

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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported)

December 2, 2014

Capital Southwest Corporation

(Exact name of registrant as specified in its charter)

Texas

(State or other jurisdiction of incorporation)

814-00061

(Commission File Number)

75-1072796

(IRS Employer Identification No.)

5400 Lyndon B. Johnson Freeway, Suite 1300

(Address of principal executive offices)

75240

(Zip Code)

Registrant's telephone number, including area code

972-233-8242

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 7.01 Regulation FD Disclosure.

On December 2, 2014, Capital Southwest Corporation (the “Company”) issued a press release announcing a plan to spin-off certain of its control assets into a standalone, publicly traded company (“Industrial Co.”). A copy of the press release is furnished herewith as Exhibit 99.1.

Also on December 2, 2014, the Company held a conference call with investors to provide supplemental information regarding the proposed spin-off. A copy of the investor presentation slides used on this conference call is furnished herewith as Exhibit 99.2. A copy of the script used in connection with the investors presentation is furnished herewith as Exhibit 99.3.

Further, on December 2, 2014, the Company distributed a letter to its employees and portfolio companies regarding the proposed spin-off. A copy of the employee letter is furnished herewith as Exhibit 99.4. On December 2, 2014 the Company also distributed letters to employees of the companies proposed to be spun-off in the proposed transaction. A form of this letter is furnished herewith as Exhibit 99.5.

The information furnished under this Item 7.01 shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1934, except as shall be expressly set forth by reference in such filing.

Item 8.01 Other Events.

On December 2, 2014, the Company announced that its Board of Directors has unanimously approved a plan to spin-off certain of its control assets into Industrial Co. Upon completion of the spin-off, Industrial Co. will include the following businesses, which are currently control investments of the Company:

- The RectorSeal Corporation, which manufactures specialty chemical products and control devices for plumbing, HVAC, electrical and industrial applications;
- The Whitmore Manufacturing Company, which manufactures high performance, specialty lubricants for heavy equipment used in surface mining, railroads and other industries, lubrication equipment specifically for rail applications and lubrication-centric reliability solutions for a wide variety of industries. The Whitmore Manufacturing Company also produces water-based coatings for the automotive and primary metals industries; and
- Jet-Lube, Inc., which manufactures specialty lubricants and other products used in oil field and industrial applications.

Upon closing of the proposed transaction, holders of Company stock will receive shares of stock in Industrial Co. through a pro rata distribution of shares of stock of Industrial Co. The proposed transaction will be structured as a tax-free distribution to Company shareholders and is contingent upon the satisfaction of a number of conditions, including the receipt of an order for exemptive relief from the Securities and Exchange Commission (the “SEC”), the request for which has been filed, the effectiveness of a Form 10 to be filed with the SEC, receipt of a favorable opinion and/or rulings with respect to the tax-free nature of the transaction for federal income tax purposes, final approvals of the Company’s Board of Directors, and, approval by the Company’s shareholders.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release of the Company dated December 2, 2014
99.2	Investor Presentation Slides dated December 2, 2014
99.3	Investor Presentation Script dated December 2, 2014
99.4	Letter to Legacy Company Employees and Portfolio Companies, dated December 2, 2014
99.5	Form of Letter to Industrial Co. Businesses

Forward-Looking Statements

This Current Report on Form 8-K may contain 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 the Company'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 the Company, 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 the Company. There are a number of risks and uncertainties that could cause the Company's actual results to differ materially from the forward-looking statements included in this Current Report on Form 8-K. These risks and uncertainties include, but are not limited to, risks relating to the Company'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 Current Report on Form 8-K. Other unknown or unpredictable factors could also have a material adverse effect on the Company's actual future results, performance, or achievements. For a further discussion of these and other risks and uncertainties applicable to the Company and its business, see the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2014 and subsequent filings with the SEC. 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 Current Report on Form 8-K. The Company 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.

Additional Information and Where to Find It

The Company intends to file with the SEC a proxy statement in connection with the proposed spin-off transaction. The definitive proxy statement will be sent or given to the Company's shareholders and will contain important information about the proposed transaction and related matters. SECURITY HOLDERS ARE URGED TO READ THE PROXY STATEMENT AND OTHER RELEVANT MATERIALS CAREFULLY WHEN IT BECOMES AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE COMPANY AND THE PROPOSED TRANSACTION. The proxy statement and other relevant materials (when they become available), and any other documents filed by the Company with the SEC, may be obtained free of charge at the SEC's website, at www.sec.gov. In addition, security holders will be able to obtain, when available, free copies of the proxy statement at the Company's website at www.capitalsouthwest.com by clicking on the "Investor Relations" link and then clicking on the "SEC Filings" link or by contacting the Company by mail at Capital Southwest Corporation, 5400 Lyndon B. Johnson Freeway, Suite 1300, Dallas, Texas 75240, Attn: Corporate Secretary, or by telephone at 972-233-8242.

Participants in the Solicitation

The Company and its directors and executive officers and certain other members of management and employees may be deemed to be participants in the solicitation of proxies from the Company's shareholders in connection with the proposed transaction and may have direct or indirect interests in the proposed transaction. Information about the Company's directors and executive officers is set forth in the Company's Proxy Statement on Schedule 14A for its 2014 Annual Meeting of Shareholders, which was filed with the SEC on June 17, 2014, and its Annual Report on Form 10-K for the fiscal year ended March 31, 2014, which was filed with the SEC on June 3, 2014. These documents are available free of charge at the SEC's website at www.sec.gov, and from the Company by contacting Corporate Secretary by mail at Capital Southwest Corporation, 5400 Lyndon B. Johnson Freeway, Suite 1300, Dallas, Texas 75240, Attn: Corporate Secretary, by telephone at 972-233-8242, or by going to the Company's Investor Relations page on its corporate website at www.capitalsouthwest.com. Additional information regarding the interests of participants in the solicitation of proxies in connection with the proposed transaction will be included in the proxy statement that the Company will file with the SEC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: December 2, 2014

By: /s/ Joseph B. Armes

Name: Joseph B. Armes
Title: Chairman of the Board
Chief Executive Officer and President

EXHIBIT INDEX

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CAPITAL SOUTHWEST CORPORATION ANNOUNCES PLAN TO SEPARATE INTO TWO PUBLIC COMPANIES

- Certain control assets to be spun-off into a stand-alone, publicly-traded diversified industrial growth company -

- Separation designed to unlock shareholder value immediately by establishing two strong, independent companies with distinct strategies and growth profiles -

- Joseph B. Armes to serve as Chairman and CEO of new diversified industrial growth company -

- Bowen S. Diehl expected to become CEO of Capital Southwest Corporation -

DALLAS (December 2, 2014) – Capital Southwest Corporation (NASDAQ: CSWC) (“CSWC”) today announced that its Board of Directors has unanimously approved a plan to spin-off certain of its control assets into a standalone, publicly traded company. The separation is designed to unlock shareholder value immediately and to enhance long-term shareholder value by establishing two strong, independent companies with distinct growth strategies: one business will be a diversified industrial growth company (“Industrial Co.”) and the other will focus primarily on lending to strong middle-market companies in the Southwest and across the country. The proposed transaction is subject to certain conditions described below, including approval by CSWC’s shareholders, the receipt of an order for exemptive relief from the Securities and Exchange Commission, the request for which has been filed earlier today, and other customary conditions. The spin-off is expected to be consummated by the end of the third quarter of 2015.

Upon completion of the spin-off, Industrial Co. will include the following businesses, which are currently control investments of CSWC:

- The RectorSeal Corporation (“RectorSeal”), which manufactures specialty chemical products and control devices for plumbing, HVAC, electrical and industrial applications;
- The Whitmore Manufacturing Company (“Whitmore”), which manufactures high performance, specialty lubricants for heavy equipment used in surface mining, railroads and other industries, lubrication equipment specifically for rail applications and lubrication-centric reliability solutions for a wide variety of industries. Whitmore also produces water-based coatings for the automotive and primary metals industries; and
- Jet-Lube, Inc. (“Jet-Lube”), which manufactures specialty lubricants and other products used in oil field and industrial applications.

“Shortly after joining CSWC, I concluded that we were operating two distinct business models – an industrial growth company and an equity investment company – within a corporate and regulatory structure that is ideal for neither, resulting in our stock trading at a significant discount to Net Asset Value (“NAV”),” said Joseph B. Armes, Chairman and Chief Executive Officer of Capital Southwest. “After conducting an extensive review of strategic alternatives, we believe this transaction is the best way to eliminate the market discount to NAV by separating these business models, allowing the industrial growth company to trade independently and the business development company to refocus on a lending strategy more appropriate for its corporate and regulatory structure. We are confident that establishing two highly focused companies, each with its optimal corporate structure, will allow shareholders to benefit from the compelling value creation opportunities associated with each business.”

Commenting on the transaction, Capital Southwest’s Chief Investment Officer, Bowen S. Diehl, who is expected to become Chief Executive Officer of CSWC after the transaction is complete, stated: “Upon completion of the separation, CSWC is expected to have a significant capital base, which we intend to leverage to build an investment portfolio with attractive risk-adjusted returns to support a competitive market dividend. We are confident that over time this strategy will enable CSWC to trade at or above net asset value.”

Creating Two Stand-Alone Companies

Industrial Co.

The newly formed Industrial Co. will be structured as a C Corporation and operate as a diversified industrial growth company with well-established, scalable platforms and deep domain expertise initially across two core industries: industrial products and specialty chemicals. Industrial Co. will have exposure to the high-growth Southwest markets with strong underlying economic trends and will focus on generating free cash flow by growing organically and through complementary and synergistic acquisitions. Industrial Co. has a demonstrated track record of growing through acquisitions as evidenced by the 30 acquisitions it has successfully completed and integrated since 1991. Shareholders will be invested in a diversified industrial growth company and are expected to benefit from the Company’s strategy to:

- Organize the businesses into industry verticals;
- Systematically apply best practices across business lines in areas such as strategy development, operating performance and measurement, capital investment optimization and corporate governance;
- Pursue strategic acquisitions that either build-out existing industry verticals or provide an entry into new, complementary industry verticals where best practices can enhance performance; and
- Establish a deep management team with relevant experience.

Capital Southwest Corporation (BDC)

CSWC will maintain operations as an internally-managed business development company (“BDC”) and pursue a credit-focused investing strategy akin to similarly structured organizations. The business will continue to provide capital to middle-market companies in the Southwest and across the country that have strong management teams and have demonstrated sound financial performance. It will focus on generating current income that will allow shareholders to receive a market based dividend in a tax efficient manner. CSWC intends to primarily invest in debt securities, including senior “unitranche” debt, second lien and subordinated debt, and may also invest in preferred stock and common stock alongside its debt investments or through warrants.

CSWC will remain a regulated investment company (“RIC”) under Subchapter M of the U.S. Internal Revenue Code of 1986. As such, CSWC is not required to pay corporate-level income tax on investment income. CSWC intends to maintain its RIC status, which requires that it qualify annually as a RIC by meeting certain specified requirements. CSWC has two wholly-owned subsidiaries, Capital Southwest Venture Corporation (“CSVC”), which holds a small business investment company (“SBIC”) license, and Capital Southwest Management Corporation (“CSMC”), which is the management company for CSWC and CSVC and generally incurs all normal operating and administrative expenses, including, but not limited to, salaries and related benefits, rent, equipment and other administrative costs required for its day-to-day operations.

Experienced Executives to Lead Both Companies

Mr. Armes will continue to serve as Chairman and CEO of CSWC until the separation is complete. Upon completion of the spin-off, he will remain CSWC's Chairman and assume the role of Chairman and CEO of Industrial Co. The Board of Directors expects to name Mr. Diehl as CEO of CSWC. Mr. Diehl joined CSWC in 2014 as Senior Vice President and Chief Investment Officer and has approximately 20 years of experience in the financial services, private equity and mezzanine lending industries.

Transaction Details

Upon closing of the transaction, the holder of each share of CSWC stock will receive a pro rata distribution of stock of the Industrial Co. The proposed transaction will be structured as a tax-free distribution to CSWC shareholders and is contingent upon the satisfaction of a number of conditions, including the receipt of an order for exemptive relief from the Securities and Exchange Commission (the "SEC"), the request for which has been filed, the effectiveness of a Form 10 to be filed with the SEC, receipt of a favorable opinion and/or rulings with respect to the tax-free nature of the transaction for federal income tax purposes, final approvals of the Board of Directors, and, approval by CSWC shareholders.

The proposed transaction is expected to be consummated by the end of the third quarter of 2015, however there can be no assurances regarding the ultimate timing of the transaction or that the transaction will be completed. Any transaction of this type is dependent on numerous factors that include the macroeconomic environment, credit markets and equity markets.

Advisors

Evercore is acting as financial advisor to CSWC in relation to the spin-off and Jones Day is acting as legal counsel.

Historical Stand-Alone Financial Results

CSWC has provided audited, stand-alone financial results of RectorSeal, Whitmore and Jet-Lube below for the last three fiscal periods as reference. See CSWC's most recent 10-K filing for additional information regarding RectorSeal, Whitmore and Jet-Lube.

	For the 12 Months Ended 3/31/			'12A - '14A CAGR
	2012A	2013A	2014A	
Revenue				
RectorSeal	\$91.7	\$90.3	\$109.3	9%
% Growth	N/A	(1.5%)	21%	
Whitmore	\$43.6	\$48.5	\$57.8	15%
% Growth	N/A	11%	19%	
Jet-Lube	\$45.9	\$48.0	\$51.1	6%
% Growth	N/A	5%	6%	
EBITDA				
RectorSeal	\$14.6	\$19.2	\$24.6	30%
% Margin	16%	21%	22%	
Whitmore	\$10.2	\$11.8	\$13.0	13%
% Margin	23%	24%	22%	
Jet-Lube	\$7.1	\$7.4	\$9.6	17%
% Margin	15%	15%	19%	

Note: \$ in millions

Conference Call Details

CSWC's senior management will host a conference call later this morning at 9:00 a.m. Eastern Time to review the planned separation and answer questions. Presentation materials to be used on the conference call will be posted on our website under the Investor Relations tab at www.capitalsouthwest.com. Dial-in details can be found below:

- Domestic dial-in: 1-888-256-1027
- International dial-in: 1-913-312-1437
- Passcode: 9733850

About Capital Southwest Corporation

Capital Southwest Corporation (NASDAQ: CSWC; www.capitalsouthwest.com), is a publicly-traded investment company whose objective is to achieve capital appreciation through long-term investments in privately held businesses. The Company's investment interests are focused on acquisitions and investments in a broad range of industry segments. The Company's portfolio consists of private companies in which it has controlling and minority interests. Capital Southwest Corporation makes available significant managerial assistance to the companies in which it invests and believes that providing managerial assistance to such investee companies is critical to their business development activities.

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 (the "SEC"). 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.

Use of Non-GAAP Financial Measures

This press release contains non-GAAP financial measures. These measures are included to facilitate meaningful comparisons of our results to those in prior periods and future periods and to allow a better evaluation of our operating performance, in management's opinion. Our reference to non-GAAP measures should not be considered as a substitute for results that are presented in a manner consistent with GAAP. These non-GAAP measures are provided only to enhance investors overall understanding of our financial performance.

EBITDA is a non-GAAP financial measure. EBITDA is defined as net income before interest expense, income taxes, depreciation and amortization. The following tables reconcile net income to EBITDA for each of RectorSeal, Whitmore and Jet Lube for the periods set forth in the table above.

RectorSeal Reconciliation of Net Income to EBITDA:

(\$ in millions)

	For the 12 month period ended 3/31/		
	2012A	2013A	2014A
Net Income	\$ 7.3	\$ 8.8	\$ 12.1
plus Net Loss from Discontinued Operations	-	0.9	-
plus Interest Expense (Income)	-	(0.1)	0.1
plus Income Taxes	3.5	5.7	6.0
plus Depreciation and Amortization	3.8	3.9	6.4
EBITDA	\$ 14.6	\$ 19.2	\$ 24.6

Whitmore Reconciliation of Net Income to EBITDA:

(\$ in millions)

	For the 12 month period ended 3/31/		
	2012A	2013A	2014A
Net Income	\$ 6.3	\$ 7.3	\$ 6.1
plus Interest Expense	-	0.2	0.4
plus Income Taxes	2.8	2.8	3.9
plus Depreciation and Amortization	1.1	1.5	2.6
EBITDA	\$ 10.2	\$ 11.8	\$ 13.0

Jet Lube Reconciliation of Net Income to EBITDA:

(\$ in millions)	For the 12 month period ended 3/31/		
	2012A	2013A	2014A
Net Income	\$ 4.7	\$ 5.1	\$ 6.3
plus Interest (Income)	(0.3)	(0.3)	(0.3)
plus Income Taxes	1.9	1.7	2.5
plus Depreciation and Amortization	0.8	0.9	1.1
EBITDA	\$ 7.1	\$ 7.4	\$ 9.6

Additional Information and Where to Find It

CSWC intends to file with the SEC a proxy statement in connection with the proposed spin-off transaction. The definitive proxy statement will be sent or given to CSWC shareholders and will contain important information about the proposed transaction and related matters. SECURITY HOLDERS ARE URGED TO READ THE PROXY STATEMENT AND OTHER RELEVANT MATERIALS CAREFULLY WHEN IT BECOMES AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT CSWC AND THE PROPOSED TRANSACTION. The proxy statement and other relevant materials (when they become available), and any other documents filed by CSWC with the SEC, may be obtained free of charge at the SEC's website, at www.sec.gov. In addition, security holders will be able to obtain, when available, free copies of the proxy statement at CSWC's website at www.capitalsouthwest.com by clicking on the "Investor Relations" link and then clicking on the "SEC Filings" link or by contacting CSWC by mail at Capital Southwest Corporation, 5400 Lyndon B. Johnson Freeway, Suite 1300, Dallas, Texas, 75240, Attn: Corporate Secretary, or by telephone at 972-233-8242.

Participants in the Solicitation

CSWC and its directors and executive officers and certain other members of management and employees may be deemed to be participants in the solicitation of proxies from CSWC shareholders in connection with the proposed transaction and may have direct or indirect interests in the proposed transaction. Information about CSWC's directors and executive officers is set forth in CSWC's Proxy Statement on Schedule 14A for its 2014 Annual Meeting of Shareholders, which was filed with the SEC on June 17, 2014, and its Annual Report on Form 10-K for the fiscal year ended March 31, 2014, which was filed with the SEC on June 3, 2014. These documents are available free of charge at the SEC's website at www.sec.gov, and from CSWC by contacting Corporate Secretary by mail at Capital Southwest Corporation, 5400 Lyndon B. Johnson Freeway, Suite 1300, Dallas, Texas, 75240, Attn: Corporate Secretary, by telephone at 972-233-8242, or by going to CSWC's Investor Relations page on its corporate website at www.capitalsouthwest.com. Additional information regarding the interests of participants in the solicitation of proxies in connection with the proposed transaction will be included in the proxy statement that CSWC will file with the SEC.

Investor Relations Contacts:

Garrett Edson or Michael Callahan

ICR, Inc.

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Media Contacts:

Phil Denning or Jason Chudoba

ICR, Inc.

Phil.Denning@icrinc.com | 646-277-1258, Jason.Chudoba@icrinc.com | 646-277-1249



Creating Two Stand-Alone Companies

December 2, 2014

Forward-Looking Statements

- This presentation 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 (the "SEC"). 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.

Transaction Overview

Strategic Rationale

- Industrial Co. will be a diversified industrial growth company and convert to a C Corp. which will enhance its financial / strategic flexibility
- CSWC will remain an internally-managed business development company (BDC) and focus on lending opportunities to strong middle market companies in the Southwest and across the country; new investment opportunities supported by significant capital base

Structure

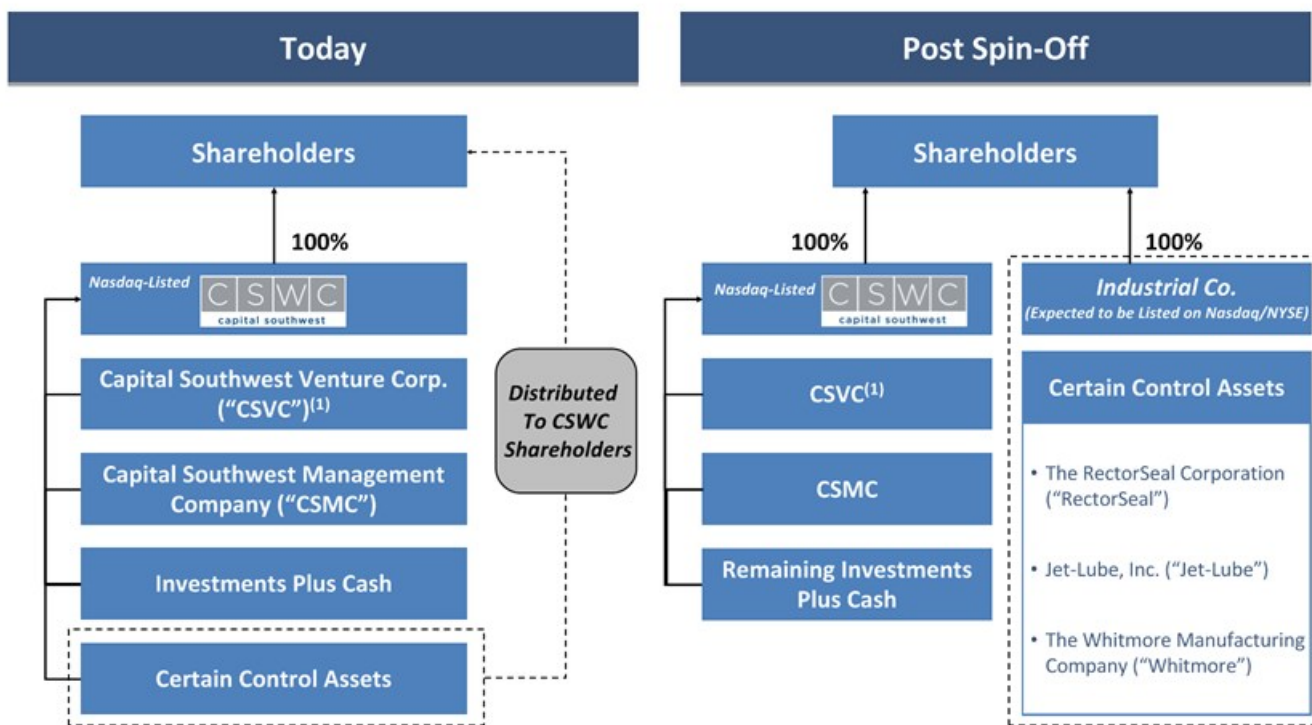
- 100% spin-off of certain control assets of CSWC
- Tax-free transaction to CSWC shareholders
- CSWC shareholders will receive shares of Industrial Co. pro rata for every CSWC share they own

Timing

- Completion is expected by the end of the 3rd quarter 2015 *(subject to certain conditions and approvals, including receipt of an order for exemptive relief from the SEC)*
- Expect to file initial Form 10 in 2nd quarter 2015
- Investor roadshows organized closer to completion date

Create two publicly-traded companies to unlock shareholder value and increase focus

Organizational Structure



(1) Includes small business investment company ("SBIC") license

Industrial Co. and CSWC Snapshot

	Summary Business Description	Key Shareholder Benefits
<p>Industrial Co.</p> <p><i>Headquarters:</i> Dallas, TX</p> <p><i>CEO:</i> Joe Armes</p>	<ul style="list-style-type: none"> • Pure-play diversified industrial growth company • Well-established and scalable platforms • Deep domain expertise across core industries - industrial products and specialty chemicals • Exposure to high-growth Southwest markets with strong underlying economic trends • Proven acquisition expertise – 30 acquisitions since 1991 	<ul style="list-style-type: none"> • Unlock shareholder value today • Provide greater transparency into financial performance of these attractive businesses and for more appropriate market valuation • Allow Industrial Co. to focus on organic growth efforts and continued strategic acquisition opportunities • Allow for more tax efficient movement of capital across companies to fund highest priority investment opportunities • Convert to C Corp. establishing permanence of the embedded gain
<p>Capital Southwest Corporation</p> <p><i>Headquarters:</i> Dallas, TX</p> <p><i>CEO:</i> Bowen Diehl⁽¹⁾</p>	<ul style="list-style-type: none"> • Continue to operate as an internally-managed BDC, but with a clearly articulated strategy of primarily investing in debt securities in the middle market that will deliver a market-based dividend to shareholders • Seek limited equity exposure to grow NAV / share over time • Origination platform development in process • Focus on middle market companies in the Southwest and across the U.S. both sponsored and non-sponsored 	<ul style="list-style-type: none"> • Create a path to unlock shareholder value over time • Construct investment portfolio with an attractive risk-adjusted yield to support a market-based dividend • Deliver to the market an appropriately sized asset in the BDC asset class

(1) Expected to be appointed by the Board of Directors

Industrial Co.'s Businesses



- Manufactures specialty chemical products and control devices for plumbing, HVAC, electrical and industrial applications



- Manufactures specialty lubricants and other products used in oil field and industrial applications



- Manufactures high performance specialty lubricants for heavy equipment used in surface mining, railroads and other industries
- Manufactures lubrication equipment specifically for rail applications and lubrication-centric reliability solutions for a wide variety of industries
- Produces water-based coatings for the automotive and primary metals industries

Industrial Co.'s Strategy & Vision

- Industrial Co. shareholders will be invested in a diversified industrial growth company that is expected to generate strong free cash flow while continuing to grow organically and through a strategic acquisition program
- Four key components of Industrial Co.'s vision and growth strategy:
 - Organization of the business lines into industry verticals
 - Systematic application of best practices across business lines in areas such as strategy development, operating performance and measurement, capital investment optimization and corporate governance
 - Pursuit of strategic acquisitions that either build existing industry verticals or provide an entry into new, complementary industry verticals where best practices can enhance performance
 - Establish a deep management team with significant relevant expertise

CSWC's Strategy & Vision

- CSWC will build an investment portfolio that generates attractive risk-adjusted returns and an investment yield adequate to support a market-based dividend which should allow CSWC to trade at or above net asset value (“NAV”) over time
- CSWC intends to continue the company’s long legacy of actively investing in and supporting the acquisition and growth of middle market companies across the Southwest and the U.S.
- Efforts to expand origination platform currently underway
- Specifically, CSWC intends to invest in:
 - Senior “unitranche” debt
 - Second lien and subordinated debt
 - Preferred stock and common stock (alongside debt investments or through warrants in order to help facilitate NAV / share growth over time)
- Seek to actively support financial sponsors with capital for platform and add-on acquisitions, as well as entrepreneurs and other business owners with capital for growth and acquisitions

Leadership Bios

Chairman of the Boards – Joe Armes

Industrial Co.

Chief Executive Officer – Joe Armes

- Joined Capital Southwest Corporation in 2013 as Chief Executive Officer and has over 20 years of experience in mergers, acquisitions, capital markets transactions and private equity
- Previously served as Chief Operating Officer of Hicks Holdings LLC, where he led the acquisition, management and disposition of a diverse portfolio of private equity investments across a broad range of industries
- Previously, he served as executive vice president and general counsel of Suiza Foods Corporation (now Dean Foods Company (NYSE: DF)) and vice president and general counsel of The Morningstar Group Inc. (NASDAQ: MSTR), and was an attorney at Weil, Gotshal & Manges
- BBA (Finance) and MBA from Baylor University, and a JD from Southern Methodist University

(1) Expected to be appointed by the Board of Directors

CSWC

Chief Executive Officer – Bowen Diehl⁽¹⁾

- Joined Capital Southwest Corporation in 2014 as Senior Vice President and Chief Investment Officer to lead the firm's investment activities
- Almost 20 years of experience in the financial services, private equity and mezzanine lending industries at Chase Securities, Merrill Lynch and American Capital
- Most recently served as a Managing Director at American Capital, which he joined in 2001, closing debt and equity investments in 15 platform companies
- Transactions included investments in debt and equity securities (often both in same deal) representing over \$1.1 billion of invested capital in a variety of industries
 - Served as co-head of the Sponsor Finance Group
 - Built and managed a team that at its peak represented 4 offices and over 15 professionals
- Bachelor of Engineering degree from Vanderbilt University and a MBA from The University of Texas at Austin

Historical Stand-Alone Financial Results

	For the 12 Months Ended 3/31/			'12A - '14A CAGR
	2012A	2013A	2014A	
Revenue				
RectorSeal	\$91.7	\$90.3	\$109.3	9%
% Growth	N/A	(1.5%)	21%	
Whitmore	\$43.6	\$48.5	\$57.8	15%
% Growth	N/A	11%	19%	
Jet-Lube	\$45.9	\$48.0	\$51.1	6%
% Growth	N/A	5%	6%	
EBITDA				
RectorSeal	\$14.6	\$19.2	\$24.6	30%
% Margin	16%	21%	22%	
Whitmore	\$10.2	\$11.8	\$13.0	13%
% Margin	23%	24%	22%	
Jet-Lube	\$7.1	\$7.4	\$9.6	17%
% Margin	15%	15%	19%	

Note: \$ in millions; numbers are presented on a stand-alone basis as disclosed in CSWC's most recent 10-K
Source: Company filings

Use of Non-GAAP Financial Measures

- This communication contains non-GAAP financial measures. These measures are included to facilitate meaningful comparisons of our results to those in prior periods and future periods and to allow a better evaluation of our operating performance, in management's opinion. Our reference to non-GAAP measures should not be considered as a substitute for results that are presented in a manner consistent with GAAP. These non-GAAP measures are provided only to enhance investors overall understanding of our financial performance.
- EBITDA is a non-GAAP financial measure. EBITDA is defined as net income before interest expense, income taxes, depreciation and amortization. The following tables reconcile net income to EBITDA for each of RectorSeal, Whitmore and Jet-Lube for the periods set forth in the table on the next page.

Use of Non-GAAP Financial Measures (Cont'd)

	For the 12 Month Period Ended 3/31/		
	2012A	2013A	2014A
RectorSeal Reconciliation of Net Income to EBITDA:			
Net Income	\$7.3	\$8.8	\$12.1
plus Net Loss from Discontinued Operations	-	0.9	-
plus Interest Expense (Income)	-	(0.1)	0.1
plus Income Taxes	3.5	5.7	6.0
plus Depreciation and Amortization	3.8	3.9	6.4
EBITDA	\$14.6	\$19.2	\$24.6
Whitmore Reconciliation of Net Income to EBITDA:			
Net Income	\$6.3	\$7.3	\$6.1
plus Interest Expense	-	0.2	0.4
plus Income Taxes	2.8	2.8	3.9
plus Depreciation and Amortization	1.1	1.5	2.6
EBITDA	\$10.2	\$11.8	\$13.0
Jet-Lube Reconciliation of Net Income to EBITDA:			
Net Income	\$4.7	\$5.1	\$6.3
plus Interest (Income)	(0.3)	(0.3)	(0.3)
plus Income Taxes	1.9	1.7	2.5
plus Depreciation and Amortization	0.8	0.9	1.1
EBITDA	\$7.1	\$7.4	\$9.6

Note: \$ in millions; numbers are presented on a stand-alone basis as disclosed in CSWC's most recent 10-K
Source: Company filings

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CSWC Investor Presentation Script – December 2, 2014

Safe Harbor

Before the call begins, I would like to remind everyone that certain statements made in the course of this call constitute forward-looking statements and may not be based on historical information. The forward-looking statements are based on management's current expectations and beliefs, and they are subject to a number of risks and uncertainties that could cause actual results to differ materially from those described or implied in the forward-looking statements. I refer you to the Company's filings made with the SEC, including the Form 8-K filed earlier today, for more detailed discussions of the risks and factors that could cause actual results to differ materially from those expressed or implied in any forward-looking statements made today. The Company undertakes no duty to update any forward-looking statements that are made during the course of this call.

Hosting the call today are Joseph Armes, Chairman and Chief Executive Officer of Capital Southwest and Bowen Diehl, the Company's Chief Investment Officer.

INTRO – JOE

Good morning and thank you for joining today's call. I am excited to provide some additional details regarding our transformative plans to separate Capital Southwest into two stand-alone, publicly traded companies as outlined in the press release we issued earlier today.

After joining Capital Southwest last year, we conducted a thorough review of the business and quickly came to understand that we had a unique opportunity to unlock the significantly understated value of certain of our control assets and to refocus our activities as a BDC in order to maximize the BDC structure for our shareholders. Over the years, Capital Southwest has successfully assembled an attractive portfolio of industrial investments, however, the Company's existing structure restricted our ability to maximize the value of those investments. In addition, the concentration of our long-term equity investments has limited our ability to make certain additional investments. The net result of all of this is that our stock has consistently traded at a steep discount to NAV. In short, we were operating two businesses under one roof and both were hamstrung by the current structure.

After reviewing the strategic alternatives available to us with the assistance of financial and legal advisors, the Board determined that establishing two independent companies with distinct growth strategies was the most effective way to enhance shareholder value today and in the future. Therefore, we have proposed spinning off certain of our complementary control assets into a standalone diversified industrial growth company, enabling the legacy Capital Southwest to capitalize on its BDC structure. Let me start first by elaborating on the Industrial Co., after which I will hand it over to our Chief Investment Officer Bowen Diehl to discuss what the future looks like for Capital Southwest.

JOE – INDUSTRIAL CO.

Capital Southwest has owned these industrial businesses for several decades, and they have developed into substantial operating entities. This transaction will unencumber these companies from a sub-optimal structure and create a stronger growth platform for these assets, with the capital and corporate structure designed to maximize their potential as part of a diversified industrial growth company. We expect the new operating structure will also be supported by a strong balance sheet with zero net debt initially, providing significant financial flexibility to invest in organic growth opportunities, drive synergies across the product lines, and make strategic acquisitions.

The newly created diversified industrial growth company will initially operate in two primary industry verticals: industrial products and specialty chemicals.

Before digging into the individual businesses, I'd first like to review some reasons why our industrial companies have been so successful to date:

- First, our product portfolio includes some very strong brands in their respective industries, with exceptional customer loyalty and name recognition. Some of these brands include RectorSeal # 5 and Kopr-Kote, each leaders in their respective categories.
- Second, our industrial business lines are supported by strong distribution networks, which have historically driven organic growth on innovative new products brought to the market, and enabled successful execution and integration of acquisitions.

To the latter point, acquisitions have been an important part of our strategy for more than 20 years, and we have completed more than 30 acquisitions since 1991. We intend to build upon this strategy going forward, through disciplined investment in organic growth initiatives of our existing products, and a continued program of strategic acquisitions within our industry verticals.

Next, I'd like to walk you through the individual business units which will be included in the transaction:

- RectorSeal is a leading manufacturer of specialty chemicals and control devices used in plumbing, HVAC, electrical and industrial applications. The company is based in Houston Texas. Some of its key products include RectorSeal #5, which is an industry leading multi-purpose pipe thread sealant, along with other control devices, condensation controls and refrigerant locking caps. RectorSeal is the largest business included in the transaction, and generated fiscal-year 2014 revenue of \$109.3 million, with EBITDA margins of 22%.

- The second largest portfolio company included in the transaction is Whitmore Manufacturing. The company is located in Rockwall Texas, and is a leading provider of innovative lubricant products and systems designed to increase productivity, reliability and lifespan of mission critical operating equipment. The company primarily serves the Mining, Rail, and Industrial markets and is recognized as a leading industry brand with a rich history dating back more than 120 years. Based on fiscal-year 2014 operating results, Whitmore generated revenue of \$57.8 million, and EBITDA margins of 22%.
- Lastly, Jet-Lube is a global leader in lubricants for oilfield, water well, and industrial applications. Its brands include Kopr-Kote, which is a low-friction, anti-seize lubricant. Jet-Lube is the industry standard in oil and gas drilling, and generated fiscal-year 2014 revenue of \$51.1 million, with EBITDA margins of 19%.

Each of these businesses is well-established with a scalable platform and a proven track record. To that point, each has delivered positive revenue growth over the past 3-years of 9%, 15%, and 6% at RectorSeal, Whitmore, and Jet-Lube, respectively. Top-line performance has translated to a double-digit CAGR of EBITDA over the same period in each of these business lines, led by a CAGR of 30% for RectorSeal, 13% for Whitmore, and 17% for Jet-Lube. We expect to build on this momentum following the transaction, and have set the following initial strategic priorities in place:

- First, we intend to broaden our operations management team ahead of the spin, in order to drive operating performance across the organization. Specifically, we are creating a Chief Operating Officer role and will soon add an executive with significant relevant operating experience.
- Second, we intend to organize each of these businesses by industry vertical, to maximize synergies across the portfolio, drive organic growth opportunities and reduce redundant costs.
- Lastly, as a consolidated entity we expect to streamline our operations through best practices, particularly with respect to capital allocation, and corporate governance. Financial reporting of the consolidated entity will provide greater transparency into the businesses.

Now I'd like to turn the call over to Bowen Diehl, our Chief Investment Officer who the Board expects to name CEO of Capital Southwest after the transaction closes.

BOWEN - BDC

Thank you Joe. I'm happy to be a part of this exciting and transformative process. I'd like to spend a few minutes talking about my background, a brief history of Capital Southwest and how today is the beginning of a back-to-basics approach for the legacy business.

I joined Capital Southwest earlier this year as Senior Vice President and Chief Investment Officer, after spending almost 20 years in the financial services, private equity and lending industries. Most recently, I spent 13 years at American Capital, co-running its Sponsor Finance Group since 2007. During my tenure at American Capital, I was directly involved in investments representing over \$1.1 billion of capital invested in debt and equity securities in 15 platform companies over a variety of industries. In almost all of these platforms, the investments represented multiple securities in multiple layers of the capital structure. I was fortunate to have gained valuable experience while at American Capital that I believe has equipped me well to contribute to Capital Southwest. I believe this is a fantastic opportunity to use my training and experience to unlock value for Capital Southwest's shareholders and, to use a phrase, "reboot" the legacy Capital Southwest business.

Capital Southwest was established in 1961 and elected to become a BDC in 1988. Capital Southwest has created a long legacy of providing capital to the middle market and partnering with management to support many businesses over many decades and economic cycles. Throughout its history, Capital Southwest has created significant value for its shareholders. Indeed, some of those success stories are the businesses that are contemplated to be spun off in this transaction, as they represent tremendous value creation over several decades and remain today very attractive growth platforms for the future.

Nonetheless, these businesses, and the value of our investments in them, have grown to the point that the concentration of value represented by these control equity positions creates significant regulatory obstacles to investing directly in their continued growth. In addition, due to their being separate portfolio companies, the ability to move capital from one business to another to fund the most attractive growth projects is tax inefficient. All of this while not taking full advantage of Capital Southwest's RIC tax pass through status. As Joe said, we essentially have two business models under one roof. One is an industrial growth company with a set of highly profitable, high growth businesses, and the other is an all-equity focused investment company; both exist under one regulatory structure fit for neither. So we have undergone a full review of all of our options, and in the end, we believe the spinoff of these complementary industrial assets and the re-positioning of Capital Southwest as a more traditional debt-focused BDC is the best way to unlock value for our shareholders and focus the two business models, independently, on their respective growth and value creation opportunities.

As a traditional BDC, the new Capital Southwest intends to align our strategy with our structure by building an investment portfolio that generates attractive risk-adjusted returns, primarily consisting of investment income, in order to take full advantage of our RIC status. As a result, the new Capital Southwest will be better positioned to distribute, tax-efficiently, income to our shareholders. By pursuing the more traditional BDC investment goal of income generation, we should be able to distribute a market-based dividend to our shareholders allowing the market to value our company based on a sustainable dividend yield, which should result in a valuation at or above NAV over time.

More specifically, Capital Southwest will invest primarily in debt securities, consisting of senior “unitranche”, second lien and subordinated debt, while gaining some equity exposure through equity co-investments alongside our debt. We’re excited to let the industrial companies prosper on their own without being encumbered by the BDC RIC structure, while capitalizing on an extraordinary opportunity to reposition our portfolio. Ultimately, our shareholders will have the opportunity to participate in the future of both companies, and we believe the new structures will unlock significant value in both businesses not possible in today’s combined state.

As you have seen in recent portfolio announcements regarding the sales of our large public equity positions in Alamo Group and Encore Wire, we are refocusing our portfolio. While the company undergoes the spinoff process over the next several months, we plan to continue to opportunistically convert certain of our legacy investments into cash and seek new investments consistent with our new strategy. Once the spin-off has been completed, the new Capital Southwest is expected to have an initially unlevered asset base of between \$200 million and \$250 million, much of which will be in cash. From that base, we will build our new investment portfolio. By incorporating up to 1:1 debt/equity leverage, as allowed by the BDC regulations, we see a path to \$500+MM in capital to invest. Finally, I should mention, that Capital Southwest has a subsidiary that is licensed to operate as an SBIC. We plan to seek ways to build a business and generate shareholder value in that entity.

There is a lot that needs to be accomplished before the spinoff is complete, but today is an important first step. I’m excited to get to work in re-creating Capital Southwest and creating significant long-term shareholder value.

Now I’d like to hand the call back to Joe who will say a few closing words.

JOE

Thanks Bowen. Bowen is a modest guy, so I would note that one of the primary reasons I recruited him so aggressively was that I knew that he had a successful track record and experience in building and managing a high-performing origination and portfolio management team. So I am confident that Bowen is the right executive to lead the legacy Capital Southwest business.

Before opening the call up for questions, I'd like to reiterate our excitement about this transformation of our Company.

For our Industrial Co., we look forward to the opportunity to expand these businesses under a new structure and improved growth platform, and are excited about its growth prospects going forward.

For our BDC, we will take full advantage of our corporate and regulatory structure by deploying capital through long-term debt instruments that will generate current income for shareholders. We believe that the current regulatory environment provides attractive opportunities for non-bank lenders and that this lending activity should improve the Company's valuation so that over time it trades at or around Net Asset Value.

Thank you. Operator...

Required Legal Notices

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Dear Partners and Colleagues,

I am writing to share some important news about the future of Capital Southwest Corporation. This morning we announced plans to separate into two publicly traded companies: one business will be a diversified industrial growth company and the other will remain a BDC, focusing primarily on lending to middle-market companies in the Southwest and across the country. A press release announcing the news is attached.

Since I joined Capital Southwest last year, I have been working closely with the Board of Directors to determine the best path to unlock the Company's significant inherent value. After an extensive review of strategic alternatives, the Board determined that establishing two strong, independent companies with distinct growth strategies was the most effective way to enhance long-term shareholder value.

Upon completion of the transaction, which is expected to occur by the end of the 3rd quarter of 2015, RectorSeal, Jet-Lube, Inc. and The Whitmore Manufacturing Company will be spun-off into a standalone, publicly traded company. Capital Southwest will maintain its operations as a BDC and take full advantage of this corporate structure by deploying capital through long-term debt instruments that will generate current income for our shareholders. This lending activity should allow the Company to pay a market dividend to our shareholders. This should improve the Company's valuation, with the goal of our stock trading at or around Net Asset Value over time.

I will continue to serve as Chairman and CEO of Capital Southwest until the separation is complete. Once the transaction closes, I will become Chairman and CEO of the new industrial growth company, and I will continue to serve as Chairman of Capital Southwest. I am pleased to share that the Board expects to appoint Bowen Diehl as Capital Southwest's new CEO. Bowen joined Capital Southwest earlier this year and has considerable investment experience over roughly 20 years in the financial services, private equity and lending businesses.

This is an exciting development that will help drive meaningful growth for both companies. That said, today's news will have no impact on our day-to-day operations. I know this is a lot of information to absorb, but I could not be more thrilled with the opportunities ahead. If you have any questions please feel free to contact me directly.

Thanks for your continued hard work and dedication to our success.

Best,

Joe

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Dear Colleagues,

I am writing to share some important news about the future of [Company]. This morning, our parent company, Capital Southwest Corporation, announced plans to spin-off the majority of its industrial investments into an independent, publicly traded company. A press release announcing the news is attached.

Upon completion of the transaction, which is expected to occur by the end of the 3rd quarter of 2015, [Company] will be part of a newly formed industrial growth company that includes Jet-Lube, Inc. and The Whitmore Manufacturing Company. The size and scale of our combined company will allow it to thrive as a standalone public entity.

This strategic decision comes after Capital Southwest's Board of Directors spent months considering how to best position these businesses for sustained growth over the long-term. Ultimately, it was determined that establishing a diversified industrial growth company with the appropriate corporate structure was the best way for each business to maximize its unique growth opportunities.

Capital Southwest's Chairman and CEO, Joe Armes, will serve as Chairman and CEO of the new diversified industrial growth company, which will be named at a later date. It's important to note that [Company] management structure will not change. Furthermore, today's news will have no impact on our day-to-day operations. It will remain business as usual, which is why it's important to remain focused on your daily responsibilities.

Once the transaction closes, the senior management team will work to systematically implement best practices across each business in areas such as strategy development, operating performance and measurement and capital investments. This new structure will make it easier for us to grow organically and through complementary acquisitions.

This development marks an exciting new chapter in [Company] history, which will help drive meaningful growth for our business. I know this is a lot of information to absorb, but I could not be more thrilled with the opportunities ahead. If you have any questions please feel free to contact me directly.

Thanks for your continued hard work and dedication to [Company] success.

Best regards,

[Company]

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