiveness of our internal control over financial reporting as of March 31, 2012, which is set forth above under the heading “Report of Independent Registered Public Accounting Firm” in Item 8.

(d) Changes in internal control over financial reporting

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Securities Exchange Act of 1934) that occurred during our most recently completed fiscal quarter, that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item 10 will be contained in the definitive proxy statement relating to our 2012 annual meeting of shareholders under the headings of "Election of Directors," “Corporate Governance,” “Executive Officers” and "Section 16(a) Beneficial Ownership Reporting Compliance" to be filed with the Securities and Exchange Commission on or before June 15, 2012, and is incorporated herein by reference.

We have adopted a code of ethics pursuant to Rule 17j-1 under the 1940 Act that applies to all our directors, officers and employees. We have made the Code of Conduct and of Ethics available on our website at www.capitalsouthwest.com/investors/governance. Shareholders may request a free copy of the Code of Conduct and Code of Ethics from: Tracy L. Morris, Corporate Secretary and Chief Compliance Officer, at our principal executive office.

Item 11. Executive Compensation

The information required by this Item 11 will be contained in the definitive proxy statement relating to our 2012 annual meeting of shareholders under the headings of "Compensation of Executive Officers," “Compensation of Directors,” “Compensation Discussion and Analysis” and "Compensation Committee Report" to be filed with the Securities and Exchange Commission on or before June 15, 2012, and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information in the sections of our 2012 Proxy Statement captioned "Stock Ownership of Certain Beneficial Owners" is incorporated in this Item 12 by reference.

The table below sets forth certain information as of March 31, 2012 regarding the shares of our common stock available for grant or granted under stock option plans that (1) were approved by our shareholders, and (2) were not approved by our shareholders.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
Equity compensation plans approved by security holders (1)	178,750	$ 104.74	56,250
Equity compensation plans not approved by security holders (2)	–	–	–
Total	178,750	$ 104.74	56,250

1) Includes the 1999 Stock Option Plan and the 2009 Stock Incentive Plan. For a description of both plans, please refer to Footnote 5 contained in our consolidated financial statements.

2) We have no equity compensation plans that were not approved by security holders.

Other information required by this Item 12 will be contained in the definitive proxy statement relating to our 2012 annual meeting of shareholders under the heading of "Security Ownership of Certain Beneficial Owners and Management" to be filed with the Securities and Exchange Commission on or before June 15, 2012, and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item 13 will be contained in the definitive proxy statement relating to our 2012 annual meeting of shareholders under the headings of "Certain Relationships and Related Transactions" and "Corporate Governance" to be filed with the Securities and Exchange Commission on or before June 15, 2012, and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information required by this Item 14 will be contained in the definitive proxy statement relating to our 2012 annual meeting of shareholders under the heading of "Ratification and Appointment of Independent Registered Public Accounting Firm for the Year ended March 31, 2013" to be filed with the Securities and Exchange Commission on or before June 15, 2012, and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

The following documents are filed or incorporated by reference as part of this Annual Report:

1. Consolidated Financial Statements

2. Schedule of Investments In and Advances To Affiliates Reports of Independent Registered Public Accounting Firm

3. Exhibits

The following exhibits are filed as part of this report or hereby incorporated by reference to exhibits previously filed with the SEC. Asterisk denotes exhibits filed with this report. Double asterisk denotes exhibits furnished with this report.

Exhibit No.	Description
3.1(a)	Articles of Incorporation and Articles of Amendment to Articles of Incorporation, dated June 25, 1969 (filed as Exhibit 1(a) and 1(b) to Amendment No. 3 to Form N-2 for the fiscal year ended March 31, 1979).
3.1(b)	Articles of Amendment to Articles of Incorporation, dated July 20, 1987 (filed as an exhibit to Form N-SAR for the six month period ended September 30, 1987).
3.2	By-Laws of the Company, as amended (filed as Exhibit 3.2 to Form 10-K for the fiscal year ended March 31, 2007).
4.1	Specimen of Common Stock certificate (filed as Exhibit 4.1 to Form 10-K for the fiscal year ended March 31, 2002).
10.1	The RectorSeal Corporation and Jet-Lube, Inc. Employee Stock Ownership Plan as revised and restated effective April 1, 2007 (filed as Exhibit 10.1 to form 10-K for the fiscal year ended March 31, 2007).
10.2	Retirement Plan for Employees of Capital Southwest Corporation and Its Affiliates as amended and restated effective April 1, 2006 (filed as Exhibit 10.2 to form 10-K for the fiscal year ended March 31, 2007).
10.3	Capital Southwest Corporation and Its Affiliates Restoration of Retirement Income Plan as amended and restated effective January 1, 2008 (filed as Exhibit 10.3 to form 10-K for the fiscal year ended March 31, 2009).

Exhibit No.	Description
10.6	Form of Indemnification Agreement which has been established with all directors and executive officers of the Company (filed as Exhibit 10.9 to Form 8-K dated February 10, 1994).
10.7	Capital Southwest Corporation 1999 Stock Option Plan (filed as Exhibit 10.10 to Form 10-K for the fiscal year ended March 31, 2000).
10.8	Severance Pay Agreement with William M. Ashbaugh (filed as Exhibit 10.1 to Form 8-K dated July 18, 2005).
10.10	Severance Pay Agreement with Jeffrey G. Peterson (filed as Exhibit 10.4 to Form 8-K dated July 18, 2005).
10.15*	Retirement Plan for Employees of Capital Southwest Corporation and its Affiliates as amended and restated effective April 1, 2011
13.1 *	Selected Consolidated Financial Data.
21.1 *	List of subsidiaries of the Company.
23.1 *	Consent of Independent Registered Public Accounting Firm – Grant Thornton LLP.
31.1 *	Certification of Chairman of the Board and President required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), filed herewith.
31.2 *	Certification of Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act, filed herewith.
32.1 **	Certification of Chairman of the Board and President required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code, furnished herewith.
32.2 **	Certification of Chief Financial Officer required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code, furnished herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CAPITAL SOUTHWEST CORPORATION

By: /s/ Gary L. Martin
Gary L. Martin
Chairman of the Board and President

Date: June 1, 2012

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that each of Capital Southwest Corporation and its Subsidiaries undersigned directors hereby constitutes and appoints Gary L. Martin, it's or his true and lawful attorney-in-fact and agent, for it or him and in its or his name, place and stead, in any and all capacities, with full power to act alone, to sign any and all amendments to this Report, and to file each such amendment to the Report, with all exhibits thereto, and any and all other documents in connection therewith, with the Securities and Exchange Commission, hereby granting unto said attorney-in-fact and agent full power and authority to do and perform any and all acts and things requisite and necessary to be done in and about the premises as fully to all intents and purposes as it or he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirement of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Gary L. Martin Gary L. Martin	Chairman of the Board and President (chief executive officer)	June 1, 2012
/s/ Samuel B. Ligon Samuel B. Ligon	Director	June 1, 2012
/s/ Gary L. Martin Gary L. Martin	Director	June 1, 2012
/s/ T. Duane Morgan T. Duane Morgan	Director	June 1, 2012
/s/ Richard F. Strup Richard F. Strup	Director	June 1, 2012
/s/ John H. Wilson John H. Wilson	Director	June 1, 2012
/s/ Tracy L. Morris Tracy L. Morris	Chief Financial Officer (chief financial/accounting officer)	June 1, 2012

EXHIBIT INDEX

Exhibit Number	Description
21.1	List of Subsidiaries
23.1	Consent of Grant Thornton LLP, independent registered public accounting firm
31.1	Rule 13a-15(e) and 15d-15(e) an 13a-15(f) and 15d-15(f) Certification of Chief Executive Officer
31.2	Rule 13a-15(e) and 15d-15(e) an 13a-15(f) and 15d-15(f) Certification of Chief Financial Officer
32.1	Section 13(a) or 15(d) Certification of Chief Executive Officer
32.2	Section 13(a) or 15(d) Certification of Chief Financial Officer

Exhibit 10.15

RETIREMENT PLAN FOR EMPLOYEES OF

CAPITAL SOUTHWEST CORPORATION AND ITS AFFILIATES

As Amended and Restated Effective April 1, 2011

Capital Southwest Corporation
Dallas, Texas

TABLE OF CONTENTS

TABLE OF CONTENTS
(continued)

RETIREMENT PLAN FOR EMPLOYEES OF

CAPITAL SOUTHWEST CORPORATION AND ITS AFFILIATES

As Amended and Restated Effective April 1, 2011

INTRODUCTION

Capital Southwest Corporation adopted and established a retirement plan, called the Capital Southwest Corporation Retirement Plan, for the benefit of its eligible employees effective as of April 1, 1966. Effective as of April 1, 1972, the Comprehensively Amended Retirement Plan for Employees of Capital Southwest Corporation was adopted by Capital Southwest Corporation as an amendment and restatement of the aforementioned retirement plan and, in conjunction therewith, the Retirement Trust for Employees of Capital Southwest Corporation was adopted as an amendment and restatement of the original trust agreement. Effective as of January 1, 1974, Capital Southwest Corporation amended and restated the aforementioned Comprehensively Amended Retirement Plan for Employees of Capital Southwest Corporation in its entirety as set forth in an instrument known as the Retirement Plan for Employees of Capital Southwest Corporation and, in conjunction therewith, the aforementioned Retirement Trust for Employees of Capital Southwest Corporation was amended and restated in its entirety as set forth in a trust agreement of the same title. The said Retirement Plan for Employees of Capital Southwest Corporation and Retirement Trust for Employees of Capital Southwest Corporation were subsequently amended and restated in their entirety effective as of April I , 1976, as set forth in instruments of the same titles. Capital Southwest Management Corporation was formed as a subsidiary of Capital Southwest Corporation in December of 1986, and effective as of January 1, 1987, the employees of Capital Southwest Corporation were transferred to, and became employees of, Capital Southwest Management Corporation which, as the successor employer of such employees, continued the aforementioned retirement plan on their behalf.

The Whitmore Manufacturing Company under date of July 14, 1961 entered into a trust agreement whereby it established a retirement plan and trust for certain of its employees, and under date of April 14, 1965 entered into another trust agreement whereby it established a different retirement plan and trust for certain of its other employees. The retirement plans set forth in such trust agreements were known as The Whitmore Manufacturing Company Retirement Plan and The Whitmore Manufacturing Company Hourly Rate Pension Plan, respectively. Effective as of March 1, 1976, the trust agreements setting forth the provisions of the aforementioned retirement plans were amended and restated, and such amended and restated retirement plans were subsequently known as The Whitmore Manufacturing Company Revised Retirement Plan and The Whitmore Manufacturing Company Revised Hourly Rate Pension Plan, respectively. Effective as of March 1, 1980, the said The Whitmore Manufacturing Company Revised Retirement Plan and The Whitmore Manufacturing Company Revised Hourly Rate Pension Plan were again amended and restated, and were consolidated into a single plan and trust, known as the Retirement Plan for Employees ofThe Whitmore Manufacturing Company and the Retirement Trust for Employees of The Whitmore Manufacturing Company.

The Retirement Plan for Employees ofThe Rectorseal Corporation was adopted by The RectorSeal Corporation effective as of April1, 1976, as an amendment and restatement of the retirement plan and trust which it had originally established for the benefit of its eligible employees effective as of January 1 , 1972. The said Retirement Plan for Employees of The Rectorseal Corporation was subsequently amended and restated in its entirety effective as of April 1 , 1984, as set forth in an instrument of the same title.

The Retirement Plan for Employees of Jet-Lube, Inc. was adopted by Jet-Lube, Inc. effective as of April I , 1976 as an amendment and restatement of the retirement plan and trust which it had originally established for the benefit of its eligible employees effective as of June 13, 1973. The said Retirement Plan for Employees of Jet-Lube, Inc. was subsequently amended and restated in its entirety effective as of April 1, 1984, as set forth in an instrument of the same title.

The aforementioned Retirement Plan for Employees of Capital Southwest Corporation and Retirement Trust for Employees of Capital Southwest Corporation, Retirement Plan for Employees of The Whitmore Manufacturing Company and Retirement Trust for Employees of The Whitmore Manufacturing Company, Retirement Plan for Employees of The Rectorseal Corporation and Retirement Plan for Employees of Jet-Lube, Inc. have subsequently been amended from time to time, and said retirement plans and trust agreements were further amended and restated in their entirety effective as of April 1, 1989 as set forth in an instrument known as the Retirement Plan for Employees of Capital Southwest Corporation and Its Affiliates, and in a trust agreement, titled Retirement Trust for Employees of Capital Southwest Corporation and Its Affiliates. In conjunction with such amendment and restatement, said retirement plans were consolidated and merged, effective as of April1, 1989, into a "single plan" within the meaning of Section 414(1) ofthe Internal Revenue Code and regulations issued pursuant thereto. Said retirement plan, as amended and restated effective as of April l, 1989, contained special provisions for certain employees whose service commenced prior to such date as set forth in a supplement thereto which was identified as the "First Supplement to Retirement Plan for Employees of Capital Southwest Corporation and Its Affiliates as Amended and Restated Effective April 1, 1989."

The said Retirement Plan for Employees of Capital Southwest Corporation and Its Affiliates was amended and restated in its entirety effective as of April 1, 2006, with the aforementioned First Supplement attached to and made a part of the plan as restated thereof.

The said Retirement Plan for Employees of Capital Southwest Corporation and Its Affiliates has subsequently been amended from time to time, and said retirement plan is being further amended and is being restated in its entirety effective as of April 1, 20IIset forth in this instrument.

The aforementioned First Supplement to Retirement Plan for Employees of Capital Southwest Corporation and Its Affiliates as in effect on April 1, 1989 shall be attached to and made a part of the plan as amended and restated effective April 1, 20011, and all references to the "plan" in said supplement shall on and after April 1 , 20011 refer to the plan as amended and restated effective April 1, 20011 set forth herein and references in said supplement to specified sections in the plan shall refer to the corresponding sections in the amended and restated plan even though the corresponding section in the amended and restated plan may not have the same section number that is specified in said supplement.

Subject to receipt by the aforementioned Employers of a favorable ruling that the qualified status of the Retirement Plan for Employees of Capital Southwest Corporation and Its Affiliates and the Retirement Trust for Employees of Capital Southwest Corporation and Its Affiliates under Sections 401(a) and 501(a) of the Internal Revenue Code is not adversely affected by such amendment and restatement, each person who becomes a participant hereunder shall be entitled upon his retirement or termination of service to such benefits as are specified in the provisions which follow.

SECTION 1

DEFINITIONS: PARTICIPATION

1.1 - DEFINITIONS

(A) The following terms as used herein shall have the meanings stated below unless a different meaning is plainly required by the context:

(1) "Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date" shall mean the monthly retirement income, payable in the manner described in Section 2.1(C) hereof commencing at the Participant's Normal Retirement Date, which he has accrued as of a given date and, with respect to any given date on or after April 1, 1998 and prior to April 1 , 2007, shall be equal to the sum of:

(a) 1.25% of his Final Average Monthly Compensation at such given date multiplied by his number ofyears of Credited Service at such given date that are not in excess of 35 years;

plus

(b) 0.65% of that portion, if any, of his Final Average Monthly Compensation at such given date that is in excess of the Monthly Covered Compensation that applies to him at such given date multiplied by his number ofyears of Credited Service at such given date that are not in excess of 35 years;

provided, however, that the Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date which a Participant has accrued as of a given date shall not exceed an amount that is actuarially equivalent as of such given date to the maximum amount of retirement income permitted under Section 415 of the Internal Revenue Code; and provided further, however, that the provisions of Section 4.6 hereof shall apply in determining the Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date of a Participant who has accrued Vesting Service during any Plan Year that the Plan is top-heavy.

Notwithstanding the foregoing provisions of this Section 1.1 (A)(1), the Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date of a Participant at any given date shall not be less than the Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date which the Participant has accrued as of March 31, 1998, based upon the Participant's Credited Service, Final Average Monthly Compensation, and Monthly Covered Compensation (or, if applicable, the corresponding terms used to compute his accrued benefit under the Superseded Plan) determined as of the earlier of March 31, 1998, or the date of the Participant's termination of service, under the provisions of the Plan and the First Supplement then in effect.

Effective April 1, 2007, the Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date which a Participant has accrued as of a given date on or after April 1, 2007, shall be equal to the sum of:

(a) 1 .20% of his Final Average Monthly Compensation at such given date multiplied by his number of years of Credited Service at such given date that are not in excess of35 years;

plus

(b) 0.65% of that portion, if any, of his Final Average Monthly Compensation at such given date that is in excess of the Monthly Covered Compensation that applies to him at such given date multiplied by his number ofyears of Credited Service at such given date that are not in excess of 35 years.

Notwithstanding the foregoing provisions of this Section 1.1(A)(l), the Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date of a Participant at any given date on or after April 1, 2007, shall not be less than the Accrued Deferred Monthly Retirement Income Conunencing at Normal Retirement Date which the Participant has accrued as of March 31, 2007, based upon the Participant's Credited Service, Final Average Monthly Compensation, and Monthly Covered Compensation determined as of the earlier of March 31 , 2007, or the date of the Participant's termination of service, under the provisions of the Plan and the Supplements then in effect.

Effective April 1 , 2009, the Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date which a Participant has accrued as of a given date on or after April 1, 2009, shall be equal to the sum of:

(a) 1.20% of his Final Average Monthly Compensation at such given date multiplied by his number of years of Credited Service at such given date that are not in excess of 40 years;

plus

(b) 0.65% ofthat portion, if any, ofhis Final Average Monthly Compensation at such given date that is in excess of the Monthly Covered Compensation that applies to him at such given date multiplied by his nwnber of years of Credited Service at such given date that are not in excess of 35 years.

(2) "Alllluity Starting Date" shall have the meaning assigned in Section417(f) ofthe Internal Revenue Code and regulations issued with respect thereto and shall be the first day of the first petiod for which an amount is payable (not the actual date of payment) as an annuity or any other form. Any auxiliary disability benefits shall be disregarded in determining the Annuity Starting Date.

Unless otherwise qualified by the context, the regularly scheduled Alllluity Starting Date of a Participant shall be:

(a) in the case ofthe benefit payable under Section 2.1 in the event of his normal retirement, the first day of the month coincident with or next following the date of his retirement or hisRequired Beginning Date, whichever is earlier;

(b) in the case of the benefit payable under Section 2.2 in the event of his early retirement, the first day of the month coincident with or next following the date of his retirement;

(c) in the case of the benefit payable under Section 2.3 in the event of his disability retirement, the date as of which his disability retirement income payments are scheduled to start under Section 2.3(F);

(d) in the case of the benefit payable under Section 2.4(A) in the event of termination of service with a vested benefit, the Participant's Normal Retirement Date or, if applicable, the first day of the month prior to his Normal Retirement Date that the Participant has elected in accordance with the provisions of Section 2.4(A) to start receiving the benefits to which he is entitled under such section; and

(e) in the case of the benefit payable under Section 3.2 hereof, the first day of the month coincident with or next following the date of termination of the Participant's service; provided, however, if payment is not made under Section 3.2 as of the first day of the month coincident with or next following the date of termination of his service but the Committee establishes, in accordance with a uniform policy applied without discrimination, a subsequent date as of whichcalculations shall be made to determine if voluntary or involuntary cashouts shall be permitted or required as of such subsequent date under the provisions of Section 3.2, the Annuity Starting Date shall be such subsequent date established by the Committee if payment is made under such section as of such subsequent date;

provided, however, ifthe Participant elects pursuant to the provisions of Section 3.1 hereof to defer the commencement of the benefit to which he is entitled to a date beyond the regularly scheduled Annuity Starting Date described above, his Annuity Starting Date shall be such later date of commencement specified in his election.

(3) "Beneficiary" shall mean the person or persons or other entity on whose behalf benefits may be payable under the Plan after a Participant's death in accordance with the provisions hereof.

(4) "Break in Service" shall mean a period of severance of 12 consecutive months or longer that immediately follows an employee's date of termination of service and immediately precedes the date, if any, on which he next performs an Hour of Service.

(5) "Committee" shall mean the Retirement Committee appointed from time to time to administer the Plan pursuant to the provisions of Section 7.1 hereof.

(6) "Compensation" shall mean the sum of:

(a) the amounts actually paid to an employee by the Employer for services rendered, as reported on the employee's Federalincome tax withholding statement (Form W-2 or its subsequent equivalent) for the applicable calendar year, exclusive, however, of reimbursements and other expense allowances, fringe benefits (cash and noncash), including but not limited to automobile allowances, taxable group life insurance and amounts that are paid to the employee in cash in lieu of being contributed on his behalf to a qualified defined contribution plan maintained by the Employer, moving expenses, welfare benefits, and all other extraordinary compensation; and

(b) the amounts, if any, that would have been includable in the employee's Compensation under (a) above for such calendar year if they had not been contributed on his behalf by the Employer pursuant to a salary reduction agreement and had not been excluded from his gross income under the provisions of Section 125 (cafeteria plans), Section 132(t)(4) (qualifiedtransportation fringes), or Section 402(e)(3) (cash or deferred arrangements) of the Internal Revenue Code. Amounts under Section 125 include any amounts not available to a Participant in cash in lieu of group health coverage because the Participant is unable to certify that he has other health coverage; provided that such an amount shall be treated as an amount under Section 125 only ifthe Employer does not request or collect information regarding such Participant's other health coverage as part of the enrollment process for the health plan.

Any provisions above to the contrary notwithstanding, the annual Compensation of a Participant for any given calendar year or other specified 12-consecutive-month period, which is taken into account with respect to contributions to the Plan and to benefits accruing under the Plan shall not exceed the maximum annual compensation that may be taken into account under Section 401(a)(17) of the Internal Revenue Code and regulations issued with respect thereto (the "IRC Section 401(a)(17) Annual Compensation Limit").

The IRC Section 401(a)(17) Annual Compensation Limit with respect to any given calendar year or other specified 12-consecutive-month period shall be equal to $200,000 or such increased or decreased amount, as the case may be, that applies as of the January 1 coincident with or immediately preceding the beginning of such given calendar year or other specified 12-consecutive-month period, pursuant to the provisions of Section 401(a)(17) of the Internal Revenue Code, as amended and mles and regulations issued with respect thereto. The $200,000 limit on annual Compensation shall be adjusted for cost-of living increases in accordance with Section 401(a)(17)(B) of the Internal Revenue Code.

Notwithstanding the foregoing, for purposes of determining benefit accmals in a Plan Year beginning after December 31, 2001, Compensation for any given calendar year or other specified 12- consecutive-month period beginning before January 1, 2002 shall be limited to $200,000.

In the event that Compensation under the Plan is determined based on a period of time that contains fewer than 12 calendar months, the IRC Section 401 (a)(17) Annual Compensation Limit for that period of time shall be equal to the IRC Section 401(a)(17) Annual Compensation Limit for the calendar year during which such period of time begins multiplied by the fraction in which the numerator is the number of full months in such period of time and the denominator is 12.

Any provisions herein to the contrary notwithstanding, a Participant's accmed benefit as of March 31, 1989 shall not be reduced due to theIRC Section 40 I (a)(17) Annual Compensation Limit which was imposed under the Superseded Plan effective as of April l , 1989 on the amount of his Compensation. In the event that the IRC Section 401(a)(17) Annual Compensation Limit is reduced effective as of any date subsequent to January 1, 1989, a Participant's accrued benefit immediately prior to the date that such reduction becomes effective shall not be reduced due to the reduction in such limit.

(7) "Controlled Group Member" shall mean:

(a) the Employer;

(b) any corporation or association that is a member of a controlled group of corporations (within the meaning of Section l563(a) of the Internal Revenue Code, determined without regard to Section 1563(a)(4) and Section 1563(e)(3)(C) of said Code, except that, for the purposes of applying the limitations on benefits and contributions that are required under Section 415 ofthe Internal Revenue Code and are described in Section4.1(A) hereof, such meaning shall be determined by substituting the phrase "more than 50%" for the phrase "at least 80%" each place that it appears in Section 1563(a)(l) of said Code) with respect to which the Employer is a member;

(c) any trade or business (whether or not incorporated) that is under common control with the Employer as determined in accordance with Section 414(c) of the Internal Revenue Code and regulations issued thereunder;

(d) any service or other organization that is a member of an affiliated service group (within the meaning of Section 414(m) ofthe Internal Revenue Code) with respect to which the Employer is a member; and

(e) any other entity required to be aggregated with the Employer pursuant to regulations under Section 414(o) of the Internal Revenue Code.

(8) "Credited Service" shall mean the total period of an employee's service with the Employer, computed in completed months, during the period beginning on his Last Date of Commencement of Service and ending on the date of his retirement or termination of service or, where applicable, ending on such other date as is specified hereunder;provided, however, that the following provisions shall apply with respect to any period of such an employee's service that would be included in his Credited Service in accordance with the provisions above:

(a) any complete calendar month that the employee is absent from the service of the Employer will be excluded from his Credited Service unless he receives regular Compensation from the Employer for all or any portion of such calendar month and except as otherwise provided below; and

(b) any absence due to the employee's engagement in military service will, except as provided below, be included in his Credited Service if such absence is covered by a leave of absence granted by the Employer or is by reason of compulsory military service and provided that such employee returns from such absence within the period oftime prescribed in Section1.3 hereof; and

(c) any service that the employee accrued prior to April 1, 1976 while he was employed on a part-time basis or for a temporary job will be excluded from his Credited Service;

andprovided further, however, that the provisions of Section 1.4hereof shall apply in the case of an employee who is reemployed with a reinstatement of Credited Service accrued prior to his Last Date of Commencement of Service and the provisions of Section 1.5 hereof shall apply in the case of an employee who is transferred to or from his status as an eligible Employee.

Anyperiod of an employee's service prior to the Effective Date of the Plan that was either included with or excluded from the service used to determine his accrued retirement income under the Superseded Planfor any reason specified under the terms of the Superseded Plan as in effect on the day immediately preceding the Effective Date of the Plan shall be included with or excluded from, as the case may be, his Credited Service under the provisions of the Plan, except that any such period of service shall not be excluded on or after April 1, 1988 from a Participant's Credited Service solely because of the fact that it was accrued after his Normal Retirement Date.

(9) "Designated Nonparticipating Employer" shall mean:

(a) any Controlled Group Member that is not an Employer as defined herein; or

(b) any other corporation, association, proprietorship, partnership or other business organization that (i) is not an Employer as defined herein and (ii) the Sponsoring Employer, by fom1al action on its part in the manner described in Section 6.7 hereof, designates on the basis of a uniform policy applied without discrimination as a "Designated Nonparticipating Employer" for the purposes of the Plan.

(10) "Earliest Annuity Commencement Date" shall mean:

(a) the first day of the month coincident with or next following the date of termination ofthe Participant's service ifhe has satisfied the age and service requirements to be eligible for a normal or early retirement benefit under the provisions hereof as of such termination date; or

(b) the earliest date as of which the Participant could elect to start receiving retirement income payments under the provisions of Section 2.4(A) hereofifhis service were terminated and he had not satisfied the age and service requirements to be eligible fora normal or early retirement benefit under the provisions hereof as of such termination date.

(11) "Effective Date ofthe Plan.. shall mean April 1, 2011 (or such later date as of which the Plan first became effective with respect to the particular Employer concerned), except as otherwise stated herein.

(12) "Eligibility Computation Period" shall mean the 12-consecutive-month period that is used for the purpose of determining a year of service for eligibility to participate in the Plan. Initially, the Eligibility Computation Period shall be the 12-consecutive-month period beginning on the Employee's Last Date of Commencement of Service and ending with the first anniversary of his Last Date of Commencement of Service; provided, however, if the Employee failsto complete 1,000 Hours of Service during such initial Eligibility Computation Period, the Eligibility Computation Period shall mean the Plan Year, and the first of such Plan Year Eligibility Computation Periods shall be the Plan Year that overlaps the first anniversary of the Employee's Last Date of Commencement of Service.

(13) "Employee" shall mean any person on the payroll of the Employer whose wages from the Employer are subject to withholding for the purposes of Federal income taxes and for the purposes of the Federal Insurance Contributions Act; provided, however, that such term shall not include:

(a) any such person who is employed at any division or branch of any Employer that is formed or acquired by or merged into the Employer after the Effective Date of the Plan unless the Employer, by formal action on its part in the maimer described in Section 6.7 hereof, provides that such persons who are employed at such division or branch shall, subject to the provisions of (b), (c) and (d) below, be eligible for participation in the Plan in accordance with the provisions hereof;

(b) any such person who is a participant and is accruing benefits (or who, upon his satisfaction of any age and service requirements specified thereunder as a condition of participation, will be eligible to become a participant and accrue benefits) under any other qualified defined benefit pension plan maintained by the Employer or to which the Employer makes contributions on his behalf based upon his employment with the Employer;

(c) any such person who is included in a unit of persons employed by the Employer who are covered by an agreement which the Secretary of Labor finds to be a collective bargainingagreement between employee representatives and the Employer if retirement benefits were the subject of good faith bargaining between such employee representatives and the Employer and such persons are not required by that agreement to be covered in the Plan;

(d) any individual who by contract is not classified by the Employer as a common law employee of the Employer, even if such individual is included on the Employer's payroll for Federal income tax withholding purposes or whether such person is later classified as an employee by the Internal Revenue Service, the Department of Labor, a court, an administrative agency, or an Employer;

(e) the Director of Business Development of Cargo ChemicalCorporation;

(f) any such person who is a nonresident alien and who receives no earned income (within the meaning of Section 9ll(b) of the Internal Revenue Code) from the Employer which constitutes income from sources within the United States (within the meaning of Section 861(a)(3) of the Internal Revenue Code); or

(g) any such person who is treated by an Employer at the time of his performance of services for such Employer as either a leased employee (within the meaning of Section 414(n) ofthe Internal Revenue Code) or an independent contractor for Federal income tax purposes.

A person in the employment of the Employer shall be deemed for the purposes of the Plan to be included in a unit of persons employed by the Employer who are covered by an agreement which the Secretary of Labor finds to be a collective bargaining agreement between employeerepresentatives and the Employer as long as he is permanently assigned to a job or job classification covered by the terms of such a collective bargaining agreement. In the event any such collective bargaining agreement expires or is terminated, it shall be deemed that such collective bargaining agreement continues to cover all persons in the employment of the Employer who are permanently assigned to jobs or job classifications covered thereby, in accordance with the provisions thereof, during the period of time subsequent to the expiration or termination thereof, but in no case to exceed 12 months, provided that negotiations commence and ensue between the parties to such expired or terminated agreement for the purpose of entering into a new or modified collective bargaining agreement to replace the expired or terminated agreement. In the event of the complete cessation of negotiations without the adoption of a new or modified collective bargaining agreement prior to the lapse of a 12-month period of time from the date of the expiration or termination of such collective bargaining agreement, then such expired or terminated agreement shall for the purposes of the Plan be deemed to cease covering the persons in the employment of the Employer who are permanently assigned to jobs or job classifications covered thereby as ofthe date of such cessation and not before.

(14) "Employer" shall mean, collectively or distributively as the context may indicate, the Sponsoring Employer and any other corporations, associations, joint ventures, proprietorships, partnerships or other business organizations that have adopted and are participating in the Plan in accordance with the provisions of Section 1.7 hereof.

(15) "Final Average Monthly Compensation" shall mean the Participant's average monthly rate of Compensation from the Employer for the five successive calendar years, out of the l 0 completed calendar years immediately preceding the first day of the month coincident with or next following the date on which his service terminates for any reason (or, where applicable, immediately preceding such other date as is specified hereunder), that give the highest average monthly rate of Compensation for the Participant. If a Participant completes fewer than five successive calendar years of employment with the Employer preceding such date, his actual number of calendar years of employment shall be substituted for such five-calendar-year period for the purpose of determining his Final Average Monthly Compensation.

TheParticipant's average monthly rate of Compensation will be determined by dividing the total Compensation received by him during such five-calendar-year period (or such lesser period described above) by the number of months for which he received Compensation fromthe Employer in such five-calendar-year period (or such lesser period described above). The number of months for which he received Compensation from the Employer may be computed, to the extent he was paid on other than a monthly basis, by determining the number of pay periods ending within such five-calendar-year period (or such lesser period described above) for which he received Compensation from the Employer and converting such pay periods into months by dividing the number thereof, if weekly, by 4-1/3, if biweekly, by 2-116, and, if semi-monthly, by 2.

Incomputing Final Average Monthly Compensation for a Participant who has returned to the active service ofthe Employer following a full calendar year or calendar years during which he did not receive any regular Compensation from the Employer because of a leave of absence granted by the Employer or because of his reemployment with a reinstatement of his prior Vesting Service and Credited Service as described in Section 1.4 hereof, such full calendar year or calendar years during which he did not receive any regular Compensation from the Employer shall be ignored or excluded in determining the 10 completed calendar years and the five successive calendar years (or such lesser period described above) to be used in determining the Participant's Final Average Monthly Compensation at a subsequent date.

Anythingabove to the contrary notwithstanding, if a Participant's service is terminated for any reason and he has not received any Compensation during any preceding calendar years, his "Final Average Monthly Compensation" shall mean his average monthly rate ofCompensation received from the Employer during the calendar year in which his service was terminated. Such average monthly rate of Compensation will be determined in accordance with the procedure described above, based upon the total Compensation that he received and the number of months for which he received Compensation from the Employer during such calendar year.

Notwithstanding any provision of this Section l.l(A)(l5) to the contrary, for purposes of determining a Participant's average monthly rate of Compensation on or after April 1, 1998 and prior to April 1, 2007, the Participant's Compensation for a calendar year shall not include the portion of any bonus or aggregated bonuses paid in such calendar year which exceeds (a) 40% ofthe Participant's total base pay in the calendar year, for years prior to 2003, and (b) 25% of the Participant's total base pay in the calendar year, for years after 2002. Provided, however, that the Participant's retirement benefits under the Plan on and after January 1, 2003 shall not be less than the Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date that the Participant has accrued as ofDecember 31, 2002 using 'Final Average Monthly Compensation' determined as of such date without regard to clause (b) of the preceding sentence.

Notwithstanding any provision of this Section 1.1(A)(15) to the contrary, for purposes of determining a Participant's average monthly rate of Compensation on or after April 1, 2007, the Participant's Compensation for a calendar year shall not include the portion of any bonus, aggregated bonuses, or sales commissions paid in such calendar year which exceeds 25% of the Participant's total base pay in the calendar year, for years after 2006. Provided, however, that the Participant's benefits under the Plan on and after April 1, 2007 shall not be less than the Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date that the Participant has accrued as of March 31, 2007 using "Final Average Monthly Compensation" determined as of such date.

(16) "Highly Compensated Employee" shall mean any "highly compensated active employee" or "highly compensated former employee."

(a) A "highly compensated active employee" includes any employee who performs service for an Employer or Controlled Group Member during the determination year and who, during the look-back year, received compensation from the Employer or Controlled Group Member in excess of$80,000 (as adjusted pursuant to Section 415(d) of the Internal Revenue Code) and was a member of the top-paid group for such year. The term"highly compensated active employee" also includes an employee who is a "5-percent owner" (within the meaning of Section 414(q) of the Internal Revenue Code) any time during the look-back year or the determi nation year. An employee is in the "top-paid group" for a year if such employee is in the group consisting of the top 20% of the employees of all Controlled Group Members when ranked on the basis of compensation paid during such year.

The "determination year" shall be the Plan Year and the "look back year" shall be the twelve-month period immediately preceding the determination year. The calendar year which begins with or within the look-back year shall be treated as the look-back year for purposes of determining whether an employee is a highly compensated employee on account of the employee's compensation for a look-back year under Section 414(q)(1)(B) of the Internal Revenue Code.

(b) A "highly compensated former employee" includes any employee who separated from service (or was deemed to have separated) prior to the determination year, performs no service for the Employer or a Controlled Group Member during the determination year, and was a highly compensated active employee for either the separation year or any determination year ending on or after the employee's 55th birthday.

(c) The determination of who is a Highly Compensated Employee, including the determinations of the number and identity of em ployees in the top-paid group and the compensation that is considered, shall be made in accordance with Section 414(q) of the Internal Revenue Code and regulations thereunder. The method of determination set forth above in this Section shall apply to all plans (both retirement and nonretirement) of the Employer for which the definition of "highly compensated employee" is applicable.

(17) "Hour of Service" shall mean each hour for which an employee is directly or indirectly paid, or is entitled to payment, by the Employer (including any predecessor business of an Employer conducted as a corporation, partnership or proprietorship) for (a) the performance of duties or (b) reasons other than the perforn1ance of duties, including but not limited to vacation, holidays, sickness, disability, paid layoff and similar paid periods of nonworking time. Such Hours of Service shall be credited to the employee for the period in which such duties were performed or in which occurred the period during which no duties were performed. An Hour of Service also includes each hour,not credited above, for which backpay, irrespective of mitigation of damages, has been either awarded or agreed to by the Employer. These Hours of Service shall be credited to the employee for the period to which the award or agreement pertains. The number of Hours of Service to be credited to an employee for any period shall be governed by Sections 2530.200b-2(b) and 2530.200b-2(c) of Part 2530 of Subchapter C of Chapter XXV of Title 29 of the Code of Federal Regulations (Department of Labor regulations relating to minimum standards for employee pension benefit plans).

(18) "Initial Vesting Date" shall mean the earlier to occur of the following dates:

(a) the date on which the Participant has completed five years ofVesting Service;

or

(b) the date on which the Participant attains his Nonnal RetirementAge;

provided,however, that the provisions of Section 4.6 hereof shall apply in determining the Initial Vesting Date of a Participant who has accrued Vesting Service during any Plan Year that the Plan istop-heavy.

(19) "Internal Revenue Code" or "Code" shall mean the Internal RevenueCode of 1986, as amended from time to time.

(20) "IRC 414(1) Single Plan" shall mean a "single plan" within the meaning of Section 414(1) of the Internal Revenue Code and regulations issued pursuant thereto.

(21) "Last Date of Commencement of Service" shall mean:

(a) if the employee's service has not been previously terminated in accordance with the provisions hereof, the date on which he first performs an Hour of Service; or

(b) if the employee's service has been previously terminated in accordance with the provisions hereof, the first day following his last termination of service on which he performs an Hour of Service;

provided, however, that the provisions of Section 1.4(A) hereof shall apply in determining the Last Date of Commencement of Service of any employee whose service is terminated and who is reemployed on or after the Effective Date of the Plan and prior to his incurring a Break in Service.

An Employer may at the time of its initial adoption of the Plan provide, with respect to all or any specified classification of its employees, that the Last Date of Commencement of Service for purposes of determining the Credited Service and Vesting Service of such employees shall not be earlier than a specified date, which is later than the otherwise applicable date described above but is not later than the date as of which the Plan first became effective with respect to such Employer, and may provide that such specified date will be different for the purposes of determining the eligibility to participate in the Plan, the Credited Service and the Vesting Service of such employees; provided, however, that the date established to determine the Vesting Service of such employees shall not be later than the date as of which such Employer became a Controlled Group Member of any other Employer maintaining the Plan or Superseded Plan or, if later, the date as of which the Plan or Superseded Plan first became effective with respect to such other Employer.

The Last Date of Commencement of Service of an employee by a predecessor or acquired business shall not be earlier than the date of such merger or acquisition unless the Employer provides that a uniformly applied earlier date or dates will be used for the purposes of the Plan.

(22) "Monthly Covered Compensation" shall be equal to one-twelfth of the "covered compensation," within the meaning of Section 401(1)(5)(E) of the Internal Revenue Code and regulations and rulings issued pursuant thereto, that applies to the Participant during any specified Plan Year based upon his year of birth. The amount of Monthly Covered Compensation shall be automatically adjusted each Plan Year; provided, however, that any changes in the amount of "covered compensation" that become effective after the first day of the PlanYear during which the date of the Participant's retirement or termination of service occurs shall be ignored.

(23) "Normal Retirement Age" shall mean the older of:

(a) age 65 years; or

(b) the Participant's age on the fifth anniversary of the date of commencement of his Vesting Service.

(24) "Normal Retirement Date" shall have the meaning assigned in Section2.1 hereof.

(25) "Participant" shall mean:

(a) any active Employee who has satisfied the requirements ofSection 1.2 hereof;

(b) any former Employee who has satisfied the requirements of Section 1.2 hereof, whose service has not been terminated but who has subsequently been transferred from his status as an eligible Employee as described in Section 1.5 hereof; and

(c) any retired or terminated Employee who has vested rights to benefits under the provisions of the Plan.

(26) "Plan" shall mean the Retirement Plan for Employees of Capital Southwest Corporation and Its Affiliates, as amended and restated effective as of April1, 2011, as set forth in this document and as it may hereafter be amended from time to time.

(27) "Plan Year" shall mean the calendar, policy or fiscal year on which the records of the Plan are kept as reported from time to time by the plan administrator to the Internal Revenue Service. The Plan Year, unless subsequently changed in accordance with rules or regulations issued by the Internal Revenue Service or Department of Labor, shall be the12-month period beginning April 1 of each calendar year.

(28) "Post Payment Recalculation Date" shall have the meaning assigned inSection 2.1(D) hereof.

(29) "Qualified Joint and Survivor Annuity" means an mmuity that (a) is payable for the life of the Participant with a survivor annuity payable for the life of his spouse which is not less than 50% and is not greater than 100% of the amount of the annuity which is payable during the joint lives of the Participant and his spouse and (b) is the actuarial equivalent ofthe monthly retirement income payable to the Participant for life under the provisions of the Plan.

(30) "Qualified Joint and 50% Survivor Annuity Option" shall have the meaning assigned in Section 3.1 hereof.

(31) "Qualified Preretirement Survivor Annuity" shall mean the minimum death benefit, if any, described in Section 4.1 (D) hereof that may be payable to the spouse of a Participant who dies prior to his Annuity Starting Date.

(32) "Required Beginning Date" shall have the meaning assigned in Section401(a)(9) ofthe Internal Revenue Code and shall mean the later of:

(a) April 1 of the calendar year that next follows the calendar year in which the Participant attains or will attain the age of70 years; or

(b) April 1 of the calendar year that next follows the calendar year in which he retires or his service is terminated;

provided, however, that the Required Beginning Date of any Participant who is a 5-percent owner (within the meaning of Section 416 ofthe Internal Revenue Code) with respect to the Plan Year ending in the calendar year in which the Participant attains age 70 shall not be later than April 1 of the calendar year that next follows the calendar year in which he attains or will attain the age of 70years.

For purposes of this Section 1.1(A)(32), a Participant is treated as a 5- percent owner after December 31, 1996, if such Participant is a 5- percent owner, as defined in Section 416 of the Internal Revenue Code, with respect to the Plan Year ending in the calendar year in which the Participant attains age 70K

(33) "Sponsoring Employer" shall mean Capital Southwest Corporation, aTexas corporation, and its successor or successors.

(34) "Superseded Plan" shall mean, collectively or distributively, as the context may indicate, the qualified retirement plan, if any, that was maintained by an Employer for its eligible employees prior to the Effective Date of the Plan and that the Plan represents an amendment and restatement thereof. References to the Superseded Plan as of any given date shall refer to the provisions as set forth under the terms of the applicable document describing such qualified retirement plan as amended and in effect on such given date prior to the Effective Date of the Plan.

(35) "Supplement" shall mean any supplement that is attached to and made a part of the Plan and that describes provisions of the Plan that apply only to employees of an Employer or Employers specified in such Supplement. The term "Supplement" shall specifically include, but not be limited to, the First Supplement to Retirement Plan for Employeesof Capital Southwest Corporation and Its Affiliates, as amended and restated effective Aprill, 1989, which was attached to the Superseded Plan and shall be attached to the Plan as of April 1, 2011.

(36) "Trust" and "Trust Fund" shall mean the trust fund established pursuant to the terms of the Trust Agreement.

(37) "Trust Agreement" shall mean the Retirement Trust for Employees of Capital Southwest Corporation and Its Affiliates, as amended and restated effective as of April **1**, 1989, as set forth in the trust agreement of that title, and as such trust agreement may be amended from time to time.

(38) "Trustee" shall mean the corporate trustee or trustees or the individual trustee or trustees, as the case may be, appointed from time to time pursuant to the provisions of the Trust Agreement to administer the Trust Fund maintained for the purposes of the Plan.

(39) "Vested Percentage" shall mean the percentage specified in Section2.4(A)**(1)** hereof in which the Participant has a nonforfeitable right to his accrued benefit attributable to Employer contributions, based upon his number of years of Vesting Service and his age as ofthe date that such percentage is being determined; provided, however, that the Vested Percentage of a Participant who has accrued Vesting Service during any Plan Year that the **Plan** is top-heavy shall be subject to the provisions of Section 4.6 hereof.

(40) "Vesting Service" shall mean the total period of elapsed time, computed in years and days, during the period beginning on the employee's Last Date of Commencement of Service, and ending on his date of retirement or termination of service, or, where applicable, ending on such other date as is specified hereunder; provided, however, that:

(a) the first 12 months of any continuous absence during such period will be included in the employee's Vesting Service but the portion, if any, of such absence that is in excess of 12 months will be excluded from his Vesting Service, except that any period of such absence that is included in his Credited Service will also be included in his Vesting Service;

(b) the provisions of Section 1.3 hereof shall apply in the case of an employee who has a maternity or paternity absence or who has a qualified military service absence, the provisions of Section 1.4 hereof shall apply in the case of an employee who is reemployed with a reinstatement of Vesting Service accrued prior to his Last Date of Commencement of Service, the provisions of Section 1.5 hereof shall apply in the case of an employee who is transferred to or from his status as an eligible Employee and the provisions of Section 1.6 hereof shall apply in the case of an employee who has previously been employed as a leased employee;

and

(c) with respect to any Participant in the Plan whose Last Date of Commencement of Service is prior to the Effective Date of the Plan and who was a participant in the Superseded Plan as in effect on the day immediately preceding the Effective Date of the Plan, the Vesting Service that he has accrued under the Plan as ofthe Effective Date ofthe Plan shall not be less than the service that he had accrued for the purposes of determining his nonforfeitable right as of such date to the portion of his accrued benefit attributable to employer contributions under the termsof the Superseded Plan as in effect on the day immediately preceding the Effective Date of the Plan.

(B) The terms "actuarially equivalent," "equivalent actuarial value," "actuarial equivalent" and similar terms as used herein mean equality in value of the aggregate amounts expected to be received under different forms of payment based upon the same mortality and interest rate assumptions, which shall be determined as follows.

(1) Unless specifically provided otherwise under the provisions hereof, the mortality and interest rate assumptions used in computing benefits payable on behalf of a Participant upon his retirement or termination of employment and upon the exercise of optional forms of retirement income under the Plan shall be as follows:

(a) the mortality assumptions shall be based upon the "UnisexPension Mortality Table Projected to 1984" (UP-1984 Mortality Table); and

(b) the interest rate assumption shall be 6%;

provided, however, that for the purposes of determining the maximum retirement income permitted under the provisions of Section 415 of the Internal Revenue Code, the mortality and interest rate assumptions used to determine actuarial equivalence for early retirement shall be the assumptions that would produce the early retirement adjustment factors that apply under the provisions hereof in the event of early retirement.

(2) Any provisions of Subsection (1) above to the contrary notwithstanding, if payment is in a form of distribution which is subject to Section 417(e)(3) of the Internal Revenue Code, which shall include lump-sum distributions and other forms of distribution that provide payments in the form of a decreasing annuity or that providepayments that may be for a period less than the life of the recipient, (an "IRC Section 417(e)(3) form of distribution") the amount of any such IRC Section 417(e)(3) form of distribution to a Participant shall be equal to the actuarial equivalent ofthe Participant's "accrued benefit" (within the meaning of Section 411(a)(?) of the Internal Revenue Code and regulations issued with respect thereto) commencing at his Normal Retirement Age or the date of termination ofhis service, whichever is later, determined using:

(a) the "Applicable Mortality Table" which means:

(i) for any Annuity Starting Date that is on or afterDecember 31, 2002 and prior to January 1, 2008, the mortality table prescribed in Revenue Ruling 2001-62 (based upon a fixed blend of 50% of the unloaded male mortality rates and 50% of the unloaded female mortality rates underlying the mortality rates in the 1994 Group Annuity Reserving Table, projected to 2002); and

(ii) for any Annuity Starting Date that is on or after January 1, 2008, the mortality table as defined in Code Section 417(e)(3)(B), as modified from time to time by the Secretary of the Treasury.

(b) the "Applicable Interest Rate" which means:

(i) for any Annuity Starting Date that is on or afterDecember 31,2002, and prior to January 1, 2008, the annual rate of interest on 30-year Treasury securities for the second full calendar month immediately preceding the first day of the Plan Year during which the Annuity Starting Date occurs; and

(ii) for any Annuity Starting Date that is on or after January 1, 2008, the "applicable interest rate" defined in Code Section 417(e)(3)(C) as the adjusted first, second, and third segment rates applied under rules similar to the minimum funding rules of Code Section 430(h)(2)(C) for the second full calendar month immediately preceding the first day of the Plan Year during which the Annuity Starting Date occurs.

(c) Applicable Segment Rates. For purposes of subparagraph (b) above, the adjusted first, second, and third segment rates are the first, second, and third segment rates which would be determined under Code Section 430(h)(2)(C) **if-**

(i) Code Section 430(h)(2)(D) were applied by substituting the average yields for the month described in subparagraph (b)(ii) above for the average yields for the 24-month period described in such section;

(ii) Code Section 430(h)(2)(G)(i)(II) were applied by substituting "section 417(e)(3)(A)(ii)(II)" for "section 412(b)(5)(B)(ii)(Il)"; and

(iii) the applicable percentage under Code Section430(h)(2)(G) were determined in accordance with the following table:

For Plan Year	Applicable Percentage
2008	20%
2009	40%
2010	60%
2011	80%

The amount of any such IRC Section 417(e)(3) form of distribution that is payable to a Beneficiary whose Annuity Starting Date is prior to the Annuity Starting Date of the Participant shall be equal to the actuarial equivalent, determined using the mortality and interest assumptions specified in the preceding sentence, of the benefit payable to such Beneficiary as a monthly income payable for life commencing at the Annuity Starting Date ofthe Beneficiary.

(3) For the purposes of Subsection (2) above, a joint and survivor annuity form of payment which may decrease upon the death of the Participant or his joint pensioner shall be deemed to be a non-decreasing annuity.

(C) The term "single-sum value" as used herein shall mean the actuarially computed present value, as of a given date, of the retirement income payments for which it is determined based upon the interest and mortality assumptions specified in the provisions of the Plan. Unless specifically provided otherwise under the provisions hereof, the single-sum value as of a given date of a Participant's accrued benefit that is scheduled to commence at a later date shall be discounted for both interest and mortality from such scheduled commencement date to such given date.

(D) The terms "herein", "hereof', "hereunder" and similar terms refer to this document, including the Trust Agreement of which this document is a part, unless otherwise qualified by the context.

(E) The pronouns "he"\ "him" and "his" used in the Plan shall also refer to similar pronouns of the feminine gender unless otherwise qualified by the context.

1.2 - PARTICIPATION

(A) Continuation of Participation of Superseded Plan Participants: Each person who was a participant in the Superseded Plan, if any, of the Employer as of the day immediately preceding the Effective Date of the Plan will continue as a Participant in the Plan on the Effective Date of the Plan; provided, however, that any such Participant who had retired or whose service had been terminated prior to the Effective Date of the Plan and who is not an active employee of an Employer or in the employment of a Designated Nonparticipating Employer or on a leave of absence granted by an Employer or Designated Nonparticipating Employer as of the Effective Date of the Plan shall be entitled on and after the Effective Date of the Plan to only those benefits, if any, to which he is entitled on and after the Effective Date of the Plan under the provisions of the Superseded Plan, and he and his Beneficiaries shall not be entitled to any additional benefits under the Plan as set forlh herein unless he reenters the service of an Employer and becomes an Employee after the Effective Date of the Plan or unless the Plan is amended on or after the Effective Date of the Plan specifically to provide otherwise; provided, however, that if the benefits that are payable on behalf of any such Participant under the provisions of the Superseded Plan require modification to permit benefits to be paid to specified individuals other than the Participant in order to comply with any qualified domestic relations order under Section 414(p) of the Internal Revenue Code, or to comply with any other provisions of said Code, the terms and benefits ofthe Superseded Plan will be considered to have been modified with respect to the Participant affected to the extent necessary to comply with such provisions of said Code.

(B) Participation of Other Employees: Each Employee who does not become a Participant in accordance with the provisions of Section 1.2(A) above and who is in the service of the Employer on or after the Effective Date of the Plan will become a Participant in the Plan on the latest to occur of the following dates:

(1) the date on which he attains the age of21 years;

(2) the date that immediately follows the first Eligibility ComputationPeriod during which he completes at least 1,000 Hours of Service;

or

(3) the Effective Date of the Plan;

provided, however, that any such Employee whose service has not been terminated but who is absent from the active service of the Employer on such date that he is first eligible to become a Participant in the Plan as described above will become a Participant hereunder as of the date of his return to active service with the Employer.

(C) Participation Following Reemployment: The above provisions of this Section I .2 describe the date on which an eligible Employee will initially become a Participant in the Plan. In the event that an Employee's service is terminated and he subsequently reenters the service of the Employer, the date on or after the date of his reentry as of which he will become a Participant in the Plan is subject to the provisions of Section 1.4 hereof.

1.3 - LEAVE OF ABSENCE AND TERMINATION OF SERVICE

Any absence from the active service of the Employer by reason of an approved absence granted by the Employer because of accident, illness, layoff with the right of recall, or for any other reason on the basis of a uniform policy applied by the Employer without discrimination, will be considered a leave of absence for the purposes of the Plan and will not terminate an employee's service provided he returns to the active service of the Employer at or prior to the expiration of his leave or, if not specified therein, within the period of time which accords with the Employer's policy with respect to permitted absences.

In the event that an employee's service with the Employer is interrupted because of any absence from the active service of the Employer which is not deemed a leave of absence as defined above, his service will be considered terminated as of the date of his retirement, quit, discharge, resignation or death or the date of such interruption for any other reason.

Transfers of an employee's service among the Employers and Designated Nonparticipating Employers shall not be deemed interruptions of his service and shall not constitute a termination of service for the purposes of the Plan.

If the employee does not return to the active service of the Employer at or prior to the expiration of his leave of absence as above defined, his service will be considered terminated as of the earliest to occur of (i) the date on which his leave of absence expired, (ii) the first anniversary ofthe date on which his leave of absence began or (iii) the date ofhis resignation, quit, discharge or death; provided, however, that if any such employee, who was a participant in the Plan or Superseded Plan on the date on which his leave began, is prevented from his timely return to the active service ofthe Employer because of his total and permanent disability or because of his death, he shall, nevertheless, be treated as though he returned to active service immediately preceding the date of his total and permanent disability or his death, whichever is applicable.

(A) Maternity or Paternity Absence. If an employee has an absence from the service of the Employer which begins on or after April 1, 1985 and is due to the pregnancy of the employee, the birth of a child of the employee or the placement of a child with the employee in connection with the adoption of such child by such employee or is for the purpose of caring for such child for a period beginning immediately following such birth or placement (hereinafter referred to in this paragraph as a "maternity or paternity absence"), the rights of such employee under the Plan shall not be less favorable to the employee than those rights that he would have had if he had been granted a one-year leave of absence beginning on the date on which his maternity or paternity absence began. If the length of such maternity or paternity absence extends beyond the first anniversary of the date on which such absence began and the service of such employee is terminated during such maternity or paternity absence, the date of termination of service of such employee for purposes of determining his accrued Vesting Service shall be deemed to be the first anniversary of the date on which such absence began and the rights of such employee under Section 1.4 hereof to resume participation in the Plan and to a reinstatement of his previous Credited Service and Vesting Service upon his reemployment shall not be less favorable to the employee than those corresponding rights that he would have under such section if the date of termination of his service had been the second anniversary of the date on which his maternity or paternity absence began and if the length of such employee's Break in Service were based on that termination date. The preceding provisions of this paragraph shall apply only if, within 90 days after requested by the Committee, the Participant furnishes to the Committee such information as the Committee may reasonably require in order to establish (a) that the absence from work is for a reason described in the first sentence of this paragraph and (b) the number of days (or the period) for which there was an absence for such a reason.

(B) Military Service Absence.

(1) USERRA. Absence from the active service of the Employer because of engagement in military service will not terminate the service of an employee and will be treated under the Plan as an approved leave of absence granted by the Employer if (1) he is entitled under the Uniformed Services Employment and Reemployment Rights Act of 1994 ("USERRA") to reemployment by the Employer upon his discharge from active duty, and (2) he returns to the active service of the Employer within the period of time during which he has reemployment rights under USERRA. Except as provided in Section 1.3(B)(2)(b) and (c), if such employee does not return to the active service of the Employer as described above, his service will be considered terminated as of the earliest to occur of (i) the date on which his leave of absence expired, (ii) the first anniversary ofthe date on which his leave of absence began or (iii) the date of his resignation, quit, discharge or death. The following special provisions, which are intended to comply with Section 414(u) of the Internal Revenue Code, shall apply to an employee of an Employer who returns to active service in accordance with the reemployment provisions ofUSERRA following a period of qualifying military service (as determined under USERRA):

(a) Each period of qualifying military service served by an employee shall, upon such reemployment, be counted toward determining the employee's service with the Employer for all purposes of the Plan, including determining the amount of a Participant's Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date and the Vested Percentage in his Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date.

(b) For all purposes under the Plan, a Participant shall be treated as having received Compensation from the Employer based on the rate of Compensation the Participant would have received during the period of qualifying military service, or if that rate is not reasonably certain, on the basis of the Participant's average rate of Compensation during the 12-month period immediately preceding such period.

(c) With respect to any Employer contribution made in accordance with the foregoing provisions of this paragraph:

(i) such contribution shall not be subject to any otherwise applicable limitation under Sections 404(a) or 415 of the Internal Revenue Code, and shall not be taken in account in applying such limitations to other Participant or Employer contributions under the Plan or any other plan, with respect to the year in which such contribution is made, and such contribution shall be subject to these limitations only with respect to the year to which such contribution relates and only in accordance with regulations prescribed by the Internal Revenue Service; and

(ii) the Plan shall not be treated as failing to meet the requirements of Sections 40I(a)(4), 40I(a)(26), 410(b), or 416 of the Internal Revenue Code by reason of such contribution.

(2) HEART Act. The following special provisions, which are intended to comply with the provisions ofthe Heroes Earnings Assistance and Relief Tax Act (the "HEART Act") shall apply to an Employee of the Employer who is on an approved leave of absence due to qualified military service as defined in Code Section 414(u):

(a) Differential Wage Payments. Notwithstanding any provision of this Plan to the contrary, beginning January 1, 2009, any Participant who receives differential wage payments as defined in section 340l(h)(2) of the Code that are paid by the Employer during a period of qualified military service shall, for purposes of this Plan, be considered as an Employee ofthe Employer, and effective for Plan Years beginning on or after that date, the wage differential payment shall be treated as Compensation, as defined in Section 1.1(A)(6) of the Plan, and the Plan shall not be treated as failing to meet the requirements of any provisions described in section 414(u)(l)(C) of the Code by reason of any contribution to the Plan or benefit that is based on the differential wage payment; provided, however, this exception applies only if all Employees of the Employer performing service in the uniformed services described in section 340l(h)(2)(A) of the Code are entitled to receive differential wage payments on reasonably equivalent terms and, if eligible to participate in the Plan or any other retirement plan of the Employer, to make contributions based on the differential wage payments on reasonably equivalent terms; provided, however, this provision shall not result in double credit for Compensation and related benefits under the Plan for any Participant returning or treated as returning to active service with the Employer following qualified military service.

(b) Survivor Benefits. For purposes of any benefit payable to a Participant's surviving spouse or Beneficiary as a result of the Participant's death on or after January 1, 2007 while such Participant was performing qualified military service (as defined in section 414(u) of the Code), the surviving spouse or Beneficiary, as the case may be, of the deceased Participant shall be entitled to any death benefit (other than benefits that may have accrued during the period of qualified military service) provided under the Plan as if the Participant had returned to employment with the Employer and then terminated employment on account of his death.

(c) Death or Disability During Qualified Military Service. Effective as of January 1, 2007, if any employee, who is on a leave of absence because of qualified military service as defined in Code Section 414(u) and who was a Participant in the Plan on the date on which his leave began, is prevented from his timely return to active employment with the Employer as a result of his total and permanent disability or his death during such service, he shall be treated, for purposes of any disability benefit or any death benefit, whichever is applicable, as though he had returned to active employment with the Employer in accordance with his reemployment rights under Code Section 414(u) on the day before his date of death or disability and then terminated employment on his date of death or disability. Any such Participant who is unable to return to active employment due to his death shall be entitled to a death benefit as provided in Section 2.4(B) hereof or due to his disability shall be entitled to a disability benefit as provided in Section 2.3 hereof, except that Section 2.4(A) hereof shall be used, in lieu of Section 2.3, to determine the benefit (which shall be determined as though his Initial Vesting Date has occurred prior to the date of termination of his service and assuming that his Vested Percentage is 100%), if any, that is payable on his behalf, but such benefit will be payable only if a benefit would have been payable on his behalf under the provisions of Section 2.3 hereof if he had been in the service of the Employer on the date of his total and permanent disability. This provision shall apply only if all individuals performing qualified military service with respect to the Employer maintaining the Plan are treated for benefit accrual purposes on reasonably equivalent terms.

1.4 - REEMPLOYMENT

(A) Reemployment Prior to Incurring a Break in Service: If any employee, whose service is terminated on or after the Effective Date of the Plan, reenters the active service of the Employer and performs an Hour of Service within the 12-month period immediately following the date of termination of his service, he shall not incur a Break in Service, and his Last Date of Commencement of Service shall be determined as though his service had not previously been terminated. On and after such reentry, any such employee shall be treated under the Plan as though he had been on an unpaid leave of absence granted by the Employer during the period between such date that his service was previously terminated and such date of reentry. However, if any such employee was entitled to a benefit under Section 2.1, 2.2, 2.3 or 2.4(A) hereof prior to his reentry, his rights under the Plan on and after his date of reentry shall be determined under Section 1.4(B), 1.4(C), 1.4(D) or 1.4(E) below, whichever is applicable, except that his reinstated Vesting Service shall not be less than that determined under the above provisions of this Section 1.4(A).

(B) Reemployment ofVested Terminated Participant Prior to Commencement of Payments: If a Participant's service is terminated on or after his Initial Vesting Date for a reason other than his normal retirement, early retirement or disability retirement as described in Sections 2.1, 2.2 and 2.3 hereof, respectively, and he subsequently reenters the active service of the Employer prior to his Annuity Starting Date, he will become a Participant upon the date of such reentry and will be entitled to a reinstatement of the Vesting Service and Credited Service that he had accrued on the date of termination ofhis service in lieu of the benefits to which he was entitled under the Plan prior to his reentry; provided, however, that such Participant's Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date (or his accrued monthly normal retirement income, if applicable) determined as of any given date after the date of his reentry shall be reduced on an actuarially equivalent basis, if applicable, to take into account any death benefit coverage that was in effect under Section 2.4(A) hereof after the date of termi nation of his service and prior to the date of his reentry; and provided further, however, that the benefit payable to such Participant upon his subsequent retirement or termination of service shall not be less than the benefit that he would have been entitled to receive under the provisions of Section 2.4(A) hereof if he had not reentered the service of the Employer.

(C) Reemployment of Retired or Vested Terminated Participant After Commencement of Payments:

(1) If a Participant, whose service is terminated on or after the Effective Date of the Plan and who has received a portion but not all of the retirement income to which he is entitled under the provisions of Section 2.1, 2.2 or 2.4(A)(1) hereof, subsequently reenters the active service of the Employer on or after his Annuity Starting Date, he shall become a Participant upon the date of such reentry and the following provisions shall apply.

(a) If the date of his reentry is prior to his Required Beginning Date, subject to the provisions of Sections 1.4(C)(2) and 2.1(D) hereof, no retirement income payments shall be made during the period of such reemployment. Upon the subsequent retirement or termination of service of such a Participant, his benefit under the Plan shall be determined in the same manner as that of a vested terminated Participant whose retirement income payments have not commenced and who subsequently reenters the service of the Employer as described in Section 1.4(8) above, except that the benefit payable under the Plan to or on behalf of such Participant upon his subsequent retirement or termination of service shall be reduced on an actuarially equivalent basis by an amount equal to the sum ofthe retirement income and other benefit payments that he received under the provisions of Section 2.1, 2.2, 2.4(A) or 3.1 hereof, whichever is applicable, prior to such reentry into the service of the Employer; provided, however, that the amount of such monthly retirement income that is payable to him upon his subsequent retirement or termination of service shall not be less than the actuarial equivalent of a monthly retirement income payable to him at that time as a straight life annuity in an amount equal to the amount of the monthly retirement income that was payable to him as a straight life annuity immediately prior to his reentry. (If the retirement income payable to the Participant immediately prior to his reently was not payable as a straight life annuity, the amount that was payable to him as a straight life annuity immediately prior to his reentry shall be determined by converting the income that was payable to him immediately prior to his reentry to its actuarial equivalent payable as a straight life annuity). If any such Participant reenters the active service of the Employer on or after his Normal Retirement Date, the monthly retirement income payable on behalf of such Participant in accordance with the provisions of Section 2.1 upon his subsequent retirement shall not be less than the amount that can be provided on an actuarially equivalent basis by the single-sum value required, as of such date of reentry, to provide the retirement income that otherwise would have been payable on his behalf after such date of reentry, accumulated with interest from such date of reentry to the date of his subsequent retirement or termination of service.

(b) If the date of his reentry is on or after his Required Beginning Date, he shall continue to receive the benefits to which he is entitled on and after such date, and any future benefits that he accrues after his Required Beginning Date shall be determined in accordance with the provisions of Section 411(b)(1)(H) of the Internal Revenue Code and regulations issued with respect thereto in a manner similar to that described in Section 2.1(D) hereof.

(2) In lieu of having his retirement income payments discontinued and his benefit payable upon his subsequent retirement or termination determined in accordance with the provisions of Section 1.4(C)(1) above, any such Participant, whose Vested Percentage at the date of his retirement or termination of service was 100%, who is receiving retirement income payments under the Plan and who reenters the active service of the Employer on less than a full-time basis, may upon such reentry elect in writing filed with the Committee to continue to receive his retirement income payments after his reemployment in the same manner as though he had not reentered the service of the Employer. Any such Participant whose retirement income payments are continued in accordance with the provisions above shall be treated as if he then first entered the service of the Employer except that:

(a) upon the date after his reentry that he satisfies the requirements to become a Participant in the Plan, he shall become a Participant, retroactively, as of the date of his reentry; provided, however, if either (i) the date of his reentry is during the Plan Year in which the date of his retirement or termination of service occurred and he is credited with at least 501 Hours of Service during such Plan Year or (ii) the date of his reentry is during the Plan Year next following the Plan Year in which the date of his retirement or termination of service occurred and he is credited with at least 501 Hours of Service during both the Plan Year in which the date of his retirement or termination of service occurred and the next following Plan Year, he shall, upon the date of his reentry or upon such later date that such Hours of Service requirement has been satisfied, become a Participant, retroactively if applicable, as of the date of his reentry;

(b) upon his becoming a Participant, he shall be entitled to a reinstatement of the Vesting Service that he had accrued as of the date of his previous retirement or termination of service; and

(c) he shall not accrue any additional Credited Service during any "reemployment benefit accrual computation period" that he is credited with less than 1,000 Hours of Service. The "reemployment benefit accrual computation period" of any such Participant shall mean the 12-month period beginning on the date of his reentry and on each anniversary of such date.

The benefit which any such Participant accrues after the date of his reentry (including any disability retirement or death benefit payable on his behalf), which is payable to such Participant or his Beneficiary upon his subsequent retirement or termination of service, shall be limited to the amount that can be provided by the actuarial equivalent of the monthly retirement income, if any, that he accrues subsequent to such date of reentry based upon his Credited Service and Final Average Monthly Compensation determined in the same manner as though he then first entered the service of the Employer on the date on or after his reentry that he commences to accrue additional Credited Service; provided, however, that such income that such a Participant accrues subsequent to his date of reentry shall not cause the actuarial equivalent of the total income payable on behalf of the Participant under the Plan to exceed the amount that would have been payable if he had not elected to continue to receive his retirement income after his reemployment and if the Credited Service that he accrues after his reentry were restricted as provided under (c) above. The retirement income that is continued during the period of reemployment of any such Participant who is reemployed on less than a full-time basis shall be discontinued if the Participant is employed on a full-time basis at any time after his reentry. If the retirement income of any such Participant is subsequently discontinued, his benetit under the Plan shall be determined under this Section l.4(C) (and not under Section 1.4(A) above) as though his service had been terminated on the date that his retirement income was discontinued and as though he had reentered the service of the Employer immediately thereafter.

(D) Reemployment After Disability Retirement: If a Participant, who has retired on or after the Effective Date of the Plan under the provisions of Section 2.3 and who has not prior to his reentry received the full actuarially equivalent value of the disability retirement income to which he was entitled under Section 2.3 hereof, recovers from disability and reenters the active service of the Employer within one year after the date of his recovery from disability by accepting reemployment offered by the Employer within 30 days after such offer, his service will be deemed to have been continuous and he will be treated under the Plan in the same manner as though he had received Compensation, at the rate he was receiving at the time of his disability, during the period that he was considered totally and permanently disabled as provided herein.

(E) Reemployment After Full Settlement: If a Participant's service has been terminated on or after the Effective Date of the Plan for any reason and he was entitled, upon such tennination, to a monthly retirement income under the provisions of Section 2.1, 2.2, 2.3 or 2.4(A)(1) hereof and he reenters the active service of the Employer after the full actuarially equivalent value of such retirement income has been paid on his behalf, he shall become a Participant on the date of his reentry and shall be entitled to a reinstatement of the Vesting Service and Credited Service that he had accrued as of such previous date of termination, but the benefit payable under the Plan to or on behalf of such Participant upon his subsequent retirement or termination of service shall be reduced by the actuarial equivalent of such retirement income that has been previously paid on his behalf (where the amount of such actuarially equivalent reduction shall be determined using the same mortality and interest assumptions that were used to calculate such benefit previously paid on his behalf).

(F) Reemployment of Other Employees: Any other former employee who is not included under the provisions of Section 1.4(A), 1.4(B), 1.4(C), 1.4(D) or 1.4(E) above and who subsequently reenters the active service of the Employer following his termination of service will be treated as though he then first entered the service of the Employer; provided, however, that:

(1) with respect to any such employee in the service of the Employer on or after the Effective Date of the Plan whose service is or was terminated on or after April 1, 1976 and who incurred a Break in Service prior to the date of his reentry, the following special provisions shall apply:

(a) if such employee had completed five or more years of Vesting Service as of the date oftermination ofhis service or if the number of years and days included in his Break in Service is less than either five years or the number of years and days of his Vesting Service that he had accrued as of the date of termination of his service, such employee shall be entitled,upon the date as of which he becomes a Participant in the Plan, to a reinstatement ofthe Credited Service and Vesting Service that he had accrued as of such previous date of termination of service;

(b) if such employee was a Participant in the Plan or Superseded Plan as of the date of termination of his service and he is entitled to a reinstatement of his previous Credited Service and Vesting Service under (a) above, he shall become a Participant in the Plan as of the date of his reentry or the Effective Date of the Plan, whichever is later; and

(c) if such employee was not a Participant in the Plan as of the date of termination of his service but he is entitled to a reinstatement of his previous Credited Service and Vesting Service under (a) above or if such employee (regardless of whether or not he was a Participant in the Plan as of the date of termination of his service) reenters the service of the Employer prior to the elapse of five full Plan Years following the date of termination of his service, the date on which he will be eligible to become a Participant in the Plan following his date of reentry shall not be later than the date on which he would have been eligible to become a Participant if he had been on a leave of absence during the period between the date of his previous termination of service and the date of his reentry; and

(2) with respect to any such employee whose service was terminated prior to the Effective Date of the Plan (while the Superseded Plan was in effect with respect to the Employer by which he was employed at the date oftermination of his service) and who had reentered the active service of the Employer prior to the Effective Date of the Plan or who reenters the active service of the Employer on or after the Effective Date of the Plan, his rights under the Plan with respect to the period of his service prior to such date of reentry into the service of the Employer shall be determined under the applicable provisions of the Superseded Plan as in effect on the date of his prior termination of service; provided, however, if any such employee, whose service was terminated prior to April 1, 1985 and whose next succeeding date of reentry into the service of the Employer is on or after the Effective Date of the Plan, would have been entitled under the provisions of theSuperseded Plan to a reinstatement of the service used to detem1ine his nonforfeitable right to benefits if he had reentered the service of the Employer on April 1, 1985, the rights upon such reentry of any such employee shall not be less favorable to the employee than the corresponding rights of an employee whose service is terminated on or after the Effective Date of the Plan as described above.

(G) Reemployment of Employee Who Does Not Qualify as an "Employee": The rights of any terminated employee of the Employer who was not an Employee as defined herein on the date of termination of his service and who is reemployed in a status in which he qualifies as an Employee as defined herein shall be determined in accordance with the provisions of the Plan as though he had been an Employee as defined herein on the date of termination of his service. The rights of any terminated employee of an Employer who is reemployed by the Employer in a status in which he does not qualify as an Employee as defined herein shall be determined in accordance with the provisions of the Plan as though he had been reemployed by the Employer as an Employee as defined herein and had immediately thereafter been transferred from his status as an Employee as defined herein. A Participant shall not accrue any benefits under the Plan or Superseded Plan solely because of the assumption that he was an Employee as defined herein on the date of termination ofhis service or the date of his reemployment, as the case may be.

(H) Employment ofTerminated Employee of Designated Nonparticipating Employer by an Employer and Employment of Terminated Employee of Employer by Designated Nonparticipating Employer: The rights of any terminated employee of a Designated Nonparticipating Employer who was not an Employee as defined herein on the date of termination of his service and who is subsequently employed by an Employer in a status in which he qualifies as an Employee as defined herein shall be determined in accordance with the provisions of the Plan as though he had been an Employee as defined herein on the date of termination of his service. The rights of any terminated Employee of an Employer who is subsequently employed by a Designated Nonparticipating Employer shall be determined in accordance with the provisions of the Plan as though he had been reemployed by the Employer as an Employee as defined herein and had immediately thereafter been transferred to such Designated Nonparticipating Employer. A Participant shall not accrue any benefits under the Plan or Superseded Plan solely because of the assumption that he was an Employee as defined herein on the date of termination of his service or the date of his employment, as the case may be, with a Designated Nonparticipating Employer.

(I) Employment with Former Employer or Former Designated Nonparticipating Employer: In determining the rights under the Plan of any employee who was previously employed (either before, on or &fter the Effective Date of the Plan) by an employer, which was formerly an Employer participating in the Plan or Superseded Plan or was formerly a Designated Nonparticipating Employer but which is not currently an Employer or Designated Nonparticipating Employer, the period of such employee's employment with such employer while it was an Employer or Designated Nonparticipating Employer, as the case may be, shall be recognized in determining the Vesting Service of such employee in the same manner as though such employment during such period had been with a current Employer or Designated Nonparticipating Employer, but any period of employment with such employer after the date that it ceased to be an Employer or Designated Nonparticipating Employer shall not be recognized and his service shall be deemed to have been terminated during such period that such employer is not an Employer or Designated Nonparticipating Employer.

1.5 - TRANSFER TO ORFROMSTATUS AS AN ELIGIBLE EMPLOYEE

An employee will be deemed to be transferred from his status as an eligible Employee in the event that he remains in the service of the Employer but has a change in his employee status so that he no longer qualifies as an Employee as defined herein or in the event that he is transferred to and becomes an employee of a Designated Nonparticipating Employer. Conversely, an employee of an Employer who is not an Employee as defined herein will be deemed to be transferred to the status of an eligible Employee in the event that he remains in the service of the Employers but has a change in his employee status so that he becomes an Employee as defined herein, and an employee of a Designated Nonparticipating Employer will be deemed to be transferred to the status of an eligible Employee in the event that he is transferred to an Employer from such Designated Nonparticipating Employer and becomes an Employee as defined herein. The service of such a person described above shall not be considered to be interrupted by reason of any such transfer, and service with the Designated Nonparticipating Employer or with the Employer while not qualified as an Employee as defined herein shall be terminated in the same manner as service with the Employer while qualified as an Employee as defined herein is terminated. Any provisions of Section 2.1, 2.2, 2.3 or 2.4 hereof to the contrary notwithstanding, the benefits of any such Participant who has been transferred to or from the status as an eligible Employee on or after the date that the Plan or Superseded Plan first became effective with respect to his Employer shall be determined in accordance with the following provisions of this Section 1.5.

(A) Eligibility for Benefits: In determining the eligibility of such an employee to whom the provisions of this Section 1.5 are applicable for participation in the Plan and in determining his eligibility for the benefits provided under the Plan, his Vesting Service and Hours of Service shall be determined in the same manner as though his service with the Designated Nonparticipating Employers and with the Employers while not qualified as an Employee as defined herein had been accrued with the Employers while qualified as an Employee as defined herein. Any such employee who is transferred to the status of an Employee as defined herein shall become a Participant in the Plan on the date that he becomes an Employee as defined herein if he has otherwise satisfied the requirements to become a Participant in the Plan as described in Section 1.2 hereof prior to such date that he becomes an Employee as defined herein.

(B) Computation of Benefits: A Participant to whom the provisions of this Section 1.5 are applicable shall be entitled upon his retirement or termination of service (or his Beneficiary shall be entitled in the event his service is terminated by reason of his death), if he meets all requirements necessary to qualify for a benefit under the provisions of Section 2.1, 2.2, 2.3 or 2.4 hereof or under the provisions of any applicable section of any Supplement hereto that specifically applies to the Participant, as the case may be, to a benefitpayable in accordance with the provisions of Section 2.1, 2.2, 2.3 or 2.4 hereof or in accordance with the provisions of any applicable section of any Supplement hereto that specifically applies to the Participant, whichever section is applicable, but the amount of the monthly retirement income that is payable on his behalf under the Plan shall, subject to the provisions of Section 1.5(C) below, be computed using only the Credited Service that he accrued with the Employers while qualified as an Employee as defined herein.

(C) Special Provisions Applicable to Benefits: The monthly income computed under this Section I .5 shall be subject to the following:

(1) there shall be no duplication of service in computing benefits under the Plan and under any other qualified defined benefit pension or annuity plan to which any Employer or Designated Nonparticipating Employer makes contributions on behalf of its employees who are not Employees as defined herein, and, if service accrued while qualified as an Employee as defined herein is used in determining the accrued benefit of the Participant under any such other qualified defined benefit pension or annuity plan, then the portion of the benefit payable under the Plan based on such duplicated service shall be reduced (but not so as to produce a negative amount) by the actuarially equivalent amount of the benefit payable under such other qualified defined benefit pension or annuity plan based on such duplicated service;

(2) all compensation that a Participant, who is an Employee as defined herein on the date of his retirement or termination of service, received from the Designated Nonparticipating Employers and from the Employers while not qualified as an Employee as defined herein shall be treated in determining his Final Average Monthly Compensation in the same manner as though such compensation had been received from the Employer while qualified as an Employee as defined herein;

(3) all compensation that a Participant, who is not an Employee as defined herein on the date of his retirement or termination of service, received after the date on which he last qualified as an Employee as defined herein from the Designated Nonparticipating Employers and from the Employers while not qualified as an Employee as defined herein shall be ignored or excluded in determining his Final Average Monthly Compensation and the period during which he received such compensation shall be ignored or excluded in determining the 10 completed calendar years and the five successive calendar years that are used in determining his Final Average Monthly Compensation;

(4) in the case of a Participant who has been transferred to the status of an Employee as defined herein, who has a nonforfeitable right to an accrued benefit under any other pension or annuity plan to which an Employer or Designated Nonparticipating Employer has made contributions on his behalf and whose combined service used in the computation of his accrued benefits under the Plan and such other pension or annuity plan or plans exceeds 35 years, the amount of the monthly retirement income that is payable under the Plan on his behalf shall not be greater than an amount equal to the excess, if any, of:

(a) the monthly retirement income that would have been payable on behalf of such Participant under the provisions of the Applicable Section of the Plan or Supplement if the service used to compute his accrued benefit under such qualified pension or annuity plan or plans were included with the Credited Service that he accrued with the Employers while qualified as an Employee as defined herein;

over

(b) the actuarial equivalent of the accrued benefit to which such Participant has a nonforfeitable right under such qualified pension or annuity plan or plans;

(5) the Participant's employee status at the date of termination of his service due to disability shall be deemed to have continued without change in determining the monthly retirement income that may become payable on his behalf under the provisions of Section 2.3 hereof; and

(6) the benefit determined under Section 2.4(8)(1)(b) hereof shall apply only if the Participant is an Employee as defined herein on the date of his death and in that event:

(a) the benefit under Section 2.4(B){l)(b)(i) shall be reduced by the actuarial equivalent of the benefit payable on behalf of such Participant under each other qualified pension or annuity plan, if any, to which an Employer or Designated Nonparticipating Employer has made contributions on his behalf; and

(b) the limitation equal to 100 times the Participant's monthly normal retirement income, described in Section 2.4(B)(l)(b)(ii),shall include the anticipated monthly retirement income based on his service accrued prior to his death to which such Participant would be entitled at his Normal Retirement Date or the date of his death, whichever is later, under each other qualified pension or annuity plan, if any, to which an Employer or Designated Nonparticipating Employer has made contributions on his behalf.

(D) Payments From One Trust Fund: In lieu of the payment ofretirement income or other benefits to such a Participant from the trust fund of more than one qualified defined benefit pension plan of the Designated Nonparticipating Employers and the Employers, the administrators of the pension plans may, by mutual agreement, provide for payment of the entire monthly income or otherbenefit from one trust fund with appropriate reimbursement to the trustee of the trust fund from which the benefits are to be paid by transfer of funds equal to the single-sum value of the benefits payable under the other plan (or plans) to the trust fund from which benefits actually will be paid.

1.6 - PARTICIPATION AND BENEFITS FOR FORMER LEASED EMPLOYEES

A Leased Employee of an Employer or Designated Nonparticipating Employer shall not be deemed for any purposes of the Plan to be an employee of such Employer or Designated Nonparticipating Employer. However, in the event that any former Leased Employee qualifies as an Employee as defined herein on or after the Effective Date of the Plan, unless the Plan is otherwise excluded by applicable regulations from the requirements of Section 414(n) of the Internal Revenue Code, the total period that he provided services to the Employer or Designated Nonparticipating Employer as a Leased Employee shall be treated under the Plan in determining his nonforfeitable right to his accrued benefits and his eligibility to become a Participant in the Plan in the manner described in Section 1.5(A) hereof as though he had been an employee of a Designated Nonparticipating. Employer during such period of service (but such service shall not be included in the service that is used to calculate any benefits that he accrues under the Plan). A "Leased Employee" as defined under Section 414(n) of the Internal Revenue Code is any person (other than an employee of the recipient) who pursuant to an agreement between the recipient and any other person ("leasing organization") has performed services for the recipient (or for the recipient and related persons determined in accordance with Internal Revenue Code Section 414(n)(6)) on a substantially full-time basis for a period of at least 1 year, and such services are performed under the recipient's primary direction or control.

1.7 - RIGHTS OF OTHER EMPLOYERS TO PARTICIPATE

Capital Southwest Corporation, Capital Southwest Management Corporation, Jet- Lube, Inc., The RectorSeal Corporation, The Whitmore Manufacturing Company, Smoke Guard, Inc. and Blue Magic, Inc. are participating Employers in the Plan. Any other corporation, association, joint venture, proprietorship, partnership or other business organization may, in the future, adopt the Plan on behalf of all or certain of its Employees by formal action on its part in the manner described in Section 6.7 hereof provided that the Sponsoring Employer, by formal action on its part in the manner described in Section 6.7 hereof, and the Committee both approve such participation.

The administrative powers and control of the Sponsoring Employer, as provided in the Plan, shall not be deemed diminished under the Plan by reason of the participation of any other Employers in the Plan, and such administrative powers and control specifically granted herein to the Sponsoring Employer with respect to the appointment of the Committee, amendment of the Plan and other matters shall apply only with respect to the Sponsoring Employer.

The Plan is an IRC 414(1) Single Plan with respect to all Employers unless the Sponsoring Employer, by formal action on its part in the manner described in Section 6.7 hereof, specifically provides that the Plan shall be a separate TRC 414(1) Single Plan with respect to any Employer or to any division of any Employer or with respect to any group of Employers and/or divisions. In the event that the Plan does not represent one IRC 414(1) Single Plan with respect to all divisions of any Employer, the division or divisions with respect to which the Plan represents a separate IRC 414(1) Single Plan shall be considered for the purposes of this section and treated under the Plan as one Employer and its other division or divisions shall be considered for the purposes of this section and treated under the Plan as a separate Employer or, if applicable, as separate Employers.

The contributions of any Employer that is a member of a group of Employers with respect to which the Plan represents an IRC 414(1) Single Plan shall be available to provide benefits on behalf of any Participants who are employees of any other Employers that are members of such group but shall not be available to provide benefits on behalf of any Participants who are employees of any Employers that are not members of such group. The contributions of any Employer with respect to which the Plan represents an IRC 414(1) Single Plan for only that Employer shall be available to provide benefits on behalf of Participants who are its employees but shall not be available to provide benefits on behalf of Participants who are employees of any other Employers.

Any Employer may withdraw from the Plan at any time by formal action on its part, in the manner described in Section 6.7 hereof, specifying its determination to withdraw. Any such withdrawing Employer shall furnish the Committee and the Trustee with evidence ofthe formal action of its determination to withdraw. Any such withdrawal may be accompanied by such modifications to the Plan as such Employer shall deem proper to continue a retirement plan for its Employees separate and distinct from the retirement plan herein set forth. Withdrawal from the Plan by any Employer shall not affect the continued operation of the Plan with respect to the other Employers; provided, however, in the event of the withdrawal of an Employer that is a member of a group of Employers with respect to which the Plan represents an IRC 414(1) Single Plan and in the event that provision is made for the continuation of a retirement plan for its Employees separate and distinct from the retirement plan herein set forth, the share, if any, of the assets of the Trust Fund allocable to such group of Employers that is transferred on behalf of such withdrawing Employer to such other retirement plan shall, subject to the provisions of Section 414(1) of the Internal Revenue Code and regulations issued pursuant thereto, be equal to the assets, if any, that would have been allocated on behalf of the employees of such withdrawing Employer under the provisions of Section 4.5 hereof if such withdrawing Employer had terminated its participation in the Plan on the date of such withdrawal; provided, however, that the Sponsoring Employer, by formal action on its part in the manner described in Section 6.7 hereof, may, in its absolute discretion, direct that an additional amount of assets be transferred on behalf of such withdrawing Employer to such other retirement plan provided that the transfer of such additional amount of assets would not lower the amount of the distributions that would be made on behalf of the Participants who are employees of the other Employers that are members of such group of Employers with respect to which the Plan represents an IRC 414(1) Single Plan if the Plan were tenninated as of the effective date of such transfer with respect to all of the Employers that are members of such group of Employers.

The Sponsoring Employer, by formal action on its part in the manner described in Section 6.7 hereof, may in its absolute discretion terminate any Employer's participation in the Plan at any time, and the provisions of the Plan shall be applied with respect to such Employer in the same manner as though it had voluntarily withdrawn as a participating Employer.

1.8 - SERVICE AND TERMINATION OF SERVICE

For purposes of the Plan, an Employee or Participant shall be considered to be in the service of the Employer and shall not be considered to have incurred a termination ofhis service until the date of his early, normal or disability retirement, death, resignation, discharge or other termination of his employment with an Employer, notwithstanding any payment or agreement to pay severance pay in connection with the termination of his employment.

SECTION 2

NORMAL AMOUNT AND PAYMENT OF RETIREMENT INCOME

2.1 - NORMAL RETIREMENT AND RETIREMENT INCOME

Normal retirement under the Plan is retirement from the service of the Employer on or after the date that the Participant attains his Normal Retirement Age. No provision of this section or the Plan shall require the retirement of a Participant upon his attainment of his Normal Retirement Age. In the event of normal retirement, payment of retirement income will be governed, subject to the provisions of Section 4 hereof, by the following provisions of this Section 2.1.

(A) Normal Retirement Date: The Normal Retirement Date of each Participant will be the first day of the month coincident with or next following the date on which he attains his Normal Retirement Age. Any Participant who retires after attaining his Normal Retirement Age but prior to his Normal Retirement Date and who is surviving on his Normal Retirement Date shall be considered for the purposes of the Plan to have retired on his Normal Retirement Date

(B) Amount of Retirement Income: The monthly retirement income payable in the manner described in Section 2.1(C) hereof to a Participant who retires on and after April I, 1998, bur prior to April 1, 2007, and on or after his Normal Retirement Date shall be an amount equal to the sum of:

(1) 1.25% of his Final Average Monthly Compensation multiplied by hisnumber of years of Credited Service that are not in excess of 35 years;

plus

(2) 0.65% ofthat portion, if any, ofhis Final Average Monthly Compensation that is in excess of the Monthly Covered Compensation that applies to him multiplied by his number of years of Credited Service that are not in excess of 35 years.

Notwithstanding the foregoing provisions ofthis Section 2.l(B), the monthly retirement income of a Participant who retires on or after April 1, 1998, and on or after his Nonnal Retirement Date shall not be less than the monthly retirement income which the Participant has accrued as of March 31, 1998, based upon the Participant's Credited Service, Final Average Monthly Compensation, and Monthly Covered Compensation (or, if applicable, the corresponding terms used to compute his accrued benefit under the Superseded Plan) determined as of March 31, 1998, under the provisions of the Plan and the First Supplement then in effect, adjusted on an actuarially equivalent basis, if applicable, to his Annuity Starting Date in accordance with the above provisions of this Section 2.1(B).

Effective as of April 1, 2007, the monthly retirement income payable in the manner prescribed in Section 2.1 (C) to a Participant who retires on and after April 1, 2007, but prior to April I, 2009, and on or after his Nom1al Retirement Date shall be an amount equal to the sum of:

(1) 1.20% of his Final Average Monthly Compensation multiplied by his numberof years of Credited Service that are not in excess of 35 years;

plus

(2) 0.65% of that portion, if any, of his Final Average Monthly Compensation that is in excess of the Monthly Covered Compensation that applies to him multiplied by his number of years of Credited Service that are not in excess of 35 years.

Notwithstanding the foregoing provisions of this Section 2.1(B), the monthly retirement income of a Participant who retires on or after April 1 , 2007, and on or after his Nonnal Retirement Date shall not be less than the monthly retirement income which the Participant has accrued as of March 31, 2007, based upon the Participant's Credited Service, Final Average Monthly Compensation and Monthly Covered Compensation determined as of March 31, 2007, under the provisions of the Plan and Supplements then in effect, adjusted on an actuarially equivalent basis, if applicable, to his Annuity Starting Date in accordance with the provisions of this Section 2.1 (B).

Effective as of April 1, 2009, the monthly retirement income payable to a Participant who retires on and after April 1, 2009, and on or after his Normal Retirement Date shall be an amount equal to the sum of:

(3) 1.20% of his Final Average Monthly Compensation multiplied by his number of years of Credited Service that are not in excess of 40 years;

plus

(4) 0.65% of that portion, if any, of his Final Average Monthly Compensation that is in excess of the Monthly Covered Compensation that applies to him multiplied by his number of years of Credited Service that are not in excess of 35 years.

The monthly amount of retirement income payable to a Participant who retires after his Normal Retirement Date, however, shall not be less than that amount that can be provided on an actuarially equivalent basis by the sum of (i) the single-sum value as of his Normal Retirement Date of the normal monthly retirement income that would have been payable to him under the provisions of the Plan or Superseded Plan, whichever is applicable, as in effect on his Normal Retirement Date if he had retired on his Normal Retirement Date, based upon his Credited Service, Final Average Monthly Compensation and Monthly Covered Compensation (or, if applicable, the corresponding terms used to compute his accrued benefit under the Superseded Plan) determined as though he had actually retired on his Normal Retirement Date, and (ii) the amount of interest on such single-sum value in (i) above, where the interest shall be compounded annually from the Participant's Normal Retirement Date to his Annuity Starting Date. All computations to determine such minimum monthly retirement income payable to or on behalf of such a Participant shall be on the basis of the interest and mortality assumptions that were being used as of his Normal Retirement Date to detennine actuarially equivalent non-decreasing annuities.

(C) Payment of Retirement Income: The monthly retirement income payable in the event of normal retirement will be payable on the first day of each month. The first payment will be made on the Participant's Normal Retirement Date, or, if the Participant retires atler his Normal Retirement Date, the first payment will be made on the first day of the month coincident with or next following the date of his actual retirement. The last payment will be the payment due immediately preceding the retired Participant's death.

Where a Participant's monthly retirement income commences after April 1 following the calendar year in which such Participant attains age 70Y2, the accrued benefit of such Participant shall be actuarially increased in accordance with regulations or other official pronouncements of the Internal Revenue Service to take into account the period beginning on April 1 following the calendar year in which the Participant attains age 70Y2 and ending on the date on which benefits under the Plan commence after retirement in an amount sufficient to satisfy Section 401(a)(9) of the Internal Revenue Code.

(D) Special Provisions Applicable to Participants Who Receive Retirement Income Payments While Continuing in Employment of Employer After Required Beginning Date: Any of the above provisions of this Section 2.1 to the contrary notwithstanding, but subject to the provisions of Sections 4.1 and 4.8 hereof, a Participant who continues in the employment of the Employer beyond his Required Beginning Date shall begin receiving monthly retirement income payments commencing as of his Required Beginning Date.

The monthly retirement income payments of a Participant who continues in the employment of the Employer beyond his Required Beginning Date and begins receiving monthly retirement income payments commencing as ofhis Required Beginning Date shall be determined in the same manner as though the Participant had actually retired on his Required Beginning Date and shall be paid in the form specified in Section 2.1(C) above. The retirement income payable to such a Participant shall thereafter be subject to adjustment as of the first day of each calendar year which begins after his Required Beginning Date and prior to the date of his actual retirement and shall be subject to adjustment as of the first day of the month coincident with or next following the date of his actual retirement (each such adjustment day is herein referred to as a "Post Payment Recalculation Date") to reflect the additional accruals, if any, that such Participant is entitled to receive because of his employment after his Required Beginning Date. The additional retirement income, if any, payable to any such Participant on and after an applicable Post Payment Recalculation Date shall be determined in accordance with the provisions of Section 411 (b)(1)(H) of the Internal Revenue Code and regulations issued with respect thereto, and the actuarial equivalent of the retirement income payments that the Participant has received under the provisions of this Section 2.1 on and after his Required Beginning Date and prior to the applicable Post Payment Recalculation Date shall be used as an offset in the determination of such additional income, but such offset shall not result in the retirement income payable to the Participant being reduced below the amount that was payable on his behalf immediately prior to such Post Payment Recalculation Date. The additional amount of monthly retirement income, if any, that a Participant accrues after his Required Beginning Date shall be converted to an actuarially equivalent an10unt of monthly retirement income that is payable in the same manner and form as the monthly retirement income that is payable on his behalf immediately prior to the applicable Post Payment Recalculation Date, and such additional actuarially equivalent income shall be payable to the Participant commencing as of the applicable Post Payment Recalculation Date. Upon the actual retirement of such a Participant, the Participant's remaining retirement income shall continue to be paid, commencing as of the first day of the month coincident with or next following the date of his actual retirement, in the manner specified in Section 2.1 (C) above, except that the Participant shall be entitled to elect another form of payment in accordance with Section 3.1.

2.2 - EARLY RETIREMENT AND RETIREMENT INCOME

Early retirement under the Plan is retirement from the service of the Employer prior to the Participant's Normal Retirement Date and on or after the date as of which he has both attained the age of 55 years and completed 10 years of Vesting Service. In order to retire under the provisions of this section, the written consent of the Participant to the commencement of his retirement income payments in accordance with the provisions of this Section 2.2 must be filed with the Committee within 90 days of the date as of which his retirement income payments are to commence. In the event of early retirement, payment of retirement income will be governed, subject to the provisions of Section 4 hereof, by the following provisions of this Section 2.2.

(A) Early Retirement Date: The Early Retirement Date will be the first day of the month coincident with or next following the date a Participant retires from the service of the Employer under the provisions of this Section 2.2 prior to his Normal Retirement Date.

(B) Amount of Retirement Income: The monthly amount of retirement income payable in the manner described in Section 2.2(C) hereof to a Pmticipant who retires prior to his Normal Retirement Date under the provisions of this Section 2.2 shall be equal to the product of:

(1) the Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date which the Participant has accrued as of his Early Retirement Date;

multiplied by

(2) the early retirement reduction factor specified in the schedule below, based upon the number of years and full months by which the Participant's Early Retirement Date precedes his Normal Retirement Date:

Early Retirement Reduction Factors By Years and Months
By Which Early Retirement Date Precedes Normal Retirement Date

	Months											
Years	0	1	2	3	4	5	6	7	8	9	10	11
0	1.000	0.994	0.989	0.983	0.978	0.972	0.967	0.96\	0.956	0.950	0.944	0.939
I	0.933	0.928	0.922	0.917	0.911	0.906	0.900	0.894	0.889	0.883	0.878	0.872
2	0.867	0.861	0.856	0.850	0.844	0.839	0.833	0.828	0.822	0.817	0.811	0.806
3	0.800	0.794	0.789	0.783	0.778	0.772	0.767	0.761	0.756	0.750	0.744	0.739
4	0.733	0.728	0.722	0.717	0.711	0.706	0.700	0.694	0.689	0.683	0.678	0.672
5	0.667	0.664	0.661	0.658	0.656	0.653	0.650	0.647	0.644	0.642	0.639	0.636
6	0.633	0.631	0.628	0.625	0.622	0.619	0.617	0.614	0.611	0.608	0.606	0.603
7	0.600	0.597	0.594	0.592	0.589	0.586	0.583	0.581	0.578	0.575	0.572	0.569
8	0.567	0.564	0.561	0.558	0.556	0.553	0.550	0.547	0.544	0.542	0.539	0.536
9	0.533	0.531	0.528	0.525	0.522	0.519	0.517	0.514	0.511	0.508	0.506	0.503
10	0.500											

(C) Payment of Retirement Income: The retirement income payable in the event of early retirement will be payable on the first day of the month. The first payment will be made on the Participant's Early Retirement Date and the last payment will be the payment due immediately preceding the retired Participant's death.

2.3 - DISABILITY RETIREMENT AND RETIREMENT INCOME

A Participant may retire from the service of the Employer under the Plan if:

(1) his service is terminated prior to his Normal Retirement Date and on or after the Effective Date of the Plan by reason of his becoming totally and permanently disabled as defined in Section 2.3(A) below; and

(2) he applies for a disability retirement benefit under the Plan, or under any other formal plan of the Employer which provides specific disability benefits, within six months after the date of termination of his service due to disability; provided, however, that such six-month period for application may be extendedby the Committee when, in its sole discretion, reasonable cause exists for so doing.

Such retirement from the service ofthe Employer shall herein be referred to as disability retirement. In the event of disability retirement, uniformly and consistently applied rules shall be used with respect to all Participants in similar circumstances and payment of retirement income will be governed, subject to the provisions of Section 4 hereof, by the following provisions ofthis Section 2.3.

(A) Total and Permanent Disability: A Participant shall be considered totally and permanently disabled for the purposes of the Plan if, in the opinion of the Committee, he is disabled, due to sickness or injury, from a cause other than specified in Section 2.3(B) hereof, and, as a result of such disability, he is eligible for and is receiving (after any specifiedwaiting period) either (a) disability benefits under the Social Security Act or (b) payments (other than workers' compensation payments or medical or hospitalization payments) payable directly or indirectly by the Employer or its insurer as a result of the Participant's sickness or injury under any long-term disability program maintained by the Employer.

(B) Nonadmissible Causes of Disability: A Participant will not be entitled to receive any disability retirement income if, in the opinion of the Committee, the disability is a result of:

(1) excessive and habitual use by the Participant of drugs, intoxicants ornarcotics;

(2) injury or disease sustained by the Participant while willfully and illegally participating in fights, riots, civil insurrections or while committing a felony;

(3) injury or disease sustained by the Participant while serving in any armed forces, except as provided by USERRA;

(4) injury or disease sustained by the Participant which was diagnosed or discovered subsequent to the date his employment was terminated;

(5) injury or disease sustained by the Participant while working for anyone other than the Employer and arising out of such employment; or

(6) injury or disease sustained by the Participant as a result of an act of war, whether or not such act arises from a formally declared state of war, other than while in qualified military service as defined in Code Section 414 (u).

(C) Proof of Disability: The Participant, in order to be eligible for the benefits provided under this Section 2.3, shall furnish satisfactory proof (which may be in the form of evidence satisfactory to the Committee that the Participant is receiving disability benefits under the Social Security Act or under any long-term disability program maintained by the Employer) that he has become totally and permanently disabled as provided herein. Every six months after the date of termination of the Participant's service due to disability, or more frequently, the Committee may similarly require proof of the continued disability of the Participant.

(D) Disability Retirement Income Commencement Date: The Disability Retirement Income Commencement Date of a Participant who retires under the provisions of this Section 2.3 will be his Normal Retirement Date; provided, however, if the Participant receives payments (other than workers' compensation payments or medical or hospitalization payments) after his Normal Retirement Date that are payable directly or indirectly by the Employer or its insurer as a result of the Participant's sickness or injury under any long-term disability program maintained by the Employer, the Disability Retirement Income Commencement Date of such Participant will be the first day of the month coincident with or next following (a) the date as of which such payments under such long-term disability program maintained by the Employer arc discontinued or (b) his Required Beginning Date, whichever is earlier program maintained by the Employer arc discontinued or (b) his Required Beginning Date, whichever is earlier.

(E) Disability Retirement Income: The monthly amount of retirement income payable in the manner described in Section 2.3(F) hereof to a Participant who retires from the service of the Employer under the provisions of this Section 2.3 due to total and permanent disability and who attains his Normal Retirement Date without recovering from his total and permanent disability shall be equal to the anticipated monthly retirement income to which the Participant would have been entitled on his Disability Retirement Income Commencement Date in accordance with the provisions of Section 2.1(B) hereof if:

(1) his employment had not been terminated but had continued uninterrupted from the date of termination of his service due to disability to his Disability Retirement Income Commencement Date;

(2) his last regular rate of monthly Compensation prior to the date of termination of his service due to disability had continued without change to his Disability Retirement Income Commencement Date;

(3) the amount of the Monthly Covered Compensation that applies at his Disability Retirement Income Commencement Date were the same as the corresponding amount determined as of the date of termination of his service due to disability; and

(4) the provisions of the Plan as in effect on the date of termination of his service due to disability had continued without change until his Disability Retirement Income Commencement Date.

(F) Payment of Disability Retirement Income: The monthly retirement income to which a Participant is entitled in the event of his disability retirement will be payable on the first day of each month. The first payment will be made on the Participant's Disability Retirement Income Commencement Date, provided that he attains his Normal Retirement Date without recovering from his total and permanent disability and provided that application has been made in writing by the Participant or his authorized representative for disability retirement under the provisions of this Section 2.3. The last payment will be the payment due immediately preceding the date of his death.

(G) Benefit Payable in the Event of Death of Disabled Participant Prior to Disability Retirement Income Commencement Date: In the event that a Participant dies after he has been determined to be totally and permanently disabled by the Committee and prior to his Disability Retirement Income Commencement Date, and prior to his recovery from his total and permanent disability if he has not attained his Normal Retirement Age as of the date of his death, his Beneficiary will receive, in lieu of all other benefits payable on behalf of the Participant under the Plan, the death benefit, determined and payable in the £tlanner described in Section 2.4(B) hereof, which would have been payable on behalf of the Participant under the provisions of Section 2.4(B) if:

(1) his employment had not been terminated but had continued uninterrupted from the date of termination ofhis service due to disability until the date ofhis death;

(2) his last regular monthly rate of Compensation prior to the date of termination of his service due to disability had continued without change to the date of his death;

(3) the amount of the Monthly Covered Compensation that applies at the date of his death were the same as the amount determined as of the date of termination of his service due to disability; and

(4) the provisions of the Plan as in effect on the date of termination of his service due to disability had continued without change to the date of his death.

(H) Recovery from Disability: If the Committee finds that any Participant who is entitled to receive a disability retirement income under the provisions of this Section 2.3 commencing at his Disability Retirement Income Commencement Date has, at any time prior to his Normal Retirement Date, recovered from his total and permanent disability, such Participant and his Beneficiary shall not be entitled to any benefits under this Section 2.3 unless he reenters the service of the Employer and his service is subsequently terminated by reason of his total and permanent disability in accordance with the provisions hereof. A Participant shall be deemed to have recovered from his total and permanent disability for the purposes of the Plan if the disability benefits, if any, which he is receiving under the Social Security Act and the payments, if any, which he is receiving under the Employer's long-term disability program are discontinued. However, any such Participant who recovers from his total and permanent disability shall accrue Vesting Service during the period that he is considered by the Committee to have been totally and permanently disabled as provided herein, and, if the date of his recovery from his total and permanent disability is on or after his Initial Vesting Date and he does not reenter the service of the Employer, he shall be entitled to the vested retirement income determined and payable in accordance with the provisions of Section 2.4(A) hereof, computed as though his service had been terminated on the date of his recovery from his total and permanent disability but based upon his Credited Service, Final Average Monthly Compensation and Monthly Covered Compensation determined as of the date of termination of his service due to disability.

(I) Election of Vested Benefit on Termination of Service in Lieu of Disability Retirement: A Participant whose service is terminated on or after his Initial Vesting Date by reason of his total and pem1anent disability may elect, in writing filed with the Committee prior to his Normal Retirement Date, to receive the benefits provided under Section 2.4(A) hereof in lieu of the disability retirement benefits provided under this Section 2.3. The benefits payable hereunder to or on behalf of any such Participant who makes such an election shall be determined as though the Participant's service had not been terminated by reason of total and permanent disability. The Committee shall require the consent of the Participant's spouse, if any, before any election under this Section 2.3(1) will become effective.

2.4 - BENEFITS OTHER THAN ON RETIREMENT

(A) Benefit on Termination of Service and on Death After Termination of Service:

(1) In the event that a Participant's service is terminated prior to his Normal Retirement Date and on or after his Initial Vesting Date for any reason other than his death, early retirement as described in Section 2.2 hereof or disability retirement as describedin Section 2.3 hereof, he will be entitled to a monthly retirement income, payable in the manner described in Section 2.4{A)(2) hereof, equal to:

(a) an amount equal to either:

(i) if the Participant has not both attained the age of 55 years and completed 10 years of Vesting Service as of the date of termination of his service, the Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date that he has accrued to the date of tem1ination of his service;

or

(ii) if the Participant has both attained the age of 55 years and completed 10 years ofVesting Service as ofthe date of termination of his service, the monthly retirement income, payable in the manner described in Section 2.4(A)(2) hereof commencing at his Normal Retirement Date, if he shall then be living, which is the actuarial equivalent (ignoring the actuarial cost of any death benefit coverage provided between the date of termination of his service and his Normal Retirement Date) of the monthly early retirement income that would have been payable on his behalf in accordance with the provisions of Section 2.2 hereof if he had retired under the provisions of that section on the date of termination ofhis service;

multiplied by

(b) his Vested Percentage, which shall be equal to the percentage specified in the schedule below, based upon his number of years (ignoring fractions) of Vesting Service as ofthe date of termination of his service:

Years of Vesting Service	Vested Percentage
Less than 5	0%
5 or more	100%;

provided, however, that the Vested Percentage of any Participant who has attained his Normal Retirement Age as of the date of termination of his service shall be 100%;

with the resulting product multiplied by

(c) a factor, which is based upon the period, if any, that the death benefit coverage described in Section 2.4(A)(3) below has been in effect after the date of termination of his service and prior to his Annuity Starting Date, that will reduce the product of (a) and (b), if applicable, to reflect the cost, determined on an actuarially equivalent basis, of providing such death benefit coverage during such period;

with the resulting product multiplied by

(d) a factor that will convert, if applicable, the amount of monthly retirement income that is payable to the Participant in the manner described in Section 2.4(A)(2) hereof commencing at his Normal Retirement Date to an actuarially equivalent amount of monthly retirement income that is payable to the Participant in the manner described in Section 2.4(A)(2) hereof commencing on his Annuity Starting Date.

All actuarial computations to determine the monthly retirement income payable to or on behalf of such a terminated Participant (including any computations to determine the monthly retirement income payable on his behalf under Section 2.4(A)(3) or 3.1 hereof) shall be on the basis of the interest and mortality assumptions that are being used as of the date of termination of his service to determine actuarially equivalent non-decreasing annuities.

(2) The retirement income payable under Section 2.4(A)(l) above will be payable on the first day of each month. The first payment will be made, if the Participant shall then be living, as of:

(a) if he does not elect an earlier commencement date pursuant to the provisions of (b) below, his Normal Retirement Date;

or

(b) if he had completed at least 10 years ofVesting Service as of the date of termination of his service and he so elects in writing filed with the Committee at least 30 but not more than 90 days prior to the effective date thereof (or if the Participant waives the 30-day notice period with any required spousal consent, then more than 7 days but not more than 90 days prior to the effective date thereof), the first day of any month, which is prior to his Normal Retirement Date and is on or after the date on which he attained the age of 55 years, that he specifies in his written election filed with the Committee.

The last payment will be the payment due immediately preceding his death.

(3) In the event that the terminated Participant dies prior to his Annuity Starting Date (without his having waived, in accordance with the provisions of Section 2.4(A)(4) below, the benefit provided under this Section 2.4(A)(3) and without his having received, prior to his death, the actuarially equivalent value of the benefit provided on his behalf under Section 2.4(A)(l) above), his Beneficiary will receive, subject to the provisions of Section 4.1(D) hereof regarding the Qualified Preretirement Survivor Annuity, the monthly retirement income, beginning on the first day of the month coincident with or next following the date of the terminated Participant's death, which can be provided on an actuarially equivalent basis by the single-sum value of the benefit determined in accordance with Section 2.4(A)(1) above to which the terminated Participant was entitled as of the date of termination of his service, accumulated with interest from such date to the date ofhis death. The monthly retirement income payments under this Section 2.4(A)(3) shall, subject to the provisions of Section 2.4(B)(4) hereof, be payable for the life of the Beneficiary designated or selected under Section 5.2 hereof to receive such benefit, and, in the event of such Beneficiary's death within a period of 10 years after the Participant's death, the same monthly amount that was payable to the Beneficiary shall be payable for the remainder of such 10-year period in the manner and subject to the provisions of Section 5.3 hereof; provided, however, in lieu of payment of such benefit in the form of monthly income described above, the single-sum value of such benefit may be paid on an actuarially equivalent basis to the Participant's designated Beneficiary in such other manner and form permitted under Section 2.4(B) hereof and commencing on such other date permitted under Section 2.4(B) hereof as the Participant may elect in writing filed with the Committee or, in the event that a specific election has not been made by the Participant and filed with the Committee prior to his death, as the Beneficiary may elect in writing filed with the Committee.

(4) A terminated Participant may, with the consent ofhis spouse, if any, elect in writing filed with the Committee at any time (and any number of times) prior to his Annuity Starting Date, to waive prospectively the death benefit provided under Section 2.4(A)(3) above and, in lieu thereof, an increased retirement income, which reflects on an actuarially equivalent basis the period that the death benefit coverage under Section 2.4(A)(3) is waived, will be payable to the Participant under the provisions of Section 2.4(A)(I) if he shall be living on his Annuity Starting Date. Within one year after the date of termination of service of a Participant who is entitled to a benefit under the provisions of this Section 2.4(A), or as soon thereafter as is administratively practicable, the Committee shall furnish the Participant with written notification informing him of his right to waive the death benefit provided under Section 2.4(A)(3) above and the consequences of such a waiver. Any Participant who has waived the death benefit provided under Section 2.4(A)(3) may subsequently revoke such waiver at any time (and any number oftimes) prior to his Annuity Starting Date by filing written notice of such revocation with the Committee prior to the date on which such revocation is to become effective. Any Participant who has waived the death benefit provided under Section 2.4(A)(3) and who subsequently marries or remarries after such waiver and prior to his Annuity Starting Date shall automatically be deemed to have revoked his prior waiver of such death benefit effective as ofthe first anniversary of the date of such marriage or remarriage unless his spouse (following such marriage or remarriage) consents to the waiver of such death benefit.

(5) Any Participant, who is entitled to a benefit under the provisions of Section 2.4(A)(l) above and who is married on his Annuity Starting Date or who is married on the date of his death and on whose behalf a benefit is payable under Section 2.4(A)(3) above, shall be assumed for the purposes of this Section 2.4(A) to have been married for the total period of time beginning on the date of termination of his service and ending on his Annuity Starting Date or the date of his death, whichever is earlier, except for such portions, if any, of such period of time for which evidence is furnished to the Committee which, in the opinion ofthe Committee, satisfactorily proves that the Participant was not married.

(6) The provisions of Sections 3.1 and 4 hereof are applicable to the benefits provided under this Section 2.4(A).

(7) Except as specifically provided otherwise in any Supplement hereto and except as provided in Section 2.3 with respect to disability retirement and unless specifically provided otherwise in the Plan, the Participant whose service is terminated prior to his Initial Vesting Date shall not be entitled to any benefit under the Plan whatever, and the value of such Participant's accrued benefit shall be forfeited as of the date of termination of his service and used to reduce Employer contributions.

(B) Benefit Payable in Event ofDeath While in Service:

(1) If the service of a Participant is terminated by reason of his death on and after April 1, 1998, but prior to April I, 2007, and on and after his Initial Vesting Date and prior to his Required Beginning Date, there shall be payable to the Participant's designated Beneficiary the monthly retirement income, beginning on the first day of the month coincident with or next following the date of the Participant's death, that can be provided on an actuarially equivalent basis by the greater of:

(a) an amount equal to:

(i) if the Participant's service is terminated by reason of his death prior to his Normal Retirement Date, the single-sum value, determined as of the date of his death, of the Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date that the Participant has accrued to the date of his death;

or

(ii) if the Participant's service is terminated by reason of his death on or after his Normal Retirement Date, the single-sum value, determined immediately prior to the Participant's death, of the monthly retirement income that the Participant would have been entitled to receive under the provisions of Section 2.1 (B) hereof if he had retired from the service of the Employer on the date of his death;

or

(b) an amount equal to the smaller of:

(i) either:

(aa) 24 times the Participant's Final Average Monthly Compensation at the date of his death if he had not completed 10 years of Vesting Service as of the date of his death;

or

(bb) 36 times the Participant's Final Average Monthly Compensation at the date of his death if he had completed 10 years of Vesting Service as of the date of his death;

or

(ii) 100 times the monthly retirement income to which the Participant would have been entitled on his Normal Retirement Date in accordance with the provisions of Section 2.l(B) hereof if he had remained in the service of the Employer, with no change in his last regular monthly rate of Compensation, until his Normal Retirement Date and based upon the Monthly Covered Compensation that applies to him as of the date of his death instead of as of his Normal Retirement Date or, if his Normal Retirement Date was on or prior to the date of his death, 100 times the monthly retirement income that the Participant would have been entitled to receive under the provisions of Section 2.1(B) hereof if he had retired from the service of the Employer on the date of his death.

If the service of a Participant is terminated by reason of his death on and after April 1, 2007 and on and after his Initial Vesting Date and prior to his Required Beginning Date, there shall be payable to the Participant's designated Beneficiary the monthly retirement income, beginning on the first day of the month coincident with or next following the date of the Participant's death, that can be provided on an actuarially equivalent basis by the greater of:

(a) an amount equal to:

(i) if the Participant's service is terminated by reason of his death prior to his Normal Retirement Date, the single-sum value, determined as of the date ofhis death, of the Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date that the Participant has accrued to the date of his death;

or

(ii) if the Participant's service is terminated by reason of his death on or after his Normal Retirement Date, the single-sum value, determined immediately prior to the Participant's death, of the monthly retirement income that the Participant would have been entitled to receive under the provisions of Section 2.1(B) hereof if he had retired from the service of the Employer on the date of his death;

or

(b) an amount equal to the smaller of:

(i) 24 times the Participant's Final Average MonthlyCompensation at the date ofhis death;

or

(ii) 100 times the monthly retirement income to which the Participant would have been entitled on his Normal Retirement Date in accordance with the provisions of Section 2.1(B) hereof if he had remained in the service of the Employer, with no change in his last regular monthly rate of Compensation, until his Normal Retirement Date and based upon the Monthly Covered Compensation that applies to him as of the date of his death instead of as of his Normal Retirement Date or, if his Normal Retirement Date was on or prior to the date of his death, I 00 times the monthly retirement income that the Participant would have been entitled to receive under the provisions of Section 2.1(B) hereof if he had retired from the service ofthe Employer on the date of his death;

provided, however, that the provisions of Section 4.1(D) hereof relating to the Qualified Preretirement Survivor Annuity shall apply with respect to a married Participant whose service is terminated by reason of his death on or after his Initial Vesting Date and whose designated Beneficiary is not his spouse.

(2) Except as provided in Section 2.4(8)(3) below and subject to the provisions of Section 2.4(8)(4) below, the monthly retirement income payments under this Section 2.4(B) shall be payable for the life of the Beneficiary designated or selected under Section 5.2 hereof to receive such benefit, and, in the event of such Beneficiary's death within a period of 1 0 years after the Participant's death, the same monthly amount that was payable to the Beneficiary shall be payable for the remainder of such 10-year period in the manner and subject to the provisions of Section 5.3 hereof.

(3) A Participant may elect, or, in the event that a specific election has not been made by the Participant and filed with the Committee prior to his death, his designated Beneficiary may elect, in writing filed with the Committee, that, in lieu of payment of the benefit provided under this Section 2.4(B) (or, if applicable, under Section 2.3(G) or 2.4(A)(3) hereof) in the manner described above, such benefit will be paid on an actuarially equivalent basis to the designated Beneficiary commencing on the first day of any month that is on or after the date of the Participant's death and is on or prior to the Participant's Required Beginning Date and is payable in accordance with one of the options described below:

Option A: A monthly retirement income in equal amounts that is payable to the Beneficiary for his lifetime.

Option B: A retirement income in equal amounts that is payable for a period certain of five or 10 years whichever is specified by the Participant or his Beneficiary, as the case may be, in his written election filed with the Committee. In the event of the Beneficiary's death prior to the expiration of such specified period certain, the same amount shall be payable for the remainder of the specified period certain in the manner and subject to the provisions of Section 5.3 hereof.

Option C: A combination of Option A and Option B.

Provided, however, that payment of any such benefit shall be subject to the provisions of Section 2.4(8)(4) below.

(4) Any form of payment applicable to the death benefit provided under this Section 2.4(8) (or, if applicable, under Section 2.3(G) or 2.4(A)(3) hereof), which has been designated by a Participant prior to January 1, 1984 under the terms of the Superseded Plan and which satisfies the transitional rule in Section 242(b)(2) of the Tax Equity and Fiscal Responsibility Act of 1982 (P.L. 97-248), will continue in effect on and after the Effective Date of the Plan with respect to the death benefits provided under this Section 2.4(8) (or, if applicable, under Section 2.3(0) or 2.4(A)(3) hereof) unless such designated form of payment has been or is subsequently revoked or changed (a change of Beneficiaries under the designation will not be considered to be a revocation or change of such form of payment so long as the change in Beneficiaries does not alter, directly or indirectly, the period over which distributions are to be made under such form of payment); provided, however, if a Participant, whose death occurs on or after his Initial Vesting Date, had been married to his spouse throughout the one-year period immediately preceding his death and he had designated a person other than his spouse as his Beneficiary and such spouse has not consented to such other person being designated, the provisions of Section 4.1(D) hereof shall apply with respect to payments due his surviving spouse, if any.

In the event that the Beneficiary to receive the death benefit payable under Section 2.3(0), 2.4(A){3) or 2.4(B) hereof on behalf of a Participant whose death occurs prior to his Normal Retirement Date is his surviving spouse, the retirement income payable to such surviving spouse under Section 2.3(G), 2.4(A)(3) or 2.4(B) hereof shall be deferred and be payable on an actuarially equivalent basis to such surviving spouse commencing on the Participant's Normal Retirement Date, if such surviving spouse is then living, unless (i) the surviving spouse consents or elects in writing to receive such benefit commencing as of a date that is prior to the Participant's Normal Retirement Date and is on or after the date of the Participant's death, (ii) the date of death ofthe Participant is prior to his Initial Vesting Date, (iii) the Participant had not been married to his surviving spouse throughout the one-year period immediately preceding his death or (iv) a lump-sum payment is payable to his surviving spouse under the provisions of Section 3.2 hereof.

(5) If the service of a Participant is terminated by reason of his death on or after his Initial Vesting Date and on or after his Required Beginning Date, there shall be payable to the Participant's designated Beneficiary the monthly retirement income, payable in the manner described in Section 2.4(B)(2) or 2.4(B)(3) above beginning on the first day of the month coincident with or next following the date of the Participant's death, that can be provided on an actuarially equivalent basis by an amount equal to the excess, if any, of:

(a) the amount described in Section 2.4(B)(l)(a) or Section2.4(B)(l)(b), whichever is applicable;

over

(b) the sum of:

(i) the single-sum value, determined as of the Participant's Required Beginning Date, of the retirement income that was payable on his behalf commencing on his Required Beginning Date, accumulated with interest from his Required Beginning Date until the date of his death;

plus

(ii) the sum of the single-sum values, determined as of each applicable Post Payment Recalculation Date occurring after the Participant's Required Beginning Date, of the additional retirement income, if any, payable to such Participant commencing on such applicable Post Payment Recalculation Date, accumulated with interest from the applicable Post Payment Recalculation Date to the date of his death.

Additional retirement income payments may be payable after the Participant's death to his joint pensioner or other Beneficiary, depending upon the form of payment of the retirement income that the Participant was receiving immediately prior to his death and taking into account the increase, if any, that would have applied under the provisions of Section 2.1 (D) hereof to the amount of retirement income payable to the Participant commencing as of the first day of the month coincident with or next following the date of the Participant's death if the Participant had retired immediately prior to his death and had survived to such day.

SECTION 3

SPECIAL PROVISIONS REGARDING PAYMENT OF BENEFITS

3.1 - OPTIONAL FORMS OF RETIREMENT INCOME

In lieu of the amount and form of retirement income commencing on the Participant's regularly scheduled Annuity Starting Date which is payable, subject to the provisions of Section 4.1 hereof, in the event of his normal retirement, early retirement, disability retirement or termination of service, as determined and specified in Section 2.1, 2.2, 2.3 or 2.4(A) hereof, whichever is applicable, such Participant may, subject to the requirements of this section, elect, in writing filed with the Committee, to receive a retirement income or benefit of equivalent actuarial value which is payable in accordance with one of the options described below commencing on his regularly scheduled Annuity Starting Date or which is payable in the manner specified in Section 2.1, 2.2, 2.3 or 2.4(A) or in accordance with one of the options described below, whichever is applicable, commencing on such later date, which shall not be later than his Required Beginning Date, as the Participant may specify in his written election filed with the Committee.

Option 1: A retirement income of modified monthly amount that is payable in equal monthly amounts to the Participant for his lifetime, and, in the event that the Participant predeceases a joint pensioner designated by him, a percentage, which is not less than 50% nor greater than 100% and is specified by the Participant in his written election filed with the Committee, of such modified monthly amount will be payable after the death of the Participant to such designated joint pensioner for the lifetime of such joint pensioner. This option is referred to herein as the "Qualified Joint and 50% Survivor Annuity Option" when the spouseof the Participant is the designated joint pensioner and the specified percentage is 50%. If the Participant is married and he elects 75% as the specified percentage, this option is referred to herein as the "Qualified Optional Survivor Annuity."

Option 2: A retirement income of modified monthly amount that is payable in equal monthly amounts to the Participant during the joint lifetime of the Participant and a joint pensioner designated by him, and, following the death of either of them, a percentage, which is not less than 50% nor greater than 1 00% and is specified by the Participant in his written election filed with the Committee, of such modified monthly amount will be payable to the survivor for the lifetime of the survivor.

Option 3: A retirement income that is payable in equal monthly amounts to the Participant for his lifetime or in the manner described under Option 1 or Option 2, whichever is elected by the Participant, with the added provision that payments will be made for the remainder of a period certain, specified by the Participant in his written election filed with the Committee, in the event of the death of the Participant and, if applicable, his Beneficiary or joint pensioner prior to the expiration of such specified period certain.

The amount of retirement income determined under any of the above optional forms of payment must satisfy the requirements of Section 4.8 hereof and Section 401 (l) and/or Section 401(a)(4) ofthe Internal Revenue Code. Any provisions hereofto the contrary notwithstanding, any optional form of payment which would otherwise be permitted under the provisions of this Section 3.1 shall not be available to a Participant if:

(1) the amount of retirement income payable under such option does not satisfy the required distribution and incidental benefit requirements of Section 4.8 hereof; or

(2) the amount of retirement income payable under such option would result in the amount of retirement income payable on behalf of such Participant under the Plan being increased by a percentage that would cause the disparity in the rate of employer-derived benefits under the Plan to exceed the maximum disparity permitted under Section 401(l) ofthe Internal Revenue Code and rulings and regulations issued with respect thereto; provided, however, that the restriction of this Subparagraph (2) shall not apply if there is no disparity within the meaning of Section 401(I) of said Code included in the calculation of the Participant's accrued benefit or if it has been determined that the accrued benefits under the Plan satisfy the general test for nondiscrimination in amount of benefits (or any acceptable alternative test that may be available) under Section 401(a)(4) ofthe Internal Revenue Code and rulings and regulations issued with respect thereto.

A Participant who is not permitted to elect an optional form of payment otherwise permitted under the provisions of this Section 3.1 because of the incidental benefit requirements of Section 4.8 hereof and/or the permitted disparity requirements of said Section 40I(1) of the Internal Revenue Code may elect in accordance with the provisions above to receive an actuarially equivalent form of payment which is similar in form to the non-permissible option but which is modified by increasing or decreasing, as the case may be, the period certain for which payments will be made and/or the percentage of income payable to the survivor, but not to exceed 1 00%, so that the requirements of Section 4.8 hereof and/or Section 401(1) of the Internal Revenue Code are satisfied .

Any optional form of payment designated by a Participant prior to January 1, 1984, which satisfies the transitional rule in Section 242(b)(2) of the Tax Equity and Fiscal Responsibility Act of 1982 (P.L. 97-248), will continue in effect on and after the Effective Date of the Plan unless such optional form of payment has been or is subsequently revoked or changed (a change of Beneficiaries under the designation will not be considered to be a revocation or change of such optional form of payment so long as the change in Beneficiaries does not alter, directly or indirectly, the period over which distributions are to be made under such form of payment); provided, however, that the provisions of Section 4.1(C) hereof shall apply if the Participant has a spouse at the date on which his initial payment under such optional form is due and his spouse does not consent to such optional form of payment. Subject to the preceding sentence but notwithstanding any other provision of this Section 3.1 to the contrary, any option elected under this Section 3.1 must provide that the entire interest of the Participant will be expected to be distributed to the Participant and his Beneficiaries and joint pensioners, in a manner that satisfies the restrictions of Section 4.8 of the Plan, over one or a combination of the following periods:

(a) the life of the Participant;

(b) the lives of the Participant and his designated Beneficiary or joint pensioner;

(c) a period certain not extending beyond the life expectancy of the Participant;

or

(d) a period certain not extending beyond the joint life and last survivor expectancy of the Participant and his designated Beneficiary or joint pensioner.

Any amount that is payable to the child of a Participant under an optional form of payment hereunder shall be treated for the purposes of satisfying the requirements of this paragraph as if it had been payable to the surviving spouse of the Participant if such amount that is payable to the child will become payable to such surviving spouse upon such child's reaching majority (or upon the occurrence of such other designated event permitted under regulations issued with respect to Section 40I(a)(9) of the Internal Revenue Code).

If a Participant's retirement income benefits have commenced in either the form and amount specified in Section 2 hereof or under an optional form elected under the provisions of this Section 3.1, upon his written request to the Committee at least 30 but not more than 90 days prior to the effective date thereof (or if the Participant waives the 30-day notice period with any required spousal consent, then more than 7 days but not more than 90 days prior to the effective date thereof), he may elect to discontinue receiving his retirement income under such form and amount of payment and, in lieu thereof, to receive on and after such effective date a retirement income or benefit of equivalent actuarial value that is payable to him for life or is payable in accordance with one of the options provided above; provided, however, that (a) only one such change may be made by any Participant after his retirement income payments have commenced (b) a change after the Annuity Starting Date will not be permitted if the retirement income or benefit payments are being made under the terms of an annuity contract purchased on behalf of the Participant from an insurance company. A Participant who elects to change his form of payment after his Annuity Starting Date must submit to the Committee such evidence of his good health as the Committee requires and, if the Participant is receiving payments in a form in which a joint pensioner is involved, such evidence of the good health of his joint pensioner as the Committee requires; and any such change will not be permitted if, in the opinion of the Committee, such Participant or, if applicable, such joint pensioner is not in good health. The consent of the Participant's spouse (which shall include, if applicable, his former spouse to whom he was married on his Annuity Starting Date), if any, shall be required before any such change in a form of payment that involves such spouse may become effective, including any change that represents a change in a form of payment that was previously consented to by such spouse, unless, to the extent permitted by law, the previous consent acknowledged that the Participant may change the form of payment without the further consent of said spouse.

The Participant upon electing any option of this section will designate the joint pensioner or Beneficiary to receive the benefit, if any, payable under the Plan in the event of his death and will have the power to change such designation from time to time, subject to the provisions of this section. Any such designation will name a joint pensioner or one or more primary Beneficiaries where applicable. Any change in a joint pensioner after the Participant's retirement income payments have commenced will be considered and treated under the Plan in the same manner as, and will be subject to the same restrictions that apply to, a change in the form of payment. The consent of the Participant's spouse (which shall include, if applicable, his former spouse to whom he was married on his Armuity Starting Date), if any, shall be required before any such change in a Beneficiary or joint pensioner, under an option in which such spouse is not the primary Beneficiary or joint pensioner, may become effective, unless, to the extent permitted by law, such spouse has previously consented to and acknowledged that the Participant may change Beneficiaries or joint pensioners without the further consent of said spouse. A Participant who wants to change any designated joint pensioner after his retirement income payments have started must submit to the Committee such evidence of the good health of any joint pensioner that is being removed as the Committee requires, and any such change shall be denied if, in the opinion of the Committee, such joint pensioner is not in good health. The amount of retirement income payable to the Participant upon the designation of a new joint pensioner shall be actuarially redetennined, taking into account the age of the former joint pensioner, the new joint pensioner and the Participant. Each such designation will be made in writing on a form prepared by the Committee. In the event that no designated Beneficiary survives the Participant, such benefits as are payable in the event of the death of the Participant subsequent to his retirement shall be paid as provided in Section 5.2 hereof.

Retirement income payments will be made under the option elected in accordance with the provisions of this section and will be subject to the following limitations:

(A) If a Participant's service is terminated by reason of his death prior to his Annuity Starting Date, no benefit will be payable under the option to any person, but a benefit may be payable on his behalf in accordance with the provisions of Section 2.4(B) hereof.

(B) If a terminated Participant dies after the date of tem1ination of his service and prior to his Annuity Starting Date, no benefit will be payable under the option to any person, but a benefit may be payable on his behalf under the provisions of Section 2.4(A)(3) hereof.

(C) In the case of a Participant who is married and who elects an option under which the commencement of payment of his retirement income is deferred beyond his regularly scheduled Annuity Starting Date, the option elected by such Participant must provide that a monthly lifetime income equal to or greater than a qualified preretirement survivor annuity (within the meaning of Section 417(c) of the Internal Revenue Code) will be payable to his surviving spouse in the event of his death after such regularly scheduled Annuity Starting Date and prior to his elected Annuity Starting Date unless his spouse consents to the option not providing such an income.

(D) If the designated Beneficiary or joint pensioner dies before the Participant's Annuity Starting Date, the option elected will be cancelled automatically and the retirement income payable to the Participant will be paid in the applicable form described in Section 2 hereof unless a new election is made in accordance with the provisions of this section or unless a new Beneficiary or joint pensioner is designated by the Participant prior to the date that his retirement income commences under the Plan.

(E) If the Participant and, if applicable, his joint pensioner and his designated Beneficiary all die after the Participant's Annuity Starting Date but before the full payment has been effected under any option providing for payments for a period certain and if the commuted value of the remaining payments is equal to or less than the maximum amount that is permissible as an involuntary cash-out of accrued benefits under Sections 411 (a)(ll) and 417(e) of the Internal Revenue Code and regulations issued with respect thereto, the commuted value of the remaining payments shall, subject to the provisions of Section 3.2 hereof, be paid in a lump sum in accordance with the provisions of Section 5.3 hereof.

(F) If the Participant dies after his Annuity Starting Date, payment of his remaining interest, if any, shall be distributed, to the extent required by Section 401(a)(9) of the Internal Revenue Code and regulations issued thereunder, at least as rapidly as provided under the method of payment in effect prior to his death.

3.2 - LUMP-SUM PAYMENT OF SMALL RETIREMENT INCOME

Notwithstanding any provision of the Plan to the contrary, if the single-sum value of the retirement income or other benefit payable on behalf of any Participant hereunder whose retirement income or other benefit payments have not commenced does not exceed $5,000, the following provisions shall apply. A distribution under this Section 3.2 will not be permitted after the Annuity Starting Date and will not be permitted in the case of a Participant who is entitled to disability retirement income payments. For the purposes of the Plan, a payment shall not be considered to occur after the Annuity Starting Date merely because actual payment is reasonably delayed for calculation of the benefit amount if all payments due are actually made. Once a determination has been made by the Committee as to whether or not a lump-sum payment may be payable as of the date of termination of the Participant's service under the provisions of this Section 3.2, calculations shall not be required as of any subsequent date to determine whether or not a lump-sum amount is payable under this Section 3.2; provided, however, that the Committee shall have the right (but shall be under no obligation) to establish, on a nondiscriminatory and uniformly applied basis, subsequent dates as of which calculations shall be made to determine whether or not (due to changes in the actuarial assumptions used to compute lump-sum distributions or due to a change in the maximum permissible involuntary cash-out amount) lump-sum amounts are payable under this Section 3.2 as of any such subsequent date on behalf of those Participants whose service had been terminated prior to such date but whose retirement income or other benefit payments have not commenced.

(A) Involuntary Cash-Out: If the single-sum value of the benefit payable to the Participant does not exceed $1,000, or if the benefit is payable to a Beneficiary and the single-sum value does not exceed $5,000, the actuarial equivalent of such benefit shall be paid in a lump sum.

(B) Voluntary Cash-Out: Ifthe single-sum value of the benefit payable to the Participant is greater than $1,000 but does not exceed $5,000, the Participant may elect to receive the actuarial equivalent (determined using the interest and mortality assumptions that are being used as of the Annuity Starting Date to determine actuarially equivalent lump-sum distributions) of such benefit in a lump-sum distribution. Such election must be in writing and must be filed with the Committee within 90 days after the date as of which the Committee informs him in writing of the actuarially equivalent value of such benefits. Payment of the elected benefit must be made or commence within 90 days after such election.

(C) Lump-Sum Cash-Out of Zero Vested Accrued Benefits: For the purposes of the Plan, if the present value of the vested accrued benefit that is payable on behalf of any Participant whose service is or has been terminated (either before, on or after the Effective Date of the Plan) is zero, the Participant shall be deemed to have received a distribution of such vested accrued benefit as of the date of termination of his service.

3.3 - BENEFITS APPLICABLE TO PARTICIPANT WHO HAS BEEN OR IS EMPLOYED BY TWO OR MORE EMPLOYERS

In the event that a Participant's service is terminated for any reason and such Participant has been or is employed by any two or more Employers, his retirement or termination benefit, if any, shall be computed by applying the benefit formulas as if all the Employers were a single Employer; provided, however, if the Plan does not represent an IRC 414(1) Single Pl an with respect to all such Employers, there shall be a proper allocation (taking into account the Credited Service and Compensation applicable to each Employer or group of Employers with respect to which the Plan represents an IRC 414(1) Single Plan) of the costs of the resulting benefits among the Employers (with respect to which the Plan does not represent an IRC 414(1) Single Plan) by which such Participant has been or is employed.

3.4 - NO DUPLICATION OF BENEFITS

Unless the context clearly provides otherwise, there shall be no duplication ofbenefits under the Plan or under any Supplement hereto, and the benefits payable under any section of the Plan to or on behalf of a Participant shall be inclusive of the benefits, if any, concurrently payable to or on behalf of the same Participant under all other sections of the Plan and under any Supplement hereto.

3.5 - FUNDING OF BENEFITS THROUGH PURCHASE OF LIFE INSURANCE CONTRACT OR CONTRACTS

In lieu of paying benefits from the Trust Fund to a Participant or his Beneficiary, upon direction of the Committee with specific prior authorization in writing from the Employer, the Trustee shall enter into a contract or contracts, or an agreement or agreements, with one or more legal reserve life insurance companies for the purchase, with funds in the Trust, of a retirement annuity or other form of life insurance contract which, as far as possible, provides benefits equal to (or actuarially equivalent to) those provided in the Plan for such Participant or Beneficiary, but provides no optional form of retirement income or benefit which would not be permitted under Section 3.1 hereof, whereupon such contract shall thereafter govern the payment of the amount of benefit, if any, represented by such contract, which is payable under the Plan upon the Participant's retirement or termination of service, and the liability of the Trust Fund and of the Plan will cease and terminate with respect to such benefits that are purchased and for which the premiums are duly paid.

Any policy or contract issued under this section shall be subject to the provisions hereof pertaining to the Qualified Joint and 50% Survivor Annuity Option, the Qualified Optional Survivor Annuity, and to the Qualified Preretirement Survivor Annuity.

Any policy or contract issued under this section prior to the termination of the Plan or prior to the distribution of the policy or contract to a Participant or Beneficiary hereunder shall provide that the Trustee shall retain all rights of ownership at all times except the right, unless such policy or contract provides otherwise, to designate the Beneficiary to receive any benefits payable upon the death ofthe Participant and shall further provide that all dividends or experience rating credits shall be paid to the Trustee and applied to reduce future Employer contributions to the Plan.

Any annuity contract distributed by the Trustee to a Participant or Beneficiary hereunder shall contain a provision to the effect that the contract may not be sold, assigned, discounted or pledged as collateral for a loan or as security for the performance of an obligation or for any other purpose, to any person other than the issuer thereof.

SECTION 4

GOVERNMENTAL REQUIREMENTS AFFECTING BENEFITS

4.1 - SPECIAL PROVISIONS REGARDINGAMOUNT AND PAYMENT OF RETIREMENT INCOME

The amount and payment of retirement income determined under Sections 2. 1, 2.2, 2.3 and 2.4 hereof shall be subject to the following provisions of this Section 4.1.

(A) Limitations Imposed by Section 415 of the Internal Revenue Code:

(1) The limitations of this Section 4.1(A) shall apply to Limitation Years beginning on and after July 1, 2007, except as otherwise provided herein.

(2) The Annual Benefit otherwise payable to a Participant under the Plan at any time shall not exceed the Maximum Permissible Benefit. If the benefit the Participant would otherwise accrue in a Limitation Year would produce an Annual Benefit in excess of the Maximum Permissible Benefit, the benefit shall be limited (or the rate of accrual reduced) to a benefit that does not exceed the Maximum Permissible Benefit.

(3) If the Participant is, or has ever been, a participant in another qualified defined benefit plan (without regard to whether the plan has been terminated) maintained by the employer or a predecessor employer, the sum of the Participant's Annual Benefits from all such plans may not exceed the Maximum Permissible Benefit. Where the Participant's employer-provided benefits under all such defined benefit plans (determined as of the same age) would exceed the Maximum Permissible Benefit applicable at that age, the maximum monthly retirement income applicable to all such defined benefit plans of the employer shall be determined and allocated on a pro rata basis in proportion to the actuarially equivalent amount of retirement income otherwise accrued under each such defined benefit plan so that the Maximum Permissible Benefit is not exceeded.

(4) The application of the provisions of this section shall not cause the Maximum Permissible Benefit for any Participant to be less than the Participant's accrued benefit under all the defined benefit plans of the employer or a predecessor employer as of the end of the last Limitation Year beginning before July 1, 2007 under provisions of the plans that were both adopted and in effect before April 5, 2007. The preceding sentence applies only if the provisions of such defined benefit plans that were both adopted and in effect before April 5, 2007 satisfied the applicable requirements of statutory provisions, regulations, and other published guidance relating to Section 415 of the Internal Revenue Code in effect as of the end of the last Limitation Year beginning before July 1, 2007, as described in Section 1.415(a)-l (g)(4) of the Treasury regulations.

(5) The limitations of this Section 4.1(A) shall be determined and applied taking into account the rules in Section 4.1(A)(7). As used in this Section 4.1(A), the "Applicable Mortality Table" shall mean: (i) for any annuity starting date that is on or after December 31, 2002 and prior to January l, 2008, the mortality table prescribed in Revenue Ruling 2001-62; and (ii) for any annuity starting date that is on or after January 1, 2008, the mortality table as defined in Code Section 417(e)(3)(B), modified from time to time by the Secretary of the Treasury.

(6) Definitions.

(a) "Annual Benefit" shall mean a benefit that is payable annually in the form of a straight life annuity. Except as provided below, where a benefit is payable in a form other than a straight life annuity, the benefit shall be adjusted to an actuarially equivalent straight life annuity that begins at the same time as such other form of benefit and is payable on the first day of each month, before applying the limitations of this Section 4.l(A). For a Participant who has or will have distributions commencing at more than one annuity starting date, the Annual Benefit shall be determined as of each such annuity starting date (and shall satisfy the limitations of this Section 4.1(A) as of each such date), actuarially adjusting for past and future distributions of benefits commencing at the other annuity starting dates. For this purpose, the determination of whether a new starting date has occurred shall be made without regard to Section 1.401(a)-20, Q&A lO(d), and with regard to Section 1.415(b)-l (b)(I)(iii)(B) and (C) of the Treasury regulations.

No actuarial adjustment to the benefit shall be made for (1) survivor benefits payable to a surviving spouse under a qualified joint and survivor annuity to the extent such benefits would not be payable if the Participant's benefit were paid in another form; (2) benefits that are not directly related to retirement benefits (such as a qualified disability benefit, preretirement incidental death benefits, and postretirement medical benefits); or (3) the inclusion in the form of benefit of an automatic benefit increase feature, provided the form of benefit is not subject to Section 417(e)(3) of the Internal Revenue Code and would otherwise satisfy the limitations of this Section 4.1 (A), and the Plan provides that the amount payable under the form of benefit in any Limitation Year shall not exceed the limits of this Section 4.l(A) applicable at the annuity starting date, as increased in subsequent years pursuant to Section 415(d) of the Internal Revenue Code. For this purpose, an automatic benefit increase feature is included in a form of benefit ifthe form ofbenefit provides for automatic, periodic increases to the benefits paid in that form.

The determination ofthe Annual Benefit shall take into account Social Security supplements described in Section 411(a)(9) of the Internal Revenue Code and benefits transferred from another defined benefit plan, other than transfers of distributable benefits pursuant to Section 1.411(d)-4, Q&A-3(c), ofthe Treasury regulations, but shall disregard benefits attributable to employee contributions or rollover contributions.

Effective for distributions in Plan Years beginning after December 31, 2003, the determination of actuarial equivalence of forms of benefit other than a straight life annuity shall be made in accordance with Section 4.1(A)(6)(a)(i) or (ii) below.

(i) Benefit Forms Not Subject to Section 417(e)(3) of the Internal Revenue Code: The straight life annuity that is actuarially equivalent to the Participant's form of benefit shall be determined under this subsection (i) if the form of the Participant's benefit is either (1) a nondecreasing annuity (other than a straight life annuity) payable for a period of not less than the life of the Participant (or, in the case of a qualified pre-retirement survivor annuity, the life of the surviving spouse), or (2) an annuity that decreases during the life of the Participant merely because of (a) the death of the survivor annuitant (but only if the reduction is not below 50% of the benefit payable before the death of the survivor annuitant), or (b) the cessation or reduction of Social Security supplements or qualified disability payments (as defined in Section 401(a)(ll) ofthe Internal Revenue Code).

(A) Limitation Years beginning before July l. 2007. For Limitation Years beginning before July 1, 2007, the actuarially equivalent straight life annuity is equal to the annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the Participant's form of benefit computed using whichever of the following produces the greater annual amount: (I) the interest rate specified in Section 1.1(B)(1)(b) of the Plan and the mortality table (or other tabular factor) specified in Section l.l(B)(l)(a) ofthe Plan for adjusting benefits in the same form; and (II) a 5 percent interest rate assumption and the Applicable Mortality Table for that annuity starting date.

(B) Limitation Years beginning on or after July 1, 2007. For Limitation Years beginning on or after July I, 2007, the actuarially equivalent straight life annuity is equal to the greater of (I) the annual amount of the straight life annuity (if any) payable to the Participant under the Plan commencing at the same annuity starting date as the Participant's form of benefit; and (II) the annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the Participant's fom1 ofbenefit, computed using a 5 percent interest rate assumption and the Applicable Mortality Table for that annuity starting date.

(ii) Benefit Forms Subject to Section 417(e)(3) of the Internal Revenue Code: The straight life annuity that is actuarially equivalent to the Participant's form of benefit shall be determined under this paragraph if the form of the Participant's benefit is other than a benefit form described in subsection (i) above. In this case, the actuarially equivalent straight life annuity shall be determined as follows:

(A) Annuity Starting Date in Plan Years Beginning After 2005. If the annuity starting date of the Participant's form of benefit is in a Plan Year beginning after 2005, the actuarially equivalent straight life annuity is equal to the greatest of (I) the annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the Participant's form of benefit, computed using the interest rate specified in Section 1.1(B)(1)(b) of the Plan and the mortality table (or other tabular factor) specified in Section l.l(B)(l)(a) of the Plan for adjusting benefits in the same form; (II) the annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the Participant's form ofbenefit, computed using a 5.5 percent interest rate assumption and the Applicable Mortality Table; and (III) the annual amount of the straight life armuity commencing at the same annuity starting date that has the same actuarial present value as the Participant's form of benefit, computed using the Applicable Interest Rate defined in Section l .l(B)(2)(b) ofthe Plan and the Applicable Mortality Table, divided by 1.05.

(B) Annuity Starting Date in Plan Years Beginning in 2004 or 2005. If the annuity starting date of the Participant's form of benefit is in a Plan Year beginning in 2004 or 2005, the actuarially equivalent straight life annuity is equal to the annual amount ofthe straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the Participant's form of benefit, computed using whichever of the following produces the greater annual amount: (I) the interest rate specified in Section 1.1(B)(l)(b) ofthe Plan and the mortality table (or other tabular factor) specified in Section 1.1(B)(l)(a) ofthe Plan for adjusting benefits in the same form; and (II) a 5.5 percent interest rate assumption and the Applicable Mortality Table.

If the annuity starting date of the Participant's benefit is on or after the first day of the first Plan Year beginning in 2004 and before December 31, 2004, the application of this subsection (ii) shall not cause the amount payable under the Participant's form ofbenefit to be less than the benefit calculated under the Plan, taking into account the limitations of this Section 4.1(A), except that the actuarially equivalent straight life annuity is equal to the annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the Participant's form of benefit, computed using whichever of the following produces the greatest annual amount:

(i) the interest rate specified in Section 1.1(B)(1)(b) of the Plan and the mortality table (or other tabular factor) specified in Section 1.1(B)(l)(a) of the Plan for adjusting benefits in the same form;

(ii) the Applicable Interest Rate defined in Section l.l(B)(2)(b) ofthe Plan and the Applicable Mortality Table; or

(iii) the Applicable Interest Rate defined in Section l.l(B)(2)(b) of the Plan (as in effect on the last day of the last Plan Year beginning before January 1, 2004, under provisions of the Plan then adopted and in effect) and the Applicable Mortality Table.

(b) "IRC 415 Compensation" shall mean wages, salaries, and fees for professional services and other amounts received (without regard to whether or not an amount is paid in cash) for personal services actually rendered in the course of employment with the Employer maintaining the Plan to the extent that the amounts are includible in gross income (including, but not limited to, commissions paid salespersons, compensation for services on the basis of a percentage of profits, commissions on insurance premiums, tips, bonuses, fringe benefits, and reimbursements, or other expense allowances under a nonaccountable plan [as described in Section 1.62-2(c) of the Treasury regulations]), and excluding the following:

(i) Employer contributions (other than elective contributions described in Sections 402(e)(3), 408(k)(6), 408(p)(2)(A)(i), or 457(b) ofthe Internal Revenue Code) to a plan of deferred compensation (including a simplified employee pension described in Section 408(k) or a simple retirement account described in Section 408(p) of the Internal Revenue Code, and whether or not qualified) to the extent such contributions are not includible in the Employee's gross income for the taxable year in which contributed, and any distributions (whether or not includible in gross income when distributed) from a plan of deferred compensation (whether or not qualified), other than, amounts received during the year by an Employee pursuant to a nonqualified unfunded deferred compensation plan to the extent includible in gross income;

(ii) amounts realized from the exercise of a nonstatutory stock option (that is, an option other than a statutory stock option as defined in Section 1.421-1 (b) of the Treasury regulations), or when restricted stock (or property) held by the Employee either becomes freely transferable or is no longer subject to a substantial risk of forfeiture;

(iii) amounts realized from the sale, exchange or other disposition of stock acquired under a statutory stock option;

(iv) other amounts that receive special tax benefits, such as premiums for group term life insurance (but only to the extent that the premiums are not includible in the gross income of the Employee and are not salary reduction amounts that are described in Section 125 ofthe Internal Revenue Code); and

(v) other items of remuneration that are similar to any of the items listed in (i) through (iv).

For any self-employed individual, IRC 415 Compensation shall mean earned income.

Except as provided herein, for Limitation Years beginning after December 31, 1991, IRC 415 Compensation for a Limitation Year is the IRC 415 Compensation actually paid or made available during such Limitation Year. IRC 415 Compensation for a Limitation Year shall include amounts earned but not paid during the Limitation Year solely because of the timing of pay periods and pay dates, provided the amounts are paid during the first few weeks of the next Limitation Year, the amounts are included on a uniform and consistent basis with respect to all similarly situated employees, and no compensation is included in more than one Limitation Year.

For Limitation Years beginning on or after July 1, 2007, IRC 415 Compensation for a Limitation Year shall also include compensation paid by the later of2months after an Employee's severance from employment with the employer maintaining the Plan or the end of the Limitation Year that includes the date ofthe Employee's severance from employment with the employer maintaining the Plan, if:

(i) the payment is regular compensation for services during the Employee's regular working hours, or compensation for services outside the Employee's regular working hours (such as overtime or shift differential), commissions, bonuses, or other similar payments, and, absent a severance from employment, the payments would have been paid to the Employee while the Employee continued in employment with the Employer;

(ii) the payment is for unused accrued bona fide sick, vacation or other leave that the Employee would have been able to use if employment had continued; or

(iii) the payment is received by the Employee pursuant to a nonqualified unfunded deferred compensation plan and would have been paid at the same time if employment had continued, but only to the extent includible in gross income.

Any payments not described above shall not be considered IRC 415 Compensation if paid after severance from employment, even if they are paid by the later of2months after the date of severance from employment or the end of the Limitation Year that includes the date of severance from employment, except, (I) payments to an individual who does not currently perform services for the employer by reason of qualified military service (within the meaning of Section 414(u){l) of the Internal Revenue Code) to the extent these payments do not exceed the amounts the individual would have received if the individual had continued to perform services for the employer rather than entering qualified military service, or (2) compensation paid to a Participant who is permanently and totally disabled, as defined in Section 22(e)(3) of the Internal Revenue Code, provided that salary continuation applies to all Participants who are permanently and totally disabled for a fixed or determinable period, or the Participant was not a Highly Compensated Employee immediately before becoming disabled.

Back pay, within the meaning of Section 1.415(c)-2(g)(8) ofthe Treasury regulations, shall be treated as IRC 415 Compensation for the Limitation Year to which the back pay relates to the extent the back pay represents wages and compensation that would otherwise be included under this definition.

For Limitation Years beginning after December 31, 1997, IRC 415 Compensation paid or made available during such Limitation Year shall include amounts that would otherwise be included in IRC 415 Compensation but for an election under Section 125(a), 402(e)(3), 402(h)(l)(B), 402(k), or 457(b) of the Internal Revenue Code.

For Limitation Years beginning after December 31, 2000, IRC 415 Compensation shall also include any elective amounts that are not includible in the gross income of the Employee by reason of Section 132(f)(4) ofthe Internal Revenue Code.

For Limitation Years begitming after December 31, 2001, IRC 415 Compensation shall also include deemed Section 125 compensation. Deemed Section 125 compensation is an amount that is excludable under Section 106 of the Internal Revenue Code that is not available to a participant in cash in lieu of group health coverage under a Section 125 arrangement solely because the Participant is unable to certify that he or she has other health coverage. Amounts are deemed Section 125 compensation only if the employer does not request or otherwise collect information regarding the Participant's other health coverage as part of the enrollment process for the health plan.

For Limitation Years beginning after December 31, 2009, IRC 415 Compensation for a Limitation Year also shall include differential wage payments as defined in section 340l(h)(2) ofthe Code that are paid by the Employer during a period of qualified military service.

IRC 415 Compensation shall not include amounts paid as compensation to a nonresident alien, as defined in Section 7701(b)(l)(B) of the Internal Revenue Code, who is not a Participant in the Plan to the extent the compensation is excludable from gross income and is not effectively connected with the conduct of a trade or business within the United States.

(c) "Defined Benefit Compensation Limitation" shall mean 100 percent of a Participant's High Three-Year Average Compensation, payable in the form of a straight life annuity.

In the case of a Participant who has had a severance from employment with the employer, the Defined Benefit Compensation Limitation applicable to the Participant in any Limitation Year beginning after the date of severance shall be automatically adjusted by multiplying the limitation applicable to the Participant in the prior Limitation Year by the annual adjustment factor under Section 415(d) of the Internal Revenue Code; provided, however, if the Employer maintains a plan for the purpose of restoring benefits that certain Participants may not receive under the Plan due to the limitations on contributions and benefits imposed by Section 415 of the Internal Revenue Code and/or due to the limitations imposed on compensation under Section 401(a)(17) of said Code, and if the Participant or his Beneficiary receives or has received a benefit or benefits under such restoration plan and a portion of such benefit or benefits would be duplicated by the cost-of-living adjustment provided under this paragraph, then such cost-of-living adjustment that would represent a duplication of benefits shall not apply to the Participant or Beneficiary unless the value of the benefit payable from the restoration plan that would cause such duplication of benefits under the Plan is returned to the Employer by the Participant or Beneficiary within 60 days of the effective date of such cost-of-living adjustment or the date that such cost-of-living adjustment is annmmced by the Internal Revenue Service, whichever date is later; and provided further, however, that such 60-day period may be extended by the Committee if, in its opinion, reasonable cause exists for such an extension. The adjusted compensation limit shall apply to Limitation Years ending with or within the calendar year of the date of the adjustment, but a Participant's benefits shall not reflect the adjusted limit prior to January 1 of that calendar year.

In the case of a Participant who is rehired after a severance from employment, the Defined Benefit Compensation Limitation is the greater of I 00 percent of the Participant's High Three-Year Average Compensation, as determined prior to the severance from employment, as adjusted pursuant to the preceding paragraph, if applicable; or 100 percent of the Participant's High Three-Year Average Compensation, as determined after the severance from employment under subsection (g) below.

(d) "Defined Benefit Dollar Limitation" shall mean, effective for Limitation Years ending after December 31, 2001, $160,000, automatically adjusted under Section 415(d) of the Internal Revenue Code effective January l of each year, and payable in the form of a straight life annuity. The new limitation shall apply to Limitation Years ending with or within the calendar year of the date of the adjustment, but a Participant's benefits shall not reflect the adjusted limit prior to January 1 of that calendar year. The automatic annual adjustment of the Defined Benefit Dollar Limitation shall apply to Participants who have had a separation from employment.

(e) "employer" shall mean the employer that adopts this Plan, and all members of a controlled group of corporations, as defined in Section 414(b) of the Internal Revenue Code, as modified by Section 415(h), all commonly controlled trades or businesses (as defined in Section 414(c) ofthe Internal Revenue Code, as modified, except in the case of a brother-sister group of trades or businesses under common control, by Section 4 I 5(h)), or affiliated service groups (as defined in Section 414(m)) of which the adopting employer is a part, and any other entity required to be aggregated with the employer pursuant to Section 414(o) of the Internal Revenue Code.

(f) "Formerly Affiliated Plan of the Employer•• shall mean a plan that, immediately prior to the cessation of affiliation, was actually maintained by the employer and, immediately after the cessation of affiliation, is not actually maintained by the employer. For this purpose, cessation of affiliation means the event that causes an entity to no longer be considered the employer, such as the sale of a member of the controlled group of corporations, as defined in Section 414(b) of the Internal Revenue Code, as modified by Section 415(h), to an unrelated corporation, or that causes a plan to not actually be maintained by the employer, such as transfer of plan sponsorship outside a controlled group.

(g) "High Three-Year Average Compensation.. shall mean the average compensation for the three consecutive years of service (or, if the Participant has less than three consecutive years of service, the Participant's longest consecutive period of service, including fractions of years, but not less than one year) with the employer that produces the highest average. A year of service with the employer is the 12-consecutive month period that begins on January 1 of each calendar year. In the case of a Participant who is rehired by the employer after a severance from employment, the Participant's high three year average compensation shall be calculated by excluding all years for which the Participant performs no services for and receives no compensation from the employer (the break period) and by treating the years immediately preceding and following the break period as consecutive. A Participant's compensation for a year of service shall not include compensation in excess of the limitation under Section 401(a)(l7) of the Internal Revenue Code that is in effect for the calendar year in which such year of service begins.

(h) "Limitation Year" shall mean the calendar year unless a different 12-month period has been elected by the employer in accordance with regulations or rulings issued by the Internal Revenue Service. All qualified plans maintained by the employer must use the same Limitation Year. If the Limitation Year is amended to a different 12-consecutive month period, the new Limitation Year must begin on a date within the Limitation Year in which the amendment is made.

(i) "Maximum Permissible Benefit" shall mean the lesser of the Defined Benefit Dollar Limitation or the Defined Benefit Compensation Limitation (both adjusted where required as provided below).

(i) Adjustment for Less Than 10 Years of Participation or Service: If the Participant has less than 10 Years of Participation in the Plan, the Defined Benefit Dollar Limitation shall be multiplied by a fraction, the numerator of which is the number of Years (or part thereof, but not less than one year) of Participation in the Plan, and the denominator of which is 10. In the case of a Participant who has less than 1 0 Years of Service with the employer, the Defined Benefit Compensation Limitation shall be multiplied by a fraction, the numerator of which is the number of Years (or part thereof, but not less than 1 year) of Service with the employer, and the denominator of which is 10.

(ii) Adjustment of Defined Benefit Dollar Limitation for Benefit Commencement Before Age 62 or after Age 65: Effective for benefits commencing in Limitation Years ending after December 31, 2001, the Defined Benefit Dollar Limitation shall be adjusted if the annuity starting date ofthe Participant's benefit is before age 62 or after age 65. If the annuity starting date is before age 62, the Defined Benefit Dollar Limitation shall be adjusted under subsection (A) below, as modified by subsection (C) below in this subsection (ii). If the annuity starting date is after age 65, the Defined Benefit Dollar Limitation shall be adjusted under subsection (B) below, as modified by subsection (C) below in this subsection (ii).

(A) Adjustment of Defined Benefit Dollar Limitation for BenefitCommencement Before Age 62:

I. Limitation Years Beginning Before July l, 2007. lfthe annuity starting date for the Participant's benefit is prior to age 62 and occurs in a Limitation Year beginning before July 1, 2007, the Defined Benefit Dollar Limitation for the Participant's annuity starting date is the annual amount of a benefit payable in the form of a straight life annuity commencing at the Participant's annuity starting date that is the actuarial equivalent of the Defined Benefit Dollar Limitation (adjusted for Years of Participation less than 10, if required) with actuarial equivalence computed using whichever ofthe following produces the smaller annual amount: (a) the interest rate specified in Section 1.1(B)(1)(b) of the Plan and the mortality table (or other tabular factor) specified in Section l.l(B)(l)(a) ofthe Plan; or (b) a 5-percent interest rate assumption and the Applicable Mortality Table.

II. Limitation Years Beginning on or After July 1, 2007.

(a) Plan Does Not Have Immediately Commencing Straight Life Annuity Payable at Both Age 62 and the Age of Benefit Commencement. If the annuity starting date for the Participant's benefit is prior to age 62 and occurs in a Limitation Year beginning on or after July 1, 2007, and the Plan does not have an immediately commencing straight life annuity payable at both age 62 and the age of benefit commencement, the Defined Benefit Dollar Limitation for the Participant's annuity starting date is the annual amount of a benefit payable in the form of a straight life annuity commencing at the Participant's annuity starting date that is the actuarial equivalent of the Defined Benefit Dollar Limitation (adjusted for Years of Participation less than 10, if required) with actuarial equivalence computed using a 5 percent interest rate assumption and the Applicable Mortality Table (and expressing the Participant's age based on completed calendar months as of the annuity starting date).

(b) Plan Has Immediately Commencing Straight Life Annuity Payable at Both Age 62 and the Age of Benefit Commencement. If the annuity starting date for the Participant's benefit is prior to age 62 and occurs in a Limitation Year beginning on or after July 1, 2007, and the Plan has an immediately commencing straight life annuity payable at both age 62 and the age of benefit commencement, the Defined Benefit Dollar Limitation for the Participant's annuity starting date is the lesser of the limitation determined under subsection (a) immediately above and the Defined Benefit Dollar Limitation (adjusted for Years of Participation less than 10, if required) multiplied by the ratio of the annual amount of the immediately commencing straight life annuity under the Plan at the Participant's annuity starting date to the annual amount of the immediately commencing straight life annuity under the Plan at ag 62, both determined without applying the limitations of this Section 4.1(A).

(B) Adjustment of Defined Benefit Dollar Limitation for Benefit Commencement After Age 65:

I. Limitation Years Beginning Before July 1, 2007. If the annuity starting date for the Participant's benefit is after age 65 and occurs in a Limitation Year beginning before July 1, 2007, the Defined Benefit Dollar Limitation for the Participant's annuity starting date is the ammal amount of a benefit payable in the form of a straight life annuity commencing at the Participant's annuity starting date that is the actuarial equivalent of the Defined Benefit Dollar Limitation (adjusted for Years of Participation less than 10, if required) with actuarial equivalence computed using whichever of the following produces the smaller annual amount: (1) the interest rate specified in Section 1.1(B)(l)(b) of the Plan and the mortality table (or other tabular factor) specified in Section 1. I (B)(l)(a) of the Plan; or (2) a 5-percent interest rate assumption and the Applicable Mortality Table.

II. Limitation Years Beginning On or After July 1, 2007.

(a) Plan Does Not Have Immediately Commencing Straight Life Annuity Payable at Both Age 65 and the Age of Benefit Commencement. If the annuity starting date for the Participant's benefit is after age 65 and occurs in a Limitation Year beginning on or after July 1, 2007, and the Plan does not have an immediately commencing straight life annuity payable at both age 65 and the age of benefit commencement, the Defined Benefit Dollar Limitation at the Participant's annuity starting date is the annual amount of a benefit payable in the form of a straight life annuity commencing at the Participant's annuity starting date that is the actuarial equivalent of the Defined Benefit Dollar Limitation (adjusted for Years of Participation less than 10, if required), with actuarial equivalence computed using a 5 percent interest rate assumption and the Applicable Mortality Table for that annuity starting date (and expressing the participant's age based on completed calendar months as of the annuity starting date).

(b) Plan Has Immediately Commencing Straight Life Annuity Payable at Both Age 65 and the Age of Benefit Commencement. If the annuity starting date for the Participant's benefit is after age 65 and occurs in a Limitation Year beginning on or after July 1, 2007, and the Plan has an immediately commencing straight life annuity payable at both age 65 and the age of benefit commencement, the Defined Benefit Dollar Limitation at the Participant's annuity starting date is the lesser of the limitation determined under subsection (a) immediately above and the Defined Benefit Dollar Limitation (adjusted for Years ofParticipation less than10, if required) multiplied by the ratio of the annual amount of the adjusted immediately commencing straight life annuity under the Plan at the Participant's annuity starting date to the annual amount of the adjusted immediately commencing straight life annuity under the Plan at age 65, both determined without applying the limitations ofthis Section 4.1(A). For this purpose, the adjusted immediately commencing straight life annuity under the Plan at the Participant's annuity starting date is the annual amount of such annuity payable to the Participant, computed disregarding the Participant's accruals after age 65 but including actuarial adjustments even ifthose actuarial adjustments are used to offset accruals; and the adjusted immediately commencing straight life annuity under the Plan at age 65 is the annual amount of such annuity that would be payable under the Plan to a hypothetical participant who is age 65 and has the same accrued benefit as the Participant.

(C) Notwithstanding the other requirements of this subsection (ii), in adjusting the Defined Benefit Dollar Limitation for the participant's annuity starting date under paragraphs (A)I, (A)II(a), (B)(I) or (B)II(a) of this Section 4.1 (A)(6)(i)(ii), no adjustment shall be made to the Defined Benefit Dollar Limitation to reflect the probability of a Participant's death between the annuity starting date and age 62, or between age 65 and the annuity starting date, as applicable, if benefits are not forfeited upon the death of the Participant prior to the annuity starting date. To the extent benefits are forfeited upon death before the annuity starting date, such an adjustment shall be made. For this purpose, no forfeiture shall be treated as occurring upon the Participant's death if the Plan does not charge Participants for providing a qualified preretirement survivor annuity, as defined in Section 417(c) of the Internal Revenue Code, upon the Participant's death.

(iii) Minimum Benefit Permitted: Notwithstanding anything else in this section to the contrary, the benefit otherwise accrued or payable to a Participant under this Plan shall be deemed not to exceed the Maximum Permissible Benefit if:

(A) the retirement benefits payable for a Limitation Year under any form of benefit with respect to such Participant under this Plan and under all other defined benefit plans (without regard to whether a Plan has been terminated) ever maintained by the employer do not exceed $10,000 multiplied by a fraction, the numerator of which is the Participant's number of Years (or part thereof, but not less than one year) of Service (not to exceed 10) with the employer, and the denominator of which is lO;and

(B) the employer (or a predecessor employer) has not at any time maintained a defined contribution plan in which the Participant participated (for this purpose, mandatory employee contributions under a defined benefit plan, individual medical accounts under Section 40l(h) ofthe Internal Revenue Code, and accounts for postretirement medical benefits established under Section 419A(d)(l) of the Internal Revenue Code are not considered a separate defined contribution plan).

(j) "Predecessor Employer" shall mean, if the employer maintains a plan that provides a benefit which the Participant accrued while performing services for a former employer, the former employer with respect to the Participant in the plan. A fonner entity that antedates the employer is also a predecessor employer with respect to a participant if, under the facts and circumstances, the employer constitutes a continuation of all or a portion of the trade or business of the former entity.

(k) "Severance from Employment" shall mean the Employee ceases to be an employee of the employer maintaining the Plan. An Employee does not have a severance from employment if, in connection with a change of employment, the Employee's new employer maintains the Plan with respect to the Employee.

(I) "Year of Participation." The Participant shall be credited with a Year of Participation (computed to fractional parts of a year) for each accrual computation period for which the following conditions are met: (1) the Participant is credited with at least the number of hours of service (or period of service if the elapsed time method is used) for benefit accrual purposes, required under the terms of the Plan in order to accrue a benefit for the accrual computation period, and (2) the Participant is included as a participant under the eligibility provisions of the Plan for at least one day of the accrual computation period. If these two conditions are met, the portion of a Year of Participation credited to the Participant shall equal the amount of benefit accrual service credited to the Participant for such accrual computation period. A Participant who is permanently and totally disabled within the meaning of Section 415(c)(3)(C)(i) ofthe Internal Revenue Code for an accrual computation period shall receive a Year of Participation with respect to that period. Jn addition, for a Participant to receive a Year of Participation (or part thereof) for an accrual computation period, the Plan must be established no later than the last day of such accrual computation period. In no event shall more than one Year of Participation be credited for any 12-month period.

(m) "Year of Service." For purposes of Section 4.1(A)(6)(g), the Participant shall be credited with a Year of Service (computed to fractional parts of a year) for each accrual computation period for which the Participant is credited with at least the number of hours of service (or period of service if the elapsed time method is used) for benefit accrual purposes, required under the terms of the Plan in order to accrue a benefit for the accrual computation period, taking into account only service with the employer or a predecessor employer.

(7) Other Rules.

(a) Benefits Under Terminated Plans. If a defined benefit plan maintained by the employer has terminated with sufficient assets for the payment of benefit liabilities of all plan participants and a Participant in the Plan has not yet commenced benefits under the Plan, the benefits provided pursuant to the annuities purchased to provide the Participant's benefits under the terminated plan at each possible annuity starting date shall be taken into account in applying the limitations of this Section 4.1 (A). If there are not sufficient assets for the payment of all participants' benefit liabilities, the benefits taken into account shall be the benefits that are actually provided to the Participant under the terminated plan.

(b) Benefits Transferred From the Plan. lf a participant's benefits under a defined benefit plan maintained by the employer are transferred to another defined benefit plan maintained by the employer and the transfer is not a transfer of distributable benefits pursuant to Section 1.411(d)-4, Q&A-3(c), ofthe Treasury regulations, the transferred benefits are not treated as being provided under the transferor plan (but are taken into account as benefits provided under the transferee plan). If a participant's benefits under a defined benefit plan maintained by the employer are transferred to another defined benefit plan that is not maintained by the employer and the transfer is not a transfer of distributable benefits pursuant to Section 1.411(d)-4, Q&A-3(c), ofthe Treasury regulations, the transferred benefits are treated by the employer's plan as if such benefits were provided under annuities purchased to provide benefits under a plan maintained by the employer that terminated immediately prior to the transfer with sufficient assets to pay all participants' benefit liabilities under the plan. If a participant's benefits under a defined benefit plan maintained by the employer are transferred to another defined benefit plan in a transfer of distributable benefits pursuant to Section 1.411(d)-4, Q&A-3(c), ofthe Treasury regulations, the amount transferred is treated as a benefit paid from the transferor plan.

(c) Formerly Affiliated Plans of the Employer. A Formerly Affiliated Plan of the Employer shall be treated as a plan maintained by the employer, but the Formerly Affiliated Plan of the Employer shall be treated as if it had terminated immediately prior to the cessation of affiliation with sufficient assets to pay participants' benefit liabilities under the plan and had purchased annuities to provide benefits.

(d) Plans of a Predecessor Employer. lfthe employer maintains a defined benefit plan that provides benefits accrued by a Participant while performing services for a predecessor employer, the Participant's benefits under a plan maintained by the predecessor employer shaH be treated as provided under a plan maintained by the employer. However, for this purpose, the plan of the predecessor employer shall be treated as if it had terminated immediately prior to the event giving rise to the predecessor employer relationship with sufficient assets to pay participants' benefit liabilities under the plan, and had purchased annuities to provide benefits; the employer and the predecessor employer shall be treated as if they were a single employer immediately prior to such event and as unrelated employers immediately after the event; and if the event giving rise to the predecessor relationship is a benefit transfer, the transferred benefits shall be excluded in determining the benefits provided under the plan of the predecessor employer.

(e) Special Rules. The limitations of this Section 4.l(A) shall be determined and applied taking into account the rules in Section 1.415(f)-l(d), (e) and (h) of the Treasury regulations.

(f) Aggregation with Multiemployer Plans.

(i) If the employer maintains a multiemployer plan, as defined in Section 414(f) of the Internal Revenue Code, and the multiemployer plan so provides, only the benefits under the multiemployer plan that are provided by the employer shall be treated as benefits provided under a plan maintained by the employer for purposes of this Section 4.1 (A).

(ii) Effective for Limitation Years ending after December 31, 2001, a multiemployer plan shall be disregarded for purposes of applying the compensation limitation of Sections 4.1(A)(6)(c) and 4.1(A)(6)(i)(i) to a plan which is not a multiemployer plan.

(8) The foregoing provisions of this Section 4.1 (A) are intended to implement and comply with the applicable requirements of Section 415 of the Internal Revenue Code, which are incorporated herein by this reference, and in the event that any provision herein fails to comply with an applicable requirement of Section 415 of the Internal Revenue Code, such provision shall be construed so as to comply at all times with the applicable requirement of Section 415 of the Internal Revenue Code.

(B) Minimum Benefits on Normal or Early Retirement: Any provisions of Section 2.1 or 2.2 hereof to the contrary notwithstanding, in the event of the normal retirement or early retirement of a Participant in accordance with the provisions of Section 2.1 or 2.2 hereof, his monthly retirement income determined in accordance with the provisions of Section 2.1(8) or 2.2(B) hereof, whichever is applicable, shall not be less than the monthly retirement income, if any, determined in accordance with the provisions of Section 2.1 (B) or 2.2(B) hereof that such Participant would have received as of any earlier date of retirement if he had retired under the provisions of Section 2.1 or 2.2 at any time prior to his actual date of retirement.

(C) Requirement With Respect to Form of Payment: The Committee shall provide each Participant, during the period beginning 90 days before his Annuity Starting Date and ending 30 days before his Annuity Starting Date (or as soon after the expiration of such period as is administratively practicable), a written notification of his optional f01ms of payment. Such written notification shall set forth an explanation of:

(1) if the Participant is married:

(a) the terms and conditions of the Qualified Joint and 50% Survivor Annuity form of payment;

(h) the Participant's right to elect, and the effect of electing, to waive the Qualified Joint and 50% Survivor Annuity form of payment;

(c) the rights of the Participant's spouse; and

(d) the right to revoke, and the effect of revoking, an election to waive the Qualified Joint and 50% Survivor Annuity form of payment;

(2) the eligibility conditions and material features of the optional forms of payment available under the Plan;

(3) the financial effect of electing each optional fom1 of payment;

(4) in the event the notification described herein is required and isprovided to the Participant after his Annuity Starting Date, the Participant's right to elect a retroactive Annuity Starting Date;

(5) the relative values of the optional forms of payment available under thePlan; and

(6) the right to defer distribution and the financial effect of deferring distribution, including the tax consequences of failing to defer corrunencement of benefits or any material affect on other non retirement benefits; and

(7) such other information as may be required under applicable regulations.

The written notification described above shall not be required if the single-sum value of the Participant's retirement income is less than or equal to $5,000.

In the event the written notification described above is required and is provided to the Participant after the Participant's Annuity Starting Date, the Participant's Annuity Starting Date shall be deemed to be his "retroactive Annuity Starting Date," and the provisions of Section 4.1(1) shall apply.

Any provisions of Section 2.1, 2.2, 2.3, 2.4(A) or 3.1 hereof to the contrary notwith- standing, if a Participant does not elect, in writing filed with the Committee during the election period described below, to receive the retirement income payable on his behalf on and after his Annuity Stat1ing Date either (i) under the fonn of payment that is specified in Section 2.1(C), 2.2(C), 2.3(F) or 2.4(A)(2), whichever is applicable, or (ii) under an optional form of payment described in and subject to the provisions of Section 3.1 hereof, such Participant shall be deemed to have elected , and the retirement income payable on and after his Annuity Starting Date shall automatically be paid in accordance with the provisions of, either:

(l) if he does not have a spouse at his Annuity Starting Date, the form of payment that is specified in Section 2.1 (C), 2.2(C), 2.3(F) or 2.4(A)(2), whichever is applicable; or

(2) if he has a spouse at his Annuity Starting Date, the Qualified Joint and 50% Survivor Annuity Option.

Any Participant may make an election under this section at any time (and any number of times) prior to the commencement of his retirement income or other benefit payments and during the period beginning on the date which is 90 days prior to his Annuity Starting Date and ending on the latest to occur of (i) his Annuity Starting Date, (ii) the date which is 90 days after the date on which he was provided with the general written explanation described above or (iii) the date which is 90 days after the date on which he was provided with any specific detailed information concerning the payment of his retirement income that is required to be furnished due to the request of the Participant. If any such Participant does not file his election with the Committee prior to the expiration of the election period described above, the commencement of his retirement income will be delayed and will be subject to the provisions of Section 4.1 (J) of the Plan concerning retroactive Annuity Starting Dates. If any Participant has elected a form of payment other than the automatic form provided above and his retirement income or other benefit payments have not commenced, he may subsequently revoke such election, in writing filed with the Committee within the election period described above, in order to receive his retirement income payable in accordance with the automatic form provided above. Any provisions of Section 3.1 hereof to the contrary notwithstanding, if any Participant is not provided with the written notification described in the first sentence of this section at least 30 days before his Annuity Starting Date but is provided in the written notification a period of at least 30 days in which to make his election under this section, he may waive such notice period (with any applicable spousal consent) and file his election with the Committee, and his retirement income or other benefit may commence within 30 days after the date on which he was provided with such written notification, but more than 7 days after such date. Any provisions herein to the contrary notwithstanding, the written consent of the Participant's spouse during the applicable election period shall be required in order for the Participant to receive his retirement income in a form other than that provided under a Qualified Joint and Survivor Annuity.

(D) Qualified Preretirement Survivor Annuity: If a deceased Participant, whose death occurs on or after his Initial Vesting Date and prior to his Annuity Starting Date, had been married to his spouse throughout the one-year period immediately preceding his death and he had designated a person other than his spouse as his Beneficiary and such spouse has not validly consented to such other person being designated as the Beneficiary, the Participant shall be deemed to have:

(1) revoked his prior designation of Beneficiary;

(2) designated such spouse as his Beneficiary to receive a portion of the death benefit payable on his behalf under Section 2.3(G), 2.4(A)(3) or 2.4(B),whichever is applicable;

(3) specified that the portion of the benefit provided under Section 2.3(G),2.4(A)(3) or 2.4(B) that is payable to his surviving spouse will be payable as an actuarially equivalent monthly income payable on the first day of each month with the first payment being due (only if said spouse is then living) on the Participant's Normal Retirement Date or the first day of the month coincident with or next following the date of the Participant's death, whichever is later, and with the last payment being the payment due immediately preceding such spouse's death;

(4) specified that the portion of the benefit provided under Section 2.3(G),2.4(A)(3) or 2.4(B) that is payable to the surviving spouse shall have an actuarially equivalent single-sum value, determined as of the date of his death, equal to the single-sum value, determined as of the date of his death, of the monthly retirement income that would be payable to his surviving spouse, commencing on the Participant's Earliest Annuity Commencement Date, under the Qualified Joint and 50% Survivor Annuity Option **if:**

(a) the Participant's service had been terminated on the date of his death for a reason other than disability retirement or death (or, if the Participant is a vested terminated Participant entitled to a benefit under Section 2.4(A) hereof, he had survived to the Earliest Annuity Commencement Date);

(b) the Participant had (for the purposes of determining the amount of such monthly retirement income commencing at his Earliest Annuity Commencement Date) waived the death benefit coverage under Section 2.4(A)(3) hereof, if applicable, during the period beginning on the date ofhis death and ending on his Earliest Annuity Commencement Date; and

(c) the Participant had died immediately after such commencement of payments (one-half of the initial payment which would have been due the Participant on his Earliest Annuity Commencement Date shall be included in the determination of such single-sum value); and

(5) designated such other person (or persons) that was named as his Beneficiary under such revoked designation as the Beneficiary to receive the remaining portion of such benefit payable on his behalf under and in accordance with the provisions of Section 2.3(G), 2.4(A)(3) or 2.4(8) hereof.

In lieu of the payment of such benefit to the surviving spouse of a Participant in the form of the monthly income described in Section 4.1 (D)(3) above commencing at the Participant's Normal Retirement Date, such benefit may be paid on an actuarially equivalent basis to the Participant's spouse in such other manner and form permitted under Section 2.4(8) hereof and commencing on such other date permitted under Section 2.4(8) hereof as the surviving spouse may elect in writing filed with the Committee. For the purposes of Sections 4.1(D)(3) and 4.1(D)(4) above, the Earliest Annuity Commencement Date of a deceased disabled Participant on whose behalf a death benefit is payable w1der Section 2.3(G) hereof and the monthly retirement income that would be payable to his surviving spouse, commencing on his Earliest Annuity Commencement Date, under the Qualified Joint and 50% Survivor Annuity Option, shall be determined as though such Participant had recovered from his total and permanent disability and had reentered the service of the Employer immediately prior to his death.

Except to the extent that it is otherwise permissible w1der the provisions of Section 41 7 (or any other applicable section) of the Internal Revenue Code or regulations or rulings issued pursuant thereto for such a spouse to elect to waive his right to the qualified preretirement survivor annuity, the consent of the Participant's spouse to another person being designated as the Beneficiary ofthe Participant shall be valid for the purposes of this Section 4.1(D) only if such consent satisfies the requirements of Section 4.1(E) hereof and the Participant was given a written explanation of the Qualified Preretirement Survivor Annuity (containing the information described in the paragraph below) prior to obtaining such consent; provided, further, in the event that the Participant's death occurs on or after the beginning of the Plan Year in which he attained the age of35 years, such consent in order to be valid must have been given on or after the beginning of the Plan Year in which the Participant attained the age of 35 years or after his separation from service.

The Committee shall provide each Employee, who is a Participant in the Plan, within the one-year period immediately following (a) the beginning ofthe Plan Year in which he will attain the age of32 years or (b) the date on which he becomes a Participant in the Plan, whichever is later, or, if his service is terminated on or after his Initial Vesting Date and prior to his attaining the age of32 years, within the one-year period immediately following the date of termination of his service, or as soon thereafter as is administratively practicable, with written notification of (i) the terms and conditions upon which the Qualified Preretirement Survivor Annuity described above will be payable to his surviving spouse, (ii) the Participant's right to designate at any time prior to his death a person other than his spouse as his Beneficiary and the effect that such a designation will have on the Qualified Preretirement Survivor Annuity, (iii) the rights of the Participant's spouse in the event that the spouse does not consent to such designation and (iv) the right of the Participant to change his Beneficiary designation in accordance with the provisions of Section 5.2 hereof at any time prior to his death and the effect that such a change will have upon the Qualified Preretirement Survivor Annuity.

If the Beneficiary of a Participant is his spouse but the Participant elects, pursuant to the provisions of Section 2.4(A)(3) or 2.4(B) hereof, whichever is applicable, an actuarially equivalent form of payment of the benefit provided under such applicable section that does not provide for monthly payments during the lifetime of his spouse in an amount at least as great as the minimum qualified preretirement survivor annuity required under Section 417 of the Internal Revenue Code, the Committee shall inform such Participant that such election will constitute an election not to receive a benefit which has the effect of a qualified preretire ment survivor annuity provided under a qualified joint and survivor annuity as described in Section 417 of the Internal Revenue Code, and the consent of the Participant's spouse shall be required in order for such an election to become effective.

There shall be no duplication between the benefits provided under Sections 2.3(G), 2.4(A)(3) and 2.4(B) and under the Qualified Preretirement Survivor Annuity described in this Section 4.1 (D), but the benefits under each shall be inclusive of the benefits under the other.

(E) Spousal Consent Requirement and Waiver: Any provisions herein to the contrary notwithstanding, if the consent of the spouse of the Participant is required for any reason under the provisions hereof, such consent in order to be effective must be in writing and witnessed by a Plan representative or a notary public. In the event that such consent is with respect to the election of a form of payment other than a Qualified Joint and Survivor Annuity or the designation of a person other than the spouse as the Participant's Beneficiary, such consent must acknowledge the specific form of payment that has been elected or the person who has been designated as Beneficiary, as the case may be, and must acknowledge the effect of such consent. Any of the above to the contrary notwithstanding, such spousal consent for any reason hereunder shall, unless otherwise required by the Committee or by applicable law, be waived for the purposes of the Plan if:

(1) the spouse has previously consented to such specified action in accordance with the provisions above and such previous consent (a) permits changes with respect to such specified action without any requirement of further consent by such spouse and (b) acknowledges the effect of such consent by the spouse;

or

(2) it is established to the satisfaction of the Committee that such consent may not be obtained because there is no spouse, because the spouse cannot be located or because of such other circumstances as the Secretary of the Treasury or his delegate may prescribe by regulations as reasons for waiving the spousal consent requirement.

Once spousal consent, which satisfies the requirements of this section, has been given, such consent may not be revoked by the spouse without the consent of the Participant.

(F) Latest Date of Commencement of Payments: Except to the extent otherwise permissible under rules or regulations issued by the Internal Revenue Service, distribution of the accrued benefit to which a Participant has a nonforfeitable interest must commence on a date not later than the earlier to occur of:

(1) his Required Beginning Date;

or

(2) the later of:

(a) the date that is no later than the 60th day after the close of the Plan Year during which (i) his service is terminated for any reason, (ii) he attains the age of 65 years or (iii) the tenth anniversary of the date on which he initially commenced participation in the Plan or Superseded Plan, whichever is latest, occurs; or

(b) the date that the Participant elects in accordance with the provisions of Section 3.1 hereof as the date of commencement of his retirement income;

provided, however, if an election of a form ofpayment has been made by a Participant prior to January 1, 1984 that provides for the commencement of his benefit at a date later than the date applicable under (1) or (2) above and such election both (i) satisfies the transitional rule in Section 242(b)(2) of the Tax Equity and Fiscal Responsibility Act of 1982 (P.L. 97-248) and (ii) has not been subsequently revoked or changed (a change of Beneficiaries under the designation will not be considered to be a revocation or change of such form of payment so long as the change in Beneficiaries does not alter, directly or indirectly, the period over which distributions are to be made under such form of payment), distribution of the Participant's accrued benefit shall not be required to commence prior to the date of commencement specified in such election.

(G) No Benefit Reduction Due to Post Termination Social Security Changes: Benefits under the Plan shall not be decreased by reason of any increase in the benefit levels payable under Title II of the Social Security Act or by reason of any increase in the wage base under such Title II, if such increase takes place after September 2, 1974 or (if later) the earlier of the date of first receipt of such benefits or the date of the Participant's separation from service, as the case may be.

(H) Minimum Preserved Benefit Due to Certain Amendments: In the event that the Plan or Superseded Plan has been or is amended effective as of a date on or after July 30, 1984 to eliminate or reduce a retirement-type subsidy or an early retirement benefit or to change the actuarial assumptions used to determine actuarially equivalent benefits payable thereunder, the monthly retirement income or other benefit, if any, payable under the provisions of Section 2.1, 2.2, 2.3 or 2.4 (and Section 3.1 if an optional form of payment is applicable) to a Participant, who was a participant in the Plan or Superseded Plan as of the day immediately preceding the date that the elimination, reduction or change becomes effective or the date of adoption of such amendment, whichever is later, (herein referred to as the "Preservation Date") and who retires or whose service is terminated after the Preservation Date, shall be at least equal to the corresponding amount of the monthly retirement income or other benefit, if any, payable to him under the provisions of such applicable section of the Plan (or, if applicable, the section of the Superseded Plan that corresponds to such applicable section of the Plan) as in effect on the Preservation Date computed using his Credited Service, Final Average Monthly Compensation and Monthly Covered Compensation (or, if applicable, the corresponding terms used to compute his accrued benefit under the Superseded Plan) determined as of the Preservation Date under the provisions of the Plan (or, if applicable, the Superseded Plan) as in effect on such date and using, if applicable, the mortality table and interest rate assumptions that applied under the provisions of the Plan (or, if applicable, the Superseded Plan) as in effect on the Preservation Date to compute actuarially equivalent benefits payable to a Participant who retired or whose service was terminated on the Preservation Date; provided, however, such preservation shall not be required if, under regulations or other official pronouncements of the Internal Revenue Service, such reduction or elimination or such change in assumptions (without the preservation described above in this subsection) may be made without violating the anticutback rules of Section 411(d)(6) of the Internal Revenue Code.

(1) Direct Rollover Options for Eligible Rollover Distributions: Notwithstanding any provision of the Plan to the contrary that would otherwise limit a distributee's election under this section, a distributee may elect, at the time and in the manner prescribed by the plan administrator, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover. The following definitions apply to this section:

(I) Eligible rollover distribution: An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include:

(a) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of 10years or more;

(b) any distribution to the extent such distribution is required under Section 40l(a)(9) of the Internal Revenue Code; and

(c) any hardship distribution (if such hardship distribution should ever be permitted under the Plan).

(2) Eligible retirement plan: An eligible retirement plan is an individual retirement account described in Section 408(a) of the Internal Revenue Code, an individual retirement annuity described in Section 408(b) of said Code, a Roth IRA described under Section 408A of the Code, an annuity plan described in Section 403(a) or 403(b) of said Code, an eligible governmental plan described in Section 457(b) of said Code(as long as it separately accounts for such rollover amounts), (for distributions made after December 31, 2007), or a qualified trust described in Section 401(a) of said Code, that accepts the distributee's eligible rollover distribution. However, in the case of an eligible rollover distribution that includes after-tax employee contributions, an eligible retirement plan is an individual retirement account or annuity described in Section 408(a) or (b) of the Internal Revenue Code, or a qualified defined contribution plan described in Section 401 (a) or 403(a) of said Code that agrees to account separately for amounts sotransferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible. The definition of eligible retirement plan shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic relation order, as defined in Section 414(p) of said Code.

(3) Distributee: A distributee includes an employee or former employee.In addition, the employee's or former employee's surviving spouse and the employee's or former employee's spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in Section 414(p) of the Internal Revenue Code, are distributees with regard to the interest of the spouse or former spouse.

(4) Direct rollover: A direct rollover is a payment by the Plan to the eligible retirement plan specified by the distributee.

(5) Direct Rollover Distributions by Nonspouse Beneficiaries. Effective for Plan Years beginning after December 31, 2009, a designated Beneficiary (as defined by Code section 40l(a)(9)(E)) who is not the surviving spouse of an employee or former employee may elect to rollover his or her entire interest in the Plan; provided, however, such direct rollover must be made to an individual retirement account or annuity described in Section 408(a) or 408(b) or 408A ("IRA") that is established on behalf of such designated Beneficiary and that will be treated as an inherited IRA within the meaning of Code section 408(d)(3)(C) pursuant to the provisions ofCode section 402(c)(l1). The determination of any required minimum distribution under Code section 401 (a)(9) that is ineligible for rollover shall be made in accordance with Notice 2007-7, Q&A 17 and 18, 2007-5, I.R.B. 395.

Any options set forth in this section shall automatically become inoperative and of no effect upon a ruling by the Treasury Department that the options set forth herein are no longer required.

(J) Provisions Concerning Retroactive Annuity Starting Dates: Notwithstanding any provision hereof to the contrary, in the event that the written notification described in Section 4.1(C) is required and is provided to the Participant after the Participant's Annuity Starting Date, the Participant's Annuity Starting Date shall be deemed to be his "retroactive Annuity Starting Date" and payment of the Participant's retirement income under Section 2.1, 2.2, 2.3, 2.4(A) or 3.I hereof shall be made or commence in accordance with Section 417(a) of the Internal Revenue Code, and regulations and rulings issued pursuant thereto, and the following provisions of this Section 4.1 (J).

(1) Notification requirement: In the event of a retroactive Annuity Starting Date, the written notification to the Participant required by Section 4.1(C) shall set forth the information described in Section 4.1 (C) both as of his retroactive Annuity Starting Date and as of a date which is not more than 90 days after the date on which such written notification is provided to the Participant.

(2) Election of retroactive Annuity Starting Date: In the event of a retroactive Annuity Starting Date, the Participant's retirement income shall be determined and payable as of a date which is not more than 90 days after the date on which the written notification required by Section 4.1 (C) is provided to the Participant, unless the Participant elects to have such retirement income determined and payable as of such retroactive Annuity Starting Date. The Participant may make such election on the appropriate form provided by the Committee and filed with the Committee within the election period described in Section 4.1(C).

(3) Spousal consent requirement: In the event that (a) a Participant elects to receive his retirement income under Section 2.1, 2.2, 2.3, 2.4(A), or 3.1 hereof determined as of a retroactive Annuity Starting Date, and (b) under the form of payment elected by such Participant, the benefit payable to the Participant's spouse upon the Participant's death would be less than the benefit payable to such surviving spouse after the Participant's death if the Participant had elected to receive a Qualified Joint and 50% Survivor Annuity determined and payable as of the date on which his retirement income payments actually commence, then the Participant's spouse must consent in writing to the Participant's election of such retroactive Annuity Starting Date. Such spousal consent requirement shall be satisfied if the Participant's spouse consents in the manner provided in Section 4.1(C) to the Participant's election to receive his retirement income in a form other than that provided under a Qualified Joint and Survivor Annuity.

(4) Make-up payments with interest: In the event that a Participant elects (with spousal consent, if applicable) to receive his retirement income under Section 2.1, 2.2, 2.3, 2.4(A), or 3.1 hereof determined as of a retroactive Annuity Starting Date, the Participant shall receive a make-up payment to reflect any missed payment or payments for the period from the retroactive Annuity Starting Date to the date of the actual make-up payment, with an appropriate adjustment for interest from the date the missed payment or payments would have been made (including, if applicable, a payment ofthe single-sum value of the Participant's retirement income) to the date ofthe actual make-up payment.

(5) Future payment amount: If the Participant elects (with spousal consent, if applicable) to receive his retirement income determined as of a retroactive Annuity Starting Date and the Participant receives his retirement income in a form other than a single-sum payment, the retirement income payments that commence after he has received the notification required by Section 4.1 (C), other than any required make-up payment, shall be in an amount that is equal to the amount that would have been paid to the Participant had payments actually commenced on his retroactive Annuity Starting Date.

(6) Section 415 compliance: Except in the case where payment of the Participant's retirement income (other than a form of payment that is subject to Section 417(e) of the Internal Revenue Code, including lump-sum distributions and other forms of distribution that provide payments in the form of a decreasing annuity or for a period less than the life of the recipient) commences no more than 12 months after the retroactive Annuity Starting Date, payment of the Participant's retirement income, including any interest adjustments, shall satisfy the requirements of Section 415 of the Internal Revenue Code if the date retirement income payments actually commence is substituted for the retroactive Annuity Starting Date for all purposes, including for purposes of determining the applicable interest rate and the applicable mortality table described in Section 4.1(A)(6)(a)(ii)(A) hereof.

(7) Section 417(e) compliance: If the retirement income received by the Participant is in a form of payment that would have been subject to Section 417(e} of the Internal Revenue Code if payment had commenced as of the retroactive Annuity Starting Date, then the amount of payment as of the actual commencement date shall be no less than the amount of payment produced by applying the applicable interest rate and the applicable mortality table (described in Section 1.1(B)(2) hereof), determined as of the date payment actually commences, to the annuity form that was used to determine the amount of retirement income as of the Participant's retroactive Annuity Starting Date.

4.2 - LIMITATIONS ON BENEFITS REQUIRED BY THE INTERNAL REVENUE SERVICE

(A) Limitation in the Event of Plan Termination: In the event that the Plan is terminated, the benefit of any Participant who is a Highly Compensated Employee shall be limited to a benefit that is nondiscriminatory under Section 401(a)(4) of the Internal Revenue Code and regulations issued with respect thereto.

(B) Limitation on Annual Payments:

(1) The provisions ofthis Section 4.2(8) shall apply during each Plan Year to those Participants who during such Plan Year (a) are Highly Compensated Employees and (b) are among the 25 nonexcludable employees and former employees of the Controlled Group Members with the largest amount of compensation in the current or any prior year and whose annual payments under the Plan must be restricted due to the provisions of Section 401(a)(4) ofthe Internal Revenue Code and regulations issued with respect thereto.

(2) To the extent required by Section 401(a)(4) of the Internal Revenue Code and regulations issued with respect thereto, the annual benefit payable under the Plan to any such Participant to whom the provisions of this Section 4.2(8) are applicable shall not exceed an amount equal to the payments that would be made on his behalf under a single life annuity that is the actuarial equivalent of the sum of his accrued benefit and his other benefits under the Plan; provided, however, that such restriction shall not apply if:

(a) after payment of the "benefits" (as defined below) to the Participants to whom the provisions ofthis Section 4.2(8) are applicable, the remaining value of Plan assets equals or exceeds 11 0% of the value of current liabilities within the meaning of Section 412(1)(7) ofthe Internal Revenue Code and regulations issued with respect thereto;

(b) the value of the "benefits" (as defined below) for such Participant is less than 1% of the value of current liabilities within the meaning of Section 412(1)(7) ofthe Internal Revenue Code and regulations issued with respect thereto;

(c) the value of the Participant's benefit does not exceed the maximum amount that is permissible as an involuntary cash out of accrued benefits under Sections 41J(a)(ll) and 417(e) of the Internal Revenue Code and regulations issued with respect thereto;

(d) an agreement, which is·expressly permitted under Section40l(a)(4) ofthe Internal Revenue Code or regulations or rulings issued with respect thereto, is entered into with the Trustee, adequately secured in conformity with the requirements of said Code section, regulations or rulings, which provides for the repayment, if applicable and to the extent required under said Code section, regulations or rulings, to the Trust Fund of any part of the distribution which is restricted under the provisions of said Code section, regulations or rulings;

or

(e) in the event of the termination of the Plan, there are sufficient assets to satisfy all benefit liabilities of the Plan to Participants and their Beneficiaries.

(3) For the purposes of this Section 4.2(B), the term "benefit" shall have the meaning assigned in Treasury Regulation l.401(a)(4)-5(b) and shall include loans in excess of the amounts set forth in Section 72(p)(2)(A) ofthe Internal Revenue Code, any periodic income, any withdrawal values payable to a living employee, and any death benefits not provided for by insurance on the employee's life.

4.3 - BENEFITS NONFORFEITABLE IF PLAN IS TERMINATED

In the event of the termination or partial termination of the Plan, the rights of each affected Participant in the Plan to benefits accrued to such date of termination, to the extent then funded, shall be nonforfeitable, where such benefits shall be determined and distributed as provided in Section 4.5 hereof; provided, however, ifthe participation in the Plan is terminated with respect to one or more but not all Employers that are members of a group of Employers with respect to which the Plan represents an IRC 414(1) Single Plan, the Plan shall not be considered to have been terminated for the purposes of this Section 4.3 (although a partial termination of the Plan may result because of such termination of participation). Unless specifically required otherwise by law or by rules or regulations of the Internal Revenue Service, the nonforfeitable rights granted to Participants under the provisions of this section shall not apply with respect to (i) any benefits (or portions thereof) that have been cashed out, whether voluntarily or involuntarily, under the provisions hereof and that have not been reinstated (by repayment or by the reinstatement of Credited Service accrued prior to the date of such cash-out) in accordance with the provisions hereof prior to the date of the termination or partial termination of the Plan or (ii) any nonvested benefits that are deemed cashed out and forfeited at the date oftermination of service of a terminated or retired Participant whose service was terminated prior to the date of termination or partial termination of the Plan.

4.4 - MERGER OF PLAN

In the case of the merger or consolidation of the Plan with, or the transfer of assets or liabilities to, another qualified retirement plan, each Participant must be entitled to receive a benefit, upon termination of such other retirement plan after such merger, consolidation or transfer, which is at least equal to the benefit which he would have been entitled to receive immediately before the merger, consolidation or transfer if the Plan had been terminated at that time.

4.5 - TERMINATION OF PLAN AND DISTRIBUTION OF TRUST FUND

Upon termination of the Plan in accordance with the provisions hereof, the share of the assets of the Trust Fund available for distribution to the affected Participants and Beneficiaries shall be allocated and distributed in accordance with the following procedure.

(A) The Committee shall determine the date of distribution and the share in the value of the assets of the Trust Fund that is attributable to each Employer or group of Employers with respect to which the Plan represents an lRC 414(1) Single Plan.

(B) The distribution of the asset value will, subject to the provisions of Section 417(e)(l) of the Internal Revenue Code, be provided by the purchase of insured annuities from a company or companies selected by the Committee for each class of Participants and other persons entitled to benefits under the Plan, as specified in (C) below. Any annuities purchased pursuant to the provisions of this Section 4.5 will be subject to the provisions hereof pertaining to the Qualified Joint and 50% Survivor Annuity Option and to the Qualified Preretirement Survivor Annuity.

(C) The Committee shall determine the asset value available for distribution on behalf of each Employer or group of Employers with respect to which the Plan represents an IRC 414(1) Single Plan after taking into account the expenses of such distribution. After having determined such asset value available for distribution to each such Employer or group of Employers, as the case may be, and subject to the applicable provisions of any Supplement hereto pertaining to the distribution of assets upon the termination of the Plan, the Committee shall allocate such asset value (allocated to the particular Employer or group of Employers) as of the date of termination of the Plan in the manner set forth below to determine the amount, if any, to which each affected Participant or Beneficiary is entitled. Such allocation shall be made using the methods and actuarial assumptions that are being used as of the date of termination of the Plan by the Pension Benefit Guaranty Corporation in determining the value of plan benefits under terminating non-multiemployer pension plans covered by Title IV of the Employee Retirement Income Security Act of 1974, as amended, or, at the option of the Committee, using such other methods and actuarial assumptions that are mutually acceptable to the Committee, the Pension Benefit Guaranty Corporation and the Internal Revenue Service. In cases where an annuity is purchased to provide any given retirement income, the single premium payable for such annuity shall be deemed for the purposes of the allocations described below to be the single-sum or present value of, or the amount otherwise required to provide, the amount of retirement income represented by such annuity.

(1) Allocation shall first be made with respect to each active, retired or terminated Participant and to each Beneficiary of a deceased Participant in an amount equal to the present value of the portion, if any, of such individual's accrued benefit which is derived from the Participant's employee contributions to the Plan which were not mandatory employee contributions; provided, however, that if the asset value is less than the aggregate of such amounts, such amounts shall be reduced pro rata among such individuals so that the aggregate of such reduced amounts will be equal to the asset value; and provided further, however, that the benefits on which the allocations specified below are based shall exclude any portion thereof attributable to the Participant's contributions to the Plan which were not mandatory.

(2) If there is any asset value remaining after the allocation under (1) above, allocation shall next be made with respect to each active, retired or terminated Participant and to each Beneficiary of a deceased Participant in an amount equal to the present value of the portion, if any, of such individual's accrued benefit which is derived from the Participant's mandatory employee contributions to the Plan; provided, however, that if such remaining asset value is less than the aggregate of the amounts thus allocated hereunder, such latter amounts shall be reduced pro rata among such individuals so that the aggregate of such reduced amounts will be equal to the remaining asset value.

(3) If there is any asset value remaining after the allocations under (1) and (2) above, allocations shall next be made with respect to:

(a) each retired or terminated Participant whose retirement income payments commenced at least three years prior to the date of termination of the Plan in an amount equal to the excess, if any, of (i) the amount required to provide (after the date of termination of the Plan) the smallest amount of income payable to such Participant during such three-year period immediately preceding the date oftermination of the Plan, based upon the provisions of the Plan as in effect during the five-year period immediately preceding the date of termination of the Plan that would result in the least amount of income being payable to such Participant over (ii) the amount of his allocation, if any, under (2) above;

(b) each person receiving a retirement income on such date of termination on account of a deceased Participant or retired or terminated (but since deceased) Participant whose retirement income payments commenced, either to such person or to such retired or terminated (but since deceased) Participant, at least three years prior to the date of termination of the Plan in an amount equal to the excess, if any, of (i) the amount required to provide (after the date of termination of the Plan) the smallest amount of income payable to such person during such three-year period immediately preceding the date of termination of the Plan, based upon the provisions of the Plan as in effect during the five-year period immediately preceding the date of termination ofthe Plan that would result in the least amount of income being payable to such person over (ii) the amount of his allocation, if any, under (2) above; and

(c) each other active, retired or terminated Participant who, at least three years prior to the date of termination of the Plan either had become eligible for normal retirement but had not yet retired or had satisfied the applicable age and service requirements to be eligible for an early retirement benefit, or the Beneficiary of any such eligible Participant whose service was terminated by reason ofhis death during such three-year period, in an amount equal to the excess, if any, of (i) the amount required to provide (after the date of termination ofthe Plan) the monthly retirement income that would have been payable on behalf of such Participant if he had retired three years prior to the date of termination of the Plan, based upon the provisions ofthe Plan as in effect during the five-year period immediately preceding the date of termination of the Plan which would result in the least amount of income being payable to such Participant or Beneficiary over (ii) the amount of his allocation, if any, under (2) above; provided, however, that if such remaining asset value is less than the aggregate of the amounts thus allocated hereunder, such latter amounts shall be reduced pro rata among such individuals so that the aggregate of such reduced amounts will be equal to the remaining asset value.

provided, however, that if such remaining asset value is less than the aggregate of the amounts thus allocated hereunder, such latter amounts shall be reduced pro rata among such individuals so that the aggregate of such reduced amounts will be equal to the remaining asset value.

(4) If there is any asset value remaining after the allocations under (1), (2) and (3) above, allocation shall next be made with respect to each active, retired or terminated Participant and to each Beneficiary under the Plan in an amount equal to the excess, if any, of (a) the amount required to provide that portion of the single-sum value of the Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date that he had accrued as ofthe date of termination of the Plan or, if applicable, that he was receiving as of the date of termination of the Plan, which is not in excess of the actuarially equivalent single-sum value of the benefit guaranteed on his behalf under the termination insurance provisions of the Employee Retirement Income Security Act of 1974 determined without regard to Sections 4022(b)(5) and 4022(b)(6) of said Act, over (b) the aggregate of the allocations, if any, made on his behalf under (2) and (3) above; provided, however, that if such remaining asset value is less than the aggregate of the amounts thus allocated hereunder, such latter amounts shall be reduced pro rata among such individuals so that the aggregate of such reduced amounts will be equal to the remaining asset value.

(5) If there is any asset value remaining after the allocations under (1), (2), (3) and (4) above, allocation shall next be made with respect to each retired or terminated Participant receiving a retirement income hereunder on such date, each person receiving a retirement income on such date on account of a deceased Participant or a retired or terminated (but since deceased) Participant and each Participant who has, by such date, become eligible for normal retirement but has not yet retired, in an amount equal to the excess, if any, of (a) the amount required to provide the retirement income that such Participant or other person is receiving or is entitled to receive under the Plan over (b) the aggregate of the allocations made on behalf of such Participant or other person under (2), (3) and (4) above; provided, however, that if such remaining asset value is less than the aggregate of the amounts thus allocated hereunder, such latter amounts shall be reduced pro rata among such individuals so that the aggregate of such reduced amounts will be equal to the remaining asset value.

(6) If there is any asset value remaining after the allocations under (1), (2), (3), (4) and (5) above, allocation shall next be made with respect to:

(a) each Participant in the service of the Employer on the date of termination of the Plan whose Initial Vesting Date is on or prior to such date and who is not entitled to an allocation under (5) above, in an amount equal to the excess, if any, of (i) the amount required to provide the actuarially equivalentsingle-sum value of the vested retirement income that he would have been entitled to receive under the provisions of Section 2.4(A)(l) hereof if his service had been terminated on the date of termination of the Plan over (ii) the aggregate of the allocations made on behalf of such Participant under (2), (3) and (4) above;

(b) each disabled Participant then entitled to a benefit under the provisions of Section 2.3 hereof, who has not, by such date, reached his Disability Retirement Income Commencement Date, in an amount equal to the excess, if any, of (i) the amount required to provide the actuarially equivalent single-sum value of the vested retirement income that he would have been entitled to receive under the provisions of Section 2.1, 2.2 or 2.4(A)(1) hereof, whichever would be applicable, if he had recovered from his total and permanent disability, reentered the service of the Employer on the date of termination of the Plan and his service had been terminated immediately after his reentry over (ii) the aggregate of the allocations made on behalf of such Participant under (2), (3) and (4) above; and

(c) each terminated Participant then entitled to a benefit under the provisions of Section 2.4(A)(I) hereof, whose monthly income payments have not commenced by such date, in an amount equal to the excess, if any, of (i) the amount required to providethe actuarially equivalent single-sum value of the vested deferred retirement income to which he is entitled under Section 2.4(A)(1) hereof over (ii) the aggregate of the allocations made on behalf of such Participant under (2), (3) and (4) above;

provided, however, that if such remaining asset value is less than the aggregate of the amounts thus allocated hereunder, such latter amounts shall be reduced pro rata among such individuals so that the aggregate of such reduced amounts will be equal to the remaining asset value.

(7) If there is any asset value remaining after the allocations under (1), (2), (3), (4), (5) and (6) above, allocation shall lastly be made with respect to each Participant in the service of the Employer on the date of termination of the Plan who is not entitled to an allocation under (5) above, in an amount equal to the excess, if any, of (a) the amount required to provide the actuarially equivalent single-sum value of the Accrued Deferred Monthly Retirement Income Commencing atNormal Retirement Date that he had accrued as of the date of termination of the Plan (assuming his Vested Percentage is 100%) over (b) the aggregate of the allocations made on behalf of such Participant under (2), (3), (4) and (6) above; provided, however, that if such remaining asset value is less than the aggregate of the amounts thus allocated hereunder, such latter amounts shall be reduced pro rata among such individuals so that the aggregate of such reduced amounts will be equal to such remaining asset value.

(8) In the event that there is asset value remaining after the full allocations specified in (1), (2), (3), (4), (5), (6) and (7) above, such residual assets shall be distributed to the Employer, except that, in the case of a group ofEmployers with respect to which the Plan represents an IRC 414(1) Single Plan, such residual assets shall remain in the Trust Fund if the Plan is not being terminated with respect to all of such Employers.

(D) The order of priorities for, and the amounts and methods of, the distributions set forth in (C) above and the rights of Participants and their Beneficiaries to benefits under the Plan shall be subject (i) to the distribution rules set forth in the Plan, (ii) to the limitations provided by Section 4.2 ofthe Plan, (iii) to any changes, including the recapture of any prior distributions to Participants, as may be ordered by the Pension Benefit Guaranty Corporation and (iv) to any changes required by the Internal Revenue Service as a condition for issuing a favorable determination letter stating that the distribution of assets will not adversely affect the continued qualified status of the Plan under Section 401(a) ofthe Internal Revenue Code.

(E) As soon as practicable after both (a) the date that the assets may be distributed under the rules and regulations of the Pension Benefit Guaranty Corporation and (b) the date that a favorable determination letter is received from the Internal Revenue Service stating that in its opinion the method of distribution will not adversely affect the continued qualified status ofthe Plan under Section 401(a) of the Internal Revenue Code, the Committee shall direct the Trustee to distribute the assets to the affected parties in accordance with such method.

4.6 - SPECIAL PROVISIONS THAT APPLY IF PLAN IS TOP-HEAVY

The provisions of this Section 4.6 shall apply ifthe Plan is a "top-heavy plan11 within the meaning of Section 416(g) of the Internal Revenue Code with respect to any Plan Year beginning after December 31, 1983. Unless a different meaning is plainly required by the context, the term "Plan" as used in this Section 4.6 shall include the Retirement Plan for Employees of Capital Southwest Corporation and Its Affiliates as in effect during the Plan Years beginning after December 31 , 1983 and before the Effective Date of the Plan.

(A) Detennination of Plan Years in Which Plan ls Top-Heavy: The Plan shall be top-heavy with respect to an applicable Plan Year if:

(1) either:

(a) any Participant, fanner Participant or Beneficiary in the Plan is a "key employee" within the meanings of Sections 416(i)(I) and 416(i)(5) ofthe Internal Revenue Code (hereinafter referred to in this Section 4.6 as "Key-Employees"); or

(b) the Plan is required to be combined with any other plan, which is included in the Aggregation Group (as defined below) and which has a participant who is a Key Employee, in order to enable such other plan to meet the requirements of Section 401(a)(4) or Section 410 of the Internal Revenue Code;

and

(2) the ratio (determined in accordance with Section 416 ofthe Internal Revenue Code) as ofthe last day ofthe preceding Plan Year or, in the case of the first Plan Year, the last day of such first Plan Year (such day, whether applicable to the first Plan Year or to subsequent Plan Years, is hereinafter referred to in this Section 4.6 as the "Determination Date") of:

(a) the sum of(i) the present value of the cumulative accrued benefits for all Key Employees under all defined benefit plans included in the Aggregation Group plus (ii) the aggregate of the individual accounts of all Key Employees under all defined contribution plans included in such Aggregation Group;

to

(b) a similar sum determined for all Participants, former Participants and Beneficiaries under all defined benefit plans and defined contribution plans included in such Aggregation Group, but excluding any such Participant or fanner Participant (or his Beneficiary) who was a Key Employee for any prior Plan Year but who is not currently a Key Employee and also excluding any Participant or former Participant (or his Beneficiary) who has not at any time during the one-year period ending on the Determination Date, performed services for any employer maintaining a plan included in the Aggregation Group;

is greater than 60%.

For the purposes of this Section 4.6, the Aggregation Group shall mean the Plan plus all other defined benefit plans and defined contribution plans (including any such plans that terminated during the five-year period ending on the Determination Date), if any, maintained by the Controlled Group Members; provided, however, that any defined benefit plan or defined contribution plan of any Controlled Group Member that (i) does not have any participant who is a Key Employee and (ii) is not required to be combined with any other plan, which is included in the Aggregation Group and which has a participant who is a Key Employee, in order to enable such other plan to meet the requirements of Section 401(a)(4) or Section 410 of the Internal Revenue Code, shall be included in the Aggregation Group only if such defined benefit plan or defined contribution plan, together with the other plans that are included in the Aggregation Group, as a combined group satisfy the requirements of Sections 401 (a)(4) and 410 of the Internal Revenue Code. In determining Key Employees under the Plan, the compensation taken into account shall be "IRC 415 Compensation" as defined above in Section 4.1(A).

The present value of an accrued benefit under the Plan shall, for the purposes of this Section 4.6, be determined as of the most recent valuation date that (i) is used for the Plan Year for computing Plan costs for minimum funding purposes (regardless of whether a valuation is actually performed for that year) and (ii) is within the 12-month period ending on the applicable Determination Date (such valuation date is herein referred to in this Section 4.6 as the "Valuation Date"). The present value of accrued benefits under the Plan and under each other defined benefit plan included in the Aggregation Group shall be computed using 5% interest and the mortality table used for such Plan Year for computing Plan costs for minimum funding purposes.

The present value of the cumulative accrued benefits under the other defined benefit plans included in the Aggregation Group and the aggregate of the individual accounts under the defined contribution plans included in such Aggregation Group shall be determined separately for each such plan in accordance with Section 416 of the Internal Revenue Code and regulations issued with respect thereto as of the "determination date" that is applicable to each such separate plan and that falls within the same calendar year that the Determination Date applicable to the Plan falls.

Unless required otherwise under Section 416 ofthe Internal Revenue Code and regulations issued thereunder, a Participant's (or Beneficiary's) accrued benefit under the Plan shall be equal to the sum of:

(a) an amount equal to either:

(i) if his service has not been terminated and he has not reached his Normal Retirement Date as of the Valuation Date, the Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date that he has accrued as of the Valuation Date;

(ii) if his service has not been terminated and he has reached his Normal Retirement Date as of the Valuation Date, the month!y retirement income to which he would have been entitled under the normal retirement provisions of the Plan ifhe had retired on the Valuation Date;

or

(iii) if his service has been terminated as ofthe Valuation Date, the amount of retirement income or other benefit that is payable on his behalf under the Plan on and after the Valuation Date;

plus

(b) the aggregate distributions made on his behalf during the one-year period ending on the Determination Date (five-year period ending on the Determination Date, with respect to any distribution made for any reason other than death, disability, or severance from employment)

provided, however, that his estimated accrued benefit between the Valuation Date and Determination Date applicable to the first Plan Year shall be included as part of his accrued benefit with respect to the first Plan Year only. Any provisions hereofto the contrary notwithstanding and solely for the purpose of determining if the Plan is top-heavy with respect to an applicable Plan Year beginning after December 31, 1986, the accrued benefit of any employee who is not a Key Employee shall be determined under the method which isused for accrual purposes for all defined benefit plans included in the Aggregation Group or, if a single method is not used for all such defined benefit plans, the accrued benefit of such employee shall be determined as though it accrued not more rapidly than the slowest accrual rate permitted under the fractional accrual rule of Section 4ll(b)(l)(C) of the Internal Revenue Code.

(B) Minimum Vesting Provisions if Plan Becomes Top-Heavy: Any other provision ofthe Plan to the contrary notwithstanding, the Initial Vesting Date of a Participant in the Plan, who has accrued an Hour of Service during any Plan Year that is subsequent to the last Plan Year that the Plan was not top-heavy, for the purpose of determining his eligibility for the benefit provided under Section 2.4(A) hereof during any Plan Year that is subsequent to the last Plan Year that the Plan was not top-heavy, shall not be later than (i) the date as of which he completes two years of Vesting Service or (ii) the first day of the Plan Year immediately following the last Plan Year that the Plan was not top-heavy, whichever is later, but the Vested Percentage of the Participant for the purposes of Section 2.4(A)(1) shall be 100% with respect to the portion ofhis Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date that is attributable to his own contributions, if any, and shall not be less than the percentage specified in the schedule below, based upon the Participant's number ofyears (ignoring fractions) of Vesting Service as of the date of termination of his service, with respect to the portion of his Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date that is attributable to employer contributions:

Years of Vesting Service	Vested Percentage
Less than 2	0%
2	20%
3	40%
4	60%
5 or more	100%

In the event that the Plan ceases to be top-heavy with respect to any subsequent Plan Year, the following provisions will apply with respect to the minimum benefits to which such a Participant is entitled under Section 2.4(A) hereof during such subsequent Plan Years that the Plan is not top-heavy:

(1) if the Participant had not completed at least two years of Vesting Service as of the last day of the last Plan Year during which the Plan was top-heavy, his non forfeitable right to the benefits to which he is entitled under Section 2.4(A) hereof shall be determined as though the Plan had never been top-heavy;

(2) if the Participant had completed at least two but had not completed at least three years of Vesting Service as of the last day of the last Plan Year during which the Plan was top-heavy, he shall be eligible for a minimum benefit payable under Section 2.4(A) hereof; such minimum benefit provided under Section 2.4(A)(l) shall be based upon (a) 100% of the portion of his Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date that he has accrued as of the date of termination of his service that is attributable to his own contributions, if any, plus (b) the product of (i) the portion of the Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date that he had accrued as of the date of termination of his service that is attributable to employer contributions multiplied by (ii) his Vested Percentage determined as of the last day of the last Plan Year during which the Plan was top-heavy;

(3) if the Participant had completed at least three years ofVesting Service as of the last day of the last Plan Year during which the Plan was top-heavy, he shall be eligible for the benefit provided under Section 2.4(A) hereof, but the Participant's Vested Percentage shall be determined in the same manner as though the Plan had remained top-heavy; and

(4) the Accrued DefetTed Monthly Retirement Income Commencing at Normal Retirement Date that a Participant, whose Vesting Service includes service that was accrued on or prior to the last day of the last Plan Year that the Plan was top-heavy, has accrued as of any given date shall not be less than the actuarial equivalent of (a) the benefit provided on his behalf under Section 4.6(C)(1) below as of such given date plus (b) the benefit provided on his behalf under Section 4.6(C)(2)(a) below as of the last day of the last Plan Year during which the Plan was top-heavy less (c) the amount of the benefit provided on his behalf under Section 4.6(C)(2)(b) below as of such given date.

(C) Minimum Benefit If Plan Becomes Top-Heavy: In the event that the service of a Participant, who is not a Key Employee, is terminated on or after his Initial Vesting Date for any reason, the retirement income payable to the Participant under the provisions of Section 2.1, 2.2, 2.3 or 2.4(A) hereof or, if the service of the Participant is terminated by reason of his death, the retirement income which he has accrued as of the date of his death that is used to determine the benefit payable on his behalf under the provisions of Section

2.4(B) hereof, whichever is applicable, shall not be less than that amount ofretirement income which is actuarially equivalent (based upon the interest and mortality assumptions that are being used under the Plan as of the date of his retirement or termination of service to determine actuarially equivalent non-decreasing annuities) to an amount equal to:

(1) 100% ofthe portion ofhis Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date that he has accrued as of the date of his retirement or termination of service that is attributable to his own contributions, if any;

plus

(2) the excess, if any, of:

(a) a monthly retirement income payable to the Participant for life (with no ancillary benefits) commencing at his Nonnal Retirement Date in an amount equal to (i) 2% ofhis "IRC 416 Final Average Monthly Compensation" multiplied by (ii) his number of years of Vesting Service, not in excess of 10 years, that were accrued during those Plan Years in which the Plan was top-heavy, with the resulting product of (i) and (ii) multiplied by (iii) his Vested Percentage at the date of his retirement or termination of service; provided, however, if the Participant retires after his Normal Retirement Date, the amount ofthe monthly retirement income determined under this Subparagraph (a) shall not be less than the actuarial equivalent of the monthly retirement income determined in accordance with this subparagraph that would have been payable to the Participant if he had retired on his Normal Retirement Date;

over

(b) the monthly retirement income payable to the Participant for life (with no ancillary benefits) commencing at his Normal Retirement Date in an amount equal to the sum of:

(i) such amount of income, if any, that he has a nonforfeitable right to receive and that is attributable to employer contributions and is payable to the Participant under the other defined benefit plans, if any, which are included in the Aggregation Group;

plus

(ii) such amount of income that can be provided on an actuarially equivalent basis (based upon the interest and mortality assumptions that are being used under the Plan as of the date of his retirement or termination of service to determine actuarially equivalent non-decreasing annuities) by the amounts, if any, that he has a nonforfeitable right to receive and that are attributable to employer contributions and forfeitures that are credited to his account under the defined contribution plans, if any, included in the Aggregation Group;

provided, however, if the Aggregation Group includes one or more defined contribution plans and if, with respect to each Plan Year that the Plan is top-heavy, the Participant has received an allocation of employer contributions and forfeitures to his account under such defined contribution plan or plans which is equal to or greater than 5% of the IRC 415 Compensation that he received during such Plan Year from the employers maintaining plans included in the Aggregation Group, the minimum benefit described above in this Section 4.6(C) shall not apply to such Participant. For purposes of Section 4.6(C)(2)(a) above, a Participant's service with a Controlled Group Member which occurs during a Plan Year in which the Plan does not benefit (within the meaning of Section 41O(b) of the Internal Revenue Code) any Key Employee or former Key Employee shall be ignored or excluded in determining such Participant's Vesting Service.

For the purposes of this Section 4.6(C), subject to the limitations of Section 401(a)(17) of the Internal Revenue Code, a Participant's "IRC 416 Final Average Monthly Compensation" shall be equal to his average monthly rate of IRC 415 Compensation for the five consecutive calendar years, which are prior to the January 1st immediately following (i) the date of the Participant's retirement or termination of service or (ii) the close of the last Plan Year in which the Plan is top-heavy, whichever is earlier, during which he received the highest aggregate IRC 415 Compensation. Such average monthly rate will be determined by dividing the total of such IRC 415 Compensation that he received during such five-consecutive-calendar year period from the employers maintaining plans included in the Aggregation Group by the product equal to 12 times the number of years of Vesting Service which he accrued during such five-calendar-year period. In the event that the Participant does not receive both IRC 415 Compensation and Vesting Service during a calendar year or calendar years, such calendar year or calendar years during which he did not receive both IRC 415 Compensation and Vesting Service shall be ignored and excluded in determining the five consecutive calendar years during which he received the highest aggregate IRC 415 Compensation.

4.7 TRANSFERS

Notwithstanding any provision in this Plan to the contrary, assets held by the Trust may be transferred between the Trust and any other trust which is exempt from tax under Section 501(a) of the Internal Revenue Code and which is used in connection with a plan that complies with the qualification requirements of Section 401(a) of the Internal Revenue Code, provided that proper notice is given to the Internal Revenue Service as may be required. The Committee shall determine whether to allow any such transfer and shall inform the Trustee of the determination made by the Committee regarding any such transfer and direct the Trustee accordingly. If any assets are transferred from the Trust on behalf of Participants pursuant to a direction described in this section, the assets transferred shall be determined based upon the requirements of Section 414(1) of the Internal Revenue Code and the accrued benefits of those Participants under the Plan shall be reduced to zero. In the event of a transfer received by the Trust, the Committee shall take all necessary steps to ensure that any optional form of benefit applicable to the assets subject to such a transfer remain applicable to the transferred assets after the transfer pursuant to the requirements of Section 41l(d)(6) of the Internal Revenue Code and Section 1.411(d)-4 of the Treasury Regulations. Any transfer made pursuant to the provisions of this section shall be made in a manner consistent with the requirements of Sections 401(a)(12) and 414(1) of the Internal Revenue Code, Section 208 of the Employee Retirement Income Security Act of 1974, as amended, and the regulations thereunder. Any transfer of assets or liabilities will, for purposes of Section 414(1) of the Internal Revenue Code, be considered as a combination of separate mergers and spinoffs using the rules of Section 1.414(1)-1 of the Treasury Regulations.

4.8 - MINIMUM DISTRIBUTION REQUIREMENTS

(A) General Rules:

(1) Effective Date: The provisions ofthis Section 4.8 will apply for purposes of determining required minimum distributions for calendar years beginning with the 2003 calendar year.

(2) Precedence: The requirements of this Section 4.8 will take precedence over any inconsistent provisions of the Plan.

(3) Requirements ofTreasury Regulations Incorporated: All distributions required under this Section 4.8 will be determined and made in accordance with Sections 1.40l(a)(9)-l through 1.401(a)(9)-9 ofthe Treasury regulations under Section 401(a)(9) of the Internal Revenue Code, including the incidental death benefit requirement in Code Section 401(a)(9)(G), and the Income Tax Regulations thereunder.

(B) Time and Manner of Distribution:

(1) Reguired Beginning Date: The Participant's entire interest will be distributed, or begin to be distributed, to the Participant no later than the Participant's Required Beginning Date.

(2) Death of Participant Before Distributions Begin: If the Participant dies before distributions begin, the Participant's entire interest will be distributed, or begin to be distributed, no later than as follows:

(a) If the Participant's surviving spouse is the Participant's sole designated Beneficiary, then distributions to the surviving spouse will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died, or by December 31 of the calendar year in which the Participant would have attained age 7012, iflater.

(b) If the Participant's surviving spouse is not the Participant's sole designated Beneficiary as of September 30 of the year following the year of the Participant's death, then distributions to the designated Beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died.

(c) Ifthere is no designated Beneficiary *as* of September 30 ofthe year following the year of the Participant's death, the Participant's entire interest will be distributed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(d) If the Participant's surviving spouse is the Participant's sole designated Beneficiary as of September 30 of the year following the year of the Participant's death, and the surviving spouse dies after the Participant but before distributions to the surviving spouse begin, this Section 4.8(B)(2), other than Section 4.8(B)(2)(a), will apply as if the surviving spouse were the Participant.

For purposes of this Section 4.8(8)(2) and Section 4.8(E), distributions are considered to begin on the Participant's Required Beginning Date (or, if Section 4.8(8)(2)(d) applies, the date distributions are required to begin to the surviving spouse under Section 4.8(B)(2)(a)). If annuity payments irrevocably commence to the Participant before the Participant's Required Beginning Date (or to the Participant's surviving spouse before the date distributions are required to begin to the surviving spouse under Section 4.8(B)(2)(a)), the date distributions are considered to begin is the date distributions actually commence. Any amount payable to the surviving child of the Participant in accordance with the requirements of Q&A-15 of Section 1.401 (a)(9)-6 of the Treasury regulations shall be treated for purposes of this Section 4.8 as if it had been paid to such Participant's surviving spouse to the extent such amount that is payable to the child will become payable to the Participant's surviving spouse upon such child reaching majority (or upon the occurrence of such other event specified in Q&A-15 of Section 1.401(a)(9)-6 of the Treasury regulations or otherwise specified in IRS guidance under Section 401(a)(9) of the Internal Revenue Code.)

(3) Form of Distribution: Unless the Participant's interest is distributed in the form of an annuity purchased from an insurance company or in a single sum on or before the Required Beginning Date, as of the first distribution calendar year distributions will be made in accordance with Sections 4.8(C), (D), and (E) hereof. If the Participant's interest is distributed in the form of an annuity purchased from an insurance company, distributions thereunder will be made in accordance with the requirements of Section 401(a)(9) of the Internal Revenue Code and the Treasury regulations. Any part of the Participant's interest which is in the form of an individual account described in Section 414(k) ofthe Internal Revenue Code will be distributed in a manner satisfying the requirements of Section 401 (a)(9) of the Internal Revenue Code and the Treasury regulations that apply to individual accounts.

(4) Change in Annuity Payment Period: Once payments have commenced over a period, the period may only be changed in accordance with Q&A-13 of Section 1.40l(a)(9)-6 ofthe Treasury regulations under the following circumstances, or as may be expressly permitted in other IRS guidance under Section 401(a)(9) of the Internal Revenue Code, if permitted under applicable provisions of the Plan:

(a) at the time the Participant retires or in connection with termination of the Plan;

(b) where distribution prior to the change is being made in the form of a period-certain-only annuity without life contingencies; or

(c) where the annuity payments after the change are paid under a Qualified Joint and Survivor Annuity over the joint lives of the Participant and a designated beneficiary, the Participant's spouse is the sole designated beneficiary, and the change occurs in connection with the Participant becoming married to such spouse.

(C) Determination of Amount to be Distributed Each Year:

(1) General Annuity Requirements: If the Pm1icipant's interest is paid in the form of annuity distributions under the Plan, payments under the annuity will satisfy the following requirements:

(a) the annuity distributions will be paid in periodic payments made at intervals not longer than one year;

(b) the distribution period will be over a life (or lives) or over a period certain not longer than the period described in Section 4.8(D) or (E) below;

(c) once payments have begun over a period certain, the period certain will not be changed even if the period certain is shorter than the maximum permitted; and

(d) payments will either be nonincreasing or increase only as follows:

(i) by an annual percentage increase that does not exceed the annual percentage increase in an eligible cost-of-living index, as defined in Q&A-14(b) of Section 1.401(a)(9)-6 ofthe Treasury regulations, for a 12-month period ending in the year during which the increase occurs or the prior year, that is based on prices of all items and issued by the Bureau of Labor Statistics;

(ii) by a percentage increase that occurs at specified times, such as at specified ages, and does not exceed the cumulative total of annual percentage increases in an eligible cost-of-living index as defined in clause (i) above since the annuity starting date or, if later, the date of the most recent percentage increase, provided that in cases providing such a cumulative increase an actuarial increase may not be provided to reflect the fact that increases were not provided in the interim years;

(iii) to the extent ofthe reduction in the amount of the Participant's payments to provide for a survivor benefit upon death, but only if the Beneficiary whose life was being used to determine the distribution period described in Section 4.8(D) dies or is no longer the Participant's Beneficiary pursuant to a qualified domestic relations order within the meaning of Section 414(p) of the Internal Revenue Code;

(iv) to pay increased benefits that result from a Plan amendment;

(v) to allow a beneficiary to convert the survivor portion of a joint and survivor annuity into a single-sum distribution upon the employee's death; or

(vi) to the extent increases are permitted in accordance with paragraph (c) or (d) ofQ&A-14 of Section 1.401(a)(9)-6 ofthe Treasury regulations.

(2) Amount Required to be Distributed by Required Beginning Date: The amount that must be distributed on or before the Participant's Required Beginning Date (or, if the Participant dies before distributions begin, the date distributions are required to begin under Section 4.8(B)(2)(a) or (b)) is the payment that is required for one payment interval. The second payment need not be made until the end of the next payment interval even if that payment interval ends in the next calendar year. Payment intervals are the periods for which payments are received, e.g., bi-monthly, monthly, semi-annually, or annually. All of the Participant's benefit accruals as of the last day of the first distribution calendar year will be included in the calculation of the amount of the annuity payments for payment intervals ending on or after the Participant's Required Beginning Date.

(3) Additional Accruals After First Distribution Calendar Year: Any additional benefits accruing to the Participant in a calendar year after the first distribution calendar year will be distributed beginning with the first payment interval ending in the calendar year immediately following the calendar year in which such amount accrues.

(D) Requirements for Annuity Distributions That Commence During Participant's Lifetime:

(1) Joint Life Annuities Where the Beneficiary Is Not the Participant's Spouse: Ifthe Participant's interest is being distributed in the form ofajoint and survivor arumity for the joint lives of the Participant and a nonspouse Beneficiary, annuity payments to be made on or after the Participant's Required Beginning Date to the designated Beneficiary after the Participant's death shall not at any time exceed the applicable percentage of the arulUity payment for such period that would have been payable to the Participant using the table set forth in Q&A-2 of Section 1.401 (a)(9)-6 of the Treasury regulations. If the fonn of distribution combines a joint and survivor annuity for the joint lives of the Participant and a nonspouse Beneficiary and a period certain annuity, the requirement in the preceding sentence will apply to annuity payments to be made to the designated Beneficiary after the expiration of the period certain.

(2) Period Certain Annuities: Unless the Participant's spouse is the sole designated Beneficiary and the form of distribution is a period certain and no life annuity, the period certain for an annuity distribution commencing during the Participant's lifetime shall not exceed the applicable distribution period for the Participant under the Uniform Lifetime Table set forth in Section 1.40l(a)(9)-9 of the Treasury regulations for the calendar year that contains the Annuity Starting Date. If the Annuity Starting Date precedes the year in which the Participant reaches age 70, the applicable distribution period for the Participant is the distribution period for age 70 under the Uniform Lifetime Table set forth in Section 1.40 I (a)(9)-9 of the Treasury regulations plus the excess of 70 over the age of the Participant as of the Participant's birthday in the year that contains the Annuity Starting Date. If the Participant's spouse is the Participant's sole designated Beneficiary and the form of distribution is a period certain and no life annuity, the period certain may not exceed the longer of the Participant's applicable distribution period, as determined under this Section 4.8(D)(2), or the joint life and last survivor expectancy of the Participant and the Participant's spouse as determined under the Joint and Last Survivor Table set forth in Section 1.401 (a)(9)-9 of the Treasury regulations, using the Participant's and spouse's attained ages as of the Participant's and spouse's birthdays in the calendar year that contains the Annuity Starting Date.

(E) Requirements for Minimum Distributions Where Participant Dies Before Date Distributions Begin:

(1) Participant Survived by Designated Beneficiary: If the Participant dies before the date distribution of his or her interest begins and there is a designated Beneficiary, the Participant's entire interest will be distributed, beginning no later than the time described in Section 4.8(B)(2), over the life of the designated Beneficiary or over a period certain not exceeding:

(a) unless the Annuity Starting Date is before the first distribution calendar year, the life expectancy of the designated Beneficiary determined using the Beneficiary's age as of the Beneficiary's birthday in the calendar year immediately following the calendar year of the Participant's death; or

(b) if the Annuity Starting Date is before the first distribution calendar year, the life expectancy of the designated Beneficiary determined using the Beneficiary's age as of the Beneficiary's birthday in the calendar year that contains the Annuity Starting Date.

(2) No Designated Beneficiary: If the Participant dies before the date distributions begin and there is no designated Beneficiary as of September 30 of the year following the year of the Participant's death, distribution of the Participant's entire interest will be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(3) Death of Surviving Spouse Before Distributions to Surviving Spouse Begin: If the Participant dies before the date distribution of his or her interest begins, the Participant's surviving spouse is the Participant's sole designated Beneficiary, and the surviving spouse dies before distributions to the surviving spouse begin, this Section 4.8(E) will apply as if the surviving spouse were the Participant, except that the time by which distributions must begin will be determined without regard to Section 4.8(B)(2)(a).

(F) Definitions:

(1) Designated Beneficiary: The individual who is designated as the Beneficiary under Section 5.2 or 5.3 of the Plan and is the designated beneficiary under Section 40J(a)(9) ofthe Internal Revenue Code and Section 1.401(a)(9)-4, Q&A-1, ofthe Treasury regulations.

(2) Distribution calendar year: A calendar year for which a minimum distribution is required. For distributions beginning before the Participant's death, the first distribution calendar year is the calendar year immediately preceding the calendar year which contains the Participant's Required Beginning Date. For distributions beginning after the Participant's death, the first distribution calendar year is the calendar year in which distributions are required to begin pursuant to Section 4.8(B)(2).

(3) Life expectancy: Life expectancy as computed by use of the Single Life Table in Section 1.401(a)(9)-9 ofthe Treasury regulations.

(4) Required Beginning Date: The date specified in Section 1 .1(A) of the Plan.

4.9 - FUNDING-BASED LIMITATIONS

Notwithstanding any provision of the Plan to the contrary, effective for Plan Years beginning after December 31, 2007, the Plan shall apply the following funding-based limitations. Such limitations shall be based on the Plan's adjusted funding target attainment percentage as certified by the Plan's enrolled actuary except to the extent the presumptions under section 436(h) of the Code shall apply.

(A) Shutdown and Other Unpredictable Contingent Events.

(I) In General. If a Participant is otherwise entitled to an unpredictable contingent event benefit payable with respect to any event occurring during any Plan Year. such benefit shall not be provided if the adjusted funding target attainment percentage (as defined in section 430(d)(2) of the Code) for such Plan Year:

(a) is less than 60 percent, or

(b) would be less than 60 percent taking into account such occurrence.

(2) Exemption. The limitation in (1) above shall cease to apply with respect to any Plan Year, effective as of the first day of the Plan Year, upon payment by the Employer of a contribution (in addition to any minimum required contribution under section 430 ofthe Code) equal to:

(a) in the case of paragraph (l)(a), the amount of the increase in the funding target of the Plan (under section 430 of the Code) for the Plan Year attributable to the occurrence referred to in paragraph (1), and

(b) in the case of paragraph (1)(b), the amount sufficient to result in an adjusted funding target attainment percentage of 60 percent.

(3) Unpredictable Contingent Event Benefit. For purposes of this subsection, the term "unpredictable contingent event benefit" means any benefit payable solely by reason of:

(a) a plant shutdown (or similar event, as determined by the Secretary), or

(b) an event other than the attainment of any age, performance of any service, receipt or derivation of any compensation, or occurrence of death or disability.

(B) Limitations On Plan Amendments Increasing Liability For Benefits.

(1) In General. No amendment which has the effect of increasing liabilities of the Plan by reason of increases in benefits, establishment of new benefits, changing the rate of benefit accrual, or changing the rate at which benefits become nonforfeitable may take effect during any Plan Year if the adjusted funding target attainment percentage for such Plan Year is:

(a) less than 80 percent, or

(b) would be less than 80 percent taking into account such amendment.

(2) Exemption. Paragraph (1) above shall cease to apply with respect to any Plan Year, effective as of the first day ofthe Plan Year (or iflater, the effective date of the amendment), upon payment by the Employer of a contribution (in addition to any minimum required contribution under section 430 of the Code) equal to:

(a) in the case of paragraph (l)(a), the amount of the increase in the funding target of the Plan (under section 430 of the Code) for the Plan Year attributable to the amendment, and

(b) in the case of paragraph (I)(b), the amount sufficient to result in an adjusted funding target attainment percentage of 80 percent, taking into account such amendment.

(3) Exception For Certain Benefit Increases. Paragraph (1) above shaH not apply to any amendment which provides for an increase in benefits under a formula which is not based on a Participant's Compensation, but only if the rate of such increase is not in excess of the contemporaneous rate of increase in average wages of Participants covered by the amendment.

(4) Exception For Required Changes to the Vesting Schedule. Paragraph (1) above shall not apply to any amendment which provides for a mandatory acceleration of the vesting of benefits to the extend necessary to enable the Plan to continue to satisfy the requirements for qualified plans under the Code and ERJSA.

(C) Limitations On Accelerated Benefit Distributions.

(l) Funding Percentage Less Than Sixty Percent (60%). In any case in which the Plan's adjusted funding target attainment percentage for a Plan Year is less than 60 percent, the Plan may not pay any prohibited payment after the valuation date for the Plan Year.

(2) Bankruptcy. During any period in which the Plan sponsor is a debtor in a case under title 11, United States Code, or similar Federal or State law, the Plan may not pay any prohibited payment. The preceding sentence shall not apply on or after the date on which the enrolled actuary of the Plan certifies that the adjusted funding target attainment percentage of the Plan is not less than 100 percent.

(3) Limited Payment If Percentage At Least Sixty Percent {60%) But Less l11an Eighty Percent (80%).

(a) In General. In any case in which the Plan's adjusted funding target attainment percentage for a Plan Year is 60 percent or greater but less than 80 percent, the Plan may not pay any prohibited payment after the valuation date for the Plan Year to the extent the amount of the payment exceeds the lesser of:

(i) fifty percent (50%) of the amount of the payment which could be made without regard to this section, or

(ii) the present value (determined under guidance prescribed by the Pension Benefit Guaranty Corporation, using the interest and mortality assumptions under section 417(e) of the Code) of the maximum guarantee with respect to the Participant under section 4022 of the Employee Retirement Income Security Act of 1974.

(b) One-Time Application.

(i) In General. Only one prohibited payment meeting the requirements of subparagraph (a) may be made with respect to any Participant during any period of consecutive Plan Years to which the limitations under either paragraph (I) or (2) above or this paragraph (3) applies.

(ii) Treatment of Beneficiaries. For purposes ofthis subparagraph (C)(3)(b), a Participant and any beneficiary on his behalf (including an alternate payee, as defined in section 414(p)(8) of the Code) shall be treated as one Participant. If the accrued benefit of a Participant is allocated to such an alternate payee and one or more other persons, the amount under subparagraph (C)(3)(a) shall be allocated among such persons in the same manner as the accrued benefit is allocated unless the qualified domestic relations order (as defined in section 414(p)(l)(A) ofthe Code) provides otherwise.

(4) Exception. This subsection (C) shall not apply to any Plan for any Plan Year if the terms of such Plan (as in effect for the period beginning on September 1, 2005, and ending with such Plan Year) provide for no benefit accruals with respect to any Participant during such period.

(5) Prohibited Payment. For purposes of this subsection, the term "prohibited payment" means:

(a) any payment, in excess of the monthly amount paid under a single life annuity (plus any social security supplements described in the last sentence of section 4ll(a)(9) ofthe Code), to a Participant or beneficiary whose annuity starting date (as defined in section 417(f)(2) ofthe Code) occurs during any period a limitation under paragraph (1) or (2) is in effect,

(b) any payment for the purchase of an irrevocable commitment from an insurer to pay benefits, and

(c) any other payment specified by Income Tax Regulations issued by the Secretary of the Treasury.

The term "prohibited payment' shall not include the payment of a benefit which under section 41l(a)(ll) of the Code may be immediately distributed without the consent of the Participant. In the case of a beneficiary that is not an individual, the amount that is a prohibited payment is determined by substituting for the amount in paragraph (5)(a) above the monthly amount payable in installments over 240 months that is actuarially equivalent to the benefit payable to the beneficiary.

(6) Bifurcation If Option Unavailable. If an optional form of payment is unavailable due to the limitation under this Section 4.9(C), then the Participant shall have the option to elect to:

(a) defer both the election of form of payment and the commencement of any payment of benefits (subject to the usual qualification requirements applicable to the timing of benefit payments under the Plan, including, but not limited to, those under sections 4ll(a)(ll) and 401(a)(9) of the Code),

(b) commence payment of the entire portion of the benefit in any optional form of payment under the Plan that is not a prohibited payment, or

(c) for purposes of the limitation under Section 4.9(C)(3), bifurcate the payment and receive the restricted portion of the benefit under any form of payment available under the Plan in a form that is not a prohibited payment and the unrestricted portion of the benefit in the form of payment which is prohibited.

(D) Limitation On Benefit Accruals For Plans With Severe Funding Shortfalls.

(1) In General. In any case in which the Plan's adjusted funding target attainment percentage for a Plan Year is less than 60 percent, benefit accruals under the Plan shall cease as of the valuation date for the Plan Year.

Effective for a Plan Year beginning during the period beginning on October 1, 2008 and ending on September 30, 2009, this paragraph (1) shall be applied by substituting the adjusted funding target attainment percentage for the preceding Plan Year for such percentage for such Plan Year but only if the adjusted funding target attainment percentage for the preceding Plan Year is greater.

(2) Exemption. Paragraph (1) above shall cease to apply with respect to any Plan Year, effective as of the first day of the Plan Year, upon payment by the Plan Sponsor of a contribution (in addition to any minimum required contribution under section 430 ofthe Code) equal to the amount sufficient to result in an adjusted funding target attainment percentage of 60 percent.

(E) Contributions To Avoid Benefit Limitations. In addition to the contributions made under subsections (A)(2), (B)(2) and (D)(2), to the extent permitted under section 436(f) of the Code, contributions may be made or security may be provided to avoid the limitations described in this Section 4.9.

(F) Treatment of Plan as of Close of Prohibited or Cessation Period. The following provisions apply for purposes of applying this Section 4.9.

(1) Operation of the Plan after Period. Payments and accruals will resume effective as of the day following the close of the period for which any required limitation of payment or accrual ofbenefits under this Section 4.9 applies. In addition, accruals for the period during which the limitations under this Section 4.9 applied shall be restored effective as of the day following the close of the period for which any required limitation applied. Participants whose payment of benefits were restricted shall have the opportunity to make a new election.

(2) Treatment of Affected Benefits. Nothing in this subsection shall be construed as affecting the Plan's treatment of benefits which would have been paid or accrued except as provided under this Section 4.9.

(G) Definitions. The following words shall have the following meanings for purposes of this Section 4.9.

(1) Funding Target Attainment Percentage. The term "funding target attainment percentage" has the same meaning given such term by section 430(d)(2) ofthe Code.

(2) Adjusted Funding Target Attainment Percentage. The term "adjusted funding target attainment percentage" means the funding target attainment percentage which is determined under paragraph (1) by increasing each of the amounts under subparagraphs (A) and (B) of section 430(d)(2) of the Code by the aggregate amount of purchases of annuities for employees other than highly compensated employees (as defined in section 414(q) of the Code) which were made by the Plan during the preceding two Plan Years.

(3) Application To Plans Which Are Fully Funded Without Regard To Reductions For Funding Balances.

(a) In General. ln the case of a Plan for any Plan Year, if the funding target attainment percentage is 1 00 percent or more (determined without regard to the reduction in the value of assets under section 430(£)(4) of the Code), the funding target attainment percentage for purposes of Plan Sections 4.9(G)(1) and (2) shall be determined without regard to such reduction.

(b) Transition Rule. Subparagraph (a) shall be applied to Plan Years beginning after 2007 and before 2011 by substituting for "100 percent" the applicable percentage determined in accordance with the following table:

Plan Year	Applicable Percentage
2008	92%
2009	94%
2010	96%

(c) Limitation. Subparagraph (b) shall not apply with respect to any Plan Year beginning after 2008 unless the funding target attainment percentage (determined without regard to the reduction in the value of assets under section 430(£)(4) ofthe Code) of the Plan for each preceding Plan Year after 2007 was not less than the applicable percentage with respect to such preceding Plan Year determined under subparagraph (b).

(4) Special Rule For 2008. For purposes of this section, in the case of Plan Years beginning in 2008, the funding target attainment percentage and the adjusted funding target attainment percentage for the preceding Plan Year may be determined using such methods of estimation as the Secretary may provide. To the extent the Plan's enrolled actuary has not certified timely the adjusted funding target attainment percentage using such methods, the benefit restrictions described in Sections 4.9(A) and (B) shall be applicable as of April I, 2008 and the benefit restrictions described in Sections 4.9(C) and (D) shall be applicable as of July 1, 2008.

(H) This Section 4.9 is intended to comply with Section 436 of the Code and the regulations and guidance issued thereunder, and shall, to the extent practicable, be construed in accordance therewith and, effective April I, 2010 shall be interpreted in a manner that is consistent with Treasury Regulation section 1.436-1, the terms of which are incorporated herein by reference. The Plan Sponsor reserves the right to amend the provisions of this Section 4.9 to the extent necessary to comply with subsequent guidance issued by the Internal Revenue Service regarding the applicable requirements of Section 436 of the Internal Revenue Code.

SECTION 5

MISCELLANEOUS PROVISIONS REGARDING PARTICIPANTS

5.1 - PARTICIPANTS TO FURNISH REQUIR ED INFORMATION

Each Participant, his spouse and his Beneficiaries and joint pensioners will furnish to the Committee such information as the Committee considers necessary or desirable for purposes of administering the Plan, and the provisions of the Plan respecting any payments thereunder are conditional upon the Participant's, Beneficiary's or joint pensioner's furnishing promptly such true, full and complete information as the Committee may request.

Each Participant will submit proof of his age and marital status and proof of the age and continued life of each Beneficiary and joint pensioner designated or selected by him to the Committee at such time as required by the Committee. The Committee will, if such proof of age, marital status or continued life is not submitted as required, use as conclusive evidence thereof, such information as is deemed by it to be reliable, regardless of the source of such information. Any adjustment required by reason of lack of proof or the misstatement ofthe age of persons entitled to benefits hereunder, by the Participant or otherwise, will be in such manner as the Committee deems equitable.

Any notice or information which, according to the terms of the Plan or the rules of the Committee, must be filed with the Committee, shall be deemed so filed at the time that it is actually received by the Committee.

The Employer, the Committee, and any person or persons involved in the administration of the Plan shall be entitled to rely upon any certification, statement, or representation made or evidence furnished by an employee, Participant, Beneficiary or joint pensioner with respect to his age or other facts required to be determined under any of the provisions of the Plan and shall not be liable on account of the payment of any monies or the doing of any act or failure to act in reliance thereon. Any such certification, statement, representation or evidence, upon being duly made or furnished, shall be conclusively binding upon the person furnishing same; but it shall not be binding upon the Employer, the Committee, or any other person or persons involved in the administration of the Plan, and nothing herein contained shall be constmed to prevent any of such parties from contesting any such certification, statement, representation or evidence or to relieve the Employee, Participant, Beneficiary or joint pensioner from the duty of submitting satisfactory proof of any such fact.

Any Participant, Beneficiary, joint pensioner or other person who receives an incorrect payment from the Trust Fund (whether an erroneous benefit amount, a payment made after a Participant's death or other reason) shall be responsible to notify the Committee or the Trustee of such receipt of incorrect payment and to promptly return such payment to the Trustee.

5.2 - BENEFICIARIES

Subject to the provisions of the following paragraphs of this section, each Participant may, on a form provided for that purpose, signed and filed with the Committee, designate a Beneficiary to receive the benefit, if any, which may be payable to his Beneficiary under the Plan in the event of his death, and each designation may be revoked by such Participant by signing and filing with the Committee a new designation of Beneficiary form.

If a deceased Participant, who has been married to his spouse tluoughout the one-year period immediately preceding his death, has designated a person other than his spouse as his Beneficiary and such spouse has not validly consented in accordance with the provisions of Sections 4.1 (D) and 4.1(E) hereof to such other person being designated as the Beneficiary, the provisions of Section 4.1(D) hereof, relating to the Qualified Preretirement Survivor Annuity payable to his surviving spouse, will apply in the event ofhis death on or after his Initial Vesting Date, and the Participant will automatically be deemed to have changed his designation of Beneficiary to the extent necessary to comply with the provisions of Section 4.1 (D).

If a deceased Participant who had a spouse at the date of his death failed to designate a Beneficiary in accordance with the provisions of this section, he shall be deemed to have designated his spouse as his Beneficiary. If a deceased Participant who had no spouse at the date of his death failed to designate a Beneficiary in accordance with the provisions of this section, or if such a deceased Participant had previously designated a Beneficiary but no designated Beneficiary is surviving at the date of his death, the death benefit, if any, that may be payable under the Plan with respect to such deceased Participant shall be paid to the estate of such deceased Participant. In any of such cases, if the commuted value of the remaining monthly income payments is equal to or less than the maximum amount that is permissible as an involuntary cash-out of accrued benefits under Sections 4ll(a)(ll) and 417(e) ofthe Internal Revenue Code and regulations issued with respect thereto, the commuted value of the remaining payments shall, subject to the provisions of Section 3.2 hereof, be paid in a lump sum. Any payment made to any person pursuant to the provisions of this Section 5.2 shall operate as a complete discharge of all obligations under the Plan with respect to such deceased Participant and shall not be subject to review by anyone but shall be final, binding and conclusive on all persons ever interested hereunder.

5.3 - CONTINGENT BENEFICIARIES

In the event of the death of a Beneficiary who survives the Participant and who, at the Beneficiary's death, is receiving benefits pursuant to the provisions of the Plan within any certain period specified under the Plan with respect to which death benefits are payable under the Plan after the Participant's death, the same amount of monthly retirement income that the Beneficiary was receiving shall be payable for the remainder of such specified certain period to a person designated by the Participant (in the manner provided in Section 5.2) to receive the remaining death benefits, if any, payable in the event of such contingency or, if no person was so named, then to a person designated by the Beneficiary (in the manner provided in Section 5.2) of the deceased Participant to receive the remaining death benefits, if any, payable in the event of such contingency; provided, however, that if no person so designated is living upon the occurrence of such contingency, or if there has been no such designation, then the remaining death benefits, if any, shall be payable for the remainder of such specified certain period to the estate of such deceased Beneficiary, or the Committee may elect to have a court of applicable jurisdiction determine to whom a payment or payments shall be paid. In any of such cases, if the commuted value of the monthly income payments due for the remainder ofthe specified certain period is equal to or less than the maximum amount that is permissible as an involuntary cash-out of accrued benefits under Sections 41l(a)(ll) and 417(e) ofthe Internal Revenue Code and regulations issued with respect thereto, the commuted value of the remaining payments shall, subject to the provisions of Section 3.2 hereof, be paid in a lump sum. Any payments made to any person pursuant to the provisions of this Section 5.3 shall operate as a complete discharge of all obligations under the Plan with respect to such deceased Beneficiary and shall not be subject to review by anyone but shall be final, binding and conclusive on all persons ever interested hereunder.

5.4 - PARTICIPANTS' RIGHTS IN TRUST FUND

No Participant or other person shall have any interest in or any right in, to or under the Trust Fund, or any part of the assets held thereunder, except as to the extent expressly provided in the Plan.

5.5 - BENEFITS NOT ASSIGNABLE

Except to the extent required to comply with a qualified domestic relations order as described in Sections 40l(a)(l3) and 414(p) ofthe Internal Revenue Code, no benefits, rights or accounts shall exist under the Plan which are subject in any manner to voluntary or involuntary anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt so to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge the same shall be null and void; nor shall any such benefit, right or account under the Plan be in any manner liable for or subject to the debts, contracts, liabilities, engagements, torts or other obligations of the person entitled to such benefit, right or account; nor shall any benefit, right or account under the Plan constitute an asset in case of the bankruptcy, receivership or divorce of any person entitled to a benefit under the Plan; and any such benefit, right or account under the Plan shall be payable only directly to the Participant or Beneficiary, as the case may be. Where a qualified domestic relations order has been received by the Committee, the terms and benefits of the Plan will be considered to have been modified with respect to the Participant affected to the extent that such order requires benefits to be paid to specified individuals other than the Participant.

5.6 - BENEFITS PAYABLE TO MINORS AND INCOMPETENTS

Whenever any person entitled to payments under the Plan shall be a minor or under other legal disability or in the sole judgment of the Committee shall otherwise be unable to apply such payments to his own best interest and advantage (as in the case of illness, whether mental or physical, or where the person not under legal disability is unable to preserve his estate for his own best interest), the Committee may in the exercise of its discretion direct all or any portion of such payments to be made in any one or more of the following ways unless claim shall have been made therefor by an existing and duly appointed guardian, tutor, conservator, committee or other duly appointed legal representative, in which event payment shall be made to such representative:

(A) directly to such person unless such person shall be an infant or shall have been legally adjudicated incompetent at the time of the payment;

(B) to the spouse, child, parent or other blood relative to be expended on behalf of the person entitled or on behalf of those dependents as to whom the person entitled has the duty of support; or

(C) to a recognized charity or governmental institution to be expended for the benefit of the person entitled or for the benefit of those dependents as to whom the person entitled has the duty of support.

The decision ofthe Committee will, in each case, be final and binding upon all persons, and the Committee shall not be obliged to see to the proper application or expenditure of any payments so made. Any payment made pursuant to the power herein conferred upon the Committee shall operate as a complete discharge of the obligations of the Trustee and of the Committee.

5.7 - CONDITIONS OF EMPLOYMENT NOT AFFECTED BY PLAN

The establishment and maintenance of the Plan will not be construed as conferring any legal rights upon any Participant to the continuation of his employment with the Employer, nor will the Plan interfere with the right of the Employer to discipline, lay off or discharge any Participant. The adoption and maintenance of the Plan shall not be deemed to constitute a contract between the Employer and any employee or to be a consideration for, inducement to, or condition of employment of any person.

5.8 - NOTIFICATION OF MAILING ADDRESS

Each Participant and other person entitled to benefits hereunder shall file with the Committee from time to time, in writing, his post office address and each change of post office address, and any check representing payment hereunder and any communication addressed to a Participant, a former Participant, a Beneficiary or a pensioner hereunder at his last address filed with the Committee (or, if no such address has been filed, then at his last address as indicated on the records of the Employer) shall be binding on such person for all purposes of the Plan, and neither the Committee nor the Trustee shall be obliged to search for or ascertain the location of any such person.

If the Committee, for any reason, is in doubt as to whether retirement income payments are being received by the person entitled thereto, it may, by registered mail addressed to such person and to such person's designated Beneficiary, if any, at their address last known to the Committee, notify such person and his Beneficiary that all unmailed and future retirement income payments shall be henceforth withheld until the Committee is provided with evidence of such person's continued life and his proper mailing address or with evidence of such person's death. In the event that (i) such notification is mailed to such person and his designated Beneficiary, (ii) the Committee is not furnished with evidence of such person's continued life and proper mailing address or with evidence of his death within three years of the date such notification was mailed and (iii) the Committee is unable to find any person to whom payment is due under the provisions of the Plan within three years of the date such notification was mailed, all retirement income and other benefit payments due shall be forfeited at the end of such three-year period following the date such notification was mailed; provided, however, if claim for any forfeited benefit is subsequently made by any such person to whom payment is due under the Plan, such forfeited benefits due such person shall be reinstated.

Notwithstanding any provision of the Plan to the contrary, in the event that the Plan is terminated, the benefits of any missing participants shall be transferred to the Pension Benefit Guaranty Corporation in accordance with Section 4050 of the Employee Retirement Income Security Act of 1974, as amended.

5.9 - WRITTEN COMMUNICATIONS REQUIRED

Any notice, request, instruction, or other communication to be given or made hereunder shall be in writing and may be delivered to the addressee personally, may be delivered to the addressee by electronic delivery provided within the rules under the Code and ERISA as applicable, may be delivered to the addressee by a commercial delivery service at the last address for notice shown on the Committee's records, or may be deposited in the United States mail fully postpaid and properly addressed to such addressee at the last address for notice shown on the Committee's records.

5.10 - BENEFITS PAYABLE AT OFFICE OF TRUSTEE

All benefits hereunder, and installments thereof, shall be payable at the office of the Trustee.

5.11 - APPEAL TO COMMITTEE

A Participant or Beneficiary who feels he is being denied any benefit or right provided under the Plan must file a written claim with the Committee. AH such claims shall be submitted on a form provided by the Committee which shall be signed by the claimant and shall be considered filed on the date the claim is received by the Committee.

The Committee shall establish claims procedures in compliance with applicable law, and such claims procedures shall be set forth in the summary plan description for the Plan.

SECTION 6

MISCELLANEOUS PROVISIONS REGARDING THE EMPLOYER

6.1 - CONTRIBUTlONS

No contributions shall be required of or permitted to be made by any Participant. The Employer intends, but does not guarantee, to make annual contributions in amounts at least equal to the amounts, if any, required to meet the minimum funding requirements of Section 412 of the lnternal Revenue Code, as specified in the actuary's valuation reports for the applicable periods of time. Subject to applicable provisions of law, neither the Employer nor any of its officers, agents or employees, nor any member of its board of directors, nor any partner or sole proprietor, guarantees, in any manner the payment of benefits under the Plan.

6.2 - EMPLOYER'S CONTRIBUTIONS IRREVOCABLE

The Employer shall have no right, title or interest in the Trust Fund or in any part thereof, and no contributions made thereto shall revert to the Employer except such part of the Trust Fund, if any, that remains therein after the satisfaction of all liabilities to persons entitled to benefits under the Plan and except as provided in the following paragraph.

All contributions to the Plan are made subject to the qualification of the Plan under Section 401 of the Internal Revenue Code and to their deductibility under Section 404 of said Code. [n the event that (1) the Plan represents a newly established retirement plan (and not an amendment of an existing retirement plan) with respect to an Employer, (2) an application for the detetmination of the qualification ofthe Plan is made by the time prescribed by law for filing the Employer's return for the taxable year in which the Plan was adopted by such Employer, or by such later date as the Secretary of Treasury may prescribe, and (3) such qualification of the Plan is denied, the total contributions of the Employer, adjusted for any earnings or losses of the Trust Fund attributable thereto, shall be returned to the Employer within one year of the date of denial of qualification. In the event that a contribution either is made by a good faith mistake of fact or is disallowed as a tax deductible expense under Section 404 of the Internal Revenue Code, the excess of the amount contributed over either the amount that would have been contributed if there had not been such a mistake or the amount that is allowed as a tax deductible expense, as the case may be, with such excess reduced by tqe net losses, if any, of the Trust Fund attributable thereto (but without any increase due to the net earnings, if any, of the Trust Fund attributable thereto), shall be returned to the Employer within one year of the date ofthe mistaken payment or the disallowance of the deduction, as the case may be.

6.3 - FORFEITURES

Forfeitures shall not be used to increase the benefits that any Participant would otherwise receive under the Plan at any time prior to the termination of the Plan but shall be anticipated in determining the costs under the Plan.

6.4 - AMENDMENT OF PLAN

The Plan may be amended from time to time in any respect whatever by formal action on the part of the Sponsoring Employer in the malUler described in Section 6.7 hereof specifying such amendment, subject only to the following limitations:

(A) Under no condition shall such amendment result in or permit the return or repayment to any Employer of any property held or acquired by the Trustee hereunder or the proceeds thereof or result in or permit the distribution of any such property for the benefit of anyone other than the Participants and their Beneficiaries or joint pensioners, except to the extent provided in Section 6.2 hereof with respect to contributions that are returnable to the Employer because they are made by a mistake of fact or are disallowed as a tax deductible expense under Section 404 ofthe Internal Revenue Code or because the Plan is denied qualification under Section 401(a) of said Code and except to the extent provided by Section 4.5 and Section 6.6 hereof with respect to termination of the Plan and expenses of administration, respectively.

(B) Under no condition shall such amendment change the duties or responsibilities of the Trustee hereunder without its written consent.

(C) No amendment shall be effective to the extent it eliminates or reduces anyPlan benefits or rights that are protected under Section 41l(d)(6) ofthe Internal Revenue Code unless such protected benefits or rights are preserved with respect to benefits accrued to the date of such amendment or unless such reduction or elimination is otherwise permitted by the Internal Revenue Service.

(D) No amendment to the Plan (including a change in the actuarial basis for determining optional or early retirement benefits) shall be effective to the extent that it has the effect of decreasing a Participant's accrued benefit. For purposes of this paragraph, a Plan amendment that has the effect of (i) eliminating or reducing an early retirement benefit or a retirement-type subsidy, or (ii) eliminating an optional form of benefit, with respect to benefits attributable to service before the amendment shall be treated as reducing accrued benefits. In the case of a retirement-type subsidy, the preceding sentence shall apply only with respect to a Participant who satisfies (either before or after the amendment) the preamendment conditions for the subsidy. Notwithstanding the preceding sentences, a Participant's accrued benefit, early retirement benefit, retirement-type subsidy, or optional form of benefit may be reduced to the extent permitted under Code section 412(c)(8) (for Plan years beginning on or before December 31, 2007) or Code section 412(d)(2) (for plan years beginning after December 31, 2007), or to the extent permitted under sections 1.4ll(d)-3 and 1.4ll(d)-4 of the regulations.

Except to the extent permissible to comply with any laws or regulations of the United States or of any state to qualify this as a tax-exempt plan and trust, no amendment may be made that would result in a slower rate of vesting under the Plan for any Participant who has completed at least three years of Vesting Service as of the effective date of such amendment or, iflater, as of the date such amendment is adopted, unless such amendment provides that each such Participant may elect, during the period described below, to retain the rate of vesting in effect under the Plan prior to such amendment in lieu of the new rate of vesting. The period during which the election described in the preceding sentence may be made shall begin no later than the date the Plan amendment is adopted and shall end no earlier than 60 days after (i) the date the amendment is adopted, (ii) the effective date of such amendment or (iii) the date the Participant is notified in writing of the amendment by the Committee, whichever is the latest date to occur

Subject to the foregoing limitations, any amendment may be made retroactively which, in the judgment of the Committee, is necessary or advisable provided that such retroactive amendment does not deprive a Participant, without his consent, of a right to receive benefits hereunder which have already vested and matured in such Participant, except such modification or amendment as shall be necessary to comply with any laws or regulations of the United States or of any state to qualify this as a tax-exempt plan and trust.

The participation in the Plan of Employers other than the Sponsoring Employer shall not limit the power of the Sponsoring Employer under the foregoing provisions, and all amendments by the Sponsoring Employer to the Plan shall be binding upon all other Employers. The Sponsoring Employer, on behalf of an Employer, may modify the provisions of the Plan as it pertains only to such Employer's Employees by the adoption, by formal action on its part in the manner described in Section 6.7 hereof, of a Supplement to the Plan specifying such modifications that shall pertain only to such Employer's Employees. Any such Supplement to the Plan shall not affect the continued operation of the Plan with respect to any other Employers.

6.5 - TERMINATION OF PLAN

The Plan may be terminated by the Sponsoring Employer at any time by formal action, in the manner described in Section 6.7 hereof, specifying (a) that the Plan is being terminated and (b) the date as of which the termination is to be effective. In the event the Plan is to be terminated, the Sponsoring Employer shall notify the Committee and the Trustee of such termination.

The Plan or participation in the Plan may be terminated in the manner described above with respect to one or more, but less than all, of the Employers theretofore parties hereto and the Plan continued for the remaining Employer or Employers. The Plan or participation in the Plan shall automatically terminate as to a particular Employer only upon dissolution of such Employer or upon its liquidation, merger or consolidation without provisions being made by its successor, if any, for the continuation of the Plan.

In the event of the liquidation, dissolution, merger or consolidation of the Employer under such circumstances that there shall be a successor person, firm or corporation continuing and carrying on all or a substantial part of its business, such successor may be substituted for the Employer under the terms of the Plan by formal action on the pm1of such successor in the manner described in Section 6.7 hereof specifying its election to continue the Plan.

Any provisions herein to the contrary notwithstanding, in the event of termination of the Plan the following will apply:

(a) a disability retirement benefit shall not be payable on behalf of any Participant whose service is terminated on or after the date of termination of the Plan by reason of his total and permanent disability; and

(b) the death benefits provided under Sections 2.3(0), 2.4(A)(3) and 2.4(8) hereof (or under any Supplements hereto) shall not be payable on behalf of any Participant whose death occurs on or after the date of termination of the Plan; provided, however, if the death of the Participant occurs after the date of termination of the Plan and prior to (i) the date as of which an annuity is purchased on his behalf to provide the benefit to which he is entitled as a result of the termination of the Plan or (ii) the date as of which distribution is made on his behalf in some other manner as a result of the termination of the Plan, as the case may be, the amount required to provide the distribution to which he is entitled as a result of termination ofthe Plan shall, subject to the provisions hereof relating to the Qualified Preretirement Survivor Annuity, be used to provide a benefit to his Beneficiary; and provided further, however, the minimum qualified preretirement survivor annuity required under Section 417 of the Internal Revenue Code shall be provided on behalf of any such Participant who is married and whose death occurs prior to his Annuity Starting Date and on or after the date on which an annuity has been purchased to provide the benefit to which he is entitled as a result of termination of the Plan.

6.6 - EXPENSES OF ADMINISTRATION

The Employer may pay all expenses incurred in the establishment and administration of the Plan, including expenses and fees of the Trustee, but it shall not be obligated to do so, and any such expenses not so paid by the Employer shall be paid from the Trust Fund. The Trustee, upon direction from the Committee, shall reimburse the Employer for expenses properly and actually paid by the Employer on behalf of the Plan.

6.7 - FORMAL ACTION BY EMPLOYER

Any formal action herein permitted or required to be taken by an Employer shall be:

(a) if and when a partnership, by written instrument executed by one or more ofits general partners or by written instrument executed by a person or group of persons who has been authorized by written instrument executed by one or more general partners as having authority to take such action;

(b) if and when a proprietorship, by written instrument executed by the proprietor or by written instrument executed by a person or group of persons who has been authorized by written instrument executed by the proprietor as having authority to take such action;

(c) if and when a corporation, by resolution of its board of directors or other governing board, or by written instrument executed by a person or group of persons who has been authorized by resolution of its board of directors or other governing board as having authority to take such action; or

(d) if and when a joint venture, by formal action on the part of the joint venturers in the manner described above.

SECTION 7

ADMINISTRATION

7.1 - ADMINISTRATION BY COMMITTEE

The Plan will be administered by the Retirement Committee appointed by the Sponsoring Employer by formal action on its part in the manner described in Section 6.7 hereof. Such Committee will consist of (a) a chairman and at least two additional members or (b) a single individual. Each member may, but need not, be a director, proprietor, partner, officer or employee of any Employer, and each such member shall be appointed by the Sponsoring Employer to serve until his successor shall be appointed in like manner. Any member of the Committee may resign by delivering his written resignation to the Sponsoring Employer and to the other members, if any, of the Committee. The Sponsoring Employer by formal action on its part in the manner described in Section 6.7 hereof may remove any member of the Committee by so notifying the member and other Committee members, if any, in writing. Vacancies on the Committee shall be filled by formal action on the part of the Sponsoring Employer in the manner described in Section 6.7 hereof.

The Committee, in its discretion, may delegate all or any part of its responsibilities of administering the provisions of the Plan with respect to any Employer or group ofEmployers to an administrative committee which will be appointed by such Employer or group of Employers by formal action on its or their part in the manner described in Section 6.7 hereof. In such event, references to the "Committee" in any provisions hereof which apply with respect to such delegated responsibilities shall refer to such administrative committee instead of the Retirement Committee.

7.2 - OFFICERS AND EMPLOYEES OF COMMITTEE

The Committee may appoint a secretary who may, but need not, be a member of the Committee and may employ such agents, clerical and other services, legal counsel, accountants and actuaries as may be required for the purpose of administering the Plan. Any person or firm so employed may be a person or firm then, theretofore or thereafter serving the Employer in any capacity. The Committee and any individual member of the Committee and any agent thereof shall be fully protected when relying in good faith upon the advice of the following professional consultants or advisors employed by the Employer or the Committee: any attorney insofar as legal matters are concerned, any certified public accountant insofar as accounting matters are concerned and any enrolled actuary insofar as actuarial matters are concerned.

7.3 - ACTION BY COMMITTEE

A majority ofthe members of the Committee shall constitute a quorum for the transaction of business and shall have full power to act hereunder. The Committee may act either at a meeting at which a quorum is present or by a writing subscribed by at least a majority of the members of the Committee then serving. Any written memorandum signed by the secretary or any member of the Committee who has been authorized to act on behalf of the Committee shall have the same force and effect as a formal resolution adopted in open meeting. Minutes of all meetings of the Committee and a record of any action taken by the Committee shall be kept in written fonn by the secretary appointed by the Committee or, if no secretary has been appointed by the Committee, by an individual member of the Committee. The Committee shall give to the Trustee any order, direction, consent or advice required under the terms of the Trust Agreement, and the Trustee shall be entitled to rely on any instrument delivered to it and signed by the secretary or any authorized member of the Committee as evidencing the action of the Committee.

A member of the Committee may not vote or decide upon any matter relating solely to himself or vote in any case in which his individual right or claim to any benefit under the Plan is particularly involved. If, in any case in which any Committee member is so disqualified to act, the remaining members cannot agree or ifthere is only one individual member of the Committee, the Sponsoring Employer, by formal action on its part in the manner described in Section 6.7 hereof, will appoint a temporary substitute member to exercise all of the powers of a qualified member concerning the matter in which the disqualified member is not qualified to act.

7.4 - RULES AND REGULATIONS OF COMMITIEE

The Committee shall have the authority to make such rules and regulations and to take such action as may be necessary to carry out the provisions of the Plan and will, subject to the provisions of the Plan, decide any questions arising in the administration, interpretation and application of the Plan, which decisions shall be conclusive and binding on all parties. The Committee may allocate or delegate any part of its authority and duties as it deems expedient.

7.5 - POWERS OF COMMITTEE

In order to effectuate the purposes of the Plan, the Committee shall have the full power and authority to construe and interpret any and all provisions of the Plan, to reconcile any inconsistencies and resolve any ambiguities in the terms of the Plan and to make equitable acljustments for any mistakes or errors made in the administration of the Plan, and all such actions or determinations made by the Committee in good faith shall not be subject to review by anyone. The Committee shall have the power to appoint, in its discretion, one or more Investment Managers to manage, including the power to acquire or dispose of, all or any portion of the assets of the Plan and Trust Fund. The Committee shall also have the power to serve as paying agent for the Trust Fund, if it so desires, or to appoint, in its discretion, a paying agent or agents to disburse the benefits payable from the Trust Fund and to authorize and direct the Trustee to make distribution to the Committee as paying agent or to such other paying agent as the Committee shall direct in writing.

7.6 - DUTIES OF COMMITTEE

The Committee shall, as a part of its general duty to supervise and administer the Plan:

(A) determine all facts and maintain records with respect to any Employee's age, amount of Compensation, length of service, Hours of Service, Vesting Service, Credited Service and date of initial coverage under the Plan, and by application of the facts so determined and any other facts deemed material, determine the amount, if any, of benefit payable under the Plan on behalf of a Participant;

(B) establish, carry out and periodically review a funding policy and method consistent with the objectives of the Plan and the applicable lawful requirements ofTitle I of the Employee Retirement Income Security Act of 1974; provided, however, that any decisions pertaining to the amount and timing of contributions by the Employer to the Trust Fund are delegated to the Employer;

(C) give the Trustee specific directions in writing with respect to:

(1) the making of distribution payments, giving the names of the payees, the amounts to be paid and the time or times when payments shall be made; and

(2) the making of any other payments which the Trustee is not by the terms of the Trust Agreement authorized to make without a direction in writing of the Committee;

(D) furnish the Trustee with such information (including information relative to the liquidity needs of the Plan) as is deemed necessary for the Trustee to carry out the purposes of the Trust Agreement;

(E) comply with all applicable lawful reporting and disclosure requirements of theEmployee Retirement Income Security Act of 1974;

(F) comply (or transfer responsibility for compliance to the Trustee) with all applicable Federal income tax withholding requirements for distribution payments imposed by the Tax Equity and Fiscal Responsibility Act of 1982;

G) engage on behalf of all Plan Participants an independent qualified public accountant to examine the financial statements and other records of the Plan for the purposes of an annual audit and opinion as to whether the financial statements and schedules in the annual report of the Plan are presented fairly in conformity with generally accepted accounting principles, unless such audit is waived by the Secretary of Labor or his delegate or unless such audit is otherwise not required; and

(H) engage on behalf of all Plan Participants an enrolled actuary to prepare required actuarial statements, unless this requirement is waived by the Secretary of Labor or his delegate or unless such actuarial statements are otherwise not required.

The foregoing list of express duties is not intended to be either complete or conclusive, and the Committee shall, in addition, exercise such other powers and perform such other duties as it may deem necessary, desirable, advisable or proper for the supervision and administration of the Plan.

7.7 - INDEMNIFICATION OF CERTAIN FIDUCIARIES

To the extent not covered by insurance or if there is a failure to provide full insurance coverage for any reason and to the extent permissible under corporate by-laws and other applicable laws and regulations, the Employers agree to hold harmless and indemnify the members of the Committee against any and all claims and causes of action by or on behalf of any and all parties whomsoever, and all losses therefrom, including, without limitation, costs of defense and attorneys' fees, based upon or arising out of any act or omission relating to or in connection with the Plan and Trust Agreement other than losses resulting from any such person's fraud or willful misconduct.

7.8 - ACTUARY

The actuary will do such technical and advisory work as the Committee or the Employer may request, including analysis of the experience of the Plan from time to time, the preparation of actuarial tables for the making of computations thereunder, and the submission of actuarial reports to the Sponsoring Employer or the Committee, which reports shall contain an actuarial valuation showing the financial condition of the Plan, a statement of the contributions to be made by the Employers and such other information as may be required by the Committee. The actuary shall be appointed by the Committee with the approval of the Sponsoring Employer to serve as long as it is agreeable to the Committee, the Sponsoring Employer and the actuary.

7.9 - FIDUCIARIES

The Trustee is the named fiduciary hereunder with respect to the powers. duties and responsibilities of investment of the Trust Fund; the board of directors of the Sponsoring Employer is the named fiduciary with respect to the powers, duties and the responsibilities of (a) appointing the members of the Committee in the manner set out in Section 7.1 hereof, (b) appointing the Trustee or Trustees in the manner set out in the Trust Agreement, (c) amending and terminating the Plan and Trust in accordance with the provisions of the Plan and Trust Agreement and (d) reviewing annually the annual report of the Trustee and the activities of the Trustee, any Investment Manager and the Committee relating to the Plan in order to determine whether any replacement of those persons is necessary; and the Committee is the plan administrator and is the named fiduciary hereunder with respect to the other powers, duties and responsibilities ofthe administration of the Plan; provided, however, that certain powers, duties and responsibilities of each of said named fiduciaries are specifically delegated to others under the provisions of the Plan and Trust Agreement, and other powers, duties and responsibilities of any fiduciaries may be delegated by written agreement to others to the extent permitted under the provisions of the Plan and Trust Agreement.

The powers and duties of each fiduciary hereunder, whether or not a named fiduciary, shall be limited to those specitically delegated to each of them under the terms of the Plan and Trust Agreement. It is intended that the provisions of the Plan and Trust Agreement allocate to each fiduciary the individual responsibilities for the prudent execution of the functions assigned to each fiduciary. None of the allocated responsibilities or any other responsibilities shall be shared by two or more fiduciaries unless such sharing shall be provided by a specific provision in the Plan or the Trust Agreement. If any of the enumerated responsibilities of a fiduciary are specifically waived by the Secretary of Labor, then such enumerated responsibilities shall also be deemed to be waived for the purposes of the Plan and Trust Agreement. Whenever one fiduciary is required by the Plan or the Trust Agreement to follow the directions of another fiduciary, the two fiduciaries shall not be deemed to have been assigned a share of any responsibility, but the responsibility of the fiduciary giving the directions shall be deemed to be his sole responsibility and the responsibility of the fiduciary receiving those directions shall be to follow same insofar as such instructions on their face are proper under applicable law. Any fiduciary may employ one or more persons to render advice with respect to any responsibility such fiduciary has under the Plan or Trust Agreement.

Each fiduciary may, but need not, be a director, proprietor, partner, officer or employee of the Employer. Nothing in the Plan shall be construed to prohibit any fiduciary from:

(a) serving in more than one fiduciary capacity with respect to the Plan and TrustAgreement;

(b) receiving any benefit to which he may be entitled as a Participant or Beneficiary in the Plan, so long as the benefit is computed and paid on a basis that is consistent with the terms ofthe Plan as applied to all other Participants and Beneficiaries; or

(c) receiving any reasonable compensation for services rendered, or for the reimbursement of expenses properly and actually incurred in the performance of his duties with respect to the Plan, except that no person so serving who already receives full-time pay from an Employer shall receive compensation from the Plan, except for reimbursement of expenses properly and actually incurred.

Each fiduciary shall be bonded as required by applicable law or statute of the United States, or of any state having appropriate jurisdiction, unless such bond may under such law or statute be waived by the parties to the Trust Agreement. The Employer shall pay the cost of bonding any fiduciary who is an employee of the Employer.

7.10 - APPLICABLE LAW

The Plan will, unless superseded by federal law, be construed and enforced according to the laws of the State of Texas, and all provisions of the Plan will, unless superseded by federal law, be administered according to the laws of the said state.

SECTION 8

TRUST FUND

8.1 - PURPOSE OF TRUST FUND

The Trust Fund has been created and will be maintained for the purposes of the Plan, and the moneys thereof will be invested in accordance with the terms of the agreement and declaration of trust which forms a part of the Plan. All contributions will be paid into the Trust Fund, and all benefits under the Plan will be paid from the Trust Fund, except to the extent provided by Section 3.5 hereof.

8.2 - BENEFITS SUPPORTED ONLY BY TRUST FUND

Subject to applicable provisions of law, any person having any claim under the Plan will look solely to the assets ofthe Trust Fund for satisfaction.

8.3 - TRUST FUND APPLICABLE ONLY TO PAYMENT OF BENEFITS

The Trust Fund will be used and applied only in accordance with the provisions of the Plan, to provide the benefits thereof, and no part of the corpus or income of the Trust Fund will be used for, or diverted to, purposes other than for the exclusive benefit of Participants and other persons thereunder entitled to benefits, except to the extent provided in Section 6.2 hereof with respect to contributions that are returnable to the Employer because they are made by a mistake of fact or are disallowed as a tax deductible expense under Section 404 of the Internal Revenue Code or because the Plan is denied qualification under Section 401(a) of said Code and except to the extent provided in Section 4.5 and Section 6.6 hereof with respect to termination of the Plan and expenses of administration, respectively.

Exhibit 21.1

CAPITAL SOUTHWEST CORPORATION
List of Subsidiaries

Name of Subsidiary	State of Incorporation
Balco, Inc.	Delaware
CapStar Holdings Corporation	Nevada
Discovery Alliance	Texas
Humac Company	Texas
Media Recovery, Inc.	Nevada
The RectorSeal Corporation	Delaware
The Whitmore Manufacturing Company	Delaware

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We have issued our reports dated, June 1, 2012, with respect to the consolidated financial statements, schedule and internal control over financial reporting included in the Annual Report of Capital Southwest Corporation on Form 10-K for the year ended March 31, 2012. We hereby consent to the incorporation by reference of said reports in the Registration Statements of Capital Southwest Corporation and subsidiaries on Form S-8 (File No. 333-177433, effective October 21, 2011; File No. 333-177432, effective October 21, 2011; File No. 33-43881, effective August 31, 2004).

/s/ GRANT THORNTON LLP

Dallas, Texas
June 1, 2012

Exhibit 31.1

CERTIFICATIONS

I, Gary L. Martin certify that:

1. I have reviewed this annual report on Form 10-K of Capital Southwest Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 1, 2012

By: /s/ Gary L. Martin
Gary L. Martin
Chairman of the Board and President

Exhibit 31.2

CERTIFICATIONS

I, Tracy L. Morris certify that:

1. I have reviewed this annual report on Form 10-K of Capital Southwest Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 1, 2012

By: /s/ Tracy L. Morris
Tracy L. Morris
Chief Financial Officer

Exhibit 32.1

Certification of the President

Pursuant to 18 US.C. Section, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Gary L. Martin, Chairman of the Board and President of Capital Southwest Corporation, certify that, to my knowledge:

1. The Form 10-K for the year ended March 31, 2012, filed with the Securities and Exchange Commission on June 10, 2012 ("accompanied report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the accompanied report fairly presents, in all material respects, the consolidated financial condition and results of operations of Capital Southwest Corporation.

Date: June 1, 2012

By: /s/ Gary L. Martin
Gary L. Martin
Chairman of the Board and President

Exhibit 32.2

Certification of the Chief Financial Officer

Pursuant to 18 US.C. Section, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Tracy L. Morris, Chief Financial Officer of Capital Southwest Corporation, certify that, to my knowledge:

1. The Form 10-K for the year ended March 31, 2012, filed with the Securities and Exchange Commission on June 10, 2012 (“accompanied report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the accompanied report fairly presents, in all material respects, the consolidated financial condition and results of operations of Capital Southwest Corporation.

Date: June 1, 2012

By: /s/ Tracy L. Morris
Tracy L. Morris
Chief Financial Officer