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## Capital Southwest Corporation Provides Portfolio Update

Monetizes Stakes in KBI BioPharma and Trax Technologies

Significant Progress in Previously Announced BDC Strategy, Funds Initial Credit Investment

DALLAS, March 31, 2015 (GLOBE NEWSWIRE) -- Capital Southwest Corporation (Nasdaq:CSWC) ("Capital Southwest" or "the Company") today provided an update on recent portfolio activity, including its recent divestitures of its stakes in KBI Biopharma, Inc. ("KBI") and Trax Technologies Inc ("Trax"), as well as the business development company's (BDC) initial credit investment.

### Divestitures

Capital Southwest and its wholly-owned subsidiary, Capital Southwest Venture Corporation ("CSVC"), recently successfully divested its investments in KBI Biopharma and Trax Technologies.

KBI Biopharma, a provider of fully-integrated, outsourced drug development and bio-manufacturing services, was acquired by a consortium led by JSR Corporation. Capital Southwest received proceeds of \$16.8 million, excluding further proceeds of up to \$2.1 million as recovery of its contribution to a customary escrow, which may be used to satisfy certain post-closing indemnification claims, if any. Additionally, Capital Southwest will retain a minority ownership stake in kSep Systems, the former subsidiary of KBI that was spun off to KBI shareholders prior to the sale. With an initial investment in KBI in September 2009 of \$5 million, Capital Southwest realized a capital gain of \$14.4 million, generating an internal rate of return (IRR) of 28.5%, all before realizing any value for the stake in kSep Systems.

In addition, the Company successfully exited its investment in Trax Technologies, a SaaS provider of solutions to improve the validation, accounting and payment of transportation-related invoices, in Trax's majority recapitalization by Strattam Capital. Capital Southwest received proceeds of \$14.5 million, excluding further proceeds of up to \$1.6 million as recovery of its contribution to a customary escrow, which may be used to satisfy certain post-closing indemnification claims, if any. Additionally, Capital Southwest is retaining an ownership interest in Trax's common stock. With an initial investment in Trax in 2009 of \$5 million and a follow-on investment of \$4 million in 2012, Capital Southwest realized a capital gain of \$7.9 million, generating an IRR of 12.8%, all before realizing any value for its retained common ownership.

"We have been pleased thus far with the valuations we have realized upon the monetization of some of our smaller equity investments as our BDC shifts its focus toward a lending strategy more appropriate for its structure," said Joseph B. Armes, Chairman and Chief Executive Officer of Capital Southwest. "We expect to continue to divest those investments that are inconsistent with the scope of our new BDC strategy and/or where we believe that we can achieve a full valuation."

### Portfolio Investments

Earlier this month, Capital Southwest funded \$7 million of a \$135 million senior secured second lien debt tranche to finance the acquisition of Research Now Group, Inc., a leading digital data collection provider powering analytics and insights, by Court Square Capital Partners. The loan bears an interest rate of 8.75% over the greater of LIBOR and 1% and matures in 2022. With the original issue discount on the purchase by Capital Southwest in the offering, Capital Southwest's expected all-in yield will be approximately 10.4% on the loan. A portion of the proceeds from the monetizations of KBI and Trax were used to fund the initial credit investment as the BDC takes a further step toward becoming a more traditional, debt-focused investment company.

"Our initial investment demonstrates our early progress in our shift to a credit focus, as we hit the ground running in funding our investment in Research Now months before finalizing the planned spin-off of the industrial company from the BDC," added Bowen S. Diehl, Chief Investment Officer of Capital Southwest. "Research Now has a compelling value proposition to its customers and has proven to be a performer in both up and down economic cycles. We are pleased to have been allocated a meaningful participation in this transaction. Further, we are pleased with our pipeline of investment opportunities and we are confident that through repositioning our portfolio toward debt investments, we will be able to generate attractive risk-adjusted returns that should support a market-based dividend, creating long-term sustainable value for our shareholders."

### About Capital Southwest Corporation

[Capital Southwest Corporation](#) (Nasdaq:CSWC) is a Dallas-based publicly traded business development company, with approximately \$750 million in assets, whose objective is to achieve current income and capital appreciation through investments in privately held businesses. On December 2, 2014, Capital Southwest announced its intent to separate into two public companies through the spinoff of certain of its control assets into a diversified growth company and the refocusing of the BDC on lending to strong middle market companies. As a result, our new investment activity is focused on senior "unitranche" debt, second lien and subordinated debt, as well as equity co-investments to support the acquisition and growth of middle market companies. Our control companies, slated to be part of the diversified growth company, are actively seeking growth through strategic acquisitions. Since Capital Southwest was formed in 1961, we have always sought to invest in companies with strong management teams and sound financial performance. As a public company, we are fortunate to have the flexibility to be creative in our financing structures and to invest to support the growth of our portfolio companies with a long-term perspective.

## Forward-Looking Statements

This press release contains forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995 relating to, among other things, the manner, tax-free nature and expected benefits associated with the proposed spin-off of certain of CSWC's control assets into a new, independent, publicly traded company ("Industrial Co."), the expected timing of the completion of the transaction and the business, financial condition and results of operations of CSWC, including the businesses of Industrial Co. Any statements preceded or followed by or that include the words "believe," "expect," "intend," "plan," "should" or words, phrases or similar expressions or the negative thereof, are intended to identify forward-looking statements. These statements are made on the basis of the current beliefs, expectations and assumptions of the management of CSWC. There are a number of risks and uncertainties that could cause CSWC's actual results to differ materially from the forward-looking statements included in this communication. These risks and uncertainties include, but are not limited to, risks relating to CSWC's ability to obtain all necessary approvals to complete, and to otherwise complete, the proposed spin-off transaction and to achieve the expected benefits therefrom.

In light of these risks, uncertainties, assumptions, and other factors inherent in forward-looking statements, actual results may differ materially from those discussed in this communication. Other unknown or unpredictable factors could also have a material adverse effect on CSWC's actual future results, performance, or achievements. For a further discussion of these and other risks and uncertainties applicable to CSWC and its business, see CSWC's Annual Report on Form 10-K for the fiscal year ended March 31, 2014 and subsequent filings with the Securities and Exchange Commission. As a result of the foregoing, readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this communication. CSWC does not assume any obligation to update these forward-looking statements to reflect any new information, subsequent events or circumstances, or otherwise, except as may be required by law.

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