

FORM 10-K

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

 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended March 31, 2002 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 (I.R.S. Employer
Incorporation or Organization) Identification Number)

12900 Preston Road, Suite 700, Dallas, Texas 75230
(Address of principal executive offices including zip code)

(972) 233-8242
(Registrant's telephone number including area code)

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 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

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]

The aggregate market value of the voting stock held by non-affiliates of the registrant as of May 1, 2002 was \$127,571,235, based on the last sale price of such stock as quoted by Nasdaq on such date (officers, directors and 5% shareholders are considered affiliates for purposes of this calculation).

The number of shares of common stock outstanding as of May 15, 2002 was 3,829,051.

Documents Incorporated by Reference	Part of Form 10-K
(1) Annual Report to Shareholders for the Year Ended March 31, 2002	Parts I and II; and Part IV, Item 14(a)(1) and (2)
(2) Proxy Statement for Annual Meeting of Shareholders to be held July 15, 2002	Part III

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PART I

Item 1. Business

Capital Southwest Corporation (the "Company") was organized as a Texas corporation on April 19, 1961. Until September 1969, the Company operated as a licensee under the Small Business Investment Act of 1958. At that time, the Company transferred to its wholly-owned subsidiary, Capital Southwest Venture Corporation ("CSVC"), certain of its assets and its license as a small business investment company ("SBIC"). CSVC is a closed-end, non-diversified investment company of the management type registered under the Investment Company Act of 1940 (the "1940 Act"). Prior to March 30, 1988, the Company was registered as a closed-end, non-diversified investment company under the 1940 Act. On that date, the Company elected to become a business development company subject to the provisions of Sections 55 through 65 of the 1940 Act, as amended by the Small Business Incentive Act of 1980.

The Company is a venture capital investment company whose objective is to achieve capital appreciation through long-term investments in businesses believed to have favorable growth potential. The Company's investments are focused on early-stage financings, expansion financings, management buyouts and recapitalizations in a broad range of industry segments. The portfolio is a composite of companies in which the Company has major interests as well as a number of developing companies and marketable securities of established publicly-owned companies. The Company makes available significant managerial assistance to the companies in which it invests and believes that providing material assistance to such investee companies is critical to its business development activities.

The twelve largest investments of the Company had a combined cost of \$45,316,675 and a value of \$309,839,711, representing 89.2% of the value of the Company's consolidated investment portfolio at March 31, 2002. For a narrative description of the twelve largest investments, see "Twelve Largest Investments - March 31, 2002" on pages 7 through 9 of the Company's Annual Report to Shareholders for the Year Ended March 31, 2002 (the "2002 Annual Report") which is herein incorporated by reference. Certain of the information presented on the twelve largest investments has been obtained from the respective companies and, in certain cases, from public filings of such companies. The financial information presented on each of the respective companies is from such companies' financial statements, which in some instances are unaudited.

The Company competes for attractive investment opportunities with venture capital partnerships and corporations, venture capital affiliates of industrial and financial companies, SBICs and wealthy individuals.

The number of persons employed by the Company at March 31, 2002 was seven.

Item 2. Properties

The Company maintains its offices at 12900 Preston Road, Suite 700, Dallas, Texas, 75230, where it rents approximately 3,700 square feet of office space pursuant to a lease agreement expiring in February 2003. The Company believes that its offices are adequate to meet its current and expected future needs.

Item 3. Legal Proceedings

The Company has no material pending legal proceedings to which it is a party or to which any of its property is subject.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the quarter ended March 31, 2002.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

Information set forth under the captions "Shareholder Information - Shareholders, Market Prices and Dividends" on page 32 of the 2002 Annual Report is herein incorporated by reference.

Item 6. Selected Financial Data

"Selected Consolidated Financial Data" on page 31 of the 2002 Annual Report is herein incorporated by reference.

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

Pages 28 through 30 of the Company's 2002 Annual Report are herein incorporated by reference.

Item 7A. Quantitative and Qualitative Disclosure About Market Risk

The Company is subject to financial market risks, including changes in marketable equity security prices. The Company does not use derivative financial instruments to mitigate any of these risks. The return on the Company's investments is not materially affected by foreign currency fluctuations.

The Company's investment in portfolio securities consists of fixed rate debt securities which totaled \$2,880,000 at March 31, 2002, equivalent to 0.83% of the value of the Company's total investments. Since these debt securities usually have relatively high fixed rates of interest, minor changes in market yields of publicly-traded debt securities have little or no effect on the values of debt securities in the Company's portfolio and no effect on interest income. The Company's 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 the Company's investment portfolio consists of debt and equity securities of private companies. The Company anticipates 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-owned companies occur, there would 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 the Company's investment portfolio also consists of restricted common stocks and warrants to purchase common stocks of publicly-owned companies. The fair values of these restricted securities are influenced by the nature of applicable resale restrictions, the underlying earnings and financial condition of the issuer, and the market valuations of comparable publicly-owned companies. A portion of the Company's investment portfolio also consists of unrestricted, freely marketable common stocks of publicly-owned companies. These freely marketable investments 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 fair value of the Company's investment in such security.

Item 8. Financial Statements and Supplementary Data

Pages 10 through 27 of the Company's 2002 Annual Report are herein incorporated by reference. See also Item 14 of this Form 10-K - "Exhibits, Financial Statement Schedules, and Reports on Form 8-K".

Selected Quarterly Financial Data (Unaudited)

The following presents a summary of the unaudited quarterly consolidated financial information for the years ended March 31, 2002 and 2001.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
(In thousands, except per share amounts)					
2002					
Net investment income	\$ 429	\$ 383	\$ 921	\$ 309	\$ 2,042
Net realized gain (loss) on investments	--	(450)	1,084	(1,172)	(538)
Net increase (decrease) in unrealized appreciation of investments	15,310	(1,139)	7,296	2,707	24,174
Net increase (decrease) in net assets from operations	15,739	(1,206)	9,301	1,844	25,678
Net increase (decrease) in net assets from operations per share	4.11	(0.32)	2.43	0.48	6.70
2001					
Net investment income	\$ 25	\$ 987	\$ 434	\$ 277	\$ 1,723
Net realized gain (loss) on investments	1,442	--	(768)	(3,905)	(3,231)
Net increase (decrease) in unrealized appreciation of investments	(1,463)	(2,678)	(9,821)	7,492	(6,470)
Net increase (decrease) in net assets from operations	4	(1,691)	(10,155)	3,864	(7,978)
Net increase (decrease) in net assets from operations per share	--	(0.44)	(2.66)	1.01	(2.09)

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

Not applicable.

PART III

Item 10. Directors and Executive Officers of the Registrant

The information set forth under the caption "Election of Directors" in the Company's definitive Proxy Statement for Annual Meeting of Shareholders to be held July 15, 2002, filed pursuant to Regulation 14A under the Securities Exchange Act of 1934, on or about June 7, 2002 (the "2002 Proxy Statement") is herein incorporated by reference.

Executive Officers of the Registrant

The officers of the Company, together with the offices in the Company presently held by them, their business experience during the last five years and their ages are as follows:

William M. Ashbaugh, age 47, has served as Vice President of the Company since 2001. He previously served as Managing Director in the corporate finance departments of Hoak Breedlove Wesneski & Co. from 1998 to 2001, Principal Financial Securities from 1997 to 1998 and Southwest Securities from 1995 to 1997.

Patrick F. Hamner, age 46, has served as Vice President of the Company since 1986 and was an investment associate with the Company from 1982 to 1986.

Susan K. Hodgson, age 40, has served as Secretary-Treasurer of the Company since 2001 and was the Controller of the Company from 1994.

Gary L. Martin, age 55, has been a director of the Company since July 1988 and has served as Vice President of the Company since 1984. He previously served as Vice President of the Company from 1978 to 1980. Since 1980, Mr. Martin has served as President of The Whitmore Manufacturing Company, a wholly-owned portfolio company.

William R. Thomas, age 73, has served as Chairman of the Board of Directors of the Company since 1982 and President of the Company since 1980. In addition, he has been a director of the Company since 1972 and was previously Senior Vice President of the Company from 1969 to 1980.

No family relationship exists between any of the above-listed officers, and there are no arrangements or understandings between any of them and any other person pursuant to which they were selected as an officer. All officers are elected to hold office for one year, subject to earlier termination by the Company's board of directors.

Item 11. Executive Compensation

The information set forth under the caption "Compensation of Directors and Executive Officers" in the 2002 Proxy Statement is herein incorporated by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information set forth under the captions "Stock Ownership of Certain Beneficial Owners" and "Election of Directors" in the 2002 Proxy Statement is herein incorporated by reference.

Item 13. Certain Relationships and Related Transactions

There were no relationships or transactions within the meaning of this item during the fiscal year ended March 31, 2002 or proposed for the fiscal year ending March 31, 2003.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a)(1) The following financial statements included in pages 10 through 27 of the Company's 2002 Annual Report are herein incorporated by reference:

- (A) Portfolio of Investments - March 31, 2002
Consolidated Statements of Financial Condition - March 31, 2002 and 2001
Consolidated Statements of Operations - Years Ended March 31, 2002, 2001 and 2000
Consolidated Statements of Changes in Net Assets - Years Ended March 31, 2002, 2001 and 2000
Consolidated Statements of Cash Flows - Years Ended March 31, 2002, 2001 and 2000
- (B) Notes to Consolidated Financial Statements
- (C) Notes to Portfolio of Investments
- (D) Selected Per Share Data and Ratios
- (E) Independent Auditors' Report
- (F) Portfolio Changes During the Year

(a)(2) All schedules are omitted because they are not applicable or not required, or the information is otherwise supplied.

(a)(3) See the Exhibit Index on page 6.

(b) The Company filed no reports on Form 8-K during the three months ended March 31, 2002.

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/ William R. Thomas

(William R. Thomas, President
and Chairman of the Board)

Date: June 14, 2002

Pursuant to the requirements of the Securities 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 date indicated.

Signature -----	Title -----	Date ----
/s/ William R. Thomas ----- (William R. Thomas)	President and Chairman of the Board and Director	June 14, 2002
/s/ Gary L. Martin ----- (Gary L. Martin)	Director	June 14, 2002
/s/ Graeme W. Henderson ----- (Graeme W. Henderson)	Director	June 14, 2002
/s/ James M. Nolan ----- (James M. Nolan)	Director	June 14, 2002
/s/ John H. Wilson ----- (John H. Wilson)	Director	June 14, 2002
/s/ Susan K. Hodgson ----- (Susan K. Hodgson)	Secretary-Treasurer (Financial and Accounting Officer)	June 14, 2002

EXHIBIT INDEX

The following exhibits are filed with this report or are incorporated herein by reference to a prior filing, in accordance with Rule 12b-32 under the Securities Exchange Act of 1934. (Asterisk denotes exhibits filed 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 2 to Amendment No. 11 to Form N-2 for the fiscal year ended March 31, 1987).
4.1*	Specimen of Common Stock certificate.
4.2	Subordinated debenture of CSVC guaranteed by the Small Business Administration (filed as Exhibit 4.3 to Form 10-K for the fiscal year ended March 31, 1993).
10.1*	The RectorSeal Corporation and Jet-Lube, Inc. Employee Stock Ownership Plan as revised and restated effective April 1, 1998.
10.2*	Amendment No. I to The RectorSeal Corporation and Jet-Lube, Inc. Employee Stock Ownership Plan as revised and restated effective April 1, 1998.
10.3	Retirement Plan for Employees of Capital Southwest Corporation and Its Affiliates as amended and restated effective April 1, 1989 (filed as Exhibit 10.3 to Form 10-K for the fiscal year ended March 31, 1995).
10.4	Amendments One and Two to Retirement Plan for Employees of Capital Southwest Corporation and Its Affiliates as amended and restated effective April 1, 1989.
10.5*	Amendment Three to Retirement Plan for Employees of Capital Southwest Corporation and Its Affiliates as amended and restated effective April 1, 1989.
10.6	Capital Southwest Corporation and Its Affiliates Restoration of Retirement Income Plan for certain highly-compensated superseded plan participants effective April 1, 1993 (filed as Exhibit 10.4 to Form 10-K for the fiscal year ended March 31, 1995).
10.7	Amendment One to Capital Southwest Corporation and Its Affiliates Restoration of Retirement Income Plan for certain highly-compensated superseded plan participants effective April 1, 1993.

- 10.8 Capital Southwest Corporation Retirement Income Restoration Plan as amended and restated effective April 1, 1989 (filed as Exhibit 10.5 to Form 10-K for the fiscal year ended March 31, 1995).
- 10.9 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).
- 10.10 Capital Southwest Corporation 1984 Incentive Stock Option Plan as amended and restated as of April 20, 1987 (filed as Exhibit 10.10 to Form 10-K for the fiscal year ended March 31, 1990).
- 10.11 Capital Southwest Corporation 1999 Stock Option Plan.

Exhibit No.	Description
-----	-----
13*	Annual Report to Shareholders for the fiscal year ended March 31, 2002.
21.	List of subsidiaries of the Company.
23*	Independent Auditors' Consent.

THE RECTORSEAL CORPORATION AND JET-LUBE, INC.
 EMPLOYEE STOCK OWNERSHIP PLAN
 (As Revised and Restated Effective April 1, 1998)

THE RECTORSEAL CORPORATION AND JET-LUBE, INC.
 EMPLOYEE STOCK OWNERSHIP PLAN
 (As Revised and Restated Effective April 1, 1998)

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THE RECTORSEAL CORPORATION AND JET-LUBE, INC.
EMPLOYEE STOCK OWNERSHIP PLAN
(As Revised and Restated Effective April 1, 1998)

THIS AGREEMENT, executed this ____ day of March, 2002, and effective the first day of April, 1998 unless specifically provided elsewhere in this Agreement, by The RectorSeal Corporation, a Delaware corporation, having its principal office in Houston, Texas (hereinafter referred to as the "Company").

W I T N E S S E T H:

WHEREAS, effective June 1, 1976, the Company established The RectorSeal Corporation Employee Stock Ownership Plan (hereinafter referred to as the "Plan") in the form of a stock bonus plan designed to constitute a "qualified plan" within the meaning of the applicable sections of the Internal Revenue Code, as amended (the "Code") for the benefit of eligible employees and their beneficiaries; and

WHEREAS, the Plan was subsequently amended from time to time and was then amended and restated effective April 1, 1985, except for specific provisions which were effective April 1, 1984, to bring the Plan into compliance with the Tax Equity and Fiscal Responsibility Act of 1982, the Tax Reform Act of 1984 and the Retirement Equity Act of 1984; and

WHEREAS, the Plan was subsequently amended by Amendment No. 1 effective, with respect to specific provisions, on April 1, 1984 and April 1, 1985; and

WHEREAS, Jet-Lube, Inc., a Delaware corporation ("Jet Lube"), and an Affiliated Company (herein defined), established the Jet-Lube, Inc. Employee Stock Ownership Plan (the "Jet Lube Plan") effective June 1, 1976; and

WHEREAS, the Jet Lube Plan was subsequently amended from time to time prior to April 1, 1984, was amended and restated effective April 1, 1985, except for specific provisions which were effective April 1, 1984, to bring the Jet Lube Plan into compliance with the Tax Equity and Fiscal Responsibility Act of 1982, the Tax Reform Act of 1984 and the Retirement Equity Act of 1984, and, due to the merger of the Jet Lube Plan with and into the Plan, was amended to comply with (i) those provisions of the Tax Reform Act of 1986 that were technical

corrections to the Retirement Equity Act of 1984 and (ii) the temporary Treasury regulations issued with respect to those provisions in the Code enacted by the Retirement Equity Act of 1984 or the subsequent technical correction provisions thereto; and

WHEREAS, Jet Lube approved (i) the merger of the Jet Lube Plan, effective as of April 1, 1989, with and into the Plan and (ii) the transfer of assets from the Jet Lube Plan to the Plan as soon as practicable after the valuation of accounts in the Jet Lube Plan at March 31, 1990; and

WHEREAS, the Company subsequently amended and restated the Plan (i) effective April 1, 1989, to bring the Plan into compliance with the Tax Reform Act of 1986 as well as all other applicable laws, rules and regulations enacted or promulgated since the prior plan restatement and (ii) effective April 1, 1994, to change the name of the Plan to "The RectorSeal Corporation and Jet-Lube, Inc. Employee Stock Ownership Plan."

WHEREAS, the Plan was subsequently amended by Amendment No. I effective August 15, 1997; and

WHEREAS, the Company now desires to amend and restate the Plan effective April 1, 1998, except for certain provisions for which another effective date is subsequently provided otherwise in the terms of the Plan, to bring the Plan into compliance with the Code as modified by the Small Business Job Protection Act of 1996, the General Agreement on Tariffs and Trade under the Uruguay Round Agreements Act, the Uniformed Services Employment and Reemployment Rights Act of 1994, the Taxpayer Relief Act of 1997, the Internal Revenue Service Restructuring and Reform Act of 1998, and the Community Renewal Tax Relief Act of 2000, as well as all applicable rules, regulations and administrative pronouncements enacted, promulgated or issued since the date the Plan was last restated; and

WHEREAS, (i) the benefits payable from the Plan are independent of any benefits an Employee is or may become entitled to under any other funded pension, profit sharing or savings plan, (ii) the benefits payable to an Employee or Beneficiary under the Plan shall be determined solely by reference to the provisions of the Plan in effect on the date of such Employee's retirement or other termination of employment, except as otherwise specifically provided herein, and (iii) except as otherwise provided in the Plan or any amendment to the Plan, the provisions of any amendment to the Plan shall apply solely to an Employee, former Employee, Participant or Former Participant whose employment with an Employer terminates on or after the effective date of the amendment;

NOW, THEREFORE, in consideration of the premises and the covenants herein contained, the Company hereby adopts the following as the provisions of the revised and restated Plan:

ARTICLE I

DEFINITIONS

Unless by the context hereof a different meaning is clearly indicated, whenever used in this Plan, the following words shall have the meanings hereinafter set forth:

Sec. 1.1 Administrator for the purposes of ERISA means the Company; provided, that the Company, by action of its governing body, may designate another person or entity, including the Trustee, the Recordkeeper or a Committee, as Administrator of the Plan.

Sec. 1.2 Affiliated Company means the Company and any other entity which is, along with the Company, a member of a controlled group of corporations or a controlled group of trades or businesses [as defined in Section 414(b) or (c) of the Code], any entity which along with the Company is included in an affiliated service group as defined in Section 414(m) of the Code, and any other entity which is required to be aggregated with the Company pursuant to Section 414(o) of the Code.

Sec. 1.3 Allocation Date means the Anniversary Date and each additional date or dates designated by the Administrator on which allocations of contributions are made.

Sec. 1.4 Anniversary Date means the last day of each Year.

Sec. 1.5 Alternate Payee means a person defined in Section 414(p)(8) of the Code who is entitled to benefits under the Plan pursuant to a Qualified Domestic Relations Order.

Sec. 1.6 Annual Compensation means the sum of (i) the amounts actually paid to an Employee by the Employer for services rendered, as reported on the Employee's Federal income tax withholding statement (Form W-2 or its subsequent equivalent) for the 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 the Plan or any other qualified defined contribution plan maintained by the

Employer, moving expenses, welfare benefits, and all other extraordinary compensation, such as income attributable to phantom stock plans, and (ii) amounts applied to purchase benefits pursuant to a salary reduction agreement under a cafeteria plan as defined in Section 125 of the Code sponsored by an Employer, amounts deferred pursuant to a salary reduction agreement under any other plan described in Sections 401(k) and 408(k) of the Code sponsored by an Employer, and, effective April 1, 2001, elective amounts that are not includible in gross income by reason of Section 132(f)(4) of the Code. For any Year beginning after December 31, 1996 (i) only \$160,000 of Annual Compensation shall be taken into account by the Plan with respect to any Participant [or, beginning April 1, 1998, such other amount as may be determined under Section 401(a)(17)(B) of the Code] (hereinafter referred to as the "Compensation Limitation"), and (ii) the family aggregation rules formerly required by Section 401(a)(17)(A) of the Code shall no longer apply in determining a Participant's Annual Compensation.

Sec. 1.7 Beneficiary means any person or fiduciary designated by a Participant or Former Participant in accordance with the terms hereof and Section 401(a)(9) of the Code to receive benefits hereunder following the death of such Participant or Former Participant. Each Participant and Former Participant may, from time to time, select one or more Beneficiaries to receive benefits pursuant to Section 10.1 in the event of the death of such Participant or Former Participant. Such selection shall be made in writing by Notice to the Administrator. Unless the provisions of the Plan or a Qualified Domestic Relations Order provide otherwise, the last such selection filed with the Administrator prior to the date of death of the Participant or Former Participant shall determine to whom Plan benefits shall be paid. If the Participant or Former Participant is married at the date of his death, the Beneficiary shall be the surviving spouse unless the spouse has consented in writing to the designation of some other Beneficiary, which designation may not be changed without spousal consent unless the voluntary consent of the spouse (i) expressly permits designations by the Participant or Former Participant without any requirement of further consent by the spouse and (ii) acknowledges that the spouse has the right to limit the consent to a specific Beneficiary. Such written consent must acknowledge the effect of such selection and such consent must be witnessed by a Plan representative or a notary public. Spousal consent is not required if it is established to the satisfaction of the Plan representative that the consent may not be obtained (i) because the Participant or Former Participant has no spouse, (ii) because the spouse cannot be located

or (iii) because of such other circumstances as the Secretary of Treasury may by regulations prescribe.

If the Administrator cannot readily determine whether a Participant or Former Participant has a spouse under the laws of the state in which the Participant or Former Participant resides resulting from an individual's claim to be a "common law" spouse of a Participant or Former Participant or similar circumstances, the Administrator may request such individual to provide the Administrator with a legal opinion satisfactory to the Administrator or other evidence demonstrating the individual's status as a spouse of the Participant or Former Participant. The Administrator has the sole and absolute authority to determine an individual's status as a spouse of a Participant or Former Participant and any such determination shall be final, binding and conclusive on all parties ever claiming an interest in the Plan. Any consent by a spouse (or establishment that the consent of the spouse may not be obtained) shall be effective only with respect to that spouse.

If a Participant's or Former Participant's selection is not made in compliance with these provisions or if all designated persons shall predecease the Participant or Former Participant, Beneficiary means the first of the following classes of successive preference beneficiaries then surviving: the Participant's or Former Participant's:

- (a) surviving spouse,
- (b) descendants, per stirpes(including adopted children),
- (c) parents in equal shares,
- (d) brothers and sisters in equal shares, and
- (e) estate.

If more than one Beneficiary of a particular class (primary or secondary) is entitled to benefits, payments shall be made in equal shares to such Beneficiaries, unless some other specific proportions are clearly designated by the Participant or Former Participant. If more than one Beneficiary of a particular class (primary or secondary) is named, the interest of any deceased Beneficiary of that class shall pass to the surviving Beneficiary or Beneficiaries of that class except to the extent that the designation provides for payment to any secondary Beneficiary or Beneficiaries upon the death of a primary Beneficiary. In determining whether any person named as a Beneficiary is living at the time of a Participant's or Former Participant's death, if such

person and the Participant or Former Participant died in a common disaster and there is insufficient evidence to determine which person died first, then it shall be deemed that the Beneficiary died first.

Sec. 1.8 Code means the Internal Revenue Code of 1986, as it may be amended from time to time. Reference to a section of the Code shall include that section, applicable Treasury regulations promulgated thereunder and any comparable section of any future legislation that amends, supplements or supersedes said section, effective as of the date such comparable section is effective with respect to the Plan.

Sec. 1.9 Committee means the committee appointed under Article XIV to administer the Plan, as from time to time constituted. If no such committee is appointed, the Company shall constitute the Committee.

Sec. 1.10 Company means The RectorSeal Corporation, a Delaware corporation, or such other organization which, pursuant to a spinoff, merger, consolidation, reorganization, or similar corporate transaction where a significant portion of the Company's employees become employees of such organization, adopts and assumes the Plan and the Trust Agreement as the sponsor with the consent of the Company and agrees to accept the duties, responsibilities and obligations of the sponsor of the Plan and the Trust Agreement. Reference in the Plan to the Company shall refer to any such organization which adopts and assumes the sponsorship of the Plan and the Trust Agreement.

Sec. 1.11 Disability means the physical or mental incapacity of a Participant which, in the opinion of a physician approved by the Administrator, will permanently prevent such Participant from performing any of the usual duties of his employment.

Sec. 1.12 Early Retirement Date means the Anniversary Date of the Year coinciding with or next following the later of the date a Participant attains age 55 and has completed at least ten Years of Service (Vesting), provided the Participant has elected at least 60 days prior to such Anniversary Date to terminate his employment with all Affiliated Companies.

Sec. 1.13 Employee means any individual in the employ of an Employer who is included on the Federal Insurance Contribution Act rolls of an Employer, and excludes any Leased Employee that Section 414(n) of the Code treats as an Employee of an Employer, unless classification of such Leased Employee as an Employee is necessary to maintain the qualification of the Plan. The term

"Employee" shall not include 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.

Sec. 1.14 Employer means the Company and any other Affiliated Company, with respect to its Employees, provided such Affiliated Company is designated by the governing body of the Company as an Employer under the Plan and whose designation as such has become effective and has continued in effect. The designation shall become effective only when it shall have been accepted by the governing body of the Employer and shall be effective for the Year determined by the governing body of the Company and the Employer. An Employer may revoke its acceptance of such designation at any time, but until such acceptance has been revoked, all of the provisions of the Plan and amendments thereto shall apply to the Employees of the Employer. In the event the designation of the Employer as such is revoked by the governing body of the Employer, this will not be deemed a termination of the Plan.

Sec. 1.15 Entry Date means the first day of the Year.

Sec. 1.16 ERISA means the Employee Retirement Income Security Act of 1974, as it may be amended from time to time, and applicable regulations promulgated thereunder.

Sec. 1.17 Five-Year Break in Service means any five consecutive Years during each of which the Employee or Participant performs for an Affiliated Company 500 or fewer Hours of Service.

Sec. 1.18 Former Participant means any individual who has been a Participant in the Plan (i) who is no longer in the employ of an Employer and who has not yet received the entire benefit to which he is entitled under the Plan, or (ii) who is still in the employ of an Affiliated Company and who has an interest in the Plan but who is not eligible for Employer contributions and forfeitures.

Sec. 1.19 Hours of Service means each hour credited to an individual in accordance with the following:

(a) An Hour of Service shall be credited to an individual for each hour for which he is either directly or indirectly paid, or entitled to payment, by any Affiliated Company or, to the extent permitted by the governing body of

the Company or the Administrator in accordance with Section 401(a)(4) of the Code, by the predecessor company. An Employee on a non-hourly payroll whose Annual Compensation is not determined on the basis of certain amounts for each hour worked shall be credited with 45 Hours of Service for each week during which he would otherwise have at least one Hour of Service, adjusted pro rata on the basis of 10 hours per day when employment or the Year begins on other than a Monday or ends on other than a Friday.

(b) An Hour of Service shall be credited to an individual for each hour for which back pay, irrespective of mitigation of damages, has been either awarded or agreed to by an Affiliated Company or, to the extent permitted by the governing body of the Company or the Administrator in accordance with Section 401(a)(4) of the Code, by the predecessor company. These Hours of Service shall be credited to the individual for the computation period or periods to which the award or agreement pertains rather than the computation period in which the award, agreement or payment is made.

(c) An Hour of Service shall be credited to an individual for each hour while on unpaid leave pursuant to the Family and Medical Leave Act of 1993 for which he would have been paid or entitled to payment by an Affiliated Company had he been performing services.

(d) In no event shall an individual be given credit for a specific Hour of Service under more than one of the above subsections (a), (b) or (c) and, notwithstanding any other provision of the Plan to the contrary, an individual shall not be credited with Hours of Service more than once with respect to the same period of time.

(e) Hours of Service for periods during which no duties are performed shall be calculated and credited pursuant to Section 2530.200b-2(b) and (c) of the Department of Labor regulations which are incorporated herein by reference. No more than 501 Hours of Service shall be credited under the preceding sentence during any computation period.

(f) Notwithstanding any other provisions of this Section 1.19, in the event an Employee is:

(i) on leave of absence authorized by his Employer in accordance with standard personnel policies of such Employer applied in a

nondiscriminatory manner to all Employees similarly situated, including those described in Section 1.19(g) hereof, or

(ii) on military leave while the Employee's reemployment rights are protected by law,

a Five-Year Break in Service and a One-Year Break in Service shall be deemed not to have occurred and the Employee shall continue to accrue Hours of Service under the Plan during the period of leave of absence, at the same rate he would have had he remained an active Employee throughout such leave of absence, provided he returns to employment immediately (in the case of military leave, within the 90 day period after his honorable discharge or release or within the period prescribed by applicable law, whichever is longer) upon the expiration of such authorized absence. If an Employee fails to return to the active employment of an Affiliated Company within the time specified in a written leave of absence, or after such period of military service, as appropriate, his service will be deemed terminated as of the end of such permitted period of absence.

(g) In addition, solely for the purpose of determining a One-Year Break in Service and a Five-Year Break in Service, the Plan shall credit the Employee with the Hours of Service which otherwise would normally have been credited to such individual during the computation period in which an absence from the service of an Affiliated Company occurs for any period by reason of (i) pregnancy of the individual, (ii) birth of a child of the individual, (iii) placement of a child with the individual in connection with the adoption of such child by such individual, or (iv) for purposes of caring for such child for a period beginning immediately following such birth or placement; provided, however, if the Employee has credit for more than 500 Hours of Service without the application of this sentence in the computation period in which the absence from the service of an Affiliated Company occurs for the reasons specified in this sentence, the Plan shall credit the Employee with such Hours of Service in the following computation period. The Plan shall not credit any Employee with any Hours of Service under this subsection (g) unless such Employee timely furnishes the Administrator information establishing (i) that the absence from the service of an Affiliated Company was for one or more reasons specified in the first sentence of this subsection (g) and (ii) the number of days for which there was an absence.

(h) Effective December 12, 1994, each period of qualified military service (within the meaning of Chapter 43 of Title 38, United States Code) served by an Employee who is reemployed under that chapter by an Affiliated Company following such service shall be considered service with an Affiliated Company for purposes of determining his Hours of Service.

Sec. 1.20 Individual Account means an account or record to be maintained by the Trustee or the Recordkeeper reflecting the monetary value of the undivided interest in the Trust Fund of each Participant, each Former Participant and each Beneficiary and shall include the Other Investments Account and the Parent Company Stock Account.

Sec. 1.21 Leased Employee means an individual who is not in the employ of an Employer and who, pursuant to a leasing agreement between an Employer and any other person ("leasing organization"), has performed services for an Employer [or for an Employer and any other person related to an Employer within the meaning of Section 144(a)(3) of the Code] on a substantially full-time basis for at least one year and who performs after December 31, 1996 such services under the primary direction or control by the Employer. Leased Employee shall also include any individual who is deemed to be an employee of an Employer under Section 414(o) of the Code. Notwithstanding the preceding sentences, if individuals described in the preceding sentence constitute less than 20% of an Employer's non-highly compensated work force within the meaning of Section 414(n)(5)(C)(ii) of the Code, the Plan shall not treat an individual as a Leased Employee if the leasing organization covers the individual in a money purchase pension plan providing immediate participation, full and immediate vesting and a non-integrated contribution formula equal to at least ten percent of the individual's annual compensation [as defined in Section 415(c)(3) of the Code, but including amounts contributed by an Employer pursuant to a salary reduction agreement which are excludable from the individual's gross income under Sections 125, 402(e)(3), 402(h)(1)(B) or 403(b) of the Code or, effective April 1, 2001, Section 132(f)(4) of the Code]. If any Leased Employee shall be treated as an Employee of an Employer, however, contributions or benefits provided by the leasing organization which are attributable to services of the Leased Employee performed for an Employer shall be treated as provided by the Employer.

Sec. 1.22 Named Fiduciary means the Company, except to the extent the Company has delegated specific functions to the Committee, if any, appointed by the Company pursuant to Article XIV. If no Committee is appointed, the Company will perform the functions of the Committee.

Sec. 1.23 Normal Retirement Date means a Participant's or Former Participant's 65th birthday.

Sec. 1.24 Notice means, unless otherwise provided specifically in the Plan, (i) written Notice on an appropriate form provided by the Administrator, which is properly completed and executed by the party giving such Notice and which is delivered by hand or by mail to the Administrator or to such other party designated by the terms of the Plan or by the Administrator to receive the Notice or (ii) Notice by interactive electronic communication, to the extent authorized by the Administrator, to the Recordkeeper. Notice to the Administrator, the Recordkeeper or to any other person as provided herein shall be deemed to be given when it is actually received (either physically or by interactive electronic communication, as the case may be) by the party to whom such Notice is given. For purposes of the Plan, an "interactive electronic communication" means a communication between a Participant, Former Participant or Beneficiary and the Recordkeeper pursuant to a system maintained by the Recordkeeper and communicated to each Participant, Former Participant and Beneficiary in compliance with final Treasury regulations and final Department of Labor regulations whereby each such individual may obtain financial information regarding his Individual Account and amounts available for withdrawal and exercise options as described herein with respect to his Individual Account, as well as other actions approved from time to time by the Administrator, through the use of the telephone, internet or such other system and a personal identification number assigned to the Participant, Former Participant or Beneficiary by the Recordkeeper or the Administrator. If a Participant, Former Participant or Beneficiary (i) consents to participate in the Plan's interactive electronic communication procedures adopted by the Administrator, if any, and (ii) acknowledges that actions taken by such Participant, Former Participant or Beneficiary through the use of his personal identification number constitute his signature, to the extent allowed by the Administrator, for purposes of Beneficiary designations and Plan withdrawals and distributions, including waiver of the 30-day period described in Section 11.2, the Participant, Former Participant or Beneficiary, as the case may be, will be deemed to have given his written consent and authorization to any action resulting from the use of the interactive electronic communication system by the Participant, Former Participant or Beneficiary.

Sec. 1.25 One-Year Break in Service means any Year during which the Employee or Participant performs for an Affiliated Company 500 or fewer Hours of Service.

Sec. 1.26 Other Investments Account means the portion of the Individual Account maintained by the Trustee or the Recordkeeper for each Participant, Former Participant or Beneficiary reflecting the monetary value of such person's individual interest in the Trust Fund attributable to Employer contributions and forfeitures in cash under this Plan which have not been invested in Parent Company Stock and are to be invested in other assets; it shall be credited with the net income (or debited with the loss) of the Trust Fund attributable to investments in the Other Investments Account.

Sec. 1.27 Parent Company Stock means shares of any class of stock, preferred or common, which are issued by Capital Southwest Corporation, a Texas corporation, or any other qualifying employer security of Capital Southwest Corporation, as defined in ERISA. The shares of Parent Company Stock currently held by the Plan are regularly traded on the Nasdaq National Market.

Sec. 1.28 Parent Company Stock Account means the portion of the Individual Account maintained by the Trustee or the Recordkeeper for each Participant, Former Participant or Beneficiary to which is credited shares (including fractional shares) of Parent Company Stock which are attributable to Employer contributions and forfeitures under the Plan.

Sec. 1.29 Participant means an Employee who has met the eligibility requirements of the Plan as provided in Article II hereof and who has begun participating in the Plan.

Sec. 1.30 Plan means the stock bonus plan embodied herein, as the same may be amended from time to time, and shall be known as "The RectorSeal Corporation and Jet-Lube, Inc. Employee Stock Ownership Plan."

Sec. 1.31 Qualified Domestic Relations Order means any judgment, decree or order (including approval of a property settlement agreement) which (i) relates to the provision of child support, alimony payments, or marital property rights to a spouse, former spouse, child or other dependent of a Participant or Former Participant, (ii) is made pursuant to a state domestic relations law, (iii) creates or recognizes the existence of an Alternate Payee's right to, or assigns to an Alternate Payee the right to, receive all or a portion of the benefits payable with respect to a Participant or Former Participant under the Plan and (iv) complies with the requirements of Section 414(p) of the Code.

Sec. 1.32 Recordkeeper means any person or entity appointed by the Company or the Committee to perform recordkeeping and other administrative services on behalf of the Plan. If no Recordkeeper is appointed, the Trustee shall perform the duties of the Recordkeeper.

Sec. 1.33 Trust Agreement means "The RectorSeal Corporation and Jet-Lube, Inc. Employee Stock Ownership Plan Trust Agreement" entered into between the Company and the Trustee to carry out the purposes of the Plan and under which the Trust Fund is maintained; provided that if such agreement be amended or supplemented, Trust Agreement, as of a particular date, shall mean such agreement, as amended and supplemented and in force on such date.

Sec. 1.34 Trust Fund means all assets of whatsoever kind and nature from time to time held by the Trustee pursuant to terms and conditions of the Trust Agreement out of which benefits of the Plan are provided.

Sec. 1.35 Trustee means any institution or individuals designated as Trustee or Trustees by the governing body of the Company, or any successor trustee or additional trustee or trustees acting at any time as Trustee under the Trust Agreement.

Sec. 1.36 Year means the 12-month period from April 1 of each year to the next following March 31.

Sec. 1.37 Year of Service (Participation) means the 12 consecutive month period commencing with the employment commencement date of an Employee by an Affiliated Company, which is the date the Employee first performs an Hour of Service for an Affiliated Company, during which the Employee performs at least 1,000 Hours of Service for an Affiliated Company. If an Employee does not perform 1,000 Hours of Service in the 12 month period beginning with his employment commencement date, Year of Service (Participation) means the Year commencing with the Year immediately following his employment commencement date during which the Employee performs at least 1,000 Hours of Service for an Affiliated Company.

Sec. 1.38 Year of Service (Vesting) means any Year during which the Employee performs at least 1,000 Hours of Service for an Affiliated Company, subject to the following:

(a) if an Employee has a One-Year Break in Service, Years of Service (Vesting) before such break shall not be taken into account until he has completed a Year of Service (Vesting) after his return to employment; and

(b) if an Employee has a Five-Year Break in Service, Years of Service (Vesting) after such break shall not be taken into account for the purposes of determining the nonforfeitable percentage of his accrued benefit derived from Employer contributions which accrued before such break.

Sec. 1.39 Gender and Number. Except as otherwise indicated by the context, any masculine terminology used herein also includes the feminine and neuter, and vice versa, and the definition of any term herein in a singular shall also include the plural, and vice versa.

ARTICLE II

ELIGIBILITY OF EMPLOYEES

Sec. 2.1 Eligibility. Each eligible Employee shall be deemed to have become a Participant (unless he elects otherwise pursuant to Section 2.2) as of the Entry Date which falls within the Employee's completion of one Year of Service (Participation).

Sec. 2.2 Election Not to Participate. An Employee eligible to participate or participating in the Plan may elect not to participate (or elect to withdraw from the Plan if then participating) for a given Year, provided that written notice of such election is given to the Administrator in satisfactory form before the end of the Year in question. Upon receipt by the Administrator of such notice, the Participant shall become a Former Participant retroactively to the beginning of the particular Year. Such election shall remain in effect unless and until the Employee ceases to be such or elects to participate again. An Employee eligible to participate in the Plan who has elected not to participate (or elected to withdraw) may elect to participate in any Year thereafter by giving written notice in satisfactory form to the Administrator. Such election shall be effective immediately, and the Employee shall become an active Participant as of the date of receipt of such election by the Administrator or such later date as may be specified in the notice. Notwithstanding the foregoing provisions of this Section 2.2, William R. Thomas is excluded from participating in the Plan.

Sec. 2.3 Eligibility upon Reemployment. Notwithstanding Section 2.1, each Employee who completes a Year of Service (Participation) in either his first 12 months of employment or a Year, as required in Section 1.37, but is not employed at the expiration of such 12-month period or such Year, shall become a Participant immediately upon his return to the status of Employee, subject to Section 2.6. An Employee who completes 1,000 Hours of Service in the 12-month period or the Year while employed by an Affiliated Company which is not an Employer shall become a Participant as of the Entry Date preceding the date on which he becomes an Employee of an Employer.

Sec. 2.4 Reemployment of Participant. If the employment of a Participant is terminated for any reason and he subsequently is reemployed by an Employer, he shall be eligible to become a Participant (unless he elects otherwise pursuant to Section 2.2) on the date he resumes employment with an Employer.

Sec. 2.5 Exclusion of Employees Covered by Collective Bargaining. Notwithstanding Section 2.1, an Employee covered by a collective bargaining agreement between the Employer and a collective bargaining representative certified under the Labor Management Relations Act who is otherwise eligible to become a Participant under this Article shall be excluded if retirement benefits were the subject of good faith bargaining between the Employee's representative and the Employer and if the agreement does not require the Employer to include such Employee in this Plan. An Employee who is a Participant in this Plan when he is excluded under the provisions of this Section 2.5 shall cease active participation in this Plan on the effective date of that collective bargaining agreement and shall not participate in Employer contributions while a member of the ineligible class but shall not be considered to have terminated employment.

Sec. 2.6 Eligibility Upon Entry or Reentry into Eligible Class of Employees. In the event a Participant is excluded because he is no longer a member of an eligible class of Employees as specified in this Article II, such Employee shall participate as of the Entry Date preceding the date of his return to an eligible class of Employees. In the event that an Employee who is not a Former Participant in the Plan becomes a member of the eligible class, such Employee shall participate as of the Entry Date preceding the date of his becoming an eligible class member if such Employee has satisfied the eligibility requirements of Section 2.1 and would have previously become a Participant had he been in the eligible class.

ARTICLE III

CONTRIBUTIONS

Sec. 3.1 Contributions of the Employer. The governing body of each Employer, in its discretion, shall determine the amount of, and cause to be made, its contribution to the Plan. Each Employer's liability for the amount of its contribution will be established by its governing body, and other actions taken, within the time required by law so as to permit the contributions for a particular Year to be deductible for Federal income tax purposes for the corresponding taxable year, and the amount of such contribution will be communicated to the Participants as soon as practicable after the amount thereof has been established.

Sec. 3.2 Form of Employer Contributions. The Employer contribution by each Employer may be paid in cash or in securities, other property, or shares having an equivalent value, or any combination thereof, as the governing body of the Employer may determine. To the extent that the Trust Fund has cash obligations payable in one year from the date the Employer contribution is due, such Employer contribution shall be paid in cash in an amount determined by the Employer or the Administrator.

Sec. 3.3 Time of Contributions. Contributions made by an Employer pursuant to Section 3.1 may be made at any time and from time to time, except that the total contribution for any Year shall be paid in full not later than the time prescribed by law to enable the Employer to obtain a deduction therefor on its federal income tax return for said Year. Contributions made after the Anniversary Date of the Year but within the time for filing an Employer's federal income tax return (including extensions thereof) shall be deemed made as of the Anniversary Date of that Year if so directed by the Employer, except such contributions shall not share in increases, decreases, or income to the Trust Fund prior to the date actually made. Notwithstanding the foregoing, on an Employer's request, a contribution which was made upon a mistake of fact or on deductibility of the contribution shall be returned to the Employer within one year after payment of the contribution or disallowance of the deduction (to the extent disallowed), as the case may be; provided, however, the amount returned to an Employer shall not be increased by any earnings thereon and shall be reduced by any losses attributable to such amount.

Sec. 3.4 Limit on Employer Contributions. Notwithstanding the foregoing provisions of this Article III, the contribution of an Employer for any Year

shall in no event exceed an amount which will, under the law then in effect, be deductible by the Employer in computing its federal taxes for the fiscal year of the Employer in which that Year ends.

Sec. 3.5 Manner of Making Contributions. All contributions to the Trust Fund shall be paid directly to the Trustee. In connection with each contribution, the Employer shall provide the Recordkeeper with information that identifies each Participant on whose behalf the contribution is being made and the amount thereof. The Recordkeeper shall provide the Trustee with any of the information received by it which is necessary for the Trustee to perform its duties and obligations with respect to the Trust Fund.

Sec. 3.6 Contributions with Respect to Military Leave. Notwithstanding any provision of the Plan to the contrary, contributions with respect to qualified military service (within the meaning of Chapter 43 of Title 38, United States Code) shall be permitted in accordance with Section 414(u) of the Code.

ARTICLE IV

ACCOUNTS AND VALUATION OF TRUST FUND

Sec. 4.1 Participants' Individual Accounts. The assets of the Trust Fund shall constitute a single fund in which each Participant and Former Participant shall have his proportionate interest as provided in this Plan. The Administrator shall maintain, or cause to be maintained, with respect to each Employer, an Individual Account for each Participant or Former Participant which shall reflect the credits and charges allocable thereto in accordance with the Plan. The Administrator shall maintain, or cause to be maintained, records which will adequately disclose at all times the state of the Trust Fund and of each separate interest therein. The books, forms and methods of accounting shall be entirely in the hands of and subject to the supervision of the Administrator.

Sec. 4.2 Valuation of the Trust Fund and of the Interest of Each Participant. Within a reasonable time after each Allocation Date, the Administrator shall direct the Trustee to prepare a statement of the condition of the Trust Fund, setting forth all investments, receipts and disbursements, and other transactions effected by it during the applicable period, and showing all the assets of the Trust Fund and the cost and fair market value thereof. This statement shall be delivered to the Administrator. At least annually, the

Administrator shall cause to be prepared, and shall deliver to each Participant or Former Participant, a report disclosing the status of his Individual Account in the Trust Fund as of the applicable Allocation Date.

For purposes of determining the market value of securities held by the Trustee, such securities shall be valued as of the close of business on the Allocation Date or, if securities shall not have been traded and reported on a national securities exchange or in the over-the-counter market on such date, then at the last bid price as of the close of business on the Allocation Date.

Notwithstanding any other provision of this Section 4.2, if the Trustee shall determine that the Trust Fund assets consist in whole or in part of property not traded freely on a recognized market, including but not limited to Parent Company Stock, or that information necessary to ascertain the fair market value thereof is not readily available to the Trustee, the Trustee shall request the Administrator to instruct the Trustee as to the value of such property for all purposes under the Plan, and the Administrator shall comply with such request. The Administrator may engage a competent appraiser to assist it in this process. The value placed upon such property by the Administrator in its instructions to the Trustee shall be conclusive and binding upon the Trustee subject to the fiduciary provisions of ERISA. If the Administrator shall fail or refuse to instruct the Trustee as to the value of such property within a reasonable time after receipt of the Trustee's request to do so, the Trustee may engage a competent appraiser to fix the fair market value of such property for all purposes hereunder. The determination of any duly retained appraiser as to the fair market value of such property shall be the value reported hereunder, and neither the Administrator nor the Trustee shall have any liability in connection therewith, subject to the fiduciary provisions of ERISA. The reasonable fees and expenses incurred for any such appraisal shall be deemed an expense of the Trustee and paid as provided in Section 15.8.

The determination of the fair market value of the assets of the Trust Fund and the Administrator's charges or credits to the Individual Accounts with respect to Participants or Former Participants shall be final and conclusive on all persons ever interested hereunder, subject to Section 11.6 hereof.

Sec. 4.3 Allocations to Individual Accounts. In order that each Participant's interest as provided in this Plan may be determined, the Individual Account of each Participant [or Former Participant, for purposes of Sec. 4.3(c)(iii)] shall be adjusted as follows:

(a) The Parent Company Stock Account of each Participant will be credited at least once each Year with his allocable share of (i) Parent Company Stock purchased and paid for by the Trust Fund from contributions or out of his Other Investments Account or contributed in kind by his Employer, (ii) forfeitures of Parent Company Stock which are attributable to his Employer and (iii) stock dividends of Parent Company Stock on Parent Company Stock held in his Parent Company Stock Account or acquired in exchange for other assets not yet allocated.

(b) The Other Investments Account of each Participant will be credited with his remaining allocable share of contributions and forfeitures not represented by Parent Company Stock which are attributable to his Employer and with cash dividends on Parent Company Stock in his Parent Company Stock Account; it will also be credited (or debited) with his share of the net income (or loss) of the Trust Fund attributable to it. Each Participant's Other Investments Account may also be debited for any purchases of Parent Company Stock and the Parent Company Stock Account shall then be credited.

(c) The allocations will be made as follows:

(i) Employer Contributions and Other Items. Employer contributions and Parent Company Stock attributable thereto will be allocated as of each Anniversary Date among the Individual Accounts of Participants who are Employees of each Employer at the end of the Year and, for any Year in which the Plan is not a top heavy plan as defined in Section 416(g) of the Code, who completed at least 1,000 Hours of Service during the Year, and to the Individual Accounts of Former Participants whose employment was terminated by reason of death, Disability or retirement under Article VII during the Year, in the ratio in which the Annual Compensation of each bears to the aggregate Annual Compensation of all.

(ii) Forfeitures. Forfeitures during a Year attributable to the former Participants of each Employer, subject to Section 10.5, shall be allocated as of the Anniversary Date in such Year among the Individual Accounts of the remaining Participants and Former Participants employed by the same Employer in the same proportion that the Employer contributions are (or would be) allocated for such Year.

(iii) Net Income (or Loss) of the Trust Fund. The net income (or loss) of the Trust Fund will be determined as of each Anniversary Date, or more frequently if the Trustee or the Administrator so desires. Except as provided herein with respect to certain dividends and tax refunds, the net income (or loss) of the Trust Fund which is attributable to assets held in a Participant's and Former Participant's Other Investments Account shall be allocated to his Other Investments Account in the ratio which the balance of his Other Investments Account on the preceding Anniversary Date bears to the sum of such balances as of the preceding Anniversary Date for all Participants and Former Participants in the Plan on the subsequent Anniversary Date. Dividends (excluding dividends of Parent Company Stock) on Parent Company Stock and tax refunds with respect to Parent Company Stock shall be allocated to the Other Investments Account of each Participant or Former Participant in the ratio that the number of shares of Parent Company Stock held in that Participant's or Former Participant's Parent Company Stock Account bears to the total number of shares of Parent Company Stock held in the Parent Company Stock Accounts of all Participants and Former Participants. Likewise, dividends declared on any other security held by the Trust Fund shall be allocated to the Other Investments Account of each Participant or Former Participant in the ratio that the number of shares of that security to which the dividend relates held in that Participant's or Former Participant's Other Investments Account bears to the total number of shares of that security held in the Other Investments Accounts of all Participants and Former Participants. The net income (or loss) includes the increase (or decrease) in the fair market value of assets of the Trust Fund (other than Parent Company Stock), interest, dividends, tax refunds, other income and expenses since the preceding Anniversary Date.

(d) Special Rate for Participants in Qualified Military Service. For purposes of this Section 4.3, while a Participant is in qualified military service (within the meaning of chapter 43 of title 38, United States Code), he shall be considered to be in the service of the Employer and to receive Annual Compensation during any such period of qualified military service in an amount equal to the Annual Compensation he would have received during

such period if he were not in such service, determined based on the rate of pay he would have received from the Employer but for the absence during the period of such service; provided, however, if the Annual Compensation the Participant would have received during such period is not reasonably certain, the Participant's average Annual Compensation from the Employer during the 12-month period immediately preceding the qualified military service (or, if shorter, the period of employment immediately preceding the qualified military service) shall be used.

(e) Equitable Allocation. The Administrator may establish accounting procedures for the purpose of making the allocations, valuations and adjustments to Individual Accounts of Participants and Former Participants provided for in this Article IV. Should the Administrator determine that the strict application of its accounting procedures will not result in an equitable and nondiscriminatory allocation among the Other Investments Accounts and Parent Company Stock Accounts of Participants and Former Participants, it may modify its procedures for the purpose of achieving an equitable and nondiscriminatory allocation in accordance with the general concepts of the Plan and the provisions of this Article IV; provided, however, that such adjustments to achieve equity shall not reduce the vested portion of a Participant or Former Participant and shall be consistent with the provisions of the Code.

(f) Computations. All of the computations required to be made under the provisions of this Article IV shall be made in accordance with generally accepted accounting principles and such computations, when made, shall be conclusive with respect thereto and shall be binding upon all the Participants and Former Participants and all other persons ever having an interest in the Trust Fund, subject to the provisions of Section 8.1.

(g) Dividends After Anniversary Date. If a Participant or Former Participant is to receive a distribution or withdrawal from the Plan based on the immediately preceding Anniversary Date and prior to the date of such distribution or withdrawal a dividend is declared on any security held by that Participant's or Former Participant's Individual Account, the amount of the distribution to such Participant or Former Participant shall be adjusted to reflect such dividend.

Sec. 4.4 Included Individual Accounts. For the purposes of this Article IV, references to the Individual Accounts of Participants shall include the

Individual Accounts of those who die, become disabled, retire, or whose employment terminates during the Year in question.

Sec. 4.5 Time When Contributions are Allocated. If directed by the Administrator, an Employer contribution for a Year may be provisionally allocated as of any Allocation Date prior to the Anniversary Date, but such allocation shall be subject to adjustment as of the Anniversary Date.

ARTICLE V

LIMITATION ON ALLOCATIONS

Sec. 5.1 Limitation on Allocations. Notwithstanding any other provision of the Plan, the following provisions shall be applicable to the Plan:

(a) If this Plan is the only plan maintained by the Employer which covers the class of Employees eligible to participate hereunder and the Participant does not participate in and has never participated in a Related Plan or a welfare benefit fund, as defined in Section 419(e) of the Code, maintained by the Employer, or an individual medical account, as defined in Section 415(1)(2) of the Code, maintained by the Employer, which provides an Annual Addition as defined in Section 5.2(a), the Annual Additions which may be allocated under this Plan to a Participant's Individual Account for a Limitation Year shall not exceed the lesser of:

- (i) the Maximum Permissible Amount; or
- (ii) any other limitation contained in this Plan.

(b) If an Employer maintains, in addition to this Plan, (i) a Related Plan which covers the same class of Employees eligible to participate hereunder, (ii) a welfare benefit fund, as defined in Section 419(e) of the Code, or (iii) an individual medical account, as defined in Section 415(1)(2) of the Code, which provides an Annual Addition, the Annual Additions which may be allocated under this Plan to a Participant's Individual Account for a Limitation Year shall not exceed the lesser of:

- (i) the Maximum Permissible Amount, reduced by the sum of any Annual Additions allocated to the Participant's accounts for the same

Limitation Year under this Plan and such other Related Plan and the welfare plans described in clauses (ii) and (iii) above; or

(ii) any other limitation contained in this Plan.

Sec. 5.2 Definitions. For purposes of this Article V, the following terms shall have the meanings set forth below:

(a) "Annual Additions" means the sum of the following amounts allocated to a Participant's Individual Account for a Limitation Year:

(i) all Employer contributions;

(ii) all forfeitures;

(iii) all Employee contributions;

(iv) amounts allocated to an individual medical account, as defined in Section 415(l)(2) of the Code, which is part of a pension or annuity plan maintained by the Employer and amounts derived from contributions which are attributable to post-retirement medical benefits allocated to the separate account of a key employee, as defined in Section 419A(d)(3) of the Code, under a welfare benefit fund, as defined in Section 419(e) of the Code, maintained by the Employer; and

(v) all allocations under a simplified employee pension.

For purposes of this Article V, Employee contributions shall be determined without regard to any (i) rollover contribution within the meaning of Section 402(c), 403(a)(4), 403(b)(8) or 408(d)(3) of the Code, (ii) contribution by the Employee to an individual retirement account or individual retirement annuity, and (iii) direct transfers of Employee contributions from a plan described in Section 401(a) of the Code to the Plan.

In addition, Annual Additions shall include "excess elective deferrals" within the meaning of Treas. Reg.ss.1.402(g) 1(c)(1)(iii) that are not distributed by the defined contribution plan to the participant before April 15 following the taxable year of deferral, "Excess employee savings

contributions" within the meaning of Treas. Reg.ss.1.401(k)-1(g)(7), and "excess matching contributions" within the meaning of Treas. Reg.ss.1.401(m)-1(f)(8).

(b) "Excess Amount" means the excess of the Annual Additions allocated to a Participant's Individual Account for the Limitation Year over the Maximum Permissible Amount, less loading and other administrative charges allocable to such excess.

(c) "Limitation Year" means a twelve-consecutive month period ending on the last day of the Year. 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.

(d) "Maximum Permissible Amount" for a Limitation Year with respect to any Participant shall be the lesser of:

(i) \$30,000 [or, beginning April 1, 1999, and each April thereafter, such other dollar limitation determined for the Limitation Year by automatically adjusting the \$30,000 limitation by the cost-of-living adjustment factor prescribed by the Secretary of the Treasury under Section 415(d) of the Code in such manner as the Secretary shall prescribe]; or

(ii) 25% of the Participant's Annual Compensation for the Limitation Year.

(e) "Employer" means for purposes of this Article V, any Employer and any Affiliated Company that adopts this Plan; provided, however, the determination under Sections 414(b) and (c) of the Code shall be made as if the phrase "more than 50 percent" were substituted for the phrase "at least 80 percent" each place it is incorporated into Section 414(b) and (c) of the Code.

(f) "Annual Compensation" means, notwithstanding Section 1.6, for the purposes of this Article V, a Participant's earned income, wages, salaries, fees for professional service and other amounts received (without regard to whether an amount is paid in cash) for personal services actually rendered in the course of employment with an Employer maintaining the Plan to the extent that the amounts are includable in gross income [including, but not limited to, commissions paid salesmen, 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 Treas. Reg. ss.1.62-2(c)] and excluding the following:

(i) Employer contributions to a plan of deferred compensation to the extent contributions are not included in gross income of the Employee for the taxable year in which contributed, or on behalf of an Employee to a simplified employee pension plan to the extent such contributions are deductible by the Employee, and any distributions from a plan of deferred compensation whether or not includable in the gross income of the Employee when distributed;

(ii) amounts realized from the exercise of a non-qualified stock option, or when restricted stock (or property) held by an Employee 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 qualified stock option; and

(iv) other amounts which receive special tax benefits, or contributions made by the Employer (whether or not under a salary reduction agreement) towards the purchase of an annuity contract under Section 403(b) of the Code (whether or not the contributions are excludable from the gross income of the Employee).

For Limitation Years after December 31, 1991, Annual Compensation for any Limitation Year is the Annual Compensation actually paid or includable in gross income during such Limitation Year. For Limitation Years after December 31, 1997, Annual Compensation shall include amounts contributed by an Employer pursuant to a salary reduction agreement which are excludable from the Participant's gross income under Sections 125, 402(e)(3), 402(h)(1)(B), 408(p)(2)(A)(i), 457 or 403(b) of the Code. For Limitation Years beginning on or after January 1, 2001, Annual Compensation shall include elective amounts that are not includable in the gross income of the Participant by reason of Section 132(f)(4) of the Code.

(g) "Related Plan" means any other defined contribution plan [as defined in Section 415(k) of the Code] maintained by any Employer as defined in Section 5.2(e).

(h) "Defined Contribution Plan Fraction" means for any Limitation Year:

(i) the sum of the Annual Additions to the Participant's account under this Plan and his accounts under any Related Plan and welfare plans [as described in Section 5.1(b)(ii) and (iii)] as of the close of the Limitation Year,

divided by:

(ii) the sum of the lesser of the following amounts determined for the Limitation Year and for each prior Year of his service for an Employer:

(A) the product of 1.25, multiplied by the dollar limitation in effect under Section 415(c)(1)(A) of the Code for the Limitation Year [determined after adjustment under Section 415(d) of the Code], or

(B) the product of 1.4, multiplied by an amount equal to 25% of the Participant's Annual Compensation for the Limitation Year.

If the Employee was a Participant as of the end of the first day of the first Limitation Year beginning after December 31, 1986, in one or more defined contribution plans maintained by an Employer which were in existence on May 6, 1986, the numerator of the Defined Contribution Plan Fraction will be adjusted if the sum of that fraction and the Defined Benefit Plan Fraction otherwise would exceed 1.0 under the terms of this Plan. Under the adjustment, an amount equal to the product of (i) the excess of the sum of the fractions over 1.0, times (ii) the denominator of this fraction, will be permanently subtracted from the numerator of this fraction. The adjustment is calculated using the fractions as they would be computed under this Section 6.2(h) as of the end of the last Limitation Year beginning before January 1, 1987, and disregarding any changes in the terms and conditions of the Plan made after May 6, 1986, but using the Section 415 limitations applicable to the first Limitation Year beginning on or after January 1, 1987. The Annual Addition for any Limitation Year beginning before January 1, 1987, shall not be recomputed to treat all

Employee contributions as Annual Additions. The adjustment also will be made if at the end of the last Limitation Year beginning before January 1, 1984, the sum of the fractions exceeds 1.0 because of accruals or additions that were made before the limitations of this Article VI became effective to any plans of an Employer in existence on July 1, 1982. With respect to any Limitation Year ending after December 31, 1982, the amount taken into account under Section 5.2(h)(ii) above with respect to each Participant for all Limitation Years ending before January 1, 1983, shall be an amount equal to the product of (iii) and (iv), where

(iii) is the amount determined under Section 5.2(h)(ii) [as in effect for the Limitation Year ending in 1982] for the Limitation Year ending in 1982, multiplied by

(iv) a fraction, the numerator of which is the lesser of

(A) \$51,875, or

(B) 1.4, multiplied by 25% of the Annual Compensation of the Participant for the Limitation Year ending in 1981, and

the denominator of which is the lesser of

(A) \$41,500 or

(B) 25% of the Annual Compensation of the Participant for the Limitation Year ending in 1981.

(i) "Defined Benefit Plan Fraction" means for any Limitation Year:

(i) the projected Annual Benefit of the Participant under the defined benefit plans maintained by an Employer determined as of the close of the Limitation Year,

divided by:

(ii) the lesser of:

(A) the product of 1.25, multiplied by the dollar limitation in effect under Section 415(b)(1)(A) of the Code for the Limitation Year, or

(B) the product of 1.4, multiplied by 100% of the Participant's Average Compensation.

If the Employee was a Participant as of the first day of the first Limitation Year beginning after December 31, 1986, in one or more defined benefit plans maintained by an Employer which were in existence on May 6, 1986, the denominator of this fraction will not be less than 125% of the sum of the annual benefits under such plans which the Participant had accrued as of the close of the last Limitation Year beginning before January 1, 1987, disregarding any changes in the terms and conditions of the Plan after May 5, 1986. The preceding sentence applies only if the defined benefit plans individually and in the aggregate satisfied the requirements of Section 415 of the Code for all Limitation Years beginning before January 1, 1987.

(j) "Average Compensation" means the average Annual Compensation during a Participant's high three years of service, which period is the three consecutive calendar years (or, the actual number of consecutive years of employment for those Employees who are employed for less than three consecutive years with an Employer) during which the Employee had the greatest aggregate Annual Compensation from the Employer, including any adjustments under Section 415(d) of the Code.

(k) "Annual Benefit" means a benefit payable annually in the form of a straight life annuity (with no ancillary benefits) under a plan to which Employees do not contribute and under which no Rollover Contributions are made.

Sec. 5.3 Excess Annual Additions. In the event that, notwithstanding Section 5.5(a) hereof, the limitations with respect to Annual Additions prescribed hereunder are exceeded with respect to any Participant for the Limitation Year and such Excess Amount arises as a result of the allocation of forfeitures, a reasonable error in estimating a Participant's Annual Compensation [as defined in Section 5.2(f)] for the Year, a reasonable error in determining the amount of Employee contributions and forfeitures that may be allocated to the Participant's Individual Account under the limits of Section 415 of the Code, or as a result of other facts and circumstances as established by the Commissioner of the Internal Revenue Service, the Excess Amount shall not be deemed an Annual Addition in that Limitation Year, to the extent such Excess Amount is treated in accordance with any of the following:

(a) the Excess Amount attributable to the portion of the Employer contribution made pursuant to Section 3.1 which has been allocated to a Participant under the Plan for a Year but which cannot be allocated to his Individual Account because of the limitation imposed by this Section, shall, subject to the limitations of Section 5.1(a), be allocated and reallocated in the current Limitation Year to Individual Accounts of the other Participants entitled to share in the Employer contributions and forfeitures for that Year in accordance with Section 4.3. Any Excess Amount that cannot be allocated will be held unallocated in a suspense account. All amounts in the suspense account must be allocated and reallocated to the Participants' Individual Accounts, subject to the limitations of Section 5.1(a), in succeeding Limitation Years before any Employer contributions which constitute Annual Additions may be made to the Plan; and

(b) in the event of termination of the Plan, the suspense account shall revert to the Employer to the extent it may not then be allocated to any Participant's Individual Account.

Sec. 5.4 Combined Plan Limits for Limitation Years Beginning Prior to April 1, 2000.

(a) If an Employer maintains, or has ever maintained, one or more defined benefit plans covering an Employee who is also a Participant in this Plan, the sum of the Defined Contribution Plan Fraction and the Defined Benefit Plan Fraction, cannot exceed 1.0 for any Limitation Year beginning prior to April 1, 2000. This Section 5.4 does not apply for any Limitation Year beginning after March 31, 2000. The Annual Addition for any Limitation Year beginning before January 1, 1987 shall not be recomputed to treat all Employee contributions as an Annual Addition. If the Plan satisfied the applicable requirements of Section 415 of the Code as in effect for all Limitation Years beginning before January 1, 1987, an amount shall be subtracted from the numerator of the Defined Contribution Plan Fraction (not exceeding such numerator) as prescribed by the Secretary of Treasury so that the sum of the Defined Benefit Plan Fraction and the Defined Contribution Plan Fraction computed under Section 415(e)(1) of the Code [as revised by this Section 5.4(a)] does not exceed 1.0 for such Limitation Year.

(b) For purposes of this Section 5.4, Employee contributions to a defined benefit plan are treated as a separate defined contribution plan. In addition, any contributions paid or accrued after December 31, 1985 which are attributable to medical benefits allocated under a welfare benefit fund [as defined in Section 419(e) of the Code] during Years ending after December 31, 1985 to a separate account established for any post-retirement medical benefits provided with respect to a Participant, who, at any time, during the Year or any preceding Year, is or was a Key Employee, shall be treated as Annual Additions to a defined contribution plan. Further, all defined contribution plans of an Employer are to be treated as one defined contribution plan and all defined benefit plans of an Employer are to be treated as one defined benefit plan, whether or not such plans have been terminated.

(c) If the sum of the Defined Contribution Plan Fraction and the Defined Benefit Plan Fraction exceeds 1.0 for any Limitation Year beginning prior to April 1, 2000, the sum of the fractions will be reduced to 1.0 as follows:

(i) voluntary nondeductible Employee contributions made by a Participant to the defined benefit plan which constitute an Annual Addition to a defined contribution plan, to the extent they would reduce the sum of the fractions to 1.0, will be returned to the Participant;

(ii) if additional reductions are required for the sum of the fractions to equal 1.0, voluntary nondeductible Employee contributions made by a Participant to this Plan which constitute an Annual Addition to this Plan, to the extent they would reduce the sum of the fractions to 1.0, will be returned to the Participant;

(iii) if additional reductions are required for the sum of the fractions to equal 1.0, the Annual Benefit of a Participant under the defined benefit plan will be reduced (but not below zero and not below the amount of the Participant's accrued benefit to date) to the extent necessary to prevent the sum of the fractions, computed as of the close of the Limitation Year from exceeding 1.0; and

(iv) if additional reductions are required for the sum of the fractions to equal 1.0, the reductions will then be made to the Annual Additions of this Plan.

Sec. 5.5 Special Rules.

(a) Notwithstanding any other provision of this Article VI, an Employer shall not contribute any amount that would cause an allocation to the suspense account as of the date the contribution is allocated. In the event the making of any Employer contribution, or other contribution, or any part thereof, would result in the limitations set forth in this Article V being exceeded, the Administrator shall cause such contributions not to be made. If the contribution is made prior to the date as of which it is to be allocated, then such contribution shall not exceed an amount that would cause an allocation to the suspense account if the date of the contribution were an Allocation Date. The Administrator shall cause the Recordkeeper to maintain records which reflect the contributions to be allocated to the Individual Account of each Participant in any Limitation Year. In the event that it is determined prior to or within any Limitation Year that the foregoing limitations would be exceeded if the full amount of contributions otherwise allocable would be allocated, the Annual Additions to this Plan for the remainder of the Limitation Year shall be adjusted by reducing any Employer contributions, but only to the extent necessary to satisfy the limitations.

(b) If the Annual Additions with respect to the Participant under other Related Plans and welfare plans described in Section 5.1(b)(ii) and (iii) are less than the Maximum Permissible Amount and the Employer contribution that otherwise would be contributed or allocated to the Participant's Individual Account under this Plan would cause the Annual Additions for the Limitation Year to exceed the limitation of Section 5.1(b), the amount contributed or allocated will be reduced so that the Annual Additions under all such plans for the Limitation Year will equal the Maximum Permissible Amount. If the Annual Additions with respect to the Participant under the Related Plans and welfare plans described in Section 5.1(b)(ii) and (iii) in the aggregate are equal to or greater than the Maximum Permissible Amount, no amount will be contributed or allocated to the Participant's Individual Account under this Plan for the Limitation Year unless the Annual Additions with respect to the Participant under the Related Plans are sufficiently reduced. If a Participant's Annual Additions under this

Plan and all Related Plans result in an Excess Amount, such Excess Amount shall be deemed to consist of the amounts last allocated, except that Annual Additions attributable to a welfare plan described in Section 5.1(b)(ii) and (iii) will be deemed to have been allocated first regardless of the actual allocation date.

(c) If an Excess Amount was allocated to a Participant on an allocation date of a Related Plan, the Excess Amount attributed to this Plan will be the product of:

(i) the total Excess Amount allocated as of such date [including any amount which would have been allocated but for the limitations of Section 5.1(b)],

multiplied by:

(ii) the ratio of:

(A) the amount allocated to the Participant as of such date under this Plan,

divided by:

(B) the total amount allocated as of such date under this Plan and all Related Plans [determined without regard to Section 5.1(b)].

(d) Prior to the determination of the Participant's actual Annual Compensation for a Limitation Year, the Maximum Permissible Amount may be determined on the basis of the Participant's estimated Annual Compensation for such Limitation Year. Such estimated Annual Compensation shall be determined on a reasonable basis and shall be uniformly determined for all Participants similarly situated. Any Employer contributions (including allocation of forfeitures) based on estimated Annual Compensation shall be reduced by any Excess Amounts carried over from prior Years.

(e) As soon as is administratively feasible after the end of the Limitation Year, the Maximum Permissible Amount for such Limitation Year shall be determined on the basis of the Participant's actual Annual Compensation for such Limitation Year.

ARTICLE VI

INDIVIDUAL ACCOUNTS

Sec. 6.1 Participant Interest in Individual Accounts. Each Participant and Former Participant shall have such right, title or interest in the balance of his Individual Account as hereinafter provided. In no event shall his nonforfeitable interest exceed the amount to the credit of his Individual Account as the same may be adjusted from time to time.

Sec. 6.2 Annual Statement to Participant. At least annually, the Administrator shall advise each Participant, Former Participant and Beneficiary for whom an Individual Account is held hereunder of the then fair market value of such Individual Account.

ARTICLE VII

RETIREMENT

Sec. 7.1 Normal Retirement. A Participant may retire from the employ of his Employer and all Affiliated Companies on or after his Normal Retirement Date. A Participant's Individual Account shall become nonforfeitable on his Normal Retirement Date.

Sec. 7.2 Early Retirement. A Participant may retire from the employ of his Employer and all Affiliated Companies on or after his Early Retirement Date.

Sec. 7.3 Other Retirement. A Participant's retirement will commence on the Anniversary Date coinciding with or next following the date the Participant's employment with his Employer and all Affiliated Companies terminates if he retires under the provisions of any other qualified retirement plan of his Employer.

Sec. 7.4 Benefits on Retirement. Upon the retirement of a Participant from the employment of his Employer and all Affiliated Companies on or after his Normal Retirement Date or his Early Retirement Date, his entire Individual Account shall be held for his benefit. Said Participant shall receive payment from his Individual Account in a single lump sum in accordance with Article XI hereof as soon as administratively practicable after his Individual Account has been credited and adjusted (as provided in Article IV) as of the Anniversary Date concurrent with or next following his retirement. For Participants in the

Plan as of March 31, 1994, the Administrator shall direct the Trustee to begin distribution prior to the time set forth in the preceding sentence if the Participant directs the Administrator in writing.

Sec. 7.5 Commencement of Benefits. Notwithstanding any other provision of this Plan to the contrary, a Participant or Former Participant shall begin receiving distributions from the Plan, as provided in Article XI, by his Required Beginning Date as defined in Section 11.4(h)(ii).

Sec. 7.6 Final Contribution After Distribution of Benefits. If a Participant who has already received a distribution of his Individual Account under this Article is entitled to an allocation of an Employer contribution under Section 4.3 for the Year in which such distribution was made, such contribution shall be paid to the Participant as soon as administratively practicable following the completion of the allocations under Article IV for such Year.

ARTICLE VIII

DEATH

Sec. 8.1 Benefits on Death. Upon the death of a Participant who is employed by an Employer or an Affiliated Company, his entire Individual Account shall be held for the benefit of his Beneficiary. Upon the death of a Participant whose employment with his Employer and all Affiliated Companies has terminated, his nonforfeitable interest (determined under Section 10.2) in his Individual Account which has not been distributed at the time of his death under Articles VII-X shall be held for the benefit of his Beneficiary. His Beneficiary shall receive payment from his Individual Account in a single lump sum in accordance with Article XI hereof as soon as administratively practicable after the allocations have been completed and his Individual Account has been credited and adjusted (as provided in Article IV) as of the Anniversary Date concurrent with or next following the date on which the Participant's death occurs. The Administrator shall direct the Trustee to begin distribution prior to the time set forth in the preceding sentence if the Beneficiary directs the Administrator in writing.

Sec. 8.2 Final Contribution After Payment of Benefits. If the Individual Account of a deceased Participant whose Beneficiary has already received a distribution of the Participant's Individual Account under this Article is

entitled to an allocation of an Employer contribution under Section 4.3 for the Year in which such distribution was made, such contribution shall be paid to the Beneficiary as soon as administratively practicable following the completion of the allocations under Article IV for such Year.

ARTICLE IX

DISABILITY

Sec. 9.1 Benefits on Disability. In the event of termination of a Participant's employment with his Employer and all Affiliated Companies due to Disability, his entire Individual Account shall be held for his benefit. If the balance of the Participant's Individual Account exceeds \$3,500, the Participant shall receive payment from his Individual Account in a single lump sum in accordance with Article XI hereof as soon as administratively practicable after the allocations have been completed and his Individual Account has been credited and adjusted (as provided in Article IV) as of the Anniversary Date concurrent with or next following the date his Normal Retirement Date or earlier death occurs. The Administrator shall direct the Trustee to begin distribution prior to the time set forth in the preceding sentence if the Participant directs the Administrator in writing. If the balance of the Participant's Individual Account does not exceed \$3,500, the Participant's entire Individual Account shall be distributed to him in a single lump sum as soon as administratively practicable after the allocations have been completed and his Individual Account has been credited and adjusted (as provided in Article IV) as of the Anniversary Date of the Year in which the date of his Disability occurs. The Administrator shall direct the Trustee to begin distribution prior to the time set forth in the preceding sentence if the Participant directs the Administrator in writing. Effective April 1, 2002, the dollar amount in this Section 9.1 shall automatically be adjusted to \$5,000.

Sec. 9.2 Final Contribution After Payment of Benefits. If a Participant who has already received a distribution of his Individual Account under this Article is entitled to an allocation of an Employer contribution under Section 4.3 for the Year in which the distribution was made, such contribution shall be paid to the Participant as soon as administratively practicable following the completion of the allocations under Article IV for such Year.

ARTICLE X

TERMINATION BENEFITS

Sec. 10.1 Termination of Employment Other than by Reason of Death, Disability or Retirement. If the employment of a Participant with his Employer and all Affiliated Companies terminates for any reason other than retirement (whether normal or early), death or Disability, such Participant shall be entitled to such benefits as are hereinafter provided in Section 10.2 at the time specified in Section 10.3.

Sec. 10.2 Vested Interest. A Participant to whom the provisions of Section 10.2 are applicable shall be entitled (as a vested interest) to receive a percentage of the then balance to his credit in his Individual Account determined in accordance with the following schedule:

Years of Service (Vesting) -----	Vested Interest -----
Less than 5	0%
5 or more	100%

Sec. 10.3 Time of Distribution. If the employment of a Participant with his Employer and all Affiliated Companies terminates for any reason other than retirement (whether normal or early), death or Disability, and the value of the vested portion of his Individual Account exceeds \$3,500, then the Administrator shall direct the Trustee, with such Participant's written consent, to distribute to such Participant the portion of his Individual Account to which he is entitled under Section 10.2 in a single lump sum in accordance with Article XI hereof as soon as administratively practicable after his Individual Account has been credited and adjusted (as provided in Article IV) as of the earlier of (i) the Anniversary Date immediately following the date the Participant incurs a One-Year Break in Service following his termination of employment, provided the written consent of the Participant to such distribution is received by the Administrator not later than 60 days after such Anniversary Date, or (ii) the Anniversary Date following the date on which his Normal Retirement Date or earlier death occurs, but not later than the time specified in Section 11.4. If the Participant does not elect to receive the distribution when he is first eligible under the preceding sentence, he may elect to receive the distribution of his Individual Account in a single lump sum as soon as administratively practicable after his Individual Account has been credited and adjusted (as provided in Article IV) as of any subsequent Anniversary Date if he has provided written consent to such distribution to the Administrator not later than 60 days

after such Anniversary Date. If, however, the vested balance of the terminated Participant's Individual Account does not exceed \$3,500, the vested balance of the Participant's Individual Account shall be distributed to him in a single lump sum as soon as administratively practicable after the allocations have been completed and his Individual Account has been credited and adjusted (as provided in Article IV) as of the Anniversary Date of the Year in which the Participant incurs a One-Year Break in Service. Effective April 1, 2002, the dollar amount in this Section 10.3 shall automatically be adjusted to \$5,000.

The balance to the credit of a terminated Participant in his Individual Account which is not vested under the schedule in Section 10.2, if not previously forfeited, shall be forfeited as of the earlier of (i) the date his entire vested Individual Account balance has been distributed under Article XI or (ii) the last day of the Year in which such Participant incurs a Five-Year Break in Service. If the Participant is not entitled to any portion of his Individual Account under Section 10.2, he shall be deemed to have received a distribution and shall forfeit the balance of his Individual Account on the date of his incurring a One-Year Break in Service. The forfeited amount under this Section 10.3 shall remain in the Trust Fund and shall be applied as provided in Section 10.5. If a Former Participant is reemployed by an Affiliated Company without incurring a Five-Year Break in Service, the portion of his Individual Account which was forfeited hereunder shall be restored to his Individual Account in full. If currently unallocated forfeitures are not adequate to effect the restoration, the Company or any Employer shall make such additional contribution to the Plan as is necessary to restore the forfeited portion of his Individual Account.

Sec. 10.4 Forfeiture and Return to Employment Prior to Complete Distribution. After a Five-Year Break in Service, a Participant to whom this Article X is applicable, other than a Participant described in Section 10.3, shall forfeit that portion of the amount of his Individual Account to which he is not entitled under Section 10.2 and the amount thus forfeited shall remain in the Trust Fund and shall be applied as provided in Section 10.5. The amount forfeited by a Participant hereunder shall be charged to his Individual Account on the Anniversary Date as of which he shall incur a Five-Year Break in Service. If the Participant returns to the employment of the Employer after a Five-Year Break in Service, but before the full payment of his Individual Account, allocations of Employer contributions under Section 4.3 after such Five-Year

Break in Service shall be allocated to a Parent Company Stock Account and Other Investments Account established on behalf of such Participant which is separate from the Individual Account of such Participant to which is allocated his account balance attributable to service prior to the Five-Year Break in Service.

Sec. 10.5 Application of Forfeitures. The forfeitures occurring as provided in Articles X and XI shall first be used to restore the account of a Former Participant who has been located during that Year as provided in Section 11.9. If additional forfeitures remain after full restorations under Section 11.9, then remaining forfeitures shall be used to restore accounts of Former Participants who are entitled to restorations for that Year under Section 10.3. If additional forfeitures remain for a Year after application of the two preceding sentences, the remaining forfeitures may be used to (i) make corrective allocations and reduce corrective contributions on behalf of any Participant or Former Participant for that Year, if any, pursuant to Section 15.11 and (ii) pay expenses of the Plan as provided in Section 15.8. If additional forfeitures remain thereafter, the forfeitures shall be allocated as provided in Section 4.3(c)(ii) among the appropriate Parent Company Stock Accounts and Other Investments Accounts on the Anniversary Date of the Year in which the forfeiture occurs.

ARTICLE XI

DISTRIBUTIONS AND WITHDRAWALS

Sec. 11.1 Form of Payment. Except as provided in Section 11.4(d), whenever a Participant, Former Participant or Beneficiary is entitled to or required to receive benefits hereunder as provided in Articles VII to X, inclusive, the Administrator shall direct the Trustee to pay such benefits in a lump sum, provided that a life annuity may not be a part of a lump sum distribution. Distribution of the amounts from a Participant's Individual Account will be made entirely in whole shares of Parent Company Stock and the value of any fractional share will be paid in cash. The distribution which a Participant is entitled to receive from his Parent Company Stock Account shall be equal to the number of shares of Parent Company Stock credited to his Parent Company Stock Account as of the immediately preceding Allocation Date plus any stock dividends to which he is entitled under Section 4.3(g). Any balance of his Other Investments Account as of the immediately preceding Allocation Date, plus cash or in-kind dividends to which the Participant is entitled under Section 4.3(g) will be used

to purchase for distribution to him the maximum number of whole shares of Parent Company Stock at the fair market value per share as of the date of purchase, and any unexpended balance will be distributed to him in cash.

Sec. 11.2 Consent to Distribution. If the vested balance of the Participant's or Former Participant's Individual Account exceeds \$3,500 and any part of the Individual Account could be distributed to the Participant or Former Participant before the Participant or Former Participant attains (or would have attained if not deceased) his Normal Retirement Date, the Participant or Former Participant must consent in writing to any distribution of such Individual Account. The consent of the Participant or Former Participant must be obtained within the 90-day period prior to the date benefit payments are to commence. The Administrator shall notify the Participant or Former Participant of the right to defer any distribution until his Normal Retirement Date. Such Notice shall be provided no less than 30 days and no more than 90 days before benefit payment is to commence and shall include a general description of the material features, and an explanation of the relative values of, the form of benefit available under Section 11.1 in a manner that would satisfy the notice requirements of Section 417(a)(3) of the Code and a description of his direct rollover rights under Section 11.11. If the vested balance of the Participant's Individual Account does not exceed \$3,500, the Participant, Former Participant, or Beneficiary does not have a right to delay the distribution, but shall be provided with a notice of his direct rollover rights under Section 11.11. Such distribution may commence less than 30 days after the Notice required under Treas. Reg. ss.1.411(a)-11(c) is given, provided that (i) the Administrator clearly informs the Participant or Former Participant that the Participant or Former Participant has a right to a period of at least 30 days after receiving the Notice to consider the decision of whether or not to elect a distribution (and, if applicable, a particular distribution option) and (ii) the Participant or Former Participant, after receiving the Notice, affirmatively elects a distribution in writing to the Administrator. The consent of the Participant or Former Participant is not required to the extent that a distribution is required to satisfy either Section 401(a)(9) or Section 415 of the Code. Effective April 1, 2002, the dollar amount in this Section 11.2 shall automatically be adjusted to \$5,000.

Sec. 11.3 Minority or Disability of Distributee. During the minority or disability of a person entitled to receive benefits hereunder, the Administrator may, in its sole discretion, direct payment by the Trustee of all or any portion

of such benefits due such person directly to him or to his spouse or a relative or to any individual or institution having custody of such person. Neither an Employer, the Committee, the Administrator, the Named Fiduciary nor the Trustee shall be required to see to the application of any payments so made and the receipt of the payee (including the endorsement of a check or checks) shall be conclusive as to all interested parties. Any payment made pursuant to the power herein conferred on the Administrator shall operate as a complete discharge of all obligations of the Administrator and the Trustee, to the extent of the distributions so made.

Sec. 11.4 Additional Requirements Relating to Benefit Payments and Death Distributions. Notwithstanding any other provisions of the Plan, the following provisions shall be applicable to the Plan effective January 1, 1997:

(a) Payment of benefits shall begin, unless the Participant otherwise elects, not later than the 60th day after the last day of the Year in which the latest of the following events occurs:

(i) the Participant reaches the earlier of age 65 or his Normal Retirement Date;

(ii) the tenth anniversary of the date on which the Participant commenced participation in the Plan occurs, but not later than the April 1 of the calendar year following the calendar year in which the Participant attains age 70 1/2 if such Participant is a Five-Percent Owner;

(iii) the date the Participant's employment with his Employer and all Affiliated Companies terminates, but in no event later than the April 1 of the calendar year following the calendar year in which the Participant attains age 70 1/2 if such Participant is a Five-Percent Owner.

If a Participant is entitled to receive a distribution of all or a portion of his Individual Account pursuant to Article VII, VIII, IX or X, he may elect to defer the date of distribution of that amount, but not beyond his Required Beginning Date. Once distributions have begun to a Five Percent Owner after his Required Beginning Date, they must continue to be distributed, even if the Participant ceases to be a Five Percent Owner in a subsequent Year. If the Participant fails to consent to a distribution at a

time when any part of the balance of the Individual Account could be distributed prior to the Participant's Normal Retirement Date, such failure shall be deemed to be an election to defer commencement of payment of any benefit under this Section 11.4(a); provided that in no event shall he receive payment of the vested portion of his Individual Account later than his Required Beginning Date.

(b) All distributions required under this Article XI shall be determined and made in accordance with Section 401(a)(9) of the Code and the Treasury regulations thereunder, including the minimum distribution incidental benefit requirements of Prop. Treas. Reg. ss.1.401(a)(9)-2.

(c) An election of a Participant to defer receipt of benefits shall be made by submitting to the Administrator a written statement signed by the Participant describing the benefits and the date on which the Participant requests that the payments commence; provided, however, a Participant may not elect to defer receipt or commencement of receipt of benefits beyond his Required Beginning Date.

(d) If a Participant dies before the distribution of benefits to him under Section 11.1, distribution to his Beneficiary of his entire Individual Account must be completed by December 31 of the calendar year containing the fifth anniversary of the death of such Participant. The provisions of this Section 11.4(d) shall not apply to the portion of the Participant's Individual Account which is payable:

(i) to a Designated Beneficiary other than the Participant's surviving spouse under Section 11.1 on or before December 31 of the calendar year immediately following the calendar year in which the Participant died; or

(ii) under Section 11.1 to a Designated Beneficiary who is the surviving spouse of the Participant at least by the later of (A) the December 31 of the calendar year immediately following the calendar year in which the Participant died and (B) the December 31 of the calendar year in which the Participant would have attained age 70 1/2.

If the Participant has no Designated Beneficiary, distribution of the Participant's entire Individual Account must be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(e) If a portion of the Participant's Individual Account is payable to the Participant's surviving spouse and such spouse dies before distributions to such spouse begin, the spouse shall be treated as the Participant under Section 11.4(e) with the exception of the provisions of subsection (ii) thereof.

(f) Any portion of a Participant's Individual Account paid to a child shall be treated as if such portion has been paid to the Participant's surviving spouse if such portion will become payable to the surviving spouse on the date the child reaches majority (or other designated event permitted under regulations prescribed by the Secretary of the Treasury).

(g) Distribution of a Participant's Individual Account is considered to begin on the Participant's Required Beginning Date or, if Section 11.4(e) is applicable, the date distribution is required to begin to the surviving spouse pursuant to Section 11.4(d)(ii).

(h) For purposes of this Section 11.4, the following terms shall have the meanings set forth below:

(i) "Designated Beneficiary" means the individual who is designated as the Beneficiary under the Plan in accordance with Section 401(a)(9) of the Code and the Treasury regulations thereunder.

(ii) "Required Beginning Date" of a Participant means, effective January 1, 1997, the date determined as follows:

(A) If the Participant is not a Five-Percent Owner and has not attained age 70 1/2 prior to April 1, 2002, his Required Beginning Date is the April 1 of the calendar year following the later of (1) the calendar year in which the Participant attains age 70 1/2 or (2) the calendar year in which the Participant retires; or

(B) If the Participant is a Five-Percent Owner, or if the Participant has attained age 70 1/2 prior to April 1, 2002, his Required Beginning Date is the April 1 of the calendar year following the calendar year in which the Participant attains age 70 1/2 even if he has not retired.

(iii) "Five-Percent Owner" means a Participant who is a five-percent owner of the Company within the meaning of Section 416(i)(1)(B)(i) of the Code (determined in accordance with Section 416 of the Code but without regard to whether the Plan is top heavy) at any time during the Year ending with or within the calendar year in which such owner attains age 70 1/2 or any subsequent Year.

Sec. 11.5 Withdrawals. Except as provided in this Section, no amounts may be withdrawn by a Participant from his Individual Account until the Participant's employment with his Employer and all Affiliated Companies has terminated. In the event of financial hardship, a Participant or Former Participant may, with the consent of the Administrator, withdraw such portion of his Individual Account as the Administrator may approve; provided, however, that no amount in excess of the vested portion of his Individual Account may be withdrawn from such Individual Account. A request for withdrawal under this Section 11.5 shall be made in writing to the Administrator, and shall set forth the particular circumstances constituting the financial hardship and the amount requested to be withdrawn. The term "financial hardship" shall mean acute financial necessity resulting from illness or death of members of the family, education of children and casualty losses not covered by insurance. The determination by the Administrator as to the existence of financial hardship and the amount permitted to be withdrawn shall be conclusive but shall be made on a consistent and nondiscriminatory basis. All amounts not actually withdrawn shall remain credited to the Individual Account of the Participant or Former Participant. For the purposes of allocating appreciation, depreciation, income, expense, gain and loss of the Trust Fund, any withdrawals shall be subtracted from the Individual Account balance as of the beginning of the Year in which the withdrawal is made.

Sec. 11.6 Claims Procedure. The Administrator shall make all determinations as to the right of any person to receive a benefit. Unless the Administrator has established other procedures which are consistent with regulations issued by the Department of Labor and communicated such procedures to the Participant, the procedures of this Section 11.6 shall apply. The denial by the Administrator of a claim for benefits under the Plan shall be stated in a written instrument signed by the Administrator and delivered to or mailed to the claimant within 60 days after receipt of the claim by the Administrator, unless special

circumstances require an extension of time for processing the claim, in which case a determination shall be made as soon as possible, but in no event later than 120 days after receipt of the claim. Written notice of the extension shall be furnished to the claimant prior to the termination of the initial 60-day period and shall indicate the circumstances requiring the extension and the date by which the Administrator expects to render its decision. The written decision shall set forth:

- (a) the specific reason or reasons for the denial;
- (b) a specific reference to the pertinent provisions of the Plan on which the denial is based;
- (c) a description of any additional material or information necessary for the claimant to perfect a claim and an explanation of why such material or information is necessary; and
- (d) a statement that the claimant may:
 - (i) request a review on written application to the Administrator;
 - (ii) review pertinent plan documents; and
 - (iii) submit issues and comments in writing.

If notice of the denial is not furnished in accordance with the above procedure, the claim shall be deemed denied and the claimant shall be permitted to proceed with the review procedure. A request by the claimant for a review of the denied claim must be delivered to the Administrator within 60 days after receipt by such claimant of written notification of the denial of such claim. The Administrator shall, not later than 60 days after receipt of a request for a review, make a determination concerning the claim. If special circumstances require, the Administrator shall notify the claimant that an extension of time for processing, not in excess of 120 days after receipt of the request for review, is necessary. A written statement stating the decision on review, the specific reasons for the decision, and the specific provisions of the Plan on which the decision is based shall be mailed or delivered to the claimant within such 60 (or 120) day period. If the decision on review is not furnished within the appropriate time, the claim shall be deemed denied on review. All communications from the Administrator to the claimant shall be written in a manner calculated to be understood by the claimant. All interpretations,

determinations and decisions by the Administrator in respect of any matter hereunder will be final, conclusive, and binding upon the Company and all Employers, Participants, Former Participants, Beneficiaries and all other persons claiming an interest in the Plan.

Sec. 11.7 Administrator's Duty to Trustee. The Administrator will notify the Trustee at the appropriate time of all facts which may be necessary hereunder for the proper allocation of increases, decreases, expenses, and contributions for Participants, the proper payment or distribution of benefits, or the proper performance of any other act required of the Trustee hereunder. The Administrator will notify the Trustee of such facts as are needed by the Trustee to perform its functions under the Plan and the Trust Agreement. The Administrator will secure appropriate elections, directions, and designations for Participants, Former Participants and Beneficiaries provided for in the Plan.

Sec. 11.8 Duty to Keep Administrator Informed of Distributee's Current Address. Each Participant, Former Participant and Beneficiary must file with the Administrator from time to time in writing his mailing address and each change of mailing address. Any communication, statement or Notice addressed to a Participant, Former Participant or Beneficiary at his last mailing address filed with the Administrator or if no address is filed with the Administrator then at his last mailing address as shown on an Employer's records, will be binding on the Participant or Former Participant, and his Beneficiaries, for all purposes of the Plan. Neither the Administrator nor the Trustee shall be required to search for or locate a Participant, Former Participant or Beneficiary.

Sec. 11.9 Failure to Claim Benefits. If the Administrator notifies the Participant, Former Participant or Beneficiary by registered or certified mail at his last known address that he is entitled to a distribution and also notifies him of the provisions of this Section 11.9, and the Participant, Former Participant or Beneficiary fails to claim his benefits under the Plan or make his current address known to the Administrator within a reasonable period of time after such notification, the Administrator shall direct that all unpaid amounts which would have been payable to such Participant, Former Participant or Beneficiary will be forfeited and applied as provided in Section 10.5. In the event that the Participant, Former Participant or Beneficiary is subsequently located, the Participant's Parent Company Stock Account will be restored and credited with the number of whole shares of Parent Company Stock and cash for any fractional share that have an aggregate fair market value equal to the

aggregate value of his Individual Account as of the date that account was forfeited. The shares of Parent Company Stock and cash credited to his Parent Company Stock Account shall be distributed to the Participant, Former Participant or Beneficiary, and the Employer shall contribute an amount to the Plan which is equal to the amount distributed under the terms of this Section 11.9 to the extent that such amount cannot be reinstated through forfeitures occurring during the Year of payment. Notwithstanding the preceding sentences, if the Administrator is trying to locate a Participant, Former Participant or Beneficiary in connection with a minimum required distribution under Section 11.4, and the Administrator determines that such Participant, Former Participant or Beneficiary cannot be located, the Administrator shall establish an escrow account outside of the Plan in the name of that Participant, Former Participant or Beneficiary and direct the Trustee to distribute such amount to that account.

Sec. 11.10 Distribution Pursuant to Qualified Domestic Relations Orders. The Administrator shall establish policies and procedures for reviewing domestic relations orders relating to a Participant's or Former Participant's interest in the Plan. The Administrator or its delegate shall determine whether any such domestic relations order is a Qualified Domestic Relations Order. Notwithstanding any other provision of the Plan to the contrary, if the provisions of a Qualified Domestic Relations Order provide that distributions shall be made to an Alternate Payee prior to the time that the Participant with respect to whom the Alternate Payee's benefits are derived is entitled to a distribution under the Plan, the Administrator shall direct the Trustee to commence payments to the Alternate Payee as soon as administratively practicable following the later of (i) the date the Participant attains (or would have attained) the Earliest Retirement Age (as defined below) or (ii) the receipt of such Qualified Domestic Relations Order by the Administrator. Until such time as payment is made to an Alternate Payee pursuant to this Section 11.10, the Administrator shall direct the Recordkeeper to identify the Alternate Payee's interest in the Trust Fund and the Alternate Payee shall have no rights under the Plan other than the rights of a Beneficiary. A distribution to an Alternate Payee who is the former spouse of the Participant or Former Participant shall be subject to the provisions of Section 11.11. For purposes of this Section 11.10, Earliest Retirement Age shall mean the earlier of (i) the date on which the Participant is entitled to a distribution under the Plan, or (ii) the later of (A) the date the Participant attains age 50, or (B) the earliest date on which the Participant could begin receiving benefits under the Plan if his employment with his Employer and all Affiliated Companies had terminated.

Sec. 11.11 Tax Withholding and Participant's Direct Rollover. Unless provided otherwise in regulations promulgated by Secretary of the Treasury, to the extent required under Section 3405 of the Code, if a Participant, Former Participant or Beneficiary receives a distribution or withdrawal from the Plan consisting of cash or assets other than Parent Company Stock with a combined value (excluding the value of Parent Company Stock) in excess of \$200 (the "Non-Parent Company Stock Distribution"), the Trustee shall withhold the lesser of (i) 100% of the Non-Parent Company Stock Distribution made to that Participant, Former Participant or Beneficiary or (ii) 20% of the value of the taxable portion of the entire distribution or withdrawal made to a Participant, Former Participant or Beneficiary after December 31, 1992 which constitutes an Eligible Rollover Distribution (as defined below). Any amount withheld shall be deposited by the Trustee with the Internal Revenue Service for the purpose of paying the distributee's federal income tax liability associated with the distribution or withdrawal. Notwithstanding the foregoing provisions, commencing on and after January 1, 1993, each Participant, each Former Participant and each spouse (or former spouse) of a Participant or Former Participant who is the Alternate Payee under a Qualified Domestic Relations Order (such individuals hereinafter being referred to as a "Direct Rollover Distributee") shall be provided with a Notice described in Section 11.2 and given the right to elect [pursuant to Section 401(a)(31) of the Code and the applicable Treasury regulations promulgated thereunder] during the period prescribed in Section 11.2 to rollover all or any portion of the taxable amount of such person's distribution or withdrawal (subject to limitations and restrictions, if any, adopted by the Administrator in accordance with applicable Treasury regulations) directly to an Eligible Retirement Plan (as defined below) and, to the extent a direct rollover is elected by any Direct Rollover Distributee, the withholding requirements of this Section 11.11 will not apply. If permitted by the Code or applicable Treasury regulations, a direct rollover as described in the preceding sentence may be accomplished by delivering a check from the Plan to the Direct Rollover Distributee payable to the trustee or custodian of the Eligible Retirement Plan. Each such direct rollover election shall be in writing on a form prescribed by the Administrator for such purpose and given to the Participant, Former Participant or spouse within a reasonable period of time prior to the distribution or withdrawal.

For purposes of this Section 11.11, Eligible Retirement Plan shall mean an individual retirement account described in Section 408(a) of the Code, an individual retirement annuity described in Section 408(b) of the Code (other than an endowment contract), an annuity plan described in Section 403(a) of the Code, and a qualified trust described in Sections 401(a) and 501(a) of the Code, that will accept an Eligible Rollover Distribution; provided, however, that in the case of an Eligible Rollover Distribution to the surviving spouse of a Participant or Former Participant, an Eligible Retirement Plan shall mean only an individual retirement account or an individual retirement annuity. For purposes of this Section 11.11, Eligible Rollover Distribution shall mean any distribution of all or a portion of a Participant's or Former Participant's Individual Account to a Direct Rollover Distributee; provided, however, an Eligible Rollover Distribution shall not mean any distribution of all or a portion of a Participant's or Former Participant's Individual Account (i) 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 Direct Rollover Distributee or the joint lives (or joint life expectancies) of the Direct Rollover Distributee and his Beneficiary, (ii) that is paid for a specified period of ten years or more, (iii) that is a part of a series of distributions during a calendar year to the extent that such distributions are expected to total less than \$200 or a total lump sum distribution which is less than \$200, as described in Q&A-11 of Treas. Reg. ss.1.401(a)(31)-1, (iv) to the extent such distribution is required by under Section 401(a)(9) of the Code as provided in Section 11.4, or (v) to the extent such distribution is not includable in gross income (determined without regard to the exclusion for net annualized appreciation with respect to employer securities).

ARTICLE XII

NOTICES

Sec. 12.1 Notice. As soon as practicable after a Participant, Former Participant or Beneficiary makes a request for payment, the Administrator shall notify the Trustee of the following information and give such directions as are necessary or advisable under the circumstances:

(a) name and address of the Participant, Former Participant or Beneficiary, and

(b) amount to be distributed.

In addition to the information described above, for distributions and withdrawals occurring after December 31, 1992, the Administrator shall notify the Recordkeeper and/or the Trustee, if applicable, as to the identity, address and other pertinent information of Eligible Retirement Plans as described in Section 11.11 to which the Direct Rollover Distributee (as defined in Section 11.11) has elected to rollover directly such distribution or withdrawal pursuant to Section 11.11.

Sec. 12.2 Modification of Notice. At any time and from time to time after giving the Notice as provided for in Section 12.1, the Administrator may modify such original Notice or any subsequent Notice by means of a further Notice or notices to the Trustee but any action taken or payments made by the Trustee pursuant to a prior Notice shall not be affected by a subsequent Notice.

Sec. 12.3 Reliance on Notice. Upon receipt of any Notice as provided in this Article XII, the Recordkeeper and/or the Trustee, as applicable, shall promptly take whatever action and make whatever payments are called for therein, it being intended that the Recordkeeper and/or the Trustee, as applicable, may rely on the information and directions in such Notice absolutely and without question. However, the Recordkeeper and/or the Trustee, as applicable, may call to the attention of the Administrator any error or oversight which the Trustee believes to exist in any Notice.

ARTICLE XIII

AMENDMENT OR TERMINATION OF PLAN

Sec. 13.1 Amendment or Termination by Company. At any time the Company acting through its governing body may amend or modify the Plan in whole or in part, retroactively or otherwise, or may terminate or partially terminate the Plan, or discontinue or modify Employer contributions to the Plan, subject, however, to the other provisions of this Article XIII. Such termination may be made without consent being obtained from the Trustee, the Recordkeeper, any Employer or Affiliated Company, the Administrator, the Committee, the Participants or their Beneficiaries, the Employees or any other interested person. Also the Plan shall be considered terminated if the Company ceases business operations or if there is a complete discontinuance of Employer contributions to the Plan.

Sec. 13.2 Effect of Amendment. No amendment or modification hereof by the Company, unless made to secure the approval of the Commissioner of Internal Revenue or other governmental bureau or agency, shall:

(a) operate retroactively to reduce or divest the then vested interest in any Individual Account or to reduce or divest any benefit then payable hereunder; or

(b) change the duties or responsibilities of the Trustee without the written consent or approval of the Trustee.

Each such amendment shall be in writing signed by duly authorized officers of the Company with such consents or approval, if any, as provided above and shall become effective as designated in such amendment.

Sec. 13.3 Distribution on Termination or Discontinuance of Contributions. Upon termination of the Plan or complete discontinuance of contributions to the Plan, any amount of the Trust Fund previously unallocated, including any amounts in a suspense account established under Article V, shall be allocated (unless such allocation would violate Article V), and the Individual Accounts of all Participants, Former Participants, and Beneficiaries shall thereupon be and become fully vested and nonforfeitable to the extent then funded. The Trustee shall deduct from the Trust Fund all unpaid charges and expenses including those relating to said termination, except as the same may be paid by an Employer. The Trustee shall then adjust the balance of all Individual Accounts on the basis of the net value of the Trust Fund. The Administrator shall direct the Trustee to distribute the amount to the credit of each Participant, Former Participant and Beneficiary when all appropriate administrative procedures have been completed. If any amount in a suspense account shall not be allocable because of the provisions of Article V, such amount shall be returned to the Employer. Upon any complete discontinuance of contributions by an Employer, the assets of the Trust Fund shall be held and administered by the Trustee for the benefit of the Participants employed by such Employer discontinuing contributions in the same manner and with the same powers, rights, duties and privileges herein described until the Trust Fund with respect to such Employer has been fully distributed. Upon the partial termination of the Plan, the Individual Accounts of affected Participants, Former Participants and Beneficiaries shall thereupon be and become fully vested and nonforfeitable to the extent then funded and shall be distributed to such Participants, Former Participants and Beneficiaries by the Trustee when all appropriate administrative procedures have been completed. The Administrator shall direct the Trustee to distribute each Participant's entire

Individual Account in a single lump sum distribution to him, or to an Eligible Retirement Plan as defined in Section 11.11 pursuant to the Participant's direct rollover election described in Section 11.11, as soon as administratively practicable after the later of (i) the termination date of the Plan or (ii) the receipt following application of a favorable determination letter from the Internal Revenue Service with respect to the termination of the Plan.

Sec. 13.4 Reversion of Contributions to Employer. Except as provided in Section 3.3 and Section 13.3, under no circumstances or conditions shall the Trust Fund or any portion thereof revert to any Employer or be used for or diverted to the benefit of anyone other than Participants, Former Participants and Beneficiaries, it being understood that the Trust Fund shall be for the exclusive benefit of Participants, Former Participants and Beneficiaries.

Sec. 13.5 Amendment of Vesting Schedule. At any time that the vesting schedule of the Plan is amended, or the Plan is amended in any way that directly or indirectly affects the computation of the Participant's nonforfeitable interest in his Individual Account, each Participant who has completed at least three Years, whether or not consecutive, during each of which he has completed not fewer than 1,000 Hours of Service, may elect to have his vested interest in his Individual Account determined under the vesting schedule in effect prior to such amendment. An election made under the preceding sentence may be made at any time within 60 days after the later of the date:

- (a) the amendment is adopted;
- (b) the amendment becomes effective; or
- (c) the Participant is issued written notice of the amendment by the Administrator.

An election under this Section shall be made in a written instrument delivered to the Administrator and once made, shall be irrevocable. For the purposes of this Section, a Participant shall be considered to have completed the three Years described in this Section if he shall have completed such Years prior to the end of the period during which he could make an election hereunder.

Sec. 13.6 Merger or Consolidation of Plan. In the event of any merger or consolidation of the Plan with, or transfer in whole or in part of the assets and liabilities of the Trust Fund to, another trust fund held under any other

plan of deferred compensation maintained or to be established for the benefit of all or some of the Participants in this Plan, the assets of the Trust Fund applicable to such Participants shall be transferred to the other trust fund only if:

(a) each Participant would (if either this Plan or the other plan had then terminated) receive a benefit immediately after the merger, consolidation, or transfer which is equal to or greater than the benefit he would have been entitled to receive immediately before the merger, consolidation, or transfer (if this Plan had then terminated); and

(b) such other plan and trust fund are qualified under Section 401(a) of the Code and exempt from tax under Section 501(a) of the Code.

Sec. 13.7 Withdrawal of Employer. If an Employer withdraws from participation in the Plan or completely discontinues contributions to the Plan without the immediate establishment of a new retirement plan, distribution of benefits to affected Participants will be made at the time and in the manner provided in Section 13.3. However, pursuant to rules applied by the Administrator in a nondiscriminatory manner to all employees similarly situated or if the withdrawal or discontinuance by an Employer is deemed to be a partial termination of the Plan, the provisions of Section 13.3 hereof shall apply to an Employer's withdrawal or discontinuance as if it were a part of the complete termination of this Plan, but the participation of other Employers hereunder shall not be affected nor shall the continuation of the Plan with respect to the participation therein by other Employers be affected by such withdrawal or discontinuance by an Employer. The assets attributable to the Participants employed by the withdrawing or discontinuing Employer, may, in the Administrator's discretion, be retained in and subject to the provisions of this Plan or distributed in liquidation.

ARTICLE XIV

COMMITTEE

Sec. 14.1 Committee Composition. The Company may appoint a Committee consisting of any number of members as determined by the Company. The Company may remove any member of the Committee at any time and a member may resign by written notice to the Company. Any vacancy in the membership of the Committee

shall be filled by appointment of the governing body of the Company, but pending the filling of any such vacancy the then members of the Committee may act hereunder as though they alone constitute the full Committee.

Sec. 14.2 Committee Actions. Any and all acts and decisions of the Committee shall be by at least a majority of the then members, or by a unanimous written decision taken without a meeting, but the Committee may delegate to any one or more of its members the authority to sign notices or other documents on its behalf or to perform ministerial acts for it, in which event the Trustee and any other person may accept such notice, document or act without question as having been authorized by the Committee.

Sec. 14.3 Committee Procedure. The Committee may, but need not, call or hold formal meetings and any decisions made or action taken pursuant to written approval of a majority of the then members shall be sufficient. The Committee shall maintain adequate records of its decisions which records shall be subject to inspection by the Company, any Employer, any Participant, Former Participant or Beneficiary, and any other person to the extent required by law, but only to the extent that they apply to such person. Also the Committee may designate one of its members as Chairman and one of its members as Secretary and may establish policies and procedures governing it as long as the same are not inconsistent with the terms of the Plan.

Sec. 14.4 Delegation to Committee and Company's Duty to Furnish Information. The Committee shall perform the duties and may exercise the powers and discretion given to it in this Plan and its decisions and actions may be relied upon by all persons affected thereby. The Trustee and the Recordkeeper may rely without question upon any notices, directions, or other documents received from the Committee. The Company and each Employer shall furnish the Committee with all data and information available to the Company which the Committee may reasonably require in order to perform its duties. The Committee may rely without question upon any such data or information furnished by the Company and each Employer.

In addition to any other powers and responsibilities allocated to the Committee pursuant to the terms of this Plan, the following powers and responsibilities shall be exercised by the Committee:

- (a) To direct the Trustee as to investments in Parent Company Stock.

(b) To administer the Plan as provided in Section 14.5.

(c) To establish and administer the Plan's claims procedure pursuant to Section 11.6 in a uniform and nondiscriminatory manner and, if appropriate in its sole discretion, to designate persons or entities to be responsible for initial claims and requests for review of claims decisions.

(d) To adopt such rules, forms and procedures as it shall deem necessary for the efficient administration of the Plan in accordance with its terms and the terms of any applicable law.

(e) To prepare and submit to governmental agencies, Participants, Former Participants and Beneficiaries such Plan descriptions, reports and other documents, or summaries thereof, as may be required by applicable law or necessary in the administration of the Plan.

(f) To remedy possible ambiguities, inconsistencies or omissions in connection with its power to interpret the Plan; provided, however, that all such actions and decisions shall be applied in a uniform manner to all Employees similarly situated.

(g) To authorize disbursements from the Trust Fund, including refunds of contributions permitted by the Plan (any instructions of the Committee to the Trustee shall be evidenced in writing and signed by a member of the Committee delegated with such authority by a majority of the Committee).

(h) To appoint a Recordkeeper who shall perform, without discretionary authority or control, administrative functions within the framework of policies, interpretations, rules, practices and procedures adopted by the Committee or the Administrator.

(i) To employ such advisors (including but not limited to attorneys, independent public accountants and investment advisors) and such other technical and clerical personnel as may be required in the Committee's discretion for the proper administration of the Plan, and to pay the reasonable expenses of such persons from the Trust Fund.

(j) To establish and to instruct the Trustee and any investment manager with respect to asset administration objectives and policies consistent with Plan requirements.

(k) To review from time to time, but at least as often as annually, the investment performance of the Trustee and any insurance company or investment manager acting with respect to any portion of the Trust Fund. The Committee may engage the services of such person it deems appropriate including, investment managers, to review investments held by the Plan and the financial condition of insurance companies issuing insurance contracts to the Plan.

(l) To supervise at least one audit of the Plan's assets for each Year and review the Trustee's annual accounting.

Sec. 14.5 Construction of Plan and Trustee's and Recordkeeper's Reliance. Any and all matters involving the Plan, including but not limited to any and all disputes which may arise involving Participants, Former Participants, and Beneficiaries and/or the Trustee or the Recordkeeper shall be referred to the Committee. The Committee has the exclusive discretionary authority to construe the terms of the Plan and the exclusive discretionary authority to determine eligibility for all benefits hereunder. Any such determinations or interpretations of the Plan adopted by the Committee shall be final and conclusive and shall bind all parties. The Trustee and the Recordkeeper may rely upon the decision of the Committee with respect to any question concerning the meaning, interpretation, or application of any provision of the Plan. The Committee's interpretations and determinations with respect to the Plan and the Trust Agreement shall be based on such information as is reasonably available to the Committee at the time a decision is made. In addition, in administering the Plan, the Committee may rely conclusively upon an Affiliated Company's payroll and personnel records maintained in the ordinary course of business.

Sec. 14.6 Committee Member's Abstention in Cases Involving Own Rights. Notwithstanding any other provision of this Article XIV, no Committee member shall vote or act upon any matter involving his own rights, benefits, or participation in the Plan.

Sec. 14.7 Counsel to Committee. The Committee may engage agents to assist it and may engage legal counsel who may be legal counsel for the Company. All reasonable expenses incurred by the Committee may be paid from the Trust Fund.

Sec. 14.8 Indemnification of Employees and Directors. The Company hereby indemnifies each member of the Committee and each employee, officer and director of an Affiliated Company who are delegated responsibilities under or pursuant to the Plan against any and all liabilities and expenses, including attorneys'

fees, actually and reasonably incurred by them in connection with any threatened, pending or completed legal action or judicial or administrative proceeding to which they may be a party, or may be threatened to be made a party, by reason of membership on the Committee or other delegation of responsibilities, except with regard to any matters as to which they shall be adjudged in such action or proceeding to be liable for gross negligence or willful misconduct in connection therewith. In addition, the Company may provide appropriate insurance coverage for the members of the Committee or each such other individual indemnified pursuant to this Section 14.8 who is not otherwise appropriately insured.

Sec. 14.9 Action Taken in Good Faith. To the extent permitted by ERISA, the members of the Committee and each employee, officer and director of an Affiliated Company who are fiduciaries with respect to the Plan shall be entitled to rely upon, and be fully protected with respect to any action taken or suffered by them in good faith in reliance upon, all tables, valuations, certificates, reports and opinions furnished by the Recordkeeper, the Trustee, or any accountant, attorney, insurance company or investment manager acting at any time hereunder.

ARTICLE XV

MISCELLANEOUS

Sec. 15.1 No Employment or Compensation Agreement. Nothing contained in the Plan shall be construed as giving any person or entity any legal or equitable right against the Company, any Employer, any Affiliated Company, their stockholders or partners, officers or directors, the Named Fiduciary, the Committee, the Administrator, the Trustee or the Recordkeeper, except as the same shall be specifically provided in the Plan. Nor shall anything in the Plan give any Participant or other Employee the right to be retained in the service of any Employer. The employment of all persons by any Employer shall remain subject to termination by that Employer to the same extent as if the Plan had never been executed.

Sec. 15.2 Spendthrift Provision. Except (i) as provided by the terms of a domestic relations order which is determined to be qualified under Section 414(p) of the Code, or (ii) as permitted pursuant to Section 401(a)(13) of the Code and Section 206(d) of ERISA, no Participant, Former Participant, or

Beneficiary shall have the right to assign, alienate or transfer his interest hereunder, nor shall his interest be subject to claims of his creditors or others, it being understood that all provisions of the Plan shall be for the exclusive benefit of those designated herein.

Sec. 15.3 Construction. It is the intention of each Employer that the Plan be qualified under Section 401 of the Code and comply with the applicable provisions of ERISA, and all provisions hereof should be construed to that result.

Sec. 15.4 Titles. Titles of Articles and Sections hereof are for convenience only and shall not be considered in construing the Plan.

Sec. 15.5 Texas Law Applicable. The Plan and each of its provisions shall be construed and their validity determined by the laws of the State of Texas to the extent not preempted by ERISA or other applicable federal law.

Sec. 15.6 Successors and Assigns. The Plan shall be binding upon the successors and assigns of the Company and each Employer and the Trustee and upon the heirs and personal representatives of those individuals who become Participants hereunder.

Sec. 15.7 Allocation of Fiduciary Responsibility by Named Fiduciary. A fiduciary with respect to the Plan, as described in Section 3(21) of ERISA, shall only have those specific powers, duties, responsibilities and obligations as are explicitly given such fiduciary under the terms of the Plan and the Trust Agreement or allocated to such fiduciary pursuant to the procedures set forth herein. The Named Fiduciary may, by written instrument, allocate some or all of its responsibilities to another fiduciary, including the Trustee, or designate another person to carry out some or all of its fiduciary responsibilities. Each fiduciary to whom responsibilities are allocated by the Named Fiduciary will be furnished a copy of the Plan and their acceptance of such responsibility will be made by agreeing in writing to act in the capacity designated. It is intended that each fiduciary shall be responsible only for the proper exercise of his own powers, duties, responsibilities and obligations under the Plan and shall not be responsible for any act or failure to act of another fiduciary. The Named Fiduciary shall not be liable for an act or omission of any person (who is allocated a fiduciary responsibility or who is designated to carry out such responsibility) in carrying out a fiduciary responsibility except to the extent that with respect to the allocation or designation, continuation thereof, or implementation or establishment of the allocation or designation procedures the

Named Fiduciary (i) did not perform all of his duties and responsibilities and exercise his powers hereunder with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims, (ii) knowingly participates in or knowingly undertakes to conceal an act or omission of another fiduciary of the Plan, with the knowledge that such act or omission is a breach of fiduciary responsibility, (iii) did not make reasonable efforts under the circumstances to remedy a breach of fiduciary responsibility of which the Named Fiduciary has knowledge, or (iv) did not carry out its specific responsibilities, in accordance with the standard set forth in (i) above, and as a result, it has enabled another fiduciary of the Plan to commit a breach. Any person or group of persons may serve in more than one fiduciary capacity with respect to the Plan.

Sec. 15.8 Expenses of Administration. Except to the extent paid by an Employer, the Administrator shall cause the Trustee to pay from the assets of the Plan, including from the unallocated forfeitures as provided in Section 10.5, all expenses incurred in the administration of the Plan, including expenses of the Committee, the Recordkeeper and the Administrator, and expenses and compensation of the Trustee and the expenses of counsel. The Employer shall pay all brokerage commissions, taxes and other costs incident to the purchase and sale of securities.

Sec. 15.9 Plan Controls. The Trust Agreement is a part of the Plan. In case of any inconsistency between the terms of the Plan and the Trust Agreement, the provisions of the Plan shall control. In the event of any conflict between the terms of the Plan and any summary thereof or other document relating thereto, from whatever source, the terms of the Plan shall govern.

Sec. 15.10 Effect of Mistakes. In the event of a mistake or misstatement as to the age or eligibility of any person, or the amount of any kind of contributions, withdrawals or distributions made or to be made to a Participant, or other person, the Administrator shall, to the extent it deems possible, make such adjustment as will in its judgment afford to such person the credits, distributions or other rights to which he is properly entitled under the Plan.

Sec. 15.11 Operation of the Plan; Permitted Corrections. The Company intends to operate and administer the Plan as a tax qualified retirement plan under Section 401(a) of the Code. In the event that the Administrator determines that the operation of the Plan or the form of the Plan, or both, fails to comply

in any respect with the applicable requirements of the Code, the Company may take whatever action it deems necessary and appropriate under the circumstances to comply with its intent to maintain the Plan as a tax-qualified retirement plan, including corrections made pursuant to, or consistent with the purposes of, the Employee Plans Compliance Resolution System, as set forth in Revenue Procedure 2001-17 issued by the Internal Revenue Service, as the principles of such Revenue Procedure may be modified or expanded from time to time, or any other correction procedures available generally to the Company with respect to the Plan.

ARTICLE XVI

ADOPTION BY AFFILIATED COMPANIES

Sec. 16.1 Transfer of Employment to Another Employer. When an Employee's employment with any Employer is terminated, but such Employee continues to be a Participant by reason of continued employment by another Employer, the Participant concerned shall not be considered to have changed Employers for purposes of determining the Participant's eligibility, vesting rights, participation, and Plan benefits. An Employee who was a Participant when so transferred, and who is otherwise an eligible Employee, shall continue as a Participant in the Plan as adopted by his new Employer (whether the Company or another Employer) and shall continue without any requirement or re-enrollment unless otherwise required by the Plan. In such event, all notices, elections, designations, directions and the like theretofore made shall continue in effect. All interests then credited to the Participant shall constitute interests credited to the Participant under the Plan as adopted by his new Employer (whether the Company or another Employer). Employer contributions shall, subject to the terms and limitations of the Plan, continue to be made by the Participant's new Employer (whether the Company or another Employer). Any portion of his Individual Account which is forfeited shall be allocated to the Individual Accounts of Participants who are Employees of the Employer which originally made the contributions so forfeited.

Sec. 16.2 Contributions and Forfeitures. Each Participant shall have his Individual Account credited with his share of his former Employer's contributions and with his share of his new Employer's contributions. The Annual Compensation received by such Participant from each Employer during the portion of the Year employed by an Employer shall constitute the basis for his allocation of that particular Employer's contribution. Forfeitures shall be

applied as provided in Section 10.5 only for the benefit of the Participants employed by the Employer for whom the Participant works or last worked at the time the forfeiture occurs.

Sec. 16.3 Transfers of Employment Between Affiliated Companies. If an Employee of one Affiliated Company transfers to the employment of another Affiliated Company and such Affiliated Company has a comparable plan and trust agreement, the Trustee of each plan and trust shall make suitable arrangements for the transfer of the assets held in his Individual Account from the Plan of the former employer to the plan of the successor employer. The Employee will be granted credit for Years of Service (Vesting) with the former employer and will not be deemed to have terminated his employment. Annual Compensation from the former employer will be considered to be Annual Compensation from the successor employer.

If an Employee participating in this Plan transfers to the employment of an Affiliated Company which does not have a comparable plan in force, he shall not be deemed to have terminated employment with the Employer. The value of his Individual Account will be held for his benefit until he terminates employment with all Affiliated Companies, dies or retires in accordance with Article VII, at which time the value of his Individual Account will be distributed to him or his Beneficiary as provided elsewhere herein. No further Employer contributions will be made on his behalf, but he will be granted credit for Years of Service (Vesting) with the Affiliated Company. In the event that he is reemployed by an Employer, he shall immediately become a Participant in this Plan.

Sec. 16.4 Action by Company. The Employers delegate to the Company the authority to amend the Plan, remove the Trustee, or a Committee member, appoint a new or additional Trustee or Committee member, or take all other actions concerning the Plan without joinder or approval of the other Employers.

Sec. 16.5 Termination of Employer's Status as Affiliated Company. Termination of an Employer's status as an Affiliated Company other than by merger or liquidation into the Company shall terminate the Plan and the Trust Agreement as adopted by such Employer unless, and except to the extent that, the governing body of the Company shall adopt a resolution consenting to the continuance of the Plan and the Trust Agreement as adopted by the Employer, specifying conditions therefor, such as amendments to the Plan and the Trust Agreement as adopted by the Employer and the investment in, disposition or distribution of Parent Company Stock, and the governing body of the Employer shall consent to and adopt such conditions, investments and the like.

ARTICLE XVII

THE TRUSTEE

Sec. 17.1 Trust Fund. A Trust Fund has been created and will be maintained for the purposes of the Plan, and the monies thereof will be invested in accordance with the terms of the Trust Agreement which forms a part of the Plan. All Employer contributions will be paid into the Trust Fund, and all benefits under the Plan will be paid from the Trust Fund.

Sec. 17.2 Trustee's Duties. Except as otherwise specifically provided in the Trust Agreement, the Trustee's obligations, duties and responsibilities are governed solely by the terms of the Trust Agreement, reference to which is hereby made for all purposes.

Sec. 17.3 Benefits Only from Trust Fund. Any person having any claim under the Plan will look solely to the assets of the Trust Fund for satisfaction. In no event will any Employer or any of its officers, Employees, agents, members of its governing body, the Trustee, any successor trustee, the Administrator, the Recordkeeper or any member of the Committee, be liable in their individual capacities to any person whomsoever, under the provisions of the Plan or the Trust Agreement, absent a breach of fiduciary responsibility determined pursuant to the applicable provisions of ERISA.

Sec. 17.4 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, except as provided in Section 15.8 regarding payment of administrative expenses, 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 the Participants and other persons thereunder entitled to benefits.

Sec. 17.5 Texas Trust Code. Although it is intended that the foregoing powers of the Trustee be applicable hereunder, it is also intended that all provisions of the Texas Trust Code, and any amendments thereto, not inconsistent with the above enumerated powers or other provisions of the Plan, shall be applicable in the administration of the Trust Fund.

Sec. 17.6 Voting Rights. At each annual or special meeting of the stockholders of Capital Southwest Corporation or by actions taken without a meeting, the Trustee may vote or refrain from voting any and all shares of Parent Company Stock held in the Trust Fund in such manner as deemed, in the Trustee's sole discretion, to be in the best interest of the Participants and Beneficiaries. The Administrator may from time to time direct the Trustee as to the manner of voting such shares, and the Trustee shall follow such instructions and shall bear no responsibility for the propriety of the decisions of the Administrator.

ARTICLE XVIII

INVESTMENTS

Sec. 18.1 Investment of Contributions and Trust Assets. All Employer contributions in cash and any other cash received by the Trust Fund attributable to Employer contributions under the Plan, including dividends, will first be used to pay current obligations of the Trust Fund, and any excess will be used either to pay other obligations of the Trust Fund, to buy Parent Company Stock from holders of outstanding stock or newly issued or treasury stock or to make other prudent investments; provided, however, that at all times the Trustee shall attempt to invest 100% of the Trust Fund assets in Parent Company Stock consistent with market availability or other conditions. The Administrator may from time to time direct the Trustee as to the extent of investment in Parent Company Stock and the Trustee shall follow such instructions and shall bear no responsibility for the propriety of the investment decision of the Administrator. All purchases of Parent Company Stock shall be made at a price, or at prices, which in the judgment of the Trustee do not exceed the fair market value of such shares of Parent Company Stock, which may be above the quoted market price on a national securities exchange or in the over-the-counter market. If no current obligations of the Trust Fund are outstanding and unpaid and the Trustee determines that it is in the best interest of the Trust Fund, the Trustee may invest funds of the Trust Fund temporarily in securities issued or guaranteed by the United States of America or any agency thereof, in certificates of deposit, or in short-term commercial paper, or such funds may be held temporarily in cash.

ARTICLE XIX

TOP HEAVY PROVISIONS

Sec. 19.1 Minimum Allocation Requirements. Notwithstanding the provisions of Section 4.3, for any Year in which the Plan is a Top Heavy Plan, the requirement for 1,000 Hours of Service shall not apply and Employer contributions and forfeitures which are allocated to any Participant who on the last day of the Year is a Non-Key Employee who has satisfied the eligibility requirements of Section 2.1, shall not be less than the lesser of (i) three percent of such Participant's Annual Compensation [as defined in Section 5.2(f)] or (ii) the largest percentage of Employer contributions, as a percentage of the amount of the Annual Compensation [as defined in Section 5.2(f)] of Participants who are Key Employees, but not in excess of the Compensation Limitation as defined in Section 1.6 allocated to any such Participant who is a Key Employee for that Year; provided, however, if the Employer maintains a defined benefit plan which designates this Plan to satisfy Section 401 or 410 of the Code, (ii) above shall not apply.

Sec. 19.2 Adjustment to Limitation on Allocations for Years Beginning Prior to April 1, 2000. Notwithstanding the provisions of Sections 5.2(h)(ii)(A) and 5.2(i)(ii)(A), for any Year beginning prior to April 1, 2000 in which the Plan is a Top Heavy Plan, the following provisions shall be applicable to Section 5.2 of the Plan:

(a) Section 5.2(h)(ii)(A) shall be revised by substituting "1.0" for "1.25" and the numerator of the fraction described in Section 5.2(h)(iv)(A) shall be revised by substituting "\$41,500" for "\$51,875" unless (i) the Plan would not be a Top Heavy Plan as defined in Section 19.4(f) if "90%" were substituted for 60% in such definition, and (ii) the minimum allocation requirements of Section 19.1 for a Participant who is a Non-Key Employee of an Employer are satisfied and, in applying such provisions, "four percent" is substituted for "three percent;" and

(b) Section 5.2(i)(ii)(A) shall be revised by substituting "1.0" for "1.25" unless (i) the Plan would not be a Top Heavy Plan as defined in Section 19.4(f) if "90%" were substituted for 60% in such definition, and (ii) the minimum benefit requirements of Section 416(h)(2)(A) of the Code are satisfied for all participants in the defined benefit pension plan who are Non-Key Employees.

This Section 19.2 does not apply for any Year beginning after March 31, 2000.

Sec. 19.3 Vesting Schedule. Notwithstanding the provisions of Section 10.2, beginning with the first Year in which the Plan is a Top Heavy Plan, the following provisions shall be applicable to Section 10.2:

(a) Except as provided in Section 19.3(b) below, each Participant shall be entitled (as a vested interest) to receive the greater of the vested interest calculated pursuant to Article X or a percentage of the then combined balance to his credit in his Parent Company Stock Account and Other Investments Account determined in accordance with the following schedule:

Years of Service (Vesting)	Vested Interest
Less than 3	0%
3 or more	100%

(b) The schedule in Section 19.3(a) above shall not apply to the Individual Account of any Participant who does not perform an Hour of Service after the Determination Date on which the Plan first became a Top Heavy Plan; any such Participant's vested interest in his Parent Company Stock Account and Other Investments Account shall be determined by applying the schedule in Section 10.2 of the Plan as applicable to the Plan prior to the Determination Date on which the Plan first became a Top Heavy Plan.

Sec. 19.4 Definitions.

(a) "Determination Date" means for any Year the Anniversary Date of the preceding Year, or in the case of the first Year of the Plan, the Anniversary Date of that Year.

(b) "Key Employee" means, as of any Determination Date [as defined in Section 19.4(a)], any Employee or former Employee (or Beneficiary of such Employee) of an Employer who, at any time during the Year which includes the Determination Date, or during the preceding four Years, is:

(i) an officer of any Employer having Annual Compensation greater than 50% of the amount in effect under Section 415(b)(1)(A) of the Code for any such Year;

(ii) one of the ten Employees having Annual Compensation from any Employer of more than the dollar limitation in effect under Section 415(c)(1)(A) of the Code and owning the largest interests in any such Employer;

(iii) a more than five-percent owner of any Employer; or

(iv) a more than one percent owner of any Employer having Annual Compensation from all Employers of more than \$150,000.

For purposes of this subsection (b), Annual Compensation shall mean annual compensation as defined in Section 415(c)(3) of the Code, but including amounts contributed by an Employer pursuant to a salary reduction agreement which are excludable from the Participant's gross income under Sections 125, 402(e)(3), 402(h)(1)(B) or 403(b) of the Code or, effective January 1, 2001, Section 132(f)(4) of the Code. For purposes of subsection (b)(i), no more than 50 Employees (or, if lesser, the greater of three or ten percent of the Employees of all Employers) shall be treated as officers. For purposes of subsection (b)(ii) above, if two Employees have the same interest in an Employer, the Employee having the greater Annual Compensation shall be treated as having the larger interest. The constructive ownership rules of Section 318 of the Code (or the principles of that section, in the case of an unincorporated Employer) will apply to determine ownership in each Employer.

(c) "Non-Key Employee" means any Employee who is not a Key Employee.

(d) "Permissive Aggregation Group" means the Required Aggregation Group plus any other qualified plans maintained by an Employer which, when considered as a group with the Required Aggregation Group, would continue to satisfy the requirements of Sections 401(a)(4) and 410 of the Code.

(e) "Required Aggregation Group" means (i) each qualified plan of an Employer in which at least one Key Employee participates, and (ii) any other qualified plan of an Employer which enables a plan described in (i) to meet the requirements of Sections 401(a)(4) or 410 of the Code.

(f) "Top Heavy Plan" means the Plan for a Year beginning after December 31, 1983, if the Plan is the only plan maintained by an Employer and the top heavy ratio as of the Determination Date exceeds 60%. The top heavy ratio

is a fraction, the numerator of which is the sum of the present value of the Individual Accounts of all Key Employees of Employers as of the Determination Date, the contributions due as of the Determination Date, and distributions made within the five-year period immediately preceding the Determination Date (including distributions under a terminated plan which if it had not been terminated would have been required to be included in an aggregation group), and the denominator of which is a similar sum determined for all Employees. The top heavy ratio shall be calculated without regard to (i) the Individual Account of a Participant who is not a Key Employee but who was a Key Employee in a prior Year, (ii) the Individual Account of any individual who has not performed any services for an Employer at any time during the five-year period ending on the Determination Date, and (iii) voluntary deductible Employee contributions, if any. The top heavy ratio, including distributions, rollover and transfers, to the extent such items must be taken into account, shall be calculated in accordance with Section 416 of the Code and the regulations thereunder. If an Employer maintains other qualified plans (including a simplified employee pension plan) or has ever maintained one or more defined benefit plans which have covered or could cover a Participant in this Plan, this Plan is top heavy for a Year beginning after December 31, 1983 only if it is part of the Required Aggregation Group, and the top heavy ratio for both the Required Aggregation Group and the Permissive Aggregation Group exceeds 60%. The top heavy ratio shall be calculated as described above, taking into account all plans within the aggregation group and with reference to Determination Dates that fall within the same calendar year; provided that if a defined benefit plan is included in the aggregation group, the present value of accrued benefits (instead of account balances) of participants in that plan shall be computed for purposes of calculating the top heavy ratio. The accrued benefit under a defined benefit plan in both the numerator and the denominator of the top heavy ratio are increased for any distribution of an accrued benefit made in the five-year period ending on the Determination Date. The accrued benefit of a Participant other than a Key Employee shall be determined under (i) the method, if any, that uniformly applies for accrual purposes under all defined benefit plans maintained by an Employer, or (ii) if there is no such method, as if such benefit accrued not more rapidly than the

slowest accrual rate permitted under the fractional rule of Section 411(b)(1)(C) of the Code. The value of account balances and the present value of accrued benefits will be determined as of the most recent Allocation Date that falls within or ends with the 12-month period ending on the Determination Date, except as provided in Section 416 of the Code and the Treasury regulations thereunder for the first and second plan years of a defined benefit plan. The actuarial assumptions (interest rate and mortality only) used by the actuary under the defined benefit plan shall be used to calculate the present value of accrued benefits from the defined benefit plan.

IN WITNESS WHEREOF, The RectorSeal Corporation, the Company, acting by and through its duly authorized officers, has caused this revised and restated Plan to be executed as of the day and year first above written.

THE RECTORSEAL CORPORATION

By _____

AMENDMENT NO. 1
TO
THE RECTORSEAL CORPORATION AND JET-LUBE, INC.
EMPLOYEE STOCK OWNERSHIP PLAN
(As Revised and Restated Effective April 1, 1998)

THIS AMENDMENT NO. 1, executed this ___ day of March, 2002, and effective the first day of April, 2002, unless specifically provided otherwise in this Amendment No. 1, by The RectorSeal Corporation, a Delaware corporation, having its principal office in Houston, Texas (hereinafter referred to as the "Company").

W I T N E S S E T H:

WHEREAS, the Company revised and restated The RectorSeal Corporation and Jet-Lube, Inc. Employee Stock Ownership Plan (the "Plan") effective April 1, 1998, except for certain provisions for which another effective date was subsequently provided elsewhere in the terms of the Plan, to (i) incorporate the prior amendment to the Plan and (ii) bring the Plan into compliance with the Internal Revenue Code of 1986, as amended, as modified by the Small Business Job Protection Act of 1996, the General Agreement on Tariffs and Trade under the Uruguay Round Agreements Act, the Uniformed Services Employment and Reemployment Rights Act of 1994, the Taxpayer Relief Act of 1997, the Internal Revenue Service Restructuring and Reform Act of 1998, and the Community Renewal Tax Relief Act of 2000, as well as all applicable rules, regulations and administrative pronouncements enacted, promulgated or issued since the date the Plan was last restated;

WHEREAS, the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA") was signed into law on June 7, 2001, many provisions of which commence to apply to the Plan effective April 1, 2002;

WHEREAS, the Company desires to adopt this Amendment No. 1 effective as of April 1, 2002, unless specifically otherwise in this Amendment No. 1, to (i) reflect certain provisions of EGTRRA and (ii) constitute good faith compliance with the requirements of EGTRRA; and

WHEREAS, this Amendment No. 1 (i) is to be construed in accordance with EGTRRA and the guidance issued thereunder and (ii) shall supercede the provisions of the Plan to the extent those provisions are inconsistent with the provisions of this Amendment No. 1;

NOW, THEREFORE, in consideration of the premises and the covenants herein contained, the Company hereby adopts the following Amendment No. 1 to the Plan:

SECTION I (Plan Section 1.6). INCREASE IN COMPENSATION LIMIT

The Annual Compensation of each Participant taken into account in determining allocations for any Year beginning after December 31, 2001, shall not exceed \$200,000, as adjusted for cost-of-living increases in accordance with section 401(a)(17)(B) of the Code. Annual Compensation means Annual Compensation during the Year or such other consecutive 12-month period over which Annual Compensation is otherwise determined under the Plan (the determination period). The cost-of-living adjustment in effect for a calendar year applies to Annual Compensation for the determination period that begins with or within such calendar year.

SECTION II (Plan Section 5.2(d)). LIMITATIONS ON CONTRIBUTIONS

1. Effective date. This section shall be effective for Limitation Years beginning after December 31, 2001.

2. Maximum Annual Addition. Except to the extent permitted under section 414(v) of the Code, if applicable, the Annual Addition that may be contributed or allocated to a Participant's Individual Account under the Plan for any Limitation Year shall not exceed the lesser of:

- (a) \$40,000, as adjusted for increases in the cost-of-living under section 415(d) of the Code, or
- (b) 100 percent of the Participant's Annual Compensation, within the meaning of section 415(c)(3) of the Code, for the Limitation Year.

The Annual Compensation limit referred to in (b) shall not apply to any contribution for medical benefits after separation from service (within the meaning of section 401(h) or section 419A(f)(2) of the Code) which is otherwise treated as an Annual Addition.

SECTION III (Plan Section 11.11). DIRECT ROLLOVERS OF PLAN DISTRIBUTIONS

1. Effective date. This section shall apply to distributions made after December 31, 2001.

2. Modification of definition of Eligible Retirement Plan. For purposes of the direct rollover provisions in section 11.11 of the Plan, an Eligible Retirement Plan shall also mean an annuity contract described in section 403(b) of the Code and an eligible plan under section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this Plan. 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 Relations Order, as defined in section 414(p) of the Code.

3. Modification of definition of Eligible Rollover Distribution to exclude hardship distributions. For purposes of the direct rollover provisions in section 11.11 of the Plan, any amount that is distributed on account of hardship shall not be an Eligible Rollover Distribution and the distributee may not elect to have any portion of such a distribution paid directly to an Eligible Retirement Plan.

SECTION IV (Plan ARTICLE XIX). MODIFICATION OF TOP-HEAVY RULES

1. Effective date. This section shall apply for purposes of determining whether the Plan is a Top-Heavy Plan under section 416(g) of the Code for Years beginning after December 31, 2001, and whether the Plan satisfies the minimum benefits requirements of section 416(c) of the Code for such Years. This section amends Article XIX of the Plan.

2. Determination of top-heavy status.

2.1 Key Employee. Key Employee means any Employee or former Employee (including any deceased Employee) who at any time during the Year that includes the Determination Date was an officer of the Employer having Annual Compensation greater than \$130,000 (as adjusted under section 416(i)(1) of the Code for Years beginning after December 31, 2002), a 5-percent owner of the Employer, or a 1-percent owner of the Employer having Annual Compensation of more than \$150,000. For this purpose, Annual Compensation means compensation within the meaning of section 415(c)(3) of the Code. The determination of who is a Key Employee will be made in accordance with section 416(i)(1) of the Code and the applicable regulations and other guidance of general applicability issued thereunder.

2.2 Determination of present values and amounts. This section 2.2 shall apply for purposes of determining the present values of accrued benefits and the amounts of Individual Account Balances of Employees as of the Determination Date.

2.2.1 Distributions during Year ending on the Determination Date. The present values of accrued benefits and the amounts of Individual Account balances of an Employee as of the Determination Date shall be increased by the distributions made with respect to the Employee under the Plan and any plan aggregated with the Plan under section 416(g)(2) of the Code during the 1-year period ending on the Determination Date. The preceding sentence shall also apply to distributions under a terminated plan which, had it not been terminated, would have been aggregated with the Plan under section 416(g)(2)(A)(i) of the Code. In the case of a distribution made for a reason other than separation from service, death, or disability, this provision shall be applied by substituting "5-year period" for "1-year period."

2.2.2 Employees not performing services during Year ending on the Determination Date. The accrued benefits and Individual Accounts of any individual who has not performed services for the Employer during the 1-year period ending on the Determination Date shall not be taken into account.

3. Minimum benefits.

3.1 Matching Contributions. Employer Matching Contributions shall be taken into account for purposes of satisfying the minimum contribution requirements of section 416(c)(2) of the Code and the Plan. The preceding sentence shall apply with respect to Matching Contributions under the Plan or, if the Plan provides that the minimum contribution requirement shall be met in another plan, such other plan. Employer Matching Contributions that are used to satisfy the minimum contribution requirements shall be treated as Matching Contributions for purposes of the Actual Contribution Percentage test and other requirements of section 401(m) of the Code.

3.2 Contributions under other plans. The Employer may provide in the Plan that the minimum benefit requirement shall be met in another plan (including another plan that consists solely of a cash or deferred arrangement which meets the requirements of section 401(k)(12) of the Code and matching contributions with respect to which the requirements of section 401(m)(11) of the Code are met).

IN WITNESS WHEREOF, the Company, acting by and through its duly authorized officers, has caused this Amendment No. 1 to be executed as of the day and year first above written.

THE RECTORSEAL CORPORATION

By:

COMPANY

AMENDMENT THREE TO

RETIREMENT PLAN FOR EMPLOYEES OF

CAPITAL SOUTHWEST CORPORATION AND ITS AFFILIATES

As Amended and Restated Effective April 1, 1989

WHEREAS, effective as of April 1, 1989, the Retirement Plan for Employees of Capital Southwest Corporation and Its Affiliates (the "Plan") was amended and restated in its entirety;

WHEREAS, by the terms of Section 6.4 of the Plan, the Plan may be amended; and

WHEREAS, it is necessary that certain technical amendments be made to the Plan in order to comply with the Retirement Protection Act of 1994, the Uniformed Services Employment and Reemployment Rights Act of 1994, the Small Business Job Protection Act of 1996, the Taxpayer Relief Act of 1997, and the Community Renewal Tax Relief Act of 2000, and it is appropriate that certain other amendments be made;

NOW, THEREFORE, the Plan is hereby amended, effective as of the dates specified below, as follows:

1. Effective as of April 1, 1997, the fourth paragraph of Section 1.1(A)(6) of the Plan (which provides for family aggregation for certain Participants) is deleted in its entirety.

2. Effective as of April 1, 2001, clause (b) in the first paragraph of Section 1.1(A)(6) of the Plan is amended to read in its entirety as follows:

"(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 plan) or Section 132(f) (qualified transportation fringes) of the Internal Revenue Code."

-2-

3. Effective as of January 1, 2002, Section 1.1(A)(13) of the Plan is amended to delete the word "or" in clause (b), to replace the period at the end of clause (c) with a semicolon and the word "or", and to add a new clause (d) which shall read in its entirety as follows:

"(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."

4. Effective as of April 1, 1997, Section 1.1(A)(16) of the Plan is amended to read in its entirety as follows:

"(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 determination 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 employees 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."

5. Effective as of January 1, 1997, Section 1.1(A)(32) of the Plan is amended to add the following paragraph at the end thereof:

"Notwithstanding the foregoing provisions of this Section 1.1(A)(32), each participant who is not a 5-percent owner, who has attained age 70 1/2 in a calendar year after 1995 and prior to 2002 and who has not retired by the end of such calendar year, shall be entitled to elect, at the time and in the manner specified by the Committee, but in any event prior to April 1 of the calendar year following the calendar year in which such Participant attained age 70 1/2, to defer such Participant's Required Beginning Date until April 1 of the calendar year that next follows the calendar year in which he retires. Upon such election by the Participant, his Required Beginning Date shall become April 1 of the calendar year immediately following the calendar year in which he retires.

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 70 1/2."

6. Effective as of January 1, 2002, Section 1.1(A)(32) of the Plan is amended to add the following paragraph at the end thereof:

"Notwithstanding the foregoing provisions of this Section 1.1(A)(32), the Required Beginning Date for each Participant who is not a 5-percent owner and who attains age 70 1/2 on or after January 1,

2002, shall be April 1 of the calendar year following the calendar year in which such Participant attains age 70 1/2 or retires, whichever occurs later."

7. Effective as of December 12, 1994, the second paragraph in Section 1.3 of the Plan is amended to add the following sentence at the end thereof:

"Notwithstanding any provision of this Plan to the contrary, contributions, benefits and service credit with respect to qualified military service will be provided in accordance with section 414(u) of the Internal Revenue Code."

8. Effective as of January 1, 2002, Section 1 of the Plan is amended to add a new Section 1.8 which shall read in its entirety as follows:

"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 of his 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."

9. Effective as of January 1, 1997, Section 2.1(C) of the Plan is amended to add the following paragraph at the end thereof:

"Where a Participant's monthly retirement income commences after April 1 following the calendar year in which such Participant attains age 70 1/2, 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 70 1/2 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."

10. Effective as of April 1, 1997, Section 2.4(A)(2)(b) of the Plan is amended to read in its entirety as follows:

"(b) if he had completed at least 10 years of Vesting 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."

11. Effective as of April 1, 1997, the following parenthetical phrase shall be inserted in the first sentence of the fourth paragraph of Section 3.1 of the Plan after the words "90 days prior to the effective date thereof" and before the comma which follows such words:

"(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)"

12. Effective as of April 1, 1998, the first sentence of Section 3.2 of the Plan is amended to read in its entirety as follows:

"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 the maximum amount that is permissible as an involuntary cash-out of accrued benefits under Sections 411(a)(11) and 417(e) of the Internal Revenue Code and regulations issued with respect thereto (\$5,000 as of April 1, 1998), the actuarial equivalent of such benefit shall be paid in a lump sum; provided, however, that a lump-sum 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 receive disability retirement income payments."

13. Effective as of January 1, 2000, Section 4.1(A)(1) of the Plan is amended to read in its entirety as follows:

"(1) Maximum Amount of Retirement Income: Any provisions herein to the contrary notwithstanding, in no event shall the monthly retirement income that is payable on or after the first day of the limitation year beginning in 1987 to a Participant hereunder exceed the maximum amount of retirement income for defined benefit plans as specified in Section 415 of the Internal Revenue Code and regulations and rulings issued pursuant thereto; provided, however, that:

- (a) the maximum amount of retirement income applicable to a Participant who was a participant in the Superseded Plan, if any, before the limitation year beginning in 1983 and whose Credited Service includes service that was accrued prior to such

limitation year, shall not be less than his current accrued benefit within the meaning of Section 235(g)(4) of the Tax Equity and Fiscal Responsibility Act of 1982;

and

- (b) such maximum amount of retirement income applicable to a Participant who was a participant in the Superseded Plan, if any, before the limitation year beginning in 1987 and whose Credited Service includes service that was accrued prior to such limitation year, shall not be less than his current accrued benefit within the meaning of Section 1106(i)(3)(B) of the Tax Reform Act of 1986.

In determining the maximum monthly retirement income payable on behalf of any Participant, all defined benefit plans (whether or not terminated) of the Controlled Group Members are to be treated as one defined benefit plan. The proportion of the maximum monthly retirement income applicable to all such defined benefit plans of the Controlled Group Members shall be determined on a pro rata basis depending upon the actuarially equivalent amount of retirement income otherwise accrued under each such defined benefit plan."

14. Effective as of January 1, 1995, Section 4.1(A)(2) of the Plan is amended to read in its entirety as follows:

"(2)Actuarial Assumptions: The mortality assumptions that are used to compute the actuarially equivalent maximum amount of retirement income permitted under this Section 4.1(A) on and after January 1, 1995 shall be based upon the mortality table prescribed by the Secretary of Treasury pursuant to Section 415(b)(2)(E) of the Internal Revenue Code. The interest rate assumptions that are used to compute the actuarially equivalent maximum amounts of retirement income permitted under the provisions of this Section 4.1(A) shall be the same as those that are used in computing actuarially equivalent benefits payable on behalf of a Participant upon his retirement or termination of service and upon the exercise of optional forms of retirement income under the Plan except that:

- (a) the interest rate assumption shall not be less than 5% for the purposes of converting the maximum retirement income to a form other than a straight life annuity (with no ancillary benefits); provided, however, for the purposes of converting the maximum retirement income to any form of benefit 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 provide payments for a period less than the life of the recipient), such minimum interest rate assumption that applies on and after January 1, 1995 shall (in lieu of 5%) be 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;

- (b) the interest rate assumption shall not be greater than 5% for the purposes of adjusting the maximum retirement income payable to a Participant who is over the social security retirement age within the meaning of Section 415(b)(8) of the Internal Revenue Code (or age 65 in the case of a governmental plan or a plan maintained by a tax exempt organization) so that it is actuarially equivalent to such a retirement income commencing at the social security retirement age (or age 65 in the case of a governmental plan or a plan maintained by a tax exempt organization); and
- (c) the factor for adjusting the maximum permissible retirement income to a Participant who is less than age 62 years so that it is actuarially equivalent to such a retirement income commencing at age 62 years shall be equal to (i) the factor for determining actuarial equivalence for early retirement under the Plan or (ii) an actuarially computed reduction factor determined using an interest rate assumption of 5% and the mortality assumptions specified in the first sentence of this Section 4.1(A)(2) (except that the mortality decrement shall be ignored if a death benefit at least equal to the single-sum value of the Participant's Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date would be payable under the Plan on behalf of the Participant if he remained in the service of the Employer and his service were to be terminated by reason of his death prior to his Normal Retirement Date), whichever factor will provide the greater reduction. The factor for determining actuarial equivalence for early retirement under the Plan for any given age below age 62 years shall be determined by dividing the early retirement adjustment factor that applies under the Plan at such given age by the early retirement adjustment factor that applies under the Plan at age 62 years."

15. Effective as of January 1, 1998, Section 4.1(A)(4)(e) of the Plan is amended to add the following sentence between the second and third sentences thereof:

"Notwithstanding any provisions of this subsection to the contrary, the term 'IRC 415 Compensation' shall also include (i) any elective deferral as defined in Section 402(g)(3) of the Internal Revenue Code, and (ii) any

amount which is contributed or deferred by the Employer at the election of the Employee and which is not includible in the gross income of the Employee by reason of Section 125 or Section 457 of the Internal Revenue Code."

16. Effective as of January 1, 2000, Section 4.1(A)(4) is amended to delete Subsections (b), (c), and (d), and to redesignate Subsections (e) and (f) as Subsections (b) and (c), respectively.

17. Effective as of January 1, 2001, the third sentence of Section 4.1(A)(4)(b) of the Plan is amended to read in its entirety as follows:

"Notwithstanding any provisions of this subsection to the contrary, the term 'IRC 415 Compensation' shall also include (i) any elective deferral as defined in Section 402(g)(3) of the Internal Revenue Code, and (ii) any amount which is contributed or deferred by the Employer at the election of the Employee and which is not includible in the gross income of the Employee by reason of Section 125, Section 132(f)(4), or Section 457 of the Internal Revenue Code."

18. Effective as of April 1, 1997, Section 4.1(C) of the Plan is amended to delete the next to the last sentence and substitute in lieu thereof the following sentence:

"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."

19. Effective as of January 1, 2000, Section 4.6(D) of the Plan is deleted in its entirety.

20. Effective as of April 1, 1996, Section 5.8 of the Plan is amended to add the following paragraph at the end thereof:

"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."

IN WITNESS WHEREOF, CAPITAL SOUTHWEST CORPORATION has caused this instrument to be executed by its duly authorized officer on this 28th day of December 2001.

CAPITAL SOUTHWEST CORPORATION

By _____

Title: _____

Twelve Largest Investments - March 31, 2002

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Palm Harbor Homes, Inc.	\$109,971,000
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Palm Harbor Homes, Dallas, Texas, is an integrated manufactured housing company, building, retailing, financing and insuring homes produced in 15 plants in Alabama, Arizona, Florida, Georgia, North Carolina, Ohio, Oregon and Texas and sold in 28 states by approximately 100 independent dealers and 151 company-owned retail superstores. Palm Harbor manufactures high-quality, energy-efficient homes designed to meet the need for affordable housing, particularly among retirees and newly-formed families.

During the year ended March 29, 2002, Palm Harbor earned \$19,448,000 (\$0.85 per share) on net sales of \$627,380,000, compared with earnings of \$19,829,000 (\$0.87 per share) on net sales of \$650,451,000 in the previous year. The March 28, 2002 closing Nasdaq bid price of Palm Harbor's common stock was \$20.80 per share.

At March 31, 2002, the \$10,931,955 investment in Palm Harbor by Capital Southwest and its subsidiary was valued at \$109,971,000 (\$14.00 per share), consisting of 7,855,121 restricted shares of common stock, representing a fully-diluted equity interest of 34.3%.

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The RectorSeal Corporation	\$50,000,000
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The RectorSeal Corporation, Houston, Texas, with two plants in Texas and a plant in New York, manufactures chemical specialty products including pipe thread sealants, firestop sealants, plastic solvent cements and other formulations for plumbing and industrial applications. RectorSeal's major subsidiary, Jet-Lube, Inc., with plants in Texas, England and Canada, produces anti-seize compounds, specialty lubricants and other products used in industrial and oil field applications. Another subsidiary, Cargo Chemical, produces a limited line of automotive chemical products. RectorSeal also owns a 20% equity interest in The Whitmore Manufacturing Company (described subsequently).

During the year ended March 31, 2002, RectorSeal earned \$5,277,000 on revenues of \$57,338,000, compared with earnings of \$5,669,000 on revenues of \$56,240,000 in the previous year. RectorSeal's earnings do not reflect its 20% equity in The Whitmore Manufacturing Company.

At March 31, 2002, Capital Southwest owned 100% of RectorSeal's common stock having a cost of \$52,600 and a value of \$50,000,000.

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Skylawn Corporation	\$38,000,000
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Skylawn Corporation, Hayward, California, owns and operates cemeteries, mausoleums and mortuaries. Skylawn's operations, all of which are in California, include a mausoleum and an adjacent mortuary in Oakland and cemeteries and mausoleums in San Mateo, Hayward, Sacramento and Napa, the latter three of which also have mortuaries at the cemetery sites. These entities have provided cemetery and funeral services to their respective communities for many years. A captive insurance company and funeral and cemetery trusts enable Skylawn's clients to make pre-need arrangements.

For the fiscal year ended March 31, 2002, Skylawn earned \$3,772,000 on revenues of \$26,928,000, compared with earnings of \$4,120,000 on revenues of \$25,799,000 in the previous year.

At March 31, 2002, Capital Southwest owned 100% of Skylawn Corporation's common stock, which had a cost of \$4,510,400 and was valued at \$38,000,000.

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Alamo Group Inc.	\$31,034,000
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Alamo Group Inc., Seguin, Texas, is a leading designer, manufacturer and distributor of heavy-duty, tractor-mounted mowing and other vegetation maintenance equipment, street-sweeping equipment and replacement parts. Founded in 1969, Alamo Group operates 13 manufacturing facilities and serves governmental, industrial and agricultural markets in the U.S., Canada and Europe.

For the year ended December 31, 2001, Alamo reported consolidated earnings of \$10,812,000 (\$1.11 per share) on net sales of \$246,047,000, compared with earnings of \$10,770,000 (\$1.11 per share) on net sales of \$215,874,000 in the previous year. The March 28, 2002 closing NYSE market price of Alamo's common stock was \$16.25 per share.

At March 31, 2002, the \$2,065,047 investment in Alamo by Capital Southwest and its subsidiary was valued at \$31,034,000 (\$11.00 per share), consisting of 2,821,300 restricted shares of common stock, representing a fully-diluted equity interest of 27.2%.

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Encore Wire Corporation	\$24,521,000
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Encore Wire Corporation, McKinney, Texas, manufactures a broad line of copper electrical wire and cable including non-metallic sheathed cable, underground feeder cable and THHN cable for residential, commercial and industrial construction. Encore's products are sold through large-volume distributors and building materials retailers.

For the year ended December 31, 2001, Encore reported net income of \$9,130,000 (\$0.60 per share) on net sales of \$281,010,000, compared with net income of \$8,050,000 (\$0.52 per share) on net sales of \$283,689,000 in the previous year. The March 28, 2002 closing Nasdaq bid price of Encore's common stock was \$16.56 per share.

At March 31, 2002, the \$5,800,000 investment in 2,724,500 shares of Encore's restricted common stock by Capital Southwest and its subsidiary was valued at \$24,521,000 (\$9.00 per share), representing a fully-diluted equity interest of 16.9%.

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Media Recovery, Inc. \$10,000,000

Media Recovery, Inc., Graham, Texas, distributes computer and office automation supplies and accessories to corporate customers through its direct sales force with 25 offices in 18 states. Its Shockwatch division manufactures impact and tilt monitoring devices used to detect mishandled shipments. Media Recovery's subsidiary, The Damage Prevention Company, Denver, Colorado, manufactures dunnage products used to prevent damage in trucking, rail and export container shipments.

During the year ended September 30, 2001, Media Recovery reported net income of \$3,007,000 on net sales of \$110,840,000, compared with net income of \$3,139,000 on net sales of \$94,373,000 in the previous year.

At March 31, 2002, the \$5,415,000 investment in Media Recovery by Capital Southwest and its subsidiary was valued at \$10,000,000, consisting of 4,800,000 shares of Series A convertible preferred stock, representing a fully-diluted equity interest of 71.2%.

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The Whitmore Manufacturing Company \$8,800,000

The Whitmore Manufacturing Company, with plants in Rockwall, Texas and Cleveland, Ohio, manufactures specialty lubricants for heavy equipment used in surface mining, railroads and other industries, and produces water-based coatings for the automotive and primary metals industries. Whitmore's subsidiary, Fluid Protection Corporation, manufactures fluid contamination control devices.

During the year ended March 31, 2002, Whitmore reported net income of \$88,000 on net sales of \$12,151,000, compared with net income of \$41,000 on net sales of \$11,536,000 in the previous year. The company is owned 80% by Capital Southwest and 20% by Capital Southwest's subsidiary, The RectorSeal Corporation (described on page 7).

At March 31, 2002, the direct investment in Whitmore by Capital Southwest was valued at \$8,800,000 and had a cost of \$1,600,000.

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All Components, Inc. \$8,700,000

All Components, Inc., Farmers Branch, Texas, distributes and produces memory and other components for personal computer manufacturers, retailers and value-added resellers. Through its Dallas-based sales and distribution center and its contract manufacturing plants in Austin, Texas and Boise, Idaho, the company serves over 2,000 customers throughout the United States.

During the year ended August 31, 2001, All Components reported net income of \$5,220,000 on net sales of \$152,022,000, compared with net income of \$4,025,000 on net sales of \$220,835,000 in the previous year.

At March 31, 2002, the \$150,000 investment in All Components by Capital Southwest's subsidiary was valued at \$8,700,000 consisting of 150,000 shares of Series A convertible preferred stock, representing a 29.0% fully-diluted equity interest.

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Liberty Media Corporation

\$8,562,488

Liberty Media Corporation, Englewood, Colorado, acquired by AT&T as part of Tele-Communications, Inc. in 1999 and now an independent company, produces, acquires and distributes entertainment, sports and informational programming services and electronic retailing services, which are delivered via cable television and other technologies to viewers in the United States and overseas.

For the year ended December 31, 2001, Liberty Media reported a net loss of \$6.203 billion (\$2.40 per share) on net sales of \$2.059 billion, compared with net income of \$1.485 billion (\$0.57 per share) on net sales of \$1.526 billion in the previous year. The March 28, 2002 closing NYSE market price of Series A common stock was \$12.64 per share.

At March 31, 2002, Capital Southwest owned 677,412 unrestricted shares of Series A common stock, having a total cost of \$25 and a market value of \$8,562,488 (\$12.64 per share).
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PETSMART, Inc.

\$7,515,223

PETSMART, Inc., Phoenix, Arizona, is the largest specialty retailer of services and solutions for the lifetime needs of pets. The company operates more than 500 pet superstores in the United States and Canada and is the leading direct marketer of pet products and information through its e-commerce site and its pet and equine catalog business.

For the year ended February 3, 2002, PETSMART, Inc. reported net income of \$39,567,000 (\$0.35 per share) on net sales of \$2.501 billion, compared with a net loss of \$30,904,000 (\$0.28 per share) on net sales of \$2.224 billion in the previous year. The March 28, 2002 closing Nasdaq bid price of PETSMART's common stock was \$13.56 per share.

At March 31, 2002, Capital Southwest and its subsidiary owned 554,220 unrestricted shares of common stock, having a cost of \$2,437,129 and a market value of \$7,515,223 (\$13.56 per share).
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Mail-Well, Inc.

\$6,814,000

Mail-Well, Inc., Englewood, Colorado, is the leading manufacturer of envelopes in the United States and Canada and one of North America's largest commercial printers. Upon completion of planned divestitures, the company will operate 77 facilities serving over 20,000 customers of its envelope and printing businesses.

For the year ended December 31, 2001, Mail-Well reported a net loss of \$136,217,000 (\$2.86 per share) on net sales of \$1.653 billion, compared with net income of \$27,618,000 (\$0.56 per share) on net sales of \$1.824 billion in the previous year. The March 28, 2002 closing NYSE market price of Mail-Well's common stock was \$6.28 per share.

At March 31, 2002, the \$2,986,870 investment in Mail-Well by Capital Southwest was valued at \$6,814,000 (\$3.25 per share), consisting of 2,096,588 restricted shares of common stock, representing a fully-diluted equity interest of 3.4%.
=====

Concert Industries Ltd.

\$5,922,000

Concert Industries Ltd., Vancouver, British Columbia, manufactures air-laid super-absorbent materials in facilities in Thurso and Gatineau Quebec; Falkenhagen, Germany; and Charleston, South Carolina. Its non-woven fabrics are used in feminine hygiene, specialty diapers and adult incontinence products. Other applications are industrial wipes, food packaging and disposable medical products.

During the year ended December 31, 2001, Concert lost C\$16,560,000 (C\$0.64 per share) on net sales of C\$109,895,000, compared with net income of C\$7,375,000 (C\$0.31 per share) on net sales of C\$86,606,000 in the year 2000. The March 28, 2002 closing Toronto Stock Exchange market price of Concert's common stock was C\$5.55 (US\$3.49) per share.

At March 31, 2002, the US\$9,367,649 investment by Capital Southwest and its subsidiary in 2,833,485 shares of restricted common stock and warrants to acquire 457,401 shares of common stock was valued at US\$5,922,000, representing a fully-diluted equity interest of 8.4%.

Portfolio of Investments - March 31, 2002

Company	Equity (a)	Investment (b)	Cost	Value (c)
+AT&T CORP. New York, New York Major provider of voice, data and video communications services including business and consumer long distance and broadband (cable).	<1%	++133,245 shares common stock (acquired 3-9-99)	\$ 33	\$ 2,091,947
+AT&T WIRELESS SERVICES, INC. Redmond, Washington Provider of wireless voice and data services and products in the cellular and PCS markets.	<1%	++42,878 shares common stock (acquired 7-9-01)	10	383,758
+ALAMO GROUP INC. Seguin, Texas Tractor-mounted mowing and vegetation maintenance equipment for governmental, industrial and agricultural markets; street-sweeping equipment for municipalities.	27.2%	2,821,300 shares common stock (acquired 4-1-73 thru 10-4-99)	2,065,047	31,034,000
ALL COMPONENTS, INC. Farmers Branch, Texas Distribution and production of memory and other components for personal computer manufacturers, retailers and value-added resellers.	29.0%	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	8,700,000
+ALLTEL CORPORATION Little Rock, Arkansas Wireline and wireless communications and information services.	<1%	++8,880 shares common stock (acquired 7-1-98)	108,355	493,284
BALCO, INC. Wichita, Kansas Specialty architectural products used in the construction and remodeling of commercial and institutional buildings.	89.7%	14% subordinated debentures, payable 2002 (acquired 8-13-91) 14% subordinated debenture, payable 2002, last maturing \$160,000 convertible into 160,000 shares of common stock at \$1.00 per share (acquired 6-1-91) 285,000 shares common stock and 60,920 shares Class B non-voting common stock (acquired 10-25-83 and 5-30-01)	80,000 160,000 464,920	80,000 949,000 2,051,000
			704,920	3,080,000
BOXX TECHNOLOGIES, INC. Austin, Texas Workstations for computer graphics imaging and design.	16.8%	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) Warrants to purchase 80,000 shares of Series B preferred stock at \$0.50 per share, expiring 2005 (acquired 8-24-00)	1,500,000 -- 1,500,000	2 -- 2
+Publicly-owned company		++Unrestricted securities as defined in Note (b)		

Company	Equity (a) 1,500,000	Investment (b) 2	Cost	Value (c)
+CONCERT INDUSTRIES LTD. Vancouver, British Columbia Manufacture and sale of latex, thermal and multi-bonded air-laid nonwoven fabrics having superabsorbent properties.	8.4%	2,833,485 shares common stock (acquired 5-31-00 thru 6-1-01) Warrant to purchase 83,643 shares of common stock at C\$6.00 (US\$3.769) per share, expiring 2002 (acquired 5-31-00) Warrants to purchase 373,758 shares of common stock at C\$8.00 (US\$5.025) per share, expiring 2003 (acquired 6-1-01)	\$ 9,131,224 47,525 188,900 ----- 9,367,649	\$ 5,922,000 -- -- ----- 5,922,000
DENNIS TOOL COMPANY Houston, Texas Polycrystalline diamond compacts (PDCs) used in oil field drill bits and in mining and industrial applications.	66.2%	20,725 shares 5% convertible preferred stock, convertible into 20,725 shares of common stock at \$48.25 per share (acquired 8-10-98) 140,137 shares common stock (acquired 3-7-94 and 8-10-98)	999,981 2,329,963 ----- 3,329,944	500,000 1,500,000 ----- 2,000,000
+DREW SCIENTIFIC GROUP PLC Cumbria, England Diagnostic medical equipment and consumables.	<1%	++49,925 shares common stock (acquired 3-21-01)	182,689	12,446
+ENCORE WIRE CORPORATION McKinney, Texas Electrical wire and cable for residential and commercial use.	16.9%	2,724,500 shares common stock (acquired 7-16-92 thru 10-7-98)	5,800,000	24,521,000
EXOPACK HOLDING CORP. Paper and plastic flexible packaging for products Spartanburg, South Carolina such as pet food, building materials, chemicals and other commodities.	1.3%	4,500 shares common stock (acquired 7-27-01)	450,000	450,000
EXTREME INTERNATIONAL, INC. (formerly Rewind Holdings, Inc.) Sugar Land, Texas Owns Bill Young Productions, Texas Video and Post, and Extreme Communications, which produce radio and television commercials and corporate communications videos.	41.3%	12% subordinated notes, payable 2001 to 2004 (acquired 10-21-96 thru 4-30-01) 375 shares 8% Series A convertible preferred stock, convertible into 1,500,000 shares of common stock at \$0.25 per share (acquired 10-21-96) Warrants to purchase 1,056,000 shares of common stock at \$0.25 per share, expiring 2005 and 2008 (acquired 8-11-98 thru 4-30-01)	4,176,750 375,000 -- ----- 4,551,750	1,000,000 -- -- ----- 1,000,000
+FMC CORPORATION Chicago, Illinois Chemicals for agricultural, industrial and consumer markets.	<1%	++6,430 shares common stock (acquired 6-6-86)	66,726	269,545
+Publicly-owned company		++Unrestricted securities as defined in Note (b)		

Company	Equity (a)	Investment (b)	Cost	Value (c)
+FMC TECHNOLOGIES, INC. Chicago, Illinois Technology solutions for the energy, food processing and air transportation industries.	<1%	++11,057 shares common stock (acquired 1-2-02)	\$ 57,051	\$ 220,366
HEELING, INC. Carrollton, Texas Heelys stealth skate shoes ("one wheel in the heel") sold through specialty skate, lifestyle and sporting goods stores, footwear chains and over the Internet at Heelys.com.	43.0%	10% subordinated debenture due 2006 (acquired 10-30-00 thru 12-7-00) 1,745,455 shares Series A preferred stock (acquired 5-26-00) 436,364 shares Series B convertible preferred stock, convertible into 436,364 shares of common stock at \$0.275 per share (acquired 5-26-00)	1,800,000 480,000 120,000 ----- 2,400,000	1,800,000 480,000 120,000 ----- 2,400,000
+HOLOGIC, INC. Bedford, Massachusetts Medical instruments including bone densitometers, mammography devices and digital radiography systems.	<1%	++158,205 shares common stock (acquired 8-27-99)	220,000	2,444,267
+KIMBERLY-CLARK CORPORATION Dallas, Texas Manufacturer of tissue, personal care and health care products.	<1%	++77,180 shares common stock (acquired 12-18-97)	2,396,926	4,989,687
+LIBERTY MEDIA CORPORATION (formerly AT&T Corp. - Liberty Media Group) Englewood, Colorado Global media and entertainment company owning interests in video programming, communications and Internet businesses.	<1%	++677,412 shares Series A common stock (acquired 3-9-99)	25	8,562,488
+MAIL-WELL, INC. Englewood, Colorado Envelopes and commercial printing.	3.4%	2,096,588 shares common stock (acquired 2-18-94 thru 11-10-98)	2,986,870	6,814,000
MEDIA RECOVERY, INC. Graham, Texas Computer and office automation supplies and accessories; impact and tilt monitoring devices to detect mishandled shipments; dunnage for protecting shipments.	71.2%	4,800,000 shares Series A convertible preferred stock, convertible into 4,800,000 shares of common stock at \$1.00 per share (acquired 11-4-97)	5,415,000	10,000,000
+MYLAN LABORATORIES, INC. Pittsburgh, Pennsylvania Proprietary and generic pharmaceutical products.	<1%	++64,143 shares common stock (acquired 11-20-91)	200,000	1,889,653
+Publicly-owned company		++Unrestricted securities as defined in Note (b)		

Company	Equity (a)	Investment (b)	Cost	Value (c)
ORGANIZED LIVING, INC. Lenexa, Kansas Specialty retailer of products designed to provide home and office storage and organization solutions.	8.2%	3,333,335 shares Series D convertible preferred stock, convertible into 3,333,335 shares of common stock at \$1.80 per share (acquired 1-7-00 and 10-30-00)	\$ 6,000,000	\$ 3,000,000
PALLET ONE, INC. Bartow, Florida Wooden pallet manufacturer with 12 manufacturing facilities.	8.8%	150,000 shares common stock (acquired 10-18-01) 1,350,000 shares Series A preferred stock (acquired 10-18-01)	150,000 1,350,000 1,500,000	150,000 1,350,000 1,500,000
+PALM HARBOR HOMES, INC. Dallas, Texas Integrated manufacturing, retailing, financing and insuring of manufactured housing produced in 15 plants.	34.3%	7,855,121 shares common stock (acquired 1-3-85 thru 7-31-95)	10,931,955	109,971,000
+PETSMART, INC. Phoenix, Arizona Retail chain of more than 500 stores selling pet foods, supplies and services.	<1%	++554,220 shares common stock (acquired 6-1-95)	2,437,129	7,515,223
THE RECTORSEAL CORPORATION Houston, Texas Chemical specialty products for industrial, construction, oil field and automotive applications; owns 20% of Whitmore Manufacturing.	100.0%	27,907 shares common stock (acquired 1-5-73 and 3-31-73)	52,600	50,000,000
SKYLAWN CORPORATION Hayward, California Cemeteries, mausoleums and mortuaries located in northern California.	100.0%	1,449,026 shares common stock (acquired 7-16-69)	4,510,400	38,000,000
+SPRINT CORPORATION - FON Group Westwood, Kansas Diversified telecommunications company.	<1%	++72,000 shares common stock (acquired 6-20-84)	449,654	1,100,880
+SPRINT CORPORATION - PCS Group Overland Park, Kansas Domestic wireless telephony services.	<1%	++36,000 shares common stock (acquired 11-23-98)	53,991	370,440
+Publicly-owned company		++Unrestricted securities as defined in Note (b)		

Company	Equity (a)	Investment (b)	Cost	Value (c)
SPROCKETS.COM, INC. Boston, Massachusetts Provides web-based file transfer and collaboration platforms to facilitate the creation of visual media from multiple locations.	1.2%	31,196 shares common stock (acquired 6-29-01)	\$ 1,244,883	\$ 1
		168,403 shares Series B redeemable convertible preferred stock, convertible into 168,403 shares of common stock at \$0.30 per share (acquired 6-29-01)	49,488	--
		Warrants to purchase 4,693 shares of common stock at \$41.04 per share expiring 2006 (acquired 6-29-01)	5,629	--
			1,300,000	1
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)	--	677,250
TEXAS CAPITAL BANCSHARES, INC. Dallas, Texas Owns both Texas Capital Bank, NA, which serves middle market clients, and Bank Direct, an Internet bank.	3.0%	344,828 shares common stock (acquired 5-1-00)	5,000,006	5,000,006
TEXAS PETROCHEMICAL HOLDINGS, INC. Houston, Texas Butadiene for synthetic rubber, MTBE for gasoline octane enhancement and butylenes for varied applications.	5.0%	30,000 shares common stock (acquired 6-27-96)	3,000,000	1
TEXAS SHREDDER, INC. San Antonio, Texas Design and manufacture of heavy-duty shredder systems for recycling steel and other materials from junk automobiles.	53.3%	3,296 shares Series A preferred stock (acquired 3-6-91 and 6-1-98)	329,600	329,600
		750 shares Series B convertible preferred stock, convertible into 750,000 shares of common stock at \$0.10 per share (acquired 3-6-91)	75,000	2,587,500
			404,600	2,917,100
VOCALDATA, INC. Richardson, Texas Hardware and software for customer premises telephony equipment based on Voice Over Internet Protocol.	2.8%	650,001 shares Series A convertible preferred stock, convertible into 1,300,002 shares of common stock at \$0.875 per share (acquired 11-4-99 and 12-3-99)	1,137,500	1
		200,287 shares Series B convertible preferred convertible stock, into 200,287 shares of common stock at \$1.759 per share (acquired 10-26-00)	352,305	1
			1,489,805	2
THE WHITMORE MANUFACTURING COMPANY Rockwall, Texas Specialized mining and industrial lubricants; automotive transit coatings.	80.0%	80 shares common stock (acquired 8-31-79)	1,600,000	8,800,000
+Publicly-owned company		+Unrestricted securities as defined in Note (b)		

Company	Equity (a)	Investment (b)	Cost	Value (c)
MISCELLANEOUS	--	Diamond State Ventures, L.P. - 1.9% limited partnership interest (acquired 10-12-99 thru 8-15-01)	\$ 165,625	\$ 165,625
	--	First Capital Group of Texas III, L.P. - 3.3% limited partnership interest (acquired 12-26-00 and 5-1-01)	247,929	247,929
	100.0%	Humac Company - 1,041,000 shares common stock (acquired 1-31-75 and 12-31-75)	--	140,000
	--	STARTech Seed Fund I - 12.6% limited partnership interest (acquired 4-17-98 thru 1-5-00)	178,066	178,066
	--	STARTech Seed Fund II - 3.1% limited partnership interest (acquired 4-28-00 thru 3-5-02)	600,000	300,000
	--	Sterling Group Partners I, L.P. - 1.7% limited partnership interest (acquired 4-20-01 and 7-27-01)	319,100	319,100
TOTAL INVESTMENTS			\$82,193,855 =====	\$347,481,066 =====
+Publicly-owned company				++Unrestricted securities as defined in Note (b)

Notes to Portfolio of Investments

(a) 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 shares, plus shares reserved for all outstanding warrants, convertible securities and employee stock options. The symbol "<1%" indicates that the Company holds a potential equity interest of less than one percent.

(b) 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, 2002, restricted securities represented approximately 91% of the value of the consolidated investment portfolio.

(c) Under the valuation policy of the Company, unrestricted securities are valued at the closing sale price for listed securities and at the lower of the closing bid price or the last sale price for Nasdaq securities on the valuation date. Restricted securities, including securities of publicly-owned companies which are subject to restrictions on resale, are valued at fair value as determined by the Board of Directors. Fair value is considered to be the amount which the Company may reasonably expect to receive for portfolio securities if such securities were sold on the valuation date. 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.

Among the factors considered by the 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 the Company, the nature and duration of resale restrictions and the nature of any rights enabling the Company to require the issuer to register restricted securities under applicable securities laws. In determining the fair value of restricted securities, the 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.

(d) Agreements between certain issuers and the Company provide that the issuers will bear substantially all costs in connection with the disposition of common stocks, including those costs involved in registration under the Securities Act of 1933 but excluding underwriting discounts and commissions. These agreements, which cover common stocks owned at March 31, 2002 and common stocks which may be acquired thereafter through exercise of warrants and conversion of debentures and preferred stocks, 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, Skylawn Corporation and The Whitmore Manufacturing Company.

(e) The descriptions of the companies and ownership percentages shown in the portfolio of investments were obtained from published reports and other sources believed to be reliable, are supplemental and are not covered by the report of independent auditors. Acquisition dates indicated are the dates specific securities were acquired. Certain securities were received in exchange for or upon conversion or exercise of other securities previously acquired.

Portfolio Changes During the Year

New Investments and Additions to Previous Investments

	Amount
Balco, Inc.	\$ 204,000
BOXX Technologies, Inc.	500,000
Diamond State Ventures, L.P.	46,429
Exopack Holding Corp.	450,000
Extreme International, Inc.	228,000
First Capital Group of Texas III, L.P.	147,929
PalletOne, Inc.	1,500,000
STARTech Seed Fund II	150,000
Sterling Group Partners I	319,100

	\$3,545,458
	=====

Dispositions

Amount	Cost	Received
	-----	-----
Cisco Systems, Inc.	\$ 321,934	\$ 325,989
CyberSource Corporation	1,000,000	186,883
Drew Scientific Group PLC	2,956,472	149,941
Global Crossing Ltd.	78,346	96,637
Liberty Satellite & Technology, Inc.	--	28,355
Mylan Laboratories, Inc.	200,000	2,352,594
PETSMART, Inc.	441,604	1,351,080
Photon Dynamics, Inc. (formerly Intelligent Reasoning Systems, Inc.)	1,542,756	1,146,167
Triton Energy Limited	144,167	270,990
Miscellaneous	--	14,529
	-----	-----
	\$6,685,279	\$5,923,165
	=====	=====

Repayments Received	\$2,267,970
	=====

Significant Non-Cash Transaction

On June 1, 2001, the Company exchanged US\$8,471,623 principal amount of 8% subordinated debentures of Concert Industries Ltd. for 2,046,199 shares of common stock at US\$4.14 (C\$6.36) per share and 373,758 warrants to purchase common stock at C\$8.00 (US\$5.025) per share, expiring 12-31-03.

Capital Southwest Corporation and Subsidiary
Consolidated Statements of Financial Condition

Assets	March 31	
	2002	2001
Investments at market or fair value (Notes 1, 2 and 10)		
Companies more than 25% owned (Cost: 2002 - \$23,194,865, 2001 - \$23,140,865)	\$ 243,024,999	\$ 205,273,759
Companies 5% to 25% owned (Cost: 2002 - \$27,167,649, 2001 - \$17,642,756)	34,943,003	19,623,004
Companies less than 5% owned (Cost: 2002 - \$31,831,341, 2001 - \$46,818,025)	69,513,064	91,020,746
Total investments (Cost: 2002 - \$82,193,855, 2001 - \$87,601,646)	347,481,066	315,917,509
Cash and cash equivalents	1,977,180	1,137,767
Receivables	1,753,297	264,377
Other assets (Note 8)	5,971,361	5,348,315
Totals	\$ 357,182,904	\$ 322,667,968

Liabilities and Shareholders' Equity	March 31	
	2002	2001
Note payable to bank (Note 4)	\$ 6,500,000	\$ 5,000,000
Notes payable to portfolio companies (Note 4)	2,500,000	6,000,000
Accrued interest and other liabilities (Note 8)	2,018,140	2,135,052
Deferred income taxes (Note 3)	90,673,722	77,924,303
Subordinated debenture (Note 5)	5,000,000	5,000,000
Total liabilities	106,691,862	96,059,355
Shareholders' equity (Notes 3 and 6)		
Common stock, \$1 par value: authorized, 5,000,000 shares; issued, 4,266,416 shares at March 31, 2002 and 4,252,416 shares at March 31, 2001	4,266,416	4,252,416
Additional capital	6,935,497	6,450,747
Undistributed net investment income	3,297,838	3,550,573
Undistributed net realized gain on investments	69,844,380	70,382,314
Unrealized appreciation of investments - net of deferred income taxes	173,180,213	149,005,865
Treasury stock - at cost (437,365 shares)	(7,033,302)	(7,033,302)
Net assets at market or fair value, equivalent to \$65.42 per share on the 3,829,051 shares outstanding at March 31, 2002, and \$59.40 per share on the 3,815,051 shares outstanding at March 31, 2001	250,491,042	226,608,613
Totals	\$ 357,182,904	\$ 322,667,968

See Notes to Consolidated Financial Statements

Capital Southwest Corporation and Subsidiary
Consolidated Statements of Operations

	Years Ended March 31		
	2002	2001	2000
Investment income (Note 9):			
Interest	\$ 322,521	\$ 542,241	\$ 884,152
Dividends	3,293,633	2,955,833	1,878,853
Management and directors' fees	530,400	530,400	525,400
	-----	-----	-----
	4,146,554	4,028,474	3,288,405
	-----	-----	-----
Operating expenses:			
Salaries	894,612	850,959	804,933
Net pension benefit (Note 8)	(504,536)	(486,174)	(435,984)
Other operating expenses (Notes 7 and 11)	633,254	614,861	657,770
	-----	-----	-----
	1,023,330	979,646	1,026,719
	-----	-----	-----
Income before interest expense and income taxes	3,123,224	3,048,828	2,261,686
Interest expense	929,372	1,144,337	456,262
	-----	-----	-----
Income before income taxes	2,193,852	1,904,491	1,805,424
Income tax expense (Note 3)	151,956	181,991	142,494
	-----	-----	-----
Net investment income	\$ 2,041,896	\$ 1,722,500	\$ 1,662,930
	=====	=====	=====
Proceeds from disposition of investments	\$ 5,923,165	\$ 7,657,377	\$ 14,893,442
Cost of investments sold (Note 1)	6,685,279	12,782,870	5,662,000
	-----	-----	-----
Realized gain (loss) on investments before income taxes (Note 9)	(762,114)	(5,125,493)	9,231,442
Income tax expense (benefit)	(224,180)	(1,894,506)	3,211,550
	-----	-----	-----
Net realized gain (loss) on investments	(537,934)	(3,230,987)	6,019,892
	-----	-----	-----
Increase (decrease) in unrealized appreciation of investments before income taxes	36,971,348	(10,310,835)	(38,071,790)
Increase (decrease) in deferred income taxes on appreciation of investments (Note 3)	12,797,000	(3,841,000)	(13,322,000)
	-----	-----	-----
Net increase (decrease) in unrealized appreciation of investments	24,174,348	(6,469,835)	(24,749,790)
	-----	-----	-----
Net realized and unrealized gain (loss) on investments	\$ 23,636,414	\$ (9,700,822)	\$ (18,729,898)
	=====	=====	=====
Increase (decrease) in net assets from operations	\$ 25,678,310	\$ (7,978,322)	\$ (17,066,968)
	=====	=====	=====

See Notes to Consolidated Financial Statements

Capital Southwest Corporation and Subsidiary
Consolidated Statements of Changes in Net Assets

	Years Ended March 31		
	2002	2001	2000
Operations			
Net investment income	\$ 2,041,896	\$ 1,722,500	\$ 1,662,930
Net realized gain (loss) on investments	(537,934)	(3,230,987)	6,019,892
Net increase (decrease) in unrealized appreciation of investments	24,174,348	(6,469,835)	(24,749,790)
Increase (decrease) in net assets from operations	25,678,310	(7,978,322)	(17,066,968)
Distributions from:			
Undistributed net investment income	(2,294,631)	(2,289,031)	(2,289,031)
Capital share transactions			
Exercise of employee stock options	498,750	--	--
Increase (decrease) in net assets	23,882,429	(10,267,353)	(19,355,999)
Net assets, beginning of year	226,608,613	236,875,966	256,231,965
Net assets, end of year	\$ 250,491,042	\$ 226,608,613	\$ 236,875,966

See Notes to Consolidated Financial Statements

Capital Southwest Corporation and Subsidiary
Consolidated Statements of Cash Flows

	Years Ended March 31		
	2002	2001	2000
Cash flows from operating activities			
Increase (decrease) in net assets from operations	\$ 25,678,310	\$ (7,978,322)	\$(17,066,968)
Adjustments to reconcile increase (decrease) in net assets from operations to net cash provided by (used in) operating activities:			
Depreciation and amortization	26,258	29,891	31,976
Net pension benefit	(504,536)	(486,174)	(435,984)
Net realized and unrealized (gain) loss on investments	(23,636,414)	9,700,822	18,729,898
(Increase) decrease in receivables	(1,488,920)	(25,783)	77,113
Increase in other assets	(17,922)	(8,923)	(44,754)
Increase (decrease) in accrued interest and other liabilities	(44,479)	(27,179)	41,504
Decrease in accrued pension cost	(199,280)	(209,947)	--
Deferred income taxes	176,600	170,400	152,600
Net cash provided by (used in) operating activities	(10,383)	1,164,785	1,485,385
Cash flows from investing activities			
Proceeds from disposition of investments	5,923,165	7,657,377	14,893,442
Purchases of securities	(3,545,458)	(15,922,079)	(21,924,423)
Maturities of securities	2,267,970	540,000	4,840,000
Income taxes paid on realized gain on investments	--	--	(4,069,101)
Net cash provided by (used in) investing activities	4,645,677	(7,724,702)	(6,260,082)
Cash flows from financing activities			
Increase (decrease) in notes payable to bank	1,500,000	(55,000,000)	60,000,000
Increase (decrease) in notes payable to portfolio companies	(3,500,000)	1,000,000	5,000,000
Distributions from undistributed net investment income	(2,294,631)	(2,289,031)	(2,289,031)
Proceeds from exercise of employee stock options	498,750	--	--
Net cash provided by (used in) financing activities	(3,795,881)	(56,289,031)	62,710,969
Net increase (decrease) in cash and cash equivalents	839,413	(62,848,948)	57,936,272
Cash and cash equivalents at beginning of year	1,137,767	63,986,715	6,050,443
Cash and cash equivalents at end of year	\$ 1,977,180	\$ 1,137,767	\$ 63,986,715
	=====	=====	=====
Supplemental disclosure of cash flow information:			
Cash paid during the year for: Interest	\$ 922,011	\$ 1,144,558	\$ 436,023
Income taxes	\$ 287	\$ 11,591	\$ 4,092,891

See Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Capital Southwest Corporation ("CSC") is a business development company subject to regulation under the Investment Company Act of 1940. Capital Southwest Venture Corporation ("CSVC"), a wholly-owned subsidiary of CSC, is a Federal licensee under the Small Business Investment Act of 1958. The following is a summary of significant accounting policies followed in the preparation of the consolidated financial statements of CSC and CSVC (together, the "Company"):

Principles of Consolidation. The consolidated financial statements have been prepared on the value method of accounting in accordance with accounting principles generally accepted in the United States of America for investment companies. All significant intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents. All temporary cash investments having a maturity of three months or less when purchased are considered to be cash equivalents.

Investments. Investments are stated at market or fair value determined by the Board of Directors as described in the Notes to Portfolio of Investments and Note 2 below. The average cost method is used in determining cost of investments sold. Investments are recorded on a trade date basis. Dividends are recognized on the ex-dividend date and interest income is accrued daily.

Segment Information. The Company operates and manages its business in a singular segment. As an investment company, the Company invests in portfolio companies in various industries and geographic areas as presented in the portfolio of investments.

2. Valuation of Investments

The consolidated financial statements as of March 31, 2002 and 2001 include securities valued at \$317,137,082 (91% of the value of the consolidated investment portfolio) and \$285,059,091 (90% of the value of the consolidated investment portfolio), respectively, whose values have been determined by the Board of Directors in the absence of readily ascertainable market values. Because of the inherent uncertainty of valuation, these values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material.

3. Income taxes

For the tax years ended December 31, 2001, 2000 and 1999, CSC and CSVC qualified to be taxed as regulated investment companies ("RICs") under applicable provisions of the Internal Revenue Code. As RICs, CSC and CSVC must distribute at least 90% of their taxable net investment income (investment company taxable income) and may either distribute or retain their taxable net realized gain on investments (capital gains). Both CSC and CSVC intend to meet the applicable qualifications to be taxed as RICs in future years; however, either company's ability to meet certain portfolio diversification requirements of RICs in future years may not be controllable by such company.

No material provision was made for Federal income taxes on the investment company taxable income of CSC and CSVC for the 2002, 2001 and 2000 fiscal years. Such income was distributed to shareholders in the form of cash dividends for which CSC and CSVC receive a tax deduction. With respect to net investment income, the income tax expense for each of the three years ended March 31, 2002 includes a deferred tax provision related to the net pension benefit.

CSC and CSVC may not qualify or elect to be taxed as RICs in future years. Therefore, consolidated deferred Federal income taxes of \$92,107,000 and \$79,310,000 have been provided on net unrealized appreciation of investments of \$265,287,211 and \$228,315,863 at March 31, 2002 and 2001, respectively. Such appreciation is not included in taxable income until realized. Deferred income taxes on net unrealized appreciation of investments have been provided at the then currently effective maximum Federal corporate tax rate on capital gains of 35% at March 31, 2002 and 2001.

4. Notes Payable

The note payable to bank at March 31, 2002 and 2001 was from an unsecured \$15,000,000 revolving line of credit, of which \$6,500,000 and \$5,000,000 had been drawn, respectively. The revolving line of credit bears interest at the bank's base rate less .50% or LIBOR plus 1.25% and matures on July 31, 2002.

The notes payable to portfolio companies were demand promissory notes to Skylawn Corporation and The Whitmore Manufacturing Company with interest payable at prime minus 2.25%. Interest expense on these portfolio companies' notes were \$216,280 in 2002 and \$421,870 in 2001.

5. Subordinated Debenture

The subordinated debenture of \$5,000,000 outstanding at March 31, 2002 and 2001 is payable to others and guaranteed by the Small Business Administration ("SBA"), bears interest at 8.0% and matures June 1, 2002.

6. Employee Stock Option Plan

Under the 1984 Incentive Stock Option Plan, options to purchase 28,000, 42,000 and 42,000 shares of common stock at \$35.625 per share (the market price at the time of grant) were outstanding and exercisable at March 31, 2002, 2001 and 2000, respectively, and expire in 2003. During the three years ended March 31, 14,000 options were exercised in 2002 and -0- were exercised in 2001 and 2000. The 1984 Incentive Stock Option Plan expired in 1994.

Under the 1999 Stock Option Plan, 140,000 shares of common stock were reserved for issuance to employees and officers of the Company. Options to purchase 32,000 shares at a price of \$77.00 per share and 6,000 shares at a price of \$84.70 per share were granted during the year ended March 31, 2000. No options were granted during the year ended March 31, 2001. Options to purchase 29,000 shares at a price of \$65.00 per share and 15,000 shares at a price of \$65.70 per share were granted during the year ended March 31, 2002. During the year ended March 31, 2002, options to purchase 27,500 shares were canceled, leaving a total of 54,500 options outstanding at March 31, 2002 and a total of 85,500 options available for future grant. Options to purchase 38,000 shares were outstanding at March 31, 2001 and 2000. All options were granted at or above market price and expire 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. At March 31, 2002, 2001 and 2000, options to purchase 8,100, 7,750 and 2,400 shares under the 1999 Stock Option Plan were exercisable.

At March 31, 2002, if all vested outstanding options for which the market price exceeds the exercise price had been exercised, the Company's net asset value would have been reduced by \$0.22 per share, assuming the option proceeds received increased the Company's net asset value and the optioned shares increased the number of shares outstanding. As of March 31, 2001, exercise of all such options would have reduced the Company's net asset value by \$0.26 per share.

7. Employee Stock Ownership Plan

The Company and one of its wholly-owned portfolio companies sponsor a qualified employee stock ownership plan ("ESOP") in which certain employees participate. Contributions to the plan, which are invested in Company stock, are made at the discretion of the Board of Directors. A participant's interest in contributions to the ESOP fully vests after five years of active service. During the three years ended March 31, the Company made contributions to the ESOP, which were charged against net investment income, of \$28,322 in 2002, \$42,997 in 2001 and \$43,862 in 2000.

8. Retirement Plans

The Company sponsors a qualified defined benefit pension plan which covers its employees and employees of certain of its wholly-owned portfolio companies. The following information about the plan represents amounts and information related to the Company's participation in the plan and is presented as though the Company 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 ten 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, 2002.

The following tables set forth the qualified plan's benefit obligations and fair value of plan assets at March 31, 2002, 2001 and 2000:

	Years Ended March 31		
	2002	2001	2000
Change in benefit obligation			
Benefit obligation at beginning of year	\$ 3,255,669	\$ 3,260,366	\$ 3,315,119
Service cost	58,428	50,961	43,818
Interest cost	207,940	205,976	193,397
Actuarial gain (loss)	94,298	59,571	(201,158)
Benefits paid	(331,872)	(321,205)	(90,810)
Benefit obligation at end of year	<u>\$ 3,284,463</u>	<u>\$ 3,255,669</u>	<u>\$ 3,260,366</u>
Change in plan assets			
Fair value of plan assets at beginning of year	\$ 8,758,035	\$ 9,837,547	\$ 10,074,598
Actual return on plan assets	984,157	(758,307)	(146,241)
Benefits paid	(331,872)	(321,205)	(90,810)
Fair value of plan assets at end of year	<u>\$ 9,410,320</u>	<u>\$ 8,758,035</u>	<u>\$ 9,837,547</u>

The following table sets forth the qualified plan's funded status and amounts recognized in the Company's consolidated statements of financial condition:

	March 31	
	2002	2001
Actuarial present value of benefit obligations:		
Accumulated benefit obligation	\$(2,906,821)	\$(2,938,747)
Projected benefit obligation for service rendered to date	\$(3,284,463)	\$(3,255,669)
Plan assets at fair value*	9,410,320	8,758,035
Excess of plan assets over the projected benefit obligation	6,125,857	5,502,366
Unrecognized net (gain) loss from past experience different from that assumed and effects of changes in assumptions	32,117	109,379
Prior service costs not yet recognized	(140,319)	(151,642)
Unrecognized net assets being amortized over 19 years	(221,477)	(295,308)
Prepaid pension cost included in other assets	\$ 5,796,178	\$ 5,164,795

*Primarily equities and bonds including approximately 30,000 shares of common stock of the Company.

Components of net pension benefit related to the qualified plan include the following:

	Years Ended March 31		
	2002	2001	2000
Service cost - benefits earned during the year	\$ 58,428	\$ 50,961	\$ 43,818
Interest cost on projected benefit obligation	207,940	205,976	193,397
Actual return on assets	(984,157)	758,307	146,241
Net amortization and deferral	86,406	(1,653,169)	(960,903)
Net pension benefit from qualified plan	\$ (631,383)	\$ (637,925)	\$ (577,447)

The Company also 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 table sets forth the Retirement Restoration Plan's benefit obligations at March 31, 2002, 2001 and 2000:

	Years Ended March 31		
	2002	2001	2000
Change in benefit obligation			
Benefit obligation at beginning of year	\$ 1,758,214	\$ 2,026,495	\$ 2,166,180
Service cost	8,573	4,945	4,089
Interest cost	113,779	113,497	117,541
Actuarial gain (loss)	97,210	(176,776)	(261,315)
Benefits paid	(199,280)	(209,947)	--
Benefit obligation at end of year	\$ 1,778,496	\$ 1,758,214	\$ 2,026,495

The following table sets forth the status of the Retirement Restoration Plan and the amounts recognized in the consolidated statements of financial condition:

	March 31	
	2002	2001
Projected benefit obligation	\$(1,778,496)	\$(1,758,214)
Unrecognized net (gain) loss from past experience different from that assumed and effects of changes in assumptions	(34,465)	(131,675)
Unrecognized prior service costs	65,380	69,875
Accrued pension cost included in other liabilities	\$(1,747,581)	\$(1,820,014)

The Retirement Restoration Plan expenses recognized during the years ended March 31, 2002, 2001 and 2000 of \$126,847, \$151,751 and \$141,463, respectively, are offset against the net pension benefit from the qualified plan.

The weighted-average discount rate and rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation were 6.5% and 5.0%, respectively, at March 31, 2002, March 31, 2001 and March 31, 2000. The expected long-term rate of return used to project estimated earnings on plan assets for the qualified plan was 7.5% for the years ended March 31, 2002, March 31, 2001 and March 31, 2000. The calculations also assume retirement at age 65, the normal retirement age.

9. Sources of Income

Income was derived from the following sources:

Years Ended March 31 -----	Investment Income			Realized Gain (Loss) on Investments Before Income Taxes
	Interest	Dividends	Other Income	
2002 -----				
Companies more than 25% owned	\$ 39,200	\$ 2,996,591	\$ 487,400	\$ --
Companies 5% to 25% owned	99,041	--	--	--
Companies less than 5% owned	133,549	297,042	43,000	(762,114)
Other sources, including temporary investments	50,731	--	--	--
	-----	-----	-----	-----
	\$ 322,521	\$ 3,293,633	\$ 530,400	\$ (762,114)
	=====	=====	=====	=====
2001 -----				
Companies more than 25% owned	\$ 72,800	\$ 2,585,386	\$ 494,900	\$ --
Companies 5% to 25% owned	--	--	--	(3,000,000)
Companies less than 5% owned	217,080	370,447	35,500	(2,125,493)
Other sources, including temporary investments	252,361	--	--	--
	-----	-----	-----	-----
	\$ 542,241	\$ 2,955,833	\$ 530,400	\$ (5,125,493)
	=====	=====	=====	=====
2000 -----				
Companies more than 25% owned	\$ 106,400	\$ 1,440,755	\$ 487,400	\$ --
Companies 5% to 25% owned	--	--	(1,500)	8,133,870
Companies less than 5% owned	173,105	438,098	39,500	1,097,572
Other sources, including temporary investments	604,647	--	--	--
	-----	-----	-----	-----
	\$ 884,152	\$ 1,878,853	\$ 525,400	\$ 9,231,442
	=====	=====	=====	=====

10. Summarized Financial Information of Wholly-Owned Portfolio Companies

The Company has three significant wholly-owned portfolio companies - The RectorSeal Corporation, The Whitmore Manufacturing Company and Skylawn Corporation - which are neither investment companies nor business development companies. Accordingly, the accounts of such portfolio companies are not included with those of the Company. Summarized combined financial information of the three portfolio companies is as follows:

(all figures in thousands)

	March 31		
	2002	2001	2000
Condensed Balance Sheet Data			
Assets			
Cash and temporary investments	\$ 21,884	\$ 14,815	
Receivables	28,092	30,504	
Inventories	38,721	37,536	
Property, plant and equipment	38,109	38,609	
Other assets	21,072	19,783	
Totals	\$147,878	\$141,247	
Liabilities and Shareholder's Equity			
Long-term debt	\$ 10,594	\$ 8,334	
Other liabilities	16,926	19,414	
Shareholder's equity	120,358	113,499	
Totals	\$147,878	\$141,247	
Condensed Statements of Income			
	2002	2001	2000
Revenues	\$ 96,417	\$ 93,575	\$ 91,608
Costs and operating expenses	\$ 83,475	\$ 80,952	\$ 79,237
Net income	\$ 9,137	\$ 9,830	\$ 7,917

11. Commitments

The Company has agreed, subject to certain conditions, to invest up to \$3,239,346 in six portfolio companies.

The Company leases office space under an operating lease which requires base annual rentals of approximately \$59,000 through February, 2003. For the three years ended March 31, total rental expense charged to investment income was \$58,984 in 2002, \$58,145 in 2001 and \$57,479 in 2000.

Selected Per Share Data and Ratios

Per Share Data	Years Ended March				
	2002	2001	2000	1999	1998
Investment income	\$ 1.08	\$ 1.06	\$.86	\$ 1.00	\$ 1.28
Operating expenses	(.27)	(.26)	(.27)	(.40)	(.42)
Interest expense	(.24)	(.30)	(.12)	(.11)	(.11)
Income taxes	(.04)	(.05)	(.03)	(.03)	(.03)
Net investment income .....	.53	.45	.44	.46	.72
Distributions from undistributed net investment income	(.60)	(.60)	(.60)	(.60)	(.60)
Net realized gain (loss) on investments	(.14)	(.85)	1.58	.26	1.71
Net increase (decrease) in unrealized appreciation of investments after deferred taxes	6.31	(1.69)	(6.49)	(10.81)	18.32
Exercise of employee stock options*	(.08)	--	--	(.30)	(.13)
Increase (decrease) in net asset value	6.02	(2.69)	(5.07)	(10.99)	20.02
Net asset value:					
Beginning of year	59.40	62.09	67.16	78.15	58.13
End of year	\$ 65.42	\$ 59.40	\$ 62.09	\$ 67.16	\$ 78.15
Increase (decrease) in deferred taxes on unrealized appreciation	\$ 3.26	\$ (1.01)	\$ (3.49)	\$ (6.04)	\$ 9.74
Deferred taxes on unrealized appreciation:					
Beginning of year	20.79	21.80	25.29	31.33	21.59
Ending of year	\$ 24.05	\$ 20.79	\$ 21.80	\$ 25.29	\$ 31.33
Ratios and Supplemental Data					
Ratio of operating expenses to average net assets .....	.42%	.42%	.42%	.55%	.60%
Ratio of operating expenses to average net assets plus average deferred taxes on unrealized appreciation ....	.31%	.31%	.31%	.39%	.44%
Ratio of net investment income to average net assets .....	.85%	.74%	.67%	.63%	1.05%
Portfolio turnover rate	1.05%	2.56%	4.26%	.19%	2.45%
Shares outstanding at end of period (000s omitted)	3,829	3,815	3,815	3,815	3,788

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

Independent Auditors' Report

The Board of Directors and Shareholders
Capital Southwest Corporation:

We have audited the accompanying consolidated statements of financial condition of Capital Southwest Corporation and subsidiary as of March 31, 2002 and 2001, including the portfolio of investments as of March 31, 2002, and the related consolidated statements of operations, changes in net assets, and cash flows for each of the years in the three-year period ended March 31, 2002 and the selected per share data and ratios for each of the years in the five-year period ended March 31, 2002. These financial statements and per share data and ratios are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and per share data and ratios based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and 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 the physical examination of securities owned as of March 31, 2002 and 2001, held by the custodian. 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 selected per share data and ratios referred to above present fairly, in all material respects, the financial position of Capital Southwest Corporation and subsidiary as of March 31, 2002 and 2001, the results of their operations, the changes in their net assets and their cash flows for each of the years in the three-year period ended March 31, 2002, and the selected per share data and ratios for each of the years in the five-year period ended March 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Dallas, Texas
April 19, 2002

Management's Discussion and Analysis of
Financial Condition and Results of Operations

Results of Operations

The composite measure of the Company's financial performance in the Consolidated Statements of Operations is captioned "Increase (decrease) in net assets from operations" and consists of three elements. The first is "Net investment income", which is the difference between the Company's income from interest, dividends and fees and its 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 disposition of portfolio securities and their stated cost, net of applicable income tax expense. 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 the Company's investment portfolio, compared with stated cost, net of an increase or decrease in deferred income taxes which would become payable if the unrealized appreciation were realized through the sale or other disposition of the investment portfolio. 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

The Company's 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. The Company also earns 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, the Company had interest income from temporary cash investments of \$48,877 in 2002, \$249,000 in 2001 and \$599,000 in 2000. The Company also receives management fees from its wholly-owned portfolio companies which aggregated \$458,400 in each of the years ended March 31, 2002, March 31, 2001 and March 31, 2000. During the three years ended March 31, 2002, the Company recorded dividend income from the following sources:

	Years Ended March 31		
	2002	2001	2000
AT&T Corp.	\$ 19,987	\$ 68,621	\$ 146,570
Alamo Group Inc.	677,112	677,112	790,756
Dennis Tool Company	49,999	49,999	49,999
Kimberly-Clark Corporation	87,985	84,126	81,039
The RectorSeal Corporation	960,000	960,000	240,000
Skylawn Corporation	1,069,480	658,275	300,000
TCI Holdings, Inc.	81,270	81,270	81,270
Texas Shredder, Inc.	44,506	40,460	40,460
The Whitmore Manufacturing Company	240,000	240,000	60,000
Other	63,294	95,970	88,759
	\$3,293,633	\$2,955,833	\$1,878,853
	=====	=====	=====

Total operating expenses, excluding interest expense, increased by \$43,684 or 4.5% and decreased by \$47,073 or 4.6% during the years ended March 31, 2002 and 2001, respectively. Due to the nature of its business, the majority of the Company's operating expenses are related to employee and director compensation, office expenses, legal and accounting fees and the net pension benefit. Interest expense decreased by \$214,965 during the year ended March 31, 2002 due to a decrease in interest rates. For the year ended March 31, 2001, interest expense increased by \$688,075 due to increased borrowings.

Net Realized Gain (Loss) on Investments

Net realized loss on investments was \$537,934 (after income tax benefit of \$224,180) during the year ended March 31, 2002, compared with a loss of \$3,230,987 (after income tax benefit of \$1,894,506) during 2001 and a gain of \$6,019,892 (after income tax expense of \$3,211,550) during 2000. Management does not attempt to maintain a comparable 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, the Company recorded an increase (decrease) in unrealized appreciation of investments before income taxes of \$36,971,348, \$(10,310,835) and \$(38,071,790) in 2002, 2001 and 2000, respectively. As explained in the first paragraph of this discussion and analysis, 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 (before the related change in deferred income taxes and excluding the effect of gains or losses realized during the year) by portfolio company for securities held at the end of each year.

	Years Ended March 31		
	2002	2001	2000
AT&T Corp.	\$ (746,162)	\$ (4,681,896)	\$ 430,271
Alamo Group Inc.	2,821,000	2,821,000	7,276,953
All Components, Inc.	(50,000)	3,450,000	1,975,000
American Homestar Corporation .	--	--	(4,224,707)
Amfibe, Inc.	--	--	3,900,000
Balco, Inc.	1,482,240	--	(2,529,600)
CDC Technologies, Inc./Drew Scientific Group PLC	(38,098)	(2,592,541)	(3,099,156)
Concert Industries Ltd.	(3,740,000)	294,351	--
Dyntec, Inc.	--	--	(4,499,998)
Encore Wire Corporation	10,898,000	--	(2,724,000)
Liberty Media Group	(921,280)	(10,605,732)	11,183,260
Mail-Well, Inc.	(524,000)	(6,290,000)	(5,241,000)
Media Recovery, Inc.	(8,000,000)	10,000,000	2,585,000
Organized Living, Inc.	(3,000,000)	--	--
Palm Harbor Homes, Inc.	31,420,000	(7,855,000)	(39,276,000)
PETSMART, Inc.	5,298,343	654,220	(3,271,100)
The RectorSeal Corporation ...	2,500,000	5,500,000	3,500,000
Skylawn Corporation	--	3,000,000	--
Sprint Corporation-FON Group ..	(482,400)	(2,952,720)	1,003,500

A description of the investments listed above and other material components of the investment portfolio is included elsewhere in this report under the caption "Portfolio of Investments - March 31, 2002."

Deferred Taxes on Unrealized Appreciation of Investments

The Company provides for deferred Federal income taxes on net unrealized appreciation of investments. Such taxes would become payable at such time as unrealized appreciation is realized through the sale or other disposition of those components of the investment portfolio which would result in taxable transactions. At March 31, 2002 consolidated deferred Federal income taxes of \$92,107,000 were provided on net unrealized appreciation of investments of \$265,287,211 compared with deferred taxes of \$79,310,000 on net unrealized appreciation of \$228,315,863 at March 31, 2001. Deferred income taxes at March 31, 2002 and 2001 were provided at the then currently effective maximum Federal corporate tax rate on capital gains of 35%.

Portfolio Investments

During the year ended March 31, 2002, the Company invested \$3,545,458 in various portfolio securities listed elsewhere in this report under the caption "Portfolio Changes During the Year," which also lists dispositions of portfolio securities. During the 2001 and 2000 fiscal years, the Company invested a total of \$15,922,079 and \$21,924,423, respectively.

Financial Liquidity and Capital Resources

At March 31, 2002, the Company had cash and cash equivalents of approximately \$2.0 million. Pursuant to Small Business Administration ("SBA") regulations, cash and cash equivalents of \$0.7 million held by CSVC may not be transferred or advanced to CSC without the consent of the SBA. Under current SBA regulations and subject to SBA's approval of its credit application, CSVC would be entitled to borrow up to \$58.8 million in addition to the \$5 million presently outstanding. The Company also has an unsecured \$15,000,000 revolving line of credit from a commercial bank, of which \$8,500,000 was available at March 31, 2002. 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, the Company has elected to retain all gains realized during the past 34 years. Retention of future gains is viewed as an important source of funds to sustain the Company's investment activity. Approximately \$30.3 million of the Company's investment portfolio is represented by unrestricted publicly-traded securities, which have an ascertainable market value and represent a primary source of liquidity.

Funds to be used by the Company for operating or investment purposes may be transferred in the form of dividends, management fees or loans from Skylawn Corporation, The RectorSeal Corporation and The Whitmore Manufacturing Company, wholly-owned portfolio companies of the Company, to the extent of their available cash reserves and borrowing capacities.

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

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 the Company's Board of Directors. Under the valuation policy of the Company, unrestricted securities are valued at the closing sale price for listed securities and at the lower of the closing bid price or the last sale price for Nasdaq securities on the valuation date. Restricted securities, including securities of publicly-owned companies which are subject to restrictions on resale, are valued at fair value, which is considered to be the amount the Company may reasonably expect to receive if such securities were sold on the valuation date. 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.

Among the factors considered by the 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 the Company, the nature and duration of resale restrictions and the nature of any rights enabling the Company to require the issuer to register restricted securities under applicable securities laws. In determining the fair value of restricted securities the 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.

Deferred Income Taxes

In future years, the Company may not qualify or elect to be taxed as a regulated investment company ("RIC") under applicable provisions of the Internal Revenue Code. Therefore, deferred Federal income taxes have been provided on net unrealized appreciation of investments at the then currently effective corporate tax rate on capital gains.

Impact of Inflation

The Company does not believe that its 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 the Company's investments.

Risks

Pursuant to Section 64(b)(1) of the Investment Company Act of 1940, a business development company 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 the Company states that:

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

Selected Consolidated Financial Data
(all figures in thousands except per share data)

	1992	1993	1994	1995	1996	1997
Financial Position (as of March 31)						
Investments at cost	\$ 34,929	\$ 33,953	\$ 41,993	\$ 49,730	\$ 58,544	\$ 59,908
Unrealized appreciation	100,277	113,153	132,212	153,031	198,386	233,383
Investments at market or fair value	135,206	147,106	174,205	202,761	256,930	293,291
Total assets	208,871	176,422	270,874	213,811	326,972	310,760
Subordinated debentures	11,000	15,000	15,000	11,000	11,000	5,000
Deferred taxes on unrealized appreciation	33,761	38,112	45,932	53,247	69,121	81,313
Net assets	107,522	121,455	133,053	147,370	189,048	218,972
Shares outstanding	3,644	3,681	3,715	3,735	3,767	3,767
Changes in Net Assets (years ended March 31)						
Net investment income	\$ 2,363	\$ 2,189	\$ 2,870	\$ 2,447	\$ 2,855	\$ 2,574
Net realized gain (loss) on investments	14,313	5,099	(475)	142	11,174	6,806
Net increase (decrease) in unrealized appreciation before distributions	(4,541)	8,524	11,160	13,584	38,746	22,804
Increase (decrease) in net assets from operations before distributions	12,135	15,812	13,555	16,173	52,775	32,184
Cash dividends paid	(2,181)	(2,202)	(2,228)	(2,241)	(2,270)	(2,260)
Securities distributed	--	--	--	--	(9,402)	--
Employee stock options exercised	429	322	272	385	575	--
Increase (decrease) in net assets	10,383	13,932	11,599	14,317	41,678	29,924
Per Share Data (as of March 31)						
Deferred taxes on unrealized appreciation	\$ 9.27	\$ 10.35	\$ 12.36	\$ 14.26	\$ 18.35	\$ 21.59
Net assets	29.51	32.99	35.81	39.46	50.18	58.13
Closing market price	24.25	36.50	38.125	38.00	60.00	67.875
Cash dividends paid .....	.60	.60	.60	.60	.60	.60
Securities distributed	--	--	--	--	2.50	--

Selected Consolidated Financial Data Continued
(all figures in thousands except per share data)

	1998	1999	2000	2001	2002
Financial Position (as of March 31)					
Investments at cost	\$ 61,154	\$ 73,580	\$ 85,002	\$ 87,602	\$ 82,194
Unrealized appreciation	340,132	276,698	238,627	228,316	265,287
Investments at market or fair value	401,286	350,278	323,629	315,918	347,481
Total assets	522,324	360,786	392,586	322,668	357,183
Subordinated debentures	5,000	5,000	5,000	5,000	5,000
Deferred taxes on unrealized appreciation	118,674	96,473	83,151	79,310	92,107
Net assets	296,023	256,232	236,876	226,609	250,491
Shares outstanding	3,788	3,815	3,815	3,815	3,829
Changes in Net Assets (years ended March 31)					
Net investment income	\$ 2,726	\$ 1,762	\$ 1,663	\$ 1,723	\$ 2,042
Net realized gain (loss) on investments	6,485	995	6,020	(3,231)	(538)
Net increase (decrease) in unrealized appreciation before distributions	69,388	(41,233)	(24,750)	(6,470)	24,174
Increase (decrease) in net assets from operations before distributions	78,599	(38,476)	(17,067)	(7,978)	25,678
Cash dividends paid	(2,268)	(2,280)	(2,289)	(2,289)	(2,295)
Securities distributed	--	--	--	--	--
Employee stock options exercised	720	965	--	--	499
Increase (decrease) in net assets	77,051	(39,791)	(19,356)	(10,267)	23,882
Per Share Data (as of March 31)					
Deferred taxes on unrealized appreciation	\$ 31.33	\$ 25.29	\$ 21.80	\$ 20.79	\$ 24.05
Net assets	78.15	67.16	62.09	59.40	65.42
Closing market price	94.00	73.00	54.75	65.00	68.75
Cash dividends paid .....	.60	.60	.60	.60	.60
Securities distributed	--	--	--	--	--

Shareholder Information

Stock Transfer Agent

American Stock Transfer & Trust Company, 59 Maiden Lane, New York, NY 10038 (telephone 800-937-5449) serves as transfer agent for the Company's common stock. Certificates to be transferred should be mailed directly to the transfer agent, preferably by registered mail.

Shareholders

The Company had approximately 900 record holders of its common stock at March 31, 2002. This total does not include an estimated 1,800 shareholders with shares held under beneficial ownership in nominee name or within clearinghouse positions of brokerage firms or banks.

Market Prices

The Company's common stock trades on The Nasdaq Stock Market under the symbol CSWC. The following high and low selling prices for the shares during each quarter of the last two fiscal years were taken from quotations provided to the Company by Nasdaq:

Quarter Ended	High	Low
June 30, 2000.....	\$61 1/4	\$ 53
September 30, 2000.....	62 1/2	57
December 31, 2000.....	59 3/4	50 5/8
March 31, 2001.....	68%	52
Quarter Ended	High	Low
June 30, 2001.....	\$69.00	\$ 59.00
September 30, 2001.....	68.20	60.25
December 31, 2001.....	67.19	57.35
March 31, 2002.....	69.01	63.28

Dividends

The payment dates and amounts of cash dividends per share since April 1, 2000 are as follows:

Payment Date	Cash Dividend
May 31, 2000.....	\$0.20
November 30, 2000.....	0.40
May 31, 2001.....	0.20
November 30, 2001.....	0.40
May 31, 2002.....	0.20

The amounts and timing of cash dividend payments have generally been dictated by requirements of the Internal Revenue Code 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.

Automatic Dividend Reinvestment and Optional Cash Contribution Plan

As a service to its shareholders, the Company offers an Automatic Dividend Reinvestment and Optional Cash Contribution Plan for shareholders of record who own a minimum of 25 shares. The Company pays all costs of administration of the Plan except brokerage transaction fees. Upon request, shareholders may obtain information on the Plan from the Company, 12900 Preston Road, Suite 700, Dallas, Texas 75230. Telephone (972) 233-8242. Questions and answers about the Plan are on the next page.

Annual Meeting

The Annual Meeting of Shareholders of Capital Southwest Corporation will be held on Monday, July 15, 2002, at 10:00 a.m. in the North Dallas Bank Tower Meeting Room (first floor), 12900 Preston Road, Dallas, Texas.

Independent Auditors' Consent

The Board of Directors
Capital Southwest Corporation:

We consent to the incorporation by reference in the registration statement (No. 33-43881) on Form S-8 of Capital Southwest Corporation of our report dated April 19, 2002, with respect to the consolidated statements of financial condition of Capital Southwest Corporation and subsidiary as of March 31, 2002 and 2001, the portfolio of investments as of March 31, 2002, and the related consolidated statements of operations, changes in net assets, and cash flows for each of the years in the three-year period ended March 31, 2002, and the selected per share data and ratios for each of the years in the five-year period ended March 31, 2002, which report appears in the annual report to shareholders for the year ended March 31, 2002, and is incorporated by reference in the March 31, 2002 annual report on Form 10-K of Capital Southwest Corporation.

KPMG LLP

Dallas, Texas
June 5, 2002