

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

SCHEDULE 13D

(Rule 13d-101)

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

(Amendment No. 4)¹

Capital Southwest Corporation
(Name of Issuer)

Common Stock, \$1 Par Value
(Title of Class of Securities)

140501107
(CUSIP Number)

STEVEN WOLOSKY, ESQ.
OLSHAN GRUNDMAN FROME ROSENZWEIG & WOLOSKY LLP
Park Avenue Tower
65 East 55th Street
New York, New York 10022
(212) 451-2300
(Name, Address and Telephone Number of Person
Authorized to Receive Notices and Communications)

May 29, 2008
(Date of Event Which Requires Filing of This Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §§ 240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box .

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

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

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

1	NAME OF REPORTING PERSON NED SHERWOOD	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="radio"/> (b) <input checked="" type="radio"/>	
3	SEC USE ONLY	
4	SOURCE OF FUNDS OO	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) <input type="checkbox"/> OR 2(e)	
6	CITIZENSHIP OR PLACE OF ORGANIZATION U.S.A.	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER 49,938
	8	SHARED VOTING POWER 235,882
	9	SOLE DISPOSITIVE POWER 63,606
	10	SHARED DISPOSITIVE POWER 235,882
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 299,488	
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES <input type="checkbox"/>	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 7.70%	
14	TYPE OF REPORTING PERSON IN	

1	NAME OF REPORTING PERSON ZS CROSSOVER II GP, L.L.C.	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="radio"/> (b) <input checked="" type="radio"/>	
3	SEC USE ONLY	
4	SOURCE OF FUNDS OO	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) <input type="checkbox"/> OR 2(e)	
6	CITIZENSHIP OR PLACE OF ORGANIZATION DELAWARE	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER -0-
	8	SHARED VOTING POWER 225,660
	9	SOLE DISPOSITIVE POWER -0-
	10	SHARED DISPOSITIVE POWER 225,660
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 225,660	
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES <input type="checkbox"/>	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 5.80%	
14	TYPE OF REPORTING PERSON PN	

1	NAME OF REPORTING PERSON ZS CROSSOVER II LP	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="radio"/> (b) <input checked="" type="radio"/>	
3	SEC USE ONLY	
4	SOURCE OF FUNDS WC	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) <input type="checkbox"/> OR 2(e)	
6	CITIZENSHIP OR PLACE OF ORGANIZATION DELAWARE	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER -0-
	8	SHARED VOTING POWER 116,332
	9	SOLE DISPOSITIVE POWER -0-
	10	SHARED DISPOSITIVE POWER 116,332
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 116,332	
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES <input type="checkbox"/>	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 2.99%	
14	TYPE OF REPORTING PERSON PN	

1	NAME OF REPORTING PERSON ZS SPECIAL I L.P.	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="radio"/> (b) <input checked="" type="radio"/>	
3	SEC USE ONLY	
4	SOURCE OF FUNDS WC	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) <input type="checkbox"/> OR 2(e)	
6	CITIZENSHIP OR PLACE OF ORGANIZATION DELAWARE	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER -0-
	8	SHARED VOTING POWER 109,328
	9	SOLE DISPOSITIVE POWER -0-
	10	SHARED DISPOSITIVE POWER 109,328
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 109,328	
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES <input type="checkbox"/>	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 2.81%	
14	TYPE OF REPORTING PERSON PN	

1	NAME OF REPORTING PERSON MRMP TRUST	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="radio"/> (b) <input checked="" type="radio"/>	
3	SEC USE ONLY	
4	SOURCE OF FUNDS OO	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e) <input type="checkbox"/>	
6	CITIZENSHIP OR PLACE OF ORGANIZATION SOUTH DAKOTA	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER 49,938
	8	SHARED VOTING POWER -0-
	9	SOLE DISPOSITIVE POWER 49,938
	10	SHARED DISPOSITIVE POWER -0-
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 49,938	
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES <input type="checkbox"/>	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 1.28%	
14	TYPE OF REPORTING PERSON OO	

1	NAME OF REPORTING PERSON THE NED AND EMILY SHERWOOD FOUNDATION	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="radio"/> (b) <input checked="" type="radio"/>	
3	SEC USE ONLY	
4	SOURCE OF FUNDS OO	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) <input type="checkbox"/> OR 2(e)	
6	CITIZENSHIP OR PLACE OF ORGANIZATION DELAWARE	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER -0-
	8	SHARED VOTING POWER 10,222
	9	SOLE DISPOSITIVE POWER -0-
	10	SHARED DISPOSITIVE POWER 10,222
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 10,222	
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES <input type="checkbox"/>	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) LESS THAN 1%	
14	TYPE OF REPORTING PERSON OO	

The following constitutes Amendment No. 4 to the Schedule 13D filed by the undersigned (the "Schedule 13D"). This Amendment No. 4 amends the Schedule 13D as specifically set forth.

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

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

The aggregate purchase cost of the 299,488 Shares beneficially owned by the Reporting Persons is approximately \$39,359,054. The 116,332 Shares owned by Crossover II and the 109,328 Shares owned by Special I were acquired with their working capital. The 49,938 Shares beneficially owned by MRMP were acquired with MRMP's investment capital. The 10,222 Shares beneficially owned by the Foundation were acquired with the Foundation's investment capital.

Item 4 is hereby amended to add the following:

On May 29, 2008 the Reporting Persons delivered a letter to Gary Martin and the members of the Issuer's Board of Directors expressing their dissatisfaction with the continued substantial market undervaluation of the Issuer due to the Issuer's poor investment performance history and cavalier valuation procedures. In the letter the Reporting Persons demanded that CSWC take steps to sell its approximately \$54 million of unrestricted public securities and to register and distribute its holdings in ALG, HLYS, PHHM and WIRE. The letter is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

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

Item 5. Interest in Securities of the Issuer.

(a) The aggregate percentage of Shares reported owned the Reporting Persons is based upon 3,889,151 Shares outstanding, which is the total number of Shares outstanding as of May 1, 2008, as reported in the Issuer's Annual Report on Form 10-K filed with the Securities and Exchange Commission on May 23, 2008.

As of the date hereof, Crossover II and Special I beneficially owned 116,332 and 109,328 Shares, respectively, constituting approximately 2.99%, and 2.81% respectively, of the Shares outstanding. Crossover GP as the general partner of each of Crossover II and Special I may be deemed to beneficially own the 225,660 Shares owned in the aggregate by Crossover II and Special I, constituting approximately 5.80% of the Shares outstanding. As a management committee member of Crossover GP, Mr. Sherwood may be deemed to beneficially own the Shares owned by Crossover GP.

As of the date hereof, MRMP beneficially owned 49,938 Shares, constituting 1.28% of the Shares outstanding. As a trustee with sole voting and dispositive power over the Shares owned by MRMP, Mr. Sherwood may be deemed to beneficially own the Shares owned by MRMP.

As of the date hereof, the Foundation may be deemed to beneficially own 10,222 Shares, constituting less than 1% of the Shares outstanding. As a director of the Foundation Mr. Sherwood may be deemed to beneficially own the 10,222 Shares owned by the Foundation.

As of date hereof, Mr. Sherwood beneficially owned an additional 13,668 Shares, constituting less than 1% of the Shares outstanding, by virtue of a written agreement between Mr. Sherwood and the Warlen L.P. ("Warlen") that gives Mr. Sherwood approval to control all purchases and sales of the Shares owned by Warlen.

(b) By virtue of his positions with Crossover II, Special I and the Foundation, Mr. Sherwood has shared power to vote and dispose of the 235,882 Shares aggregately owned by Crossover II, Special I and the Foundation. Mr. Sherwood has sole power to vote and dispose of the 49,938 Shares owned by MRMP. By virtue of his agreement with Warlen, Mr. Sherwood has the sole power to dispose of the 13,668 Shares that he may be deemed to beneficially own. Mr. Sherwood does not have voting power over the 13,668 Shares owned by Warlen.

(c) Schedule A annexed hereto lists all transactions in the Securities by the Reporting Persons in the past 60 days. All of such transactions were effected in the open market, except as otherwise noted on Schedule A.

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

(e) Not applicable.

Item 7 is hereby amended to add the following exhibit:

Item 7. Material to be Filed as Exhibits.

99.1. Letter from ZS Crossover II LP to Gary Martin and the Board of Directors of the Issuer, dated May 29, 2008.

SIGNATURES

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

Dated: May 30, 2008

ZS CROSSOVER II LP

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

By: /s/ Ned Sherwood
Name: Ned Sherwood
Title: Management Committee Member

ZS SPECIAL I L.P.

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

By: /s/ Ned Sherwood
Name: Ned Sherwood
Title: Management Committee Member

ZS CROSSOVER II GP, L.L.C.

By: /s/ Ned Sherwood
Name: Ned Sherwood
Title: Management Committee Member

MRMP TRUST

By: /s/ Ned Sherwood
Name: Ned Sherwood
Title: Trustee

THE NED AND EMILY SHERWOOD FOUNDATION

By: /s/ Ned Sherwood
Name: Ned Sherwood
Title: Director

/s/ Ned Sherwood
NED SHERWOOD

SCHEDULE A

Transactions in the Shares by the Reporting Persons in the Past 60 Days

<u>Shares Purchased / (Sold)</u>	<u>Price Per Share (\$)</u>	<u>Date of Purchase / Sale</u>
	<u>ZS SPECIAL I L.P.</u>	
773	117.5059	04/03/08
1,000	114.9885	04/09/08
100	114.3000	05/12/08
1,105	119.6242	05/14/08
11	121.7273	05/15/08
1,454	118.6220	05/16/08
358	118.4064	05/19/08
1,628	118.6673	05/20/08
322	119.5715	05/21/08
1,233	120.6023	05/22/08
300	120.6433	05/22/08
2,342	120.5617	05/23/08
13,789	119.7783	05/27/08
2,558	118.0357	05/28/08
	<u>ZS CROSSOVER II LP</u>	
259	117.7414	04/04/08
961	119.3505	04/25/08
960	119.1142	04/30/08
1,000	121.4720	05/06/08
(1,000)	119.2845	05/06/08
3,501	115.9086	05/07/08
900	115.5654	05/08/08
2,403	114.9949	05/09/08

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

Ned L. Sherwood

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

May 29, 2008

Mr. Gary Martin and
Board of Directors of Capital Southwest Corporation
12900 Preston Road, Suite 700
Dallas, Texas 75230

Dear Mr. Martin and the Board of Directors:

We are disappointed that the Capital Southwest Corporation (“CSWC”, or “the Company”) Board of Directors (“the Board”) and management team chose to fight to exclude our non-binding proposal from the Company’s proxy statement. We were surprised that a company that ostensibly prides itself on supporting shareholder rights would continually attempt to silence the voice of its largest independent shareholder. However, given CSWC’s poor investment record over the past 10 years and what appears to be its more than 40-year record of inaccurately recording its net asset value, we can understand why the Company would spend shareholder dollars in an attempt to avoid a shareholder vote on a non-binding proposal. Your efforts to block our shareholder proposal only serve to reinforce our belief that you are keenly aware that many other independent shareholders share our views. We remind the members of the Board that the shareholders are the true owners of the Company, and that the Board has a fiduciary duty to act in their best interests.

As CSWC’s largest independent shareholder, our interests are aligned with all shareholders. Thanks largely to our efforts, the Company has recently taken the following steps benefiting all shareholders that have resulted in the correction of previously incorrect accounting treatments, a material increase in reported net asset value, and the elimination of obfuscations of net asset value:

- On November 20, 2007, CSWC announced that it would restate past SEC filings to adjust for the elimination of the Company's deferred tax liability. According to the Company's press release, CSWC "determined its long-standing policy of recording deferred taxes on unrealized appreciation of investments was not in conformity with AICPA Audit and Accounting Guide for Investment Company standards." This action resulted in an approximate \$170 million, or \$43.66 per share, increase in reported net asset value for the period ended September 30, 2007. We had previously requested that the Company take these very steps to correct this accounting policy in a letter to the Company in August 2007.
 - As of March 31, 2008, CSWC reported that it had obtained some form of third party assurances – though not, in our opinion, true third party appraisals – on the valuations of its four major private companies. Interestingly, we note that CSWC increased the value of these companies by 27.5% between December 31, 2007 and March 31, 2008 in order to obtain these third party assurances. In other words, the aggregate value of these companies was increased by \$62.7 million, or \$16.12 per share, in a three-month period. Included in these revisions is the value of Lifemark Group, which was adjusted upward by an astounding 61.4% in the quarter! Thus, it seems clear that CSWC did not make it a priority to accurately value these Company assets until our letters were published and CSWC felt compelled to do so.
 - As of March 31, 2008, CSWC also reduced the valuation discounts on its four largest public company holdings (ALG, HLYS, PHHM and WIRE) to an approximate 25% discount from their aggregate public market value. While this 25% discount is somewhat less than the 35% discount applied as of December 31, 2007, we question the methodology utilized in this valuation process. We do not believe that these four public holdings were valued in accordance with FAS 157 (which does not become mandatory until April 1, 2008, one day after the end of CSWC's 2008 fiscal year). We had requested that the Company reevaluate the discounts that are applied to these companies in our previous letters and we welcome the reduced discounts; however, we believe that once CSWC fully adopts FAS 157, these discounts will have to be reduced substantially more in order for CSWC to be compliant with accounting regulations.
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While we endorse these actions as positive steps, we note that the Company acted only after we privately and publicly suggested that taking such actions would be in the best interest of shareholders. Additionally, these actions have done little to date to reduce the substantial discount to net asset value per share at which CSWC's stock trades. Recently, the stock of CSWC has traded at approximately \$119 per share while the Company's net asset value per share (adjusted for market prices as of May 28, 2008 of its public holdings and excluding discounts for non-registration) is approximately \$175 per share, implying a market price discount to net asset value of 32%. The Board and management must realize that while this substantial discount exists, their work is not done, and that further decisive action needs to be taken to ensure shareholder value is maximized.

The fact is the market currently values the Company's assets at 68 cents on the dollar. We believe that this discount is directly attributable to the poor investment performance of CSWC over the past 10 years. We have asked CSWC management why it insists on retaining the large blocks of the four major public companies rather than registering and distributing them, as these securities would likely be valued much closer to dollar-for-dollar in the open market if distributed. Management has responded with feeble answers, saying that they, rather than individual shareholders, are better stewards of these major holdings. We note, however, that since March 31, 1998 the return CSWC has achieved on its public holdings has been a cumulative **loss of 54.3%**, or a compound annual rate of return of **negative 7.4%**. Although HLYS has been a large component of this loss since its IPO, even excluding HLYS entirely would imply a cumulative **loss of 28.4%**, or a compound annual rate of return of **negative 3.2%**.

Based on these results, we seriously doubt that the Company is a better steward of this capital than its shareholders would be. As evidenced by the discount at which the stock trades relative to net asset value, the market seems to agree with us. We believe that to prevent further erosion of shareholder value, CSWC should register and distribute the shares of these four public holdings before year-end on a pro-rata basis to shareholders. In addition to protecting shareholder value, such a distribution would result in shareholders being able to take advantage of the current federal capital gains tax rate of 15% and not be at risk for the increase in this tax rate to 20% or greater that may be instituted with a new administration in the White House next year.

We believe the time for decisive action by the Board and management is long overdue and that other significant independent shareholders agree with us. Furthermore, as stewards of a Business Development Company, it is the Board's and management's responsibility to accurately present CSWC's net asset value on a quarterly and annual basis in order to maximize shareholder value. We wonder why management and the Board did not take steps to more accurately account for the true market value of the Company's holdings until we publicly called for the changing of certain policies. Moreover, management and the Board must move more swiftly to enact the further changes necessary to maximize shareholder value. Until the Board and management can assure shareholders that the Company's assets are accurately accounted for, shareholders of CSWC will have ample reason to be displeased with the conduct of the Board and management.

We plan to closely monitor CSWC's actions over the coming weeks for evidence that the Company is taking tangible steps to address our serious concerns. We suggest the following:

1. The sale of CSWC's approximately \$54 million of unrestricted public securities (all except for ALG, HLYS, PHHM and WIRE) and subsequent distribution of proceeds to shareholders on a pro rata basis; and
2. The registration and distribution of the four major public holdings to shareholders on a pro rata basis.

We estimate these two steps would result in a distribution to shareholders of approximately \$82 per share in cash and securities at current market prices, though the exact amount may vary. After this distribution, CSWC would still have approximately \$8 per share in cash, more than \$85 per share of value in its privately held securities portfolio and no debt. Based on the Company's past five-year history of new investments, we believe that following this distribution CSWC would still have ample cash and debt capacity to consummate new private company purchases. We also believe that following this distribution CSWC's stock price would trade much closer to the Company's remaining net asset value of approximately \$93 per share. **Thus, by our calculations, shareholders could own a stock likely valued at close to \$93 per share while also having \$82 per share in cash and securities in their direct control, which is a total value of approximately \$175 per share, a nearly 50% premium to the recent CSWC stock price of \$119.**

Clearly, we are displeased with the Board's cavalier attitude towards valuation of the Company's assets and its refusal to distribute significant cash and marketable securities to the shareholders. We intend to send this message to the Board and management by withholding our votes for CSWC's slate of directors at this year's annual meeting if there are no tangible actions taken by that time. We believe withholding our votes will send a message that independent shareholders are not satisfied with the status quo, and that we demand the Board and management work to ensure that shareholder value is maximized.

Investing "patient capital" does not equate to operating the Company with lax and inattentive Board supervision and management. After more than ten years of poor investment performance and minimal distributions to shareholders, we believe the current Board and management no longer deserve the benefit of the doubt. We hope all shareholders will call, email or write to the Company to voice support for the approximate \$82 per share distribution and that the Board and management will take the necessary actions to maximize shareholder value.

Sincerely,

/s/ Ned L. Sherwood

Ned L. Sherwood