

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. 2)<sup>1</sup>

Capital Southwest Corporation  
(Name of Issuer)

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

140501107  
(CUSIP Number)

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

February 1, 2008  
(Date of Event Which Requires Filing of This Statement)

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

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

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

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

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1	NAME OF REPORTING PERSON  NED SHERWOOD	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="checkbox"/> (b) <input checked="" type="checkbox"/>	
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  198,919
	9	SOLE DISPOSITIVE POWER  73,938
	10	SHARED DISPOSITIVE POWER  198,919
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON  272,857	
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)  7.0%	
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="checkbox"/> (b) <input checked="" type="checkbox"/>	
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  188,697
	9	SOLE DISPOSITIVE POWER  -0-
	10	SHARED DISPOSITIVE POWER  188,697
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON  188,697	
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES <input type="checkbox"/>	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)  4.9%	
14	TYPE OF REPORTING PERSON  PN	

1	NAME OF REPORTING PERSON  ZS CROSSOVER II LP	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="checkbox"/> (b) <input checked="" type="checkbox"/>	
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  106,342
	9	SOLE DISPOSITIVE POWER  -0-
	10	SHARED DISPOSITIVE POWER  106,342
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON  106,342	
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES <input type="checkbox"/>	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)  2.7%	
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="checkbox"/> (b) <input checked="" type="checkbox"/>	
3	SEC USE ONLY	
4	SOURCE OF FUNDS  WC	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) <input type="checkbox"/> OR 2(e)	
6	CITIZENSHIP OR PLACE OF ORGANIZATION  DELAWARE	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER  -0-
	8	SHARED VOTING POWER  82,355
	9	SOLE DISPOSITIVE POWER  -0-
	10	SHARED DISPOSITIVE POWER  82,355
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON  82,355	
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES <input type="checkbox"/>	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)  2.1%	
14	TYPE OF REPORTING PERSON  PN	

1	NAME OF REPORTING PERSON  MRMP TRUST	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="checkbox"/> (b) <input checked="" type="checkbox"/>	
3	SEC USE ONLY	
4	SOURCE OF FUNDS  OO	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) OR 2(e) <input type="checkbox"/>	
6	CITIZENSHIP OR PLACE OF ORGANIZATION  SOUTH DAKOTA.	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER  49,938
	8	SHARED VOTING POWER  -0-
	9	SOLE DISPOSITIVE POWER  49,938
	10	SHARED DISPOSITIVE POWER  -0-
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON  49,938	
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES <input type="checkbox"/>	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)  1.3%	
14	TYPE OF REPORTING PERSON  OO	

1	NAME OF REPORTING PERSON  THE NED AND EMILY SHERWOOD FOUNDATION	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="checkbox"/> (b) <input checked="" type="checkbox"/>	
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. 2 to the Schedule 13D filed by the undersigned (the "Schedule 13D"). This Amendment No. 2 amends the Schedule 13D as specifically set forth.

Item 4 is hereby amended to add the following:

On February 1, 2008, Crossover II delivered a letter to the Corporate Secretary of the Issuer submitting, pursuant to Rule 14a-8 of the Securities Exchange Act of 1934, as amended (the "1934 Act"), a proposal requesting that the Board immediately engage a nationally-recognized investment banking firm to evaluate strategic alternatives that would maximize shareholder value, including, but not limited to, the liquidation of certain or all of the Issuer's underlying portfolio assets with the subsequent distribution of all proceeds to the Issuer's shareholders. A copy of this letter is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

Item 7 is hereby amended to add the following exhibit:

Item 7. Material to be Filed as Exhibits.

- 99.1. Letter from Crossover II to the Corporate Secretary of the Issuer, dated January 30, 2008, submitting a 14a-8 proposal for consideration at the 2008 Annual Meeting.



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: February 1, 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

**EXHIBIT INDEX**

<u>Exhibit</u>	<u>Exhibit Number</u>
1. Letter from Crossover II to the Corporate Secretary of the Issuer, dated January 30, 2008, submitting a 14a-8 proposal for consideration at the 2008 Annual Meeting.	99.1



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

January 30, 2008

**BY E-MAIL, FACSIMILE AND EXPRESS MAIL**

Capital Southwest Corporation  
12900 Preston Road, Suite 700  
Dallas, Texas 75230  
Attention: Jeffrey G. Peterson, Secretary

Dear Sir:

ZS Crossover II L.P. ("ZS Crossover") is submitting the attached resolution and supporting statement for inclusion in the proxy statement of Capital Southwest Corporation (the "Company") for the next annual meeting of shareholders of the Company. The resolution and supporting statement attached hereto as Exhibit A requests that the Board of Directors immediately engage the services of a nationally-recognized investment banking firm to evaluate strategic alternatives to maximize shareholder value, including, but not limited to, the adoption of a formal plan of liquidation of certain or all of the Company's portfolio assets and subsequent distribution of proceeds to the Company's shareholders.

As of the date hereof, ZS Crossover is the beneficial owner of 106,342 shares of common stock of the Company and intends to hold such shares through the date of the next annual meeting of shareholders. The shares are currently held in ZS Crossover's brokerage account with Bank of America Securities ("BofA"), and were previously held at Fidelity Investments ("Fidelity") and Morgan Stanley. Cede & Co., as the nominee of The Depository Trust Company, is the holder of record of the shares. As of the date hereof, ZS Crossover has continuously held at least \$2,000 in market value of the Company's securities entitled to be voted on the proposal for at least one year, as evidenced by the letters from BofA, Fidelity, and Morgan Stanley, which are attached hereto as Exhibit B.

A ZS Crossover representative will appear in person or by proxy to bring the resolution before the meeting. Of course, we would be pleased if the Company would waive this requirement.

This notice is submitted in accordance with Rule 14a-8 of the Securities Exchange Act of 1934, as amended. The attached resolution and supporting statement are requested to be included in the Company's proxy material for its next annual meeting of shareholders. Should you have any questions regarding this matter, please do not hesitate to contact me at (212) 398-6200.

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Sincerely,

ZS CROSSOVER II L.P.

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

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

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## Exhibit A

### Shareholder Proposal

RESOLVED, that the shareholders of Capital Southwest Corporation (“CSWC” or the “Company”), hereby request that the Board of Directors (the “Board”) immediately engage a nationally-recognized investment banking firm to evaluate strategic alternatives that would maximize shareholder value, including, but not limited to, the liquidation of certain or all of the Company’s underlying portfolio assets with the subsequent distribution of all proceeds to the Company’s shareholders.

### Supporting Statement:

This proposal provides shareholders with the opportunity to advise the Board of their significant concern that certain policies and practices of the Company continue to cause the deterioration of CSWC shareholder value. As a long-term owner, together with our affiliates, of approximately 7.0% of CSWC’s common shares outstanding, we believe that in order to maximize shareholder value, CSWC should hire a nationally-recognized investment banking firm to evaluate strategic options with regard to the Company’s publicly-traded portfolio assets, including its four largest such holdings (WIRE, ALG, PHHM and HLYS).

We believe that CSWC is trading at a significant discount to its intrinsic value because of, among other things, certain policies and practices that the Company has historically adopted and has indicated it will continue to apply for the foreseeable future. One such policy has been the Company’s decision to retain all of its realized gains rather than distribute proceeds to shareholders. The Company has also chosen not to exercise its registration rights on its four most significant holdings in public companies so such shares can be freely traded as market conditions warrant. We believe that these policies and practices have resulted in a substantial reduction of the Company’s net asset value over the past ten years, and will continue to do so in the absence of change.

In our opinion, CSWC’s strength is its growth capital investing. However, the Company has approximately \$240 million of market value locked in its four major public company holdings and an additional approximate \$55 million of market value invested in various other public companies. We feel this value should be distributed to shareholders, so that the Company can re-focus its efforts on its strong suit of growth capital investing. Hiring a nationally-recognized investment banking firm with expertise in portfolio strategy will allow CSWC to determine the best strategy to obtain liquidity in its public company holdings. Once this has been achieved, the value of CSWC’s mature public company holdings can be appropriately returned to CSWC shareholders, either through the direct distribution of stock or through the Company’s liquidation and subsequent distribution of the resulting cash proceeds.

Given the Board’s fiduciary obligation to maximize shareholder value, we believe it must evaluate all options for obtaining liquidity in the Company’s public portfolio companies. While the adoption of this proposal will not legally bind the Board, we trust that given their fiduciary responsibilities, the Board will honor their shareholders’ request.

If you believe the Company should immediately explore opportunities to maximize the value of your shares, please vote **FOR** this proposal.

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