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

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended March 31, 2005

OR

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

For the transition period from .... to ....

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 incorporation or organization)	(I.R.S. Employer Identification No.)

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes X No
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The aggregate market value of the voting stock held by non-affiliates of the registrant as of September 30, 2004 was $139,165,652, 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, 2005 was 3,857,051.

Documents Incorzporated by Reference	Part of Form 10-K
(1) Annual Report to Shareholders for the Year Ended March 31, 2005	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 18, 2005	Part III

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PART I

Item 1. Business

We were organized as a Texas corporation on April 19, 1961. Until September 1969, we operated as a licensee under the Small Business Investment Act of 1958. At that time, we transferred to our wholly-owned subsidiary, Capital Southwest Venture Corporation ("CSVC"), certain assets and our 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, we were registered as a closed-end, non-diversified investment company under the 1940 Act. On that date, we elected to become a business development company subject to the provisions of the 1940 Act, as amended by the Small Business Incentive Act of 1980. Because we wholly own CSVC, the portfolios of both entities are referred to collectively as "our", "we" and "us".

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

The twelve largest investments we own had a combined cost of $41,744,164 and a value of $362,551,796, representing 85.9% of the value of our consolidated investment portfolio at March 31, 2005. For a narrative description of the twelve largest investments, see "Twelve Largest Investments - March 31, 2005" on pages 7 through 9 of our Annual Report to Shareholders for the Year Ended March 31, 2005 (our "2005 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.

We compete 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 us at March 31, 2005 was seven.

Our internet website address is www.capitalsouthwest.com. You can review the filings we have made with the U.S. Securities and Exchange Commission, free of charge by linking directly from our website to NASDAQ, a database that links to EDGAR, the Electronic Data Gathering, Analysis, and Retrieval System of the SEC. You should be able to access our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934. The charters adopted by the committees of our board of directors are also available on our website.

Item 2. Properties

We maintain our offices at 12900 Preston Road, Suite 700, Dallas, Texas, 75230, where we rent approximately 3,700 square feet of office space pursuant to a lease agreement expiring in February 2008. We believe that our offices are adequate to meet our current and expected future needs.

Item 3. Legal Proceedings

We have no material pending legal proceedings to which we are a party or to which any of our 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, 2005.

Item 4A. Executive Officers

The names and ages of our executive officers as of June 1, 2005, together with certain biographical information, are as follows:

William M. Ashbaugh, age 50, has served as Vice President 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 49, has served as Vice President since 1986 and was an Investment Associate from 1982 to 1986.

Susan K. Hodgson, age 43, has served as Secretary-Treasurer since 2001 and was Controller from 1994 to 2001.

Gary L. Martin, age 58, has been a director since July 1988 and has served as Vice President since 1984. He previously served as Vice President 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 76, has served as Chairman of the Board of Directors since 1982 and President since 1980. In addition, he has been a director since 1972 and was previously Senior Vice President from 1969 to 1980.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Information set forth under the captions "Shareholder Information - Shareholders, Market Prices and Dividends" on page 37 of our 2005 Annual Report is herein incorporated by reference.

Item 6. Selected Financial Data

"Selected Consolidated Financial Data" on page 36 of our 2005 Annual Report is herein incorporated by reference.

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

Pages 33 through 35 of our 2005 Annual Report are herein incorporated by reference.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are subject to financial market risks, including changes in marketable equity security prices. We do not use derivative financial instruments to mitigate any of these risks. The return on our investments is not materially affected by foreign currency fluctuations.

Our investment performance is a function of our portfolio companies' profitability, which may be affected by economic cycles, competitive forces and production costs including labor rates, raw material prices and certain basic commodity prices. All of these factors may have an adverse effect on the value of our investments and on our net asset value. Most of the companies in our investment portfolio do not hedge their exposure to raw material and commodity price fluctuations.

Our investment in portfolio securities includes fixed-rate debt securities which totaled $5,592,145 at March 31, 2005, equivalent to 1.33% of the value of our total investments. Generally these debt securities are below investment grade and have relatively high fixed rates of interest, therefore;

minor changes in market yields of publicly-traded debt securities have little or no effect on the values of debt securities in our portfolio and no effect on interest income. Our 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 our investment portfolio consists of debt and equity securities of private companies. We anticipate 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 may 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 our investment portfolio also consists of restricted common stock 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 issuers of such restricted securities and the market valuations of comparable publicly-owned companies. A portion of our investment portfolio also consists of unrestricted, freely marketable common stocks of publicly-owned companies. These freely marketable investments, which are valued at the public market price, are directly exposed to equity price risks, in that a change in an issuer's public market price would result in an identical change in the fair value of our investment in such security.

Item 8. Financial Statements and Supplementary Data

Pages 10 through 32 of our 2005 Annual Report are herein incorporated by reference. See also Item 15 of this Form 10-K - "Exhibits and Financial Statement Schedules".

Selected Quarterly Financial Data (Unaudited)

The following presents a summary of the unaudited quarterly consolidated financial information for the years ended March 31, 2005 and 2004.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
	(In thousands, except per share amounts)				
2005					
Net investment income	$ 489	$ 443	$ 1,366	$ 108	$ 2,406
Net realized gain (loss) on investments	(1,556)	(2,470)	(3,422)	1,382	(6,066)
Net increase (decrease) in unrealized appreciation of investments	(2,392)	(2,547)	15,025	7,799	17,885
Net increase (decrease) in net assets from operations	(3,459)	(4,574)	12,969	9,289	14,225
Net increase (decrease) in net assets from operations per share	(0.90)	(1.18)	3.36	2.41	3.69
2004					
Net investment income	$ 437	$ 382	$ 1,459	$ 309	$ 2,587
Net realized gain (loss) on investments	(2)	1,935	(92)	6,351	8,192
Net increase in unrealized appreciation of investments	8,756	13,214	12,964	39,755	74,689
Net increase in net assets from operations	9,191	15,531	14,331	46,415	85,468
Net increase in net assets from operations per share	2.40	4.02	3.71	12.03	22.16

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

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

As of March 31, 2005, an evaluation was performed under the supervision and with the participation of our management, including the President and Chairman of the Board and Secretary-Treasurer, of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934. Based on that evaluation, our management, including the President and Chairman of the Board and Secretary-Treasurer concluded that our disclosure controls and procedures were effective as of March 31, 2005.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during our fourth fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

The section of our 2005 Proxy Statement captioned "Nominees for Director" under "Proposal 1. Election of Directors" identifies members of our board of directors and nominees, and is incorporated in this Item 10 by reference.

Item 4A of this Form 10-K identifies our executive officers and is incorporated in this Item 10 by reference.

The sections of our 2005 Proxy Statement captioned "Meetings and Committees of the Board of Directors - Audit Committee" under "Proposal 1. Election of Directors" and "Report of the Audit Committee" identifies members of our audit committee of our board of directors and our audit committee financial expert, and are incorporated in this Item 10 by reference.

The section of our 2005 Proxy Statement captioned "Section 16(a) Beneficial Ownership Reporting Compliance" is incorporated in this Item 10 by reference.

Code of Ethics

We have adopted a code of ethics that applies to all our directors, officers and employees. We have made the Code of Conduct and Ethics available on our website at www.capitalsouthwest.com.

Item 11. Executive Compensation

The information in the section of our 2005 Proxy Statement captioned "Executive Compensation" is incorporated in this Item 11 by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters

The information in the sections of our 2005 Proxy Statement captioned "Stock Ownership of Certain Beneficial Owners" and "Executive Compensation" are incorporated in this Item 12 by reference.

The table below sets forth certain information as of March 31, 2005 regarding the shares of our common stock available for grant or granted under stock option plans that (i) were approved by our stockholders, and (ii) were not approved by our stockholders.

Equity Compensation Plan Information

Plan Category	Number of Securities To Be Issued Upon Exercise of Outstanding Options, Warrants And Rights	Weighted-Average Exercise Price Of Outstanding Options, Warrants And Rights	Number of Securities Remaining Available For Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders(1)	48,500	$68.186	91,500
Equity compensation plans not approved by security holders	-	-	-
Total	48,500	$68.186	91,500

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(1) Includes the 1999 Stock Option Plan. For a description of this plan, please refer to Footnote 5 contained in our consolidated financial statements.

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, 2005 or proposed for the fiscal year ending March 31, 2006.

Item 14. Principal Accountant Fees and Services

The information in the sections of our 2005 Proxy Statement captioned "Proposal 2: Ratification of Appointment of Independent Auditors" and "Audit and Other Fees" are incorporated in this Item 14 by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)(1) The following information included in pages 10 through 32 of our 2005 Annual Report are herein incorporated by reference:

(A) Portfolio of Investments - March 31, 2005
Consolidated Statements of Financial Condition - March 31, 2005 and 2004
Consolidated Statements of Operations - Years Ended March 31, 2005, 2004 and 2003
Consolidated Statements of Changes in Net Assets - Years Ended March 31, 2005, 2004 and 2003
Consolidated Statements of Cash Flows - Years Ended March 31, 2005, 2004 and 2003

(B) Notes to Consolidated Financial Statements

(C) Notes to Portfolio of Investments

(D) Selected Per Share Data and Ratios

(E) Management's Report on Internal Control over Financial Reporting

(F) Reports of Independent Registered Public Accounting Firms

(G) 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.

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: May 27, 2005

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 (chief executive officer)	May 27, 2005
/s/ Gary L. Martin Gary L. Martin	Director	May 27, 2005
/s/ Graeme W. Henderson Graeme W. Henderson	Director	May 27, 2005
/s/ Samuel B. Ligon Samuel B. Ligon	Director	May 27, 2005
/s/ John H. Wilson John H. Wilson	Director	May 27, 2005
/s/ Susan K. Hodgson Susan K. Hodgson	Secretary-Treasurer (chief financial/accounting officer)	May 27, 2005

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. Double asterick denotes exhibits furnished 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 (filed as Exhibit 4.1 to Form 10-K for the fiscal year ended March 31, 2002).
10.1	The RectorSeal Corporation and Jet-Lube, Inc. Employee Stock Ownership Plan as revised and restated effective April 1, 1998 (filed as Exhibit 10.1 to Form 10-K for the fiscal year ended March 31, 2002).
10.2	Amendment No. 1 to The RectorSeal Corporation and Jet-Lube, Inc. Employee Stock Ownership Plan as revised and restated effective April 1, 1998 (filed as Exhibit 10.2 to Form 10-K for the fiscal year ended March 31, 2002).
10.3	Amendment No. 2 to The RectorSeal Corporation and Jet-Lube, Inc. Employee Stock Ownership Plan as revised and restated effective April 1, 1998 (filed as Exhibit 10.3 to Form 10-K for the fiscal year ended March 31, 2003).
10.4 *	Amendment No. 3 to The RectorSeal Corporation and Jet-Lube, Inc. Employee Stock Ownership Plan as revised and restated effective April 1, 1998.
10.5	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).
10.6	Amendments One and Two to Retirement Plan for Employees of Capital Southwest Corporation and Its Affiliates as amended and restated effective April 1, 1989 (filed as Exhibit 10.4 to Form 10-K for the fiscal year ended March 31, 1998).
10.7	Amendment Three to Retirement Plan for Employees of Capital Southwest Corporation and Its Affiliates as amended and restated effective April 1, 1989 (filed as Exhibit 10.5 to Form 10-K for the fiscal year ended March 31, 2002).
10.8	Amendment Four to Retirement Plan for Employees of Capital Southwest Corporation and Its Affiliates as amended and restated effective April 1, 1989 (filed as Exhibit 10.7 to Form 10-K for the fiscal year ended March 31, 2003).

10.9		Amendment Five to Retirement Plan for Employees of Capital Southwest Corporation and Its Affiliates as amended and restated effective April 1, 1989 (filed as Exhibit 10.8 to Form 10-K for the fiscal year ended March 31, 2003).
10.10		Amendment Six to Retirement Plan for Employees of Capital Southwest Corporation and Its Affiliates as amended and restated effective April 1, 1989 (filed as Exhibit 10.9 to Form 10-K for the fiscal year ended March 31, 2003).
10.11	*	Amendment Seven to Retirement Plan for Employees of Capital Southwest Corporation and Its Affiliates as amended and restated effective April 1, 1989.
10.12	*	Amendment Eight to Retirement Plan for Employees of Capital Southwest Corporation and Its Affiliates as amended and restated effective April 1, 1989.
10.13	*	Amendment Nine to Retirement Plan for Employees of Capital Southwest Corporation and Its Affiliates as amended and restated effective April 1, 1989.
10.14		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).
10.15		Amendment One to Capital Southwest Corporation and Its Affiliates Restoration of Retirement Income Plan for certain highly-compensated superceded plan participants effective April 1, 1993 (filed as Exhibit 10.6 to Form 10-K for the fiscal year ended March 31, 1998).
10.16		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).
10.17		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).
10.18		Capital Southwest Corporation 1999 Stock Option Plan (filed as Exhibit 10.10 to Form 10-K for the fiscal year ended March 31, 2000).
13.1	*	Annual Report to Shareholders for the fiscal year ended March 31, 2005.
21.1		List of subsidiaries of the Company (filed as exhibit 21 to Form 10-K for the fiscal year ended March 31, 1998).
23.1	*	Consent of Independent Registered Public Accounting Firm - Grant Thornton LLP.
23.2	*	Consent of Independent Registered Public Accounting Firm - Ernst & Young LLP.
23.3	*	Consent of Independent Registered Public Accounting Firm - KPMG LLP.

31.1	*	Certification of President and Chairman of the Board required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), filed herewith.
31.2	*	Certification of Secretary-Treasurer required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act, filed herewith.
32.1	**	Certification of President and Chairman of the Board required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code, furnished herewith.
32.2	**	Certification of Secretary-Treasurer required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code, furnished herewith.

Exhibit 10.4

AMENDMENT NO. 3
TO
THE RECTORSEAL CORPORATION AND JET-LUBE, INC.
EMPLOYEE STOCK OWNERSHIP PLAN
(As Revised and Restated Effective April 1, 1998)

THIS AMENDMENT NO. 3, executed this ____ day of ________________, 2004, and effective as of August 1, 2004, by The RectorSeal Corporation, a Delaware corporation, having its principal office in Houston, Texas (hereinafter referred to as the "Company").

WITNESSETH:

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 (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;

WHEREAS, the Company adopted Amendment No. 1 to the revised and restated Plan, effective as of April 1, 2002, except as specifically provided otherwise in Amendment No. 1, to (i) reflect certain provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA") which generally became applicable to the Plan effective as of April 1, 2002, and (ii) constitute good faith compliance with the requirements of EGTRRA;

WHEREAS, final Treasury regulations were issued April 17, 2002 under section 401(a)(9) of the Code relating to distributions under Section 11.4 of the Plan (the "Final Distribution Regulations");

WHEREAS, the Pension and Welfare Benefits Administration of the Department of Labor issued final regulations establishing new standards for processing benefit claims of participants and beneficiaries under Section 11.6 of the Plan which have been clarified by further guidance from the Pension and Welfare Benefits Administration (collectively the "Final Claims Procedure Regulations");

WHEREAS, the Company adopted Amendment No. 2 to the revised and restated Plan to (i) revise Section 11.4 of the Plan, effective January 1, 2003, to reflect the Final Distribution Regulations consistent with the Model Amendment provided by the Internal Revenue Service in Rev. Proc. 2002-29, and (ii) revise Section 11.6 of the Plan, effective April 1, 2002, to provide that the administrator of the Plan shall process benefit claims of participants and beneficiaries pursuant to the claims procedure specified in the summary plan description for the Plan which shall comply with the Final Claims Procedure Regulations, as may be amended from time to time; and

WHEREAS, the Company now desires to adopt this Amendment No. 3 to the revised and restated Plan, effective as of August 1, 2004, to exclude the Director of Business Development of Cargo Chemical Corporation from participation in the Plan;

NOW, THEREFORE, in consideration of the premises and the covenants herein contained, the Company hereby adopts the following Amendment No. 3 to the Plan:

The last sentence of Section 2.2 of the Plan is hereby amended to read as follows:

Notwithstanding the foregoing provisions of this Section 2.2, William R. Thomas and the Director of Business Development of Cargo Chemical Corporation are excluded from participating in the Plan.

IN WITNESS WHEREOF, the Company, acting by and through its duly authorized officers, has caused this Amendment No. 3 to be executed as of the day and year first above written.

THE RECTORSEAL CORPORATION

By:________________________
COMPANY

EXHIBIT 10.11

AMENDMENT SEVEN 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 amended and restated Plan, said Plan may be amended by Capital Southwest Corporation (the "Sponsoring Employer");

WHEREAS, the Sponsoring Employer has determined that the Plan shall be amended to exclude the Director of Business Development of Cargo Chemical Corporation from participation in the Plan; and

WHEREAS, the Board of Directors of the Sponsoring Employer has approved and adopted this Amendment Seven to the Plan;

NOW, THEREFORE, Section 1.1(A)(13) of the Plan is hereby amended, effective as of August 1, 2004, to delete the word "or" at the end of clause (c), to replace the period at the end of clause (d) with a semicolon and the word "or", and to add a new clause (e) which shall read in its entirety as follows:

"(e) the Director of Business Development of Cargo Chemical Corporation."

IN WITNESS WHEREOF, CAPITAL SOUTHWEST CORPORATION has caused this instrument to be executed by its duly authorized officer on this ____ day of ________________, 2004.

CAPITAL SOUTHWEST CORPORATION

By ___________________________

Title: _______________________

EXHIBIT 10.12

AMENDMENT EIGHT 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 desirable that the Plan be amended to provide for retroactive annuity starting dates under certain circumstances and to provide a temporary interest rate for purposes of applying benefit limitations under section 415 of the Internal Revenue Code;

NOW, THEREFORE, the Plan is hereby amended, effective as of April 1, 2004, as follows:

1. Section 4.1(A)(2) of the Plan is amended to add the following paragraph at the end thereof:

"Notwithstanding the foregoing provisions of this Section 4.1(A)(2), for Plan Years beginning in 2004 and 2005 the interest rate of 5.5% shall be substituted for the annual rate of interest on 30-year Treasury securities for purposes of this Section 4.1(A), except that in the case of any Participant or Beneficiary receiving a distribution after December 31, 2003 and before January 1, 2005, the amount payable under any form of benefit subject to Section 417(e)(3) of the Internal Revenue Code and subject to adjustment under Section 415(b)(2)(B) of the Internal Revenue Code shall not, solely by reason of the interest rate substitution described above, be less than the amount that would have been so payable had the amount payable been determined using the annual rate of interest on 30-year Treasury securities described above in this Section 4.1(A)(2) in effect as of the last day of the last Plan Year beginning before January 1, 2004."

2. Section 4.1(C) of the Plan is amended to read in its entirety as follows:

"(C) Requirement With Respect to Form of Payment: The Committee shall provide each Participant, during the period beginning 90 days before his Annuity Starting Date and ending 30 days before his Annuity Starting Date (or as soon after the expiration of such period as is administratively practicable), a written notification of his optional forms of payment. Such written notification shall set forth an explanation of:

(1) if the Participant is married:

(a) the terms and conditions of the Qualified Joint and 50% Survivor Annuity form of payment;

(b) the Participant's right to elect, and the effect of electing, to waive the Qualified Joint and 50% Survivor Annuity form of payment;

(c) the rights of the Participant's spouse; and

(d) the right to revoke, and the effect of revoking, an election to waive the Qualified Joint and 50% Survivor Annuity form of payment;

(2) the eligibility conditions and material features of the optional forms of payment available under the Plan;

(3) the financial effect of electing each optional form of payment;

(4) in the event the notification described herein is required and is provided to the Participant after his Annuity Starting Date, the Participant's right to elect a retroactive Annuity Starting Date; and

(5) such other information as may be required under applicable regulations.

The written notification described above shall not be required if the single-sum value of the Participant's retirement income is less than or equal to $5,000.

In the event the written notification described above is required and is provided to the Participant after the Participant's Annuity Starting Date, the Participant's Annuity Starting Date shall be deemed to be his 'retroactive Annuity Starting Date,' and the provisions of Section 4.1(J) shall apply.

Any provisions of Section 2.1, 2.2, 2.3, 2.4(A) or 3.1 hereof to the contrary notwithstanding, if a Participant does not elect, in writing filed with the Committee during the election period described below, to receive the retirement income payable on his behalf on and after his Annuity Starting Date either (i) under the form of payment that is specified in Section 2.1(C), 2.2(C), 2.3(F) or 2.4(A)(2), whichever is applicable, or (ii) under an optional form of payment described in and subject to the provisions of Section 3.1 hereof, such Participant shall be deemed to have elected, and the retirement income payable on and after his Annuity Starting Date shall automatically be paid in accordance with the provisions of, either:

(1) if he does not have a spouse at his Annuity Starting Date, the form of payment that is specified in Section 2.1(C), 2.2(C), 2.3(F) or 2.4(A)(2), whichever is applicable; or

(2) if he has a spouse at his Annuity Starting Date, the Qualified Joint and 50% Survivor Annuity Option.

Any Participant may make an election under this section at any time (and any number of times) prior to the commencement of his retirement income or other benefit payments and during the period beginning on the date which is 90 days prior to his Annuity Starting Date and ending on the latest to occur of (i) his Annuity Starting Date, (ii) the date which is 90 days after the date on which he was provided with the general written explanation described above or (iii) the date which is 90 days after the date on which he was provided with any specific detailed information concerning the payment of his retirement income that is required to be furnished due to the request of the Participant. If any such Participant does not file his election with the Committee prior to the expiration of the election period described above, the commencement of his retirement income will be delayed until the end of such election period, but he will be entitled to a retroactive payment with respect to those retirement income payments which were delayed. If any Participant has elected a form of payment other than the automatic form provided above and his retirement income or other benefit payments have not commenced, he may subsequently revoke such election, in writing filed with the Committee within the election period described above, in order to receive his retirement income payable in accordance with the automatic form provided above. 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. Any provisions herein to the contrary notwithstanding, the written consent of the Participant's spouse during the applicable election period shall be required in order for the Participant to receive his retirement income in a form other than that provided under a Qualified Joint and Survivor Annuity."

3. Section 4.1 of the Plan is amended to add at the end thereof a new Subsection (J), which shall read as follows:

"(J) Provisions Concerning Retroactive Annuity Starting Dates: Notwithstanding any provision hereof to the contrary, in the event that the written notification described in Section 4.1(C) is required and is provided to the Participant after the Participant's Annuity Starting Date, the Participant's Annuity Starting Date shall be deemed to be his 'retroactive Annuity Starting Date' and payment of the Participant's retirement income under Section 2.1, 2.2, 2.3, 2.4(A) or 3.1 hereof shall be made or commence in accordance with Section 417(a) of the Internal Revenue Code, and regulations and rulings issued pursuant thereto, and the following provisions of this Section 4.1(J).

(1) Notification requirement: In the event of a retroactive Annuity Starting Date, the written notification to the Participant required by Section 4.1(C) shall set forth the information described in Section 4.1(C) both as of his retroactive Annuity Starting Date and as of a date which is not more than 90 days after the date on which such written notification is provided to the Participant.

(2) Election of retroactive Annuity Starting Date: In the event of a retroactive Annuity Starting Date, the Participant's retirement income shall be determined and payable as of a date which is not more than 90 days after the date on which the written notification required by Section 4.1(C) is provided to the Participant, unless the Participant elects to have such retirement income determined and payable as of such retroactive Annuity Starting Date. The Participant may make such election on the appropriate form provided by the Committee and filed with the Committee within the election period described in Section 4.1(C).

(3) Spousal consent requirement: In the event that (a) a Participant elects to receive his retirement income under Section 2.1, 2.2, 2.3, 2.4(A), or 3.1 hereof determined as of a retroactive Annuity Starting Date, and (b) under the form of payment elected by such Participant, the benefit payable to the Participant's spouse upon the Participant's death would be less than the benefit payable to such surviving spouse after the Participant's death if the Participant had elected to receive a Qualified Joint and 50% Survivor Annuity determined and payable as of the date on which his retirement income payments actually commence, then the Participant's spouse must consent in writing to the Participant's election of such retroactive Annuity Starting Date. Such spousal consent requirement shall be satisfied if the Participant's spouse consents in the manner provided in Section 4.1(C) to the Participant's election to receive his retirement income in a form other than that provided under a Qualified Joint and Survivor Annuity.

(4) Make-up payments with interest: In the event that a Participant elects (with spousal consent, if applicable) to receive his retirement income under Section 2.1, 2.2, 2.3, 2.4(A), or 3.1 hereof determined as of a retroactive Annuity Starting Date, the Participant shall receive a make-up payment to reflect any missed payment or payments for the period from the retroactive Annuity Starting Date to the date of the actual make-up payment, with an appropriate adjustment for interest from the date the missed payment or payments would have been made (including, if applicable, a payment of the single-sum value of the Participant's retirement income) to the date of the actual make-up payment.

(5) Future payment amount: If the Participant elects (with spousal consent, if applicable) to receive his retirement income determined as of a retroactive Annuity Starting Date and the Participant receives his retirement income in a form other than a single-sum payment, the retirement income payments that commence after he has received the notification required by Section 4.1(C), other than any required make-up payment, shall be in an amount that is equal to the amount that would have been paid to the Participant had payments actually commenced on his retroactive Annuity Starting Date.

(6) Section 415 compliance: Except in the case where payment of the Participant's retirement income (other than a form of payment that is subject to Section 417(e) of the Internal Revenue Code, including lump-sum distributions and other forms of distribution that provide payments in the form of a decreasing annuity or for a period less than the life of the recipient) commences no more than 12 months after the retroactive Annuity Starting Date, payment of the Participant's retirement income, including any interest adjustments, shall satisfy the requirements of Section 415 of the Internal Revenue Code if the date retirement income payments actually commence is substituted for the retroactive Annuity Starting Date for all purposes, including for purposes of determining the applicable interest rate and the applicable mortality table described in Section 4.1(A)(2) hereof.

(7) Section 417(e) compliance: If the retirement income received by the Participant is in a form of payment that would have been subject to Section 417(e) of the Internal Revenue Code if payment had commenced as of the retroactive Annuity Starting Date, then the amount of payment as of the actual commencement date shall be no less than the amount of payment produced by applying the applicable interest rate and the applicable mortality table (described in Section 4.1(A)(2) hereof), determined as of the date payment actually commences, to the annuity form that was used to determine the amount of retirement income as of the Participant's retroactive Annuity Starting Date."

IN WITNESS WHEREOF, CAPITAL SOUTHWEST CORPORATION has caused this instrument to be executed by its duly authorized officer on this ____ day of ______________, 2004.

CAPITAL SOUTHWEST CORPORATION

By __________________________

Title: ______________________

EXHIBIT 10.13

AMENDMENT NINE 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 desirable that the Plan be amended to reduce the limit for mandatory cash-outs of small benefits;

NOW, THEREFORE, Section 3.2 of the Plan is hereby amended, effective as of March 27, 2005, 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 $5,000, the following provisions shall apply. A 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 disability retirement income payments. For the purposes of the Plan, a payment shall not be considered to occur after the Annuity Starting Date merely because actual payment is reasonably delayed for calculation of the benefit amount if all payments due are actually made. Once a determination has been made by the Committee as to whether or not a lump-sum payment may be payable as of the date of termination of the Participant's service under the provisions of this Section 3.2, calculations shall not be required as of any subsequent date to determine whether or not a lump-sum amount is payable under this Section 3.2; provided, however, that the Committee shall have the right (but shall be under no obligation) to establish, on a nondiscriminatory and uniformly applied basis, subsequent dates as of which calculations shall be made to determine whether or not (due to changes in the actuarial assumptions used to compute lump-sum distributions or due to a change in the maximum permissible involuntary cash-out amount) lump-sum amounts are payable under this Section 3.2 as of any such subsequent date on behalf of those Participants whose service had been terminated prior to such date but whose retirement income or other benefit payments have not commenced.

(A) Involuntary Cash-Out: If the single-sum value of the benefit payable on behalf of the Participant does not exceed $1,000, the actuarial equivalent of such benefit shall be paid in a lump sum.

(B) Voluntary Cash-Out: If the single-sum value of the benefit payable on behalf of the Participant is greater than $1,000 but does not exceed $5,000, the Participant (or his Beneficiary, in the event of the Participant's death) may elect to receive the actuarial equivalent (determined using the interest and mortality assumptions that are being used as of the Annuity Starting Date to determine actuarially equivalent lump-sum distributions) of such benefit in a lump-sum distribution or in such other form of payment as is permitted under the Plan, commencing as of the Annuity Starting Date. Such election must be in writing and must be filed with the Committee within 90 days after the date as of which the Committee informs him in writing of the actuarially equivalent value of such benefits. Payment of the elected benefit must be made or commence within 90 days after such election.

(C) Lump-Sum Cash-Out of Zero Vested Accrued Benefits: For the purposes of the Plan, if the present value of the vested accrued benefit that is payable on behalf of any Participant whose service is or has been terminated (either before, on or after the Effective Date of the Plan) is zero, the Participant shall be deemed to have received a distribution of such vested accrued benefit as of the date of termination of his service."

IN WITNESS WHEREOF, CAPITAL SOUTHWEST CORPORATION has caused this instrument to be executed by its duly authorized officer on this ____ day of March, 2005.

CAPITAL SOUTHWEST CORPORATION

By ___________________________

Title: _______________________

Exhibit 13.1

Twelve Largest Investments - March 31, 2005

The RectorSeal Corporation	$72,500,000

The RectorSeal Corporation, Houston, Texas, with facilities in Texas, New York and Idaho, manufactures specialty chemical products including pipe thread sealants, firestop sealants, plastic cements and other formulations for plumbing, HVAC, electrical and industrial applications. The company also makes special tools for plumbers and systems for containing smoke from building fires. RectorSeal's 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 produces automotive chemical products sold under the Cargo and Blue Magic trade names. RectorSeal owns a 20% equity interest in The Whitmore Manufacturing Company (described on page 8).

During the year ended March 31, 2005, RectorSeal earned $7,598,000 on revenues of $76,072,000, compared with earnings of $6,235,000 on revenues of $65,883,000 in the previous year. RectorSeal's earnings do not reflect its 20% equity in The Whitmore Manufacturing Company.

At March 31, 2005, Capital Southwest owned 100% of RectorSeal's common stock having a cost of $52,600 and a value of $72,500,000.

Palm Harbor Homes, Inc.	$70,696,000

Palm Harbor Homes, Dallas, Texas, is an integrated manufacturer and retailer of manufactured and modular housing produced in 18 plants and sold in 32 states by 121 company-owned retail stores and builder locations and approximately 375 independent dealers, builders and developers. The company provides financing through its subsidiary, CountryPlace Mortgage, and through its jointly-owned mortgage banking company, BSM Financial, and sells insurance through its subsidiary, Standard Casualty. Palm Harbor's homes are designed to meet the need for attractive, affordable housing.

During the year ended March 25, 2005, Palm Harbor reported a net loss of $3,823,000 ($0.17 per share) on net sales of $610,538,000, compared with a net loss of $6,017,000 ($0.26 per share) on net sales of $578,465,000 in the previous year. The March 31, 2005 closing Nasdaq bid price of Palm Harbor's common stock was $16.06 per share.

At March 31, 2005, the $10,931,955 investment in Palm Harbor by Capital Southwest and its subsidiary was valued at $70,696,000 ($9.00 per share), consisting of 7,855,121 restricted shares of common stock, representing a fully-diluted equity interest of 30.5%.

Alamo Group Inc.	$50,783,000

Alamo Group Inc., Seguin, Texas, is a leading designer, manufacturer and distributor of heavy-duty, tractor and truck mounted mowing and other vegetation maintenance equipment, street-sweeping equipment and replacement parts. Founded in 1969, Alamo Group operates 14 manufacturing facilities and serves governmental, industrial and agricultural markets in the U.S., Europe, Canada and Australia.

For the year ended December 31, 2004, Alamo reported consolidated earnings of $13,396,000 ($1.36 per share) on net sales of $342,171,000, compared with earnings of $8,038,000 ($0.82 per share) on net sales of $279,078,000 in the previous year. The March 31, 2005 closing NYSE market price of Alamo's common stock was $24.74 per share.

At March 31, 2005, the $2,065,047 investment in Alamo by Capital Southwest and its subsidiary was valued at $50,783,000 ($18.00 per share), consisting of 2,821,300 restricted shares of common stock, representing a fully-diluted equity interest of 27.1%.

Skylawn Corporation	$40,000,000

Skylawn Corporation, Hayward, California, owns and operates cemeteries, mausoleums and mortuaries. Skylawn's operations, all of which are in California, include a major cemetery in San Mateo, a mausoleum and an adjacent mortuary in Oakland and cemeteries, mausoleums and mortuaries in Hayward and Sacramento. The company also owns a funeral home in San Bruno and is building a major funeral home on the grounds of its San Mateo County cemetery. Its insurance company and funeral and cemetery trusts enable Skylawn's clients to make pre-need arrangements.

For the fiscal year ended March 31, 2005, Skylawn reported earnings of $2,153,000 on revenues of $24,964,000, compared with earnings of $2,839,000 on revenues of $25,227,000 in the previous year.

At March 31, 2005, Capital Southwest owned 100% of Skylawn Corporation's common stock, which had a cost of $4,510,400 and was valued at $40,000,000.

Encore Wire Corporation	$32,694,000

Encore Wire Corporation, McKinney, Texas, manufactures a broad line of copper electrical building wire and cable including non-metallic sheathed, underground feeder and THHN wire and 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, 2004, Encore reported net income of $33,360,000 ($1.42 per share) on net sales of $603,225,000, compared with net income of $14,376,000 ($0.63 per share) on net sales of $384,750,000 in the previous year. The March 31, 2005 closing Nasdaq bid price of Encore's common stock was $10.14 per share.

At March 31, 2005, the $5,800,000 investment in 4,086,750 shares of Encore's restricted common stock by Capital Southwest and its subsidiary was valued at $32,694,000 ($8.00 per share), representing a fully-diluted equity interest of 17.1%.

Media Recovery, Inc.	$26,256,000

Media Recovery, Inc., Graham, Texas, distributes computer and office automation supplies and accessories to corporate customers through its direct sales force. Its Shockwatch division manufactures impact and tilt monitoring devices used to detect mishandled shipments and devices for monitoring material handling equipment. 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, 2004, Media Recovery reported net income of $3,943,000 on net sales of $123,664,000, compared with net income of $3,454,000 on net sales of $108,751,000 in the previous year.

At March 31, 2005, the $5,415,000 investment in Media Recovery by Capital Southwest and its subsidiary was valued at $26,256,000, consisting of 4,800,000 shares of Series A convertible preferred stock, representing a fully-diluted equity interest of 76.6%.

The Whitmore Manufacturing Company	$18,000,000

The Whitmore Manufacturing Company, Rockwall, Texas, 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, 2005, Whitmore reported net income of $1,475,000 on net sales of $16,469,000, compared with net income of $376,000 on net sales of $13,739,000 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, 2005, the direct investment in Whitmore by Capital Southwest was valued at $18,000,000 and had a cost of $1,600,000.

Texas Capital Bancshares, Inc.	$12,365,086

Texas Capital Bancshares, Inc. of Dallas, Texas, formed in 1998, has total assets of approximately $2.6 billion. With banks in Austin, Dallas, Fort Worth, Houston, Plano and San Antonio, Texas Capital Bancshares conducts its business through its wholly-owned subsidiary, Texas Capital Bank, N.A., which targets middle market commercial and wealthy private client customers in Texas.

For the year ended December 31, 2004, Texas Capital reported net income of $19,560,000 ($0.75 per share), compared with net income of $13,834,000 ($0.60 per share) in the previous year. The March 31, 2005 closing Nasdaq bid price of Texas Capital's common stock was $20.97 per share.

At March 31, 2005, Capital Southwest owned 589,656 unrestricted shares of common stock, having a cost of $4,275,006 and a market value of $12,365,086 ($20.97 per share).

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Cenveo, Inc.	$11,824,756

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Cenveo, Inc. (formerly Mail-Well, Inc.), Englewood, Colorado, is one of North America's largest providers of visual communication solutions delivered through print and electronic media. Its products include offset and digital printing, custom and stock envelopes, and business documents.

For the year ended December 31, 2004, Cenveo reported a net loss of $19,708,000 ($0.41 per share) on net sales of $1.743 billion, compared with net income of $5,150,000 ($0.11 per share) on net sales of $1.672 billion in the previous year. The March 31, 2005 closing NYSE market price of Cenveo's common stock was $5.64 per share.

At March 31, 2005, the $2,986,870 investment in Cenveo by Capital Southwest was valued at $11,824,756 ($5.64 per share), consisting of 2,096,588 unrestricted shares of common stock, representing a fully-diluted equity interest of 3.6%.

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All Components, Inc.	$11,500,000

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All Components, Inc., Addison, Texas, distributes and produces memory and other electronic components for personal computer manufacturers, retailers, value-added resellers and other corporate customers. 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, 2004, All Components reported net income of $4,460,000 on net sales of $230,698,000, compared with net income of $4,060,000 on net sales of $156,994,000 in the previous year.

At March 31, 2005, the $2,650,000 investment in All Components by Capital Southwest and its subsidiary was valued at $11,500,000 consisting of a 12% subordinated note valued at its cost of $2,500,000 and 150,000 shares of Series A convertible preferred stock valued at $9,000,000, representing a 56.6% fully-diluted equity interest.

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PETsMART, Inc.	$8,622,000

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PETsMART, Inc., Phoenix, Arizona, is the largest specialty retailer of services and solutions for the lifetime needs of pets. The company operates more than 725 pet superstores in the United States and Canada, many of which offer pet grooming services and operate PETsHOTELS. It is also a direct marketer of pet products through its e-commerce site and its pet and equine catalog businesses.

For the year ended January 30, 2005, PETsMART, Inc. reported net income of $171,228,000 ($1.14 per share) on net sales of $3.363 billion, compared with net income of $135,402,000 ($0.92 per share) on net sales of $2.993 billion in the previous year. The March 31, 2005 closing Nasdaq bid price of PETsMART's common stock was $28.74 per share.

At March 31, 2005, Capital Southwest and its subsidiary owned 300,000 unrestricted shares of common stock, having a cost of $1,318,771 and a market value of $8,622,000 ($28.74 per share).

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Liberty Media Corporation	$7,310,954

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Liberty Media Corporation, Englewood, Colorado, acquired by AT&T as part of Tele-Communications, Inc. in 1999 and now an independent company, is a holding company owning interests in a broad range of electronic retailing, media, communications and entertainment businesses.

For the year ended December 31, 2004, Liberty Media reported net income of $46 million ($0.02 per share) on net sales of $7.628 billion, compared with a net loss of $1.222 billion ($0.44 per share) on net sales of $3.738 billion in the previous year. The March 31, 2005 closing NYSE market price of Series A common stock was $10.37 per share.

At March 31, 2005, Capital Southwest owned 705,010 unrestricted shares of Series A common stock, having a cost of $138,515 and a market value of $7,310,954 ($10.37 per share).

Portfolio of Investments - March 31, 2005

Company	Equity (a)	Investment (b)	Cost	Value (c)
+AT&T CORP. New York, New York Global leader in local, long distance, Internet and transaction- based voice and data services.	<1%	++26,649 shares common stock (acquired 3-9-99)	$ 12	$ 499,669
+ALAMO GROUP INC. Seguin, Texas Tractor-mounted mowing and vegetation maintenance equipment for governmental, industrial and agricultural markets; street-sweeping equipment for municipalities.	27.1%	2,821,300 shares common stock (acquired 4-1-73 thru 10-4-99)	2,065,047	50,783,000
ALL COMPONENTS, INC. Addison, Texas Distribution and production of memory and other components for personal computer manufacturers, retailers and value-added resellers; electronics contract manufacturing.	56.6%	12% subordinated note due 2008 (acquired 10-28-03 and 1-06-04)	2,500,000	2,500,000
		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	9,000,000
			2,650,000	11,500,000
+ALLTEL CORPORATION Little Rock, Arkansas Wireless and wireline local, long-distance, network access and Internet services.	<1%	++8,880 shares common stock (acquired 7-1-98)	108,355	487,068
AMPRO MORTGAGE CORPORATION Dallas, Texas Originator and banker of residential mortgage loans.	34.9%	10% subordinated note due 2007 (acquired 10-19-04 and 1-13-05)	352,646	352,646
		12% subordinated note due 2005 (acquired 3-25-05)	201,252	201,252
		5,000 shares Series A cumulative preferred stock (acquired 2-28-03)	5,000,000	--
		1,500 shares Series B cumulative preferred stock (acquired 3-31-04)	1,500,000	1,500,000
		29,167 shares Series A common stock (acquired 2-28-03)	29,167	--
		Warrant to purchase 375,000 shares of Series A common stock at $1.00 per share, expiring 2014 (acquired 3-31-04)	--	--
		Warrant to purchase 88,162 shares of Series A common stock at $1.00 per share, expiring 2014 (acquired 10-19-04 and 1-13-05)	--	--
			7,083,065	2,053,898

+Publicly-owned company

++Unrestricted securities as defined in Note (b)

Company	Equity (a)	Investment (b)	Cost	Value (c)
BALCO, INC. Wichita, Kansas Specialty architectural products used in the construction and remodeling of commercial and institutional buildings.	88.5%	445,000 shares common stock and 60,920 shares Class B non-voting common stock (acquired 10-25-83 and 5-30-02)	$ 624,920	$ 5,000,000
BOXX TECHNOLOGIES, INC. Austin, Texas Workstations for computer graphics imaging and design.	15.0%	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)	1,500,000	2
		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	2
CMI HOLDING COMPANY, INC. Richardson, Texas Owns Chase Medical, which develops and sells devices used in cardiac surgery to relieve congestive heart failure; development of cardiac imaging systems.	19.2%	10% subordinated notes due 2007 (acquired 4-16-04 thru 12-17-04)	750,000	750,000
		2,327,658 shares Series A convertible preferred stock, convertible into 2,327,658 shares of common stock at $1.72 per share (acquired 8-21-02 and 6-04-03)	4,000,000	4,000,000
		Warrants to purchase 109,012 shares of common stock at $1.72 per share, expiring 2012 (acquired 4-16-04)	--	--
			4,750,000	4,750,000
+CENVEO, INC. (formerly Mail-Well, Inc.) Englewood, Colorado Envelopes and commercial printing.	3.6%	++2,096,588 shares common stock (acquired 2-18-94 thru 11-10-98)	2,986,870	11,824,756
+COMCAST CORPORATION Philadelphia, Pennsylvania Leading provider of cable, entertainment and communications products and services.	<1%	++43,104 shares common stock (acquired 11-18-02)	21	1,453,467
DENNIS TOOL COMPANY Houston, Texas Polycrystalline diamond compacts (PDCs) used in oil field drill bits and in mining and industrial applications.	67.4%	20,725 shares 5% convertible preferred stock, convertible into 20,725 shares of common stock at $48.25 per share (acquired 8-10-98)	999,981	999,981
		140,137 shares common stock (acquired 3-7-94 and 8-10-98)	2,329,963	1,500,000
			3,329,944	2,499,981
+ENCORE WIRE CORPORATION McKinney, Texas Electric wire and cable for residential and commercial use.	17.1%	4,086,750 shares common stock (acquired 7-16-92 thru 10-7-98)	5,800,000	32,694,000
EXOPACK HOLDING CORP. Spartanburg, South Carolina Paper and plastic flexible packaging for products such as pet food, building materials, chemicals and other commodities.	1.4%	5,925 shares common stock (acquired 7-27-01 thru 9-29-03)	623,790	805,800

+Publicly-owned company

++Unrestricted securities as defined in Note (b)

Company	Equity (a)	Investment (b)	Cost	Value (c)
EXTREME INTERNATIONAL, 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.	53.3%	12% subordinated note due 2008, $1,788,247 principal amount (acquired 9-30-03)	$ 1,157,481	$ 1,788,247
		39,359.18 shares Series C convertible preferred stock, convertible into 157,436.72 shares of common stock at $25.00 per share (acquired 9-30-03)	2,625,000	3,935,918
		3,750 shares 8% Series A convertible preferred stock, convertible into 15,000 shares of common stock at $25.00 per share (acquired 9-30-03)	375,000	375,000
		Warrants to purchase 13,035 shares of common stock at $25.00 per share, expiring 2008 (acquired 8-11-98 thru 9-30-03)	--	--
			4,157,481	6,099,165
+FMC CORPORATION Chicago, Illinois Chemicals for agricultural, industrial and consumer markets.	<1%	++6,430 shares common stock (acquired 6-6-86)	66,726	343,683
+FMC TECHNOLOGIES, INC. Chicago, Illinois Equipment and systems for the energy, food processing and air transportation industries.	<1%	++11,057 shares common stock (acquired 1-2-02)	57,051	366,871
HEELING, INC. Carrollton, Texas Heelys stealth skate shoes sold through specialty skate, lifestyle and sporting goods stores, footwear chains, department stores and over the Internet at Heelys.com.	43.0%	1,745,455 shares Series A preferred stock (acquired 5-26-00)	480,000	480,000
		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)	120,000	3,000,000
			600,000	3,480,000
+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	5,040,411
+KIMBERLY-CLARK CORPORATION Dallas, Texas Manufacturer of tissue, personal care and health care products.	<1%	++77,180 shares common stock (acquired 12-18-97)	2,358,518	5,073,041
+LIBERTY MEDIA CORPORATION Englewood, Colorado Holding company owning interests in electronic retailing, media, communications and entertainment businesses.	<1%	++705,010 shares Series A common stock (acquired 3-9-99 thru 12-12-02)	138,515	7,310,954

+Publicly-owned company

++Unrestricted securities as defined in Note (b)

Company	Equity (a)	Investment (b)	Cost	Value (c)
+LIBERTY MEDIA INTERNATIONAL Englewood, Colorado Broadband distribution and video programming services.	<1%	++42,463 shares Series A common stock (acquired 6-7-04 and 8-9-04)	$ 207,423	$ 1,854,784
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.	76.6%	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	26,256,000
ORGANIZED LIVING, INC. Columbus, Ohio Specialty retailer of products designed to provide home and office storage and organization solutions.	3.9%	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	1
PALLET ONE, INC. Bartow, Florida Wood pallet manufacturer with 14 manufacturing facilities.	8.8%	1,796,850 shares Series A preferred stock (acquired 10-18-01)	1,350,000	1,796,850
		150,000 shares common stock (acquired 10-18-01)	150,000	150,000
			1,500,000	1,946,850
+PALM HARBOR HOMES, INC. Dallas, Texas Integrated manufacturing, retailing, financing and insuring of manufactured housing and modular homes.	30.5%	7,855,121 shares common stock (acquired 1-3-85 thru 7-31-95)	10,931,955	70,696,000
+PETSMART, INC. Phoenix, Arizona Retail chain of more than 725 stores selling pet foods, supplies and services.	<1%	++300,000 shares common stock (acquired 6-1-95)	1,318,771	8,622,000
PHARMAFAB, INC. Grand Prairie, Texas Value-added contract manufacturer of branded and generic pharmaceutical drugs.	28.6%	35,000 shares Series A convertible preferred stock, convertible into 129,506 shares common stock at $27.0259 per share (acquired 8-1-03)	3,500,000	3,500,000
		20,000 shares Series B convertible preferred stock, convertible into 74,004 shares common stock at $27.0259 per share (acquired 8-1-03)	2,000,000	2,000,000
			5,500,000	5,500,000
THE RECTORSEAL CORPORATION Houston, Texas Specialty chemical products for plumbing, HVAC, electrical, construction, industrial, oil field and automotive applications; owns 20% of Whitmore Manufacturing Company.	100.0%	27,907 shares common stock (acquired 1-5-73 and 3-31-73)	52,600	72,500,000

+Publicly-owned company

++Unrestricted securities as defined in Note (b)

Company	Equity (a)	Investment (b)	Cost	Value (c)
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	$ 40,000,000
+SPRINT CORPORATION Westwood, Kansas Diversified telecommunications company.	<1%	++90,000 shares common stock (acquired 6-20-84)	503,645	2,047,500
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
+TEKELEC Calabasas, California Network signaling products, switching solutions and services for telecommunications networks and contact centers.	<1%	2,936 shares common stock (acquired 9-20-04)	54,580	37,346
+TEXAS CAPITAL BANCSHARES, INC. Dallas, Texas Regional bank holding company with banking operations in six Texas cities.	2.3%	++589,656 shares common stock (acquired 5-1-00)	4,275,006	12,365,086
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%	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	7,000,000
THE WHITMORE MANUFACTURING COMPANY Rockwall, Texas Specialized mining, industrial and railroad lubricants; automotive transit coatings.	80.0%	80 shares common stock (acquired 8-31-79)	1,600,000	18,000,000
MISCELLANEOUS	-	Diamond State Ventures, L.P. - 1.9% limited partnership interest (acquired 10-12-99 thru 2-14-05)	190,625	190,625
	-	First Capital Group of Texas III, L.P. - 3.3% limited partnership interest (acquired 12-26-00 thru 1-5-05)	764,604	764,604
	100.0%	Humac Company - 1,041,000 shares common stock (acquired 1-31-75 and 12-31-75)	--	150,000
	-	STARTech Seed Fund I - 12.6% limited partnership interest (acquired 4-17-98 thru 1-5-00)	178,066	1
	-	STARTech Seed Fund II - 3.2% limited partnership interest (acquired 4-28-00 thru 2-23-05)	1,000,000	1
	-	Sterling Group Partners I, L.P. - 1.7% limited partnership interest (acquired 4-20-01 thru 1-24-05)	1,348,408	1,348,408
TOTAL INVESTMENTS			$84,546,398	$422,022,222

+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 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, 2005, restricted securities represented approximately 86.4% 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 cover common stocks owned at March 31, 2005 and common stocks which may be acquired thereafter through exercise of warrants and conversion of debentures and preferred stocks. They 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, which may differ from the original investment dates. 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
AmPro Mortgage Corporation	$ 553,898
CMI Holding Company, Inc.	750,000
Diamond State Ventures, L.P.	33,750
First Capital Group of Texas III, L.P........	160,000
Liberty Media International, Inc.	180,325
StarTech Seed Fund II	100,000
Sterling Group Partners I, L.P.	450,000
Miscellaneous	52,717
	$ 2,280,690

Dispositions

	Cost	Amount Received
AT&T Wireless Services, Inc.	$ 10	$ 643,170
CashWorks, Inc.	--	608,517
Concert Industries Ltd.	9,131,224	34,100
Diamond State Ventures, L.P.	40,000	40,000
First Capital Group of Texas III, L.P........	35,396	35,396
Neenah Paper, Inc.	38,408	82,684
Sterling Group Partners I, L.P.	164,692	738,529
Texas Capital Bancshares, Inc.	725,000	2,239,922
Texas Petrochemical Holdings, Inc.	3,000,000	--
VocalData, Inc.	1,489,805	142,914
Miscellaneous	52,717	--
	$14,677,252	$ 4,565,232

Repayments Received	$ 394,269

Capital Southwest Corporation and Subsidiaries
Consolidated Statements of Financial Condition

Assets	March 31 2005	March 31 2004
Investments at market or fair value		
Companies more than 25% owned (Cost: 2005 - $23,114,866, 2004 - $23,114,865)	$259,628,981	$237,095,981
Companies 5% to 25% owned (Cost: 2005 - $19,050,000, 2004 - $30,431,224)	44,890,852	70,189,005
Companies less than 5% owned (Cost: 2005 - $42,381,532, 2004 - $43,736,560)	117,502,389	99,663,833
Total investments (Cost: 2005 - $84,546,398, 2004 - $97,282,649)	422,022,222	406,948,819
Cash and cash equivalents	5,104,935	10,150,796
Receivables	136,401	76,477
Other assets	7,120,043	6,802,767
Totals	$434,383,601	$423,978,859

Liabilities and Shareholders' Equity	March 31 2005	March 31 2004
Note payable to bank	$ 8,000,000	$ 15,500,000
Note payable to portfolio company	5,000,000	5,000,000
Accrued interest and other liabilities	1,842,587	1,815,996
Income taxes payable	--	2,726,850
Deferred income taxes	117,007,107	108,312,663
Total liabilities	131,849,694	133,355,509
Shareholders' equity		
Common stock, $1 par value: authorized, 5,000,000 shares; issued, 4,294,416 shares at March 31, 2005 and March 31, 2004	4,294,416	4,294,416
Additional capital	7,904,997	7,904,997
Undistributed net investment income	3,669,805	3,578,088
Undistributed net realized gain on investments	73,316,166	79,381,980
Unrealized appreciation of investments - net of deferred income taxes	220,381,825	202,497,171
Treasury stock - at cost (437,365 shares)	(7,033,302)	(7,033,302)
Net assets at market or fair value, equivalent to $78.44 per share at March 31, 2005, and $75.35 per share at March 31, 2004 on the 3,857,051 shares outstanding	302,533,907	290,623,350
Totals	$ 434,383,601	$ 423,978,859

See Notes to Consolidated Financial Statements

Capital Southwest Corporation and Subsidiaries
Consolidated Statements of Operations

	Years Ended March 31 2005	2004	2003
Investment income:			
Interest	$ 437,753	$ 213,987	$ 204,490
Dividends	3,778,190	3,860,937	3,360,990
Management and directors' fees	637,000	632,864	495,900
	4,852,943	4,707,788	4,061,380
Operating expenses:			
Salaries	1,132,510	997,079	911,671
Net pension benefit	(254,872)	(272,912)	(387,923)
Other operating expenses	1,068,313	775,847	626,106
	1,945,951	1,500,014	1,149,854
Income before interest expense and income taxes	2,906,992	3,207,774	2,911,526
Interest expense	420,351	531,068	476,761
Income before income taxes	2,486,641	2,676,706	2,434,765
Income tax expense	80,693	89,646	135,513
Net investment income	$ 2,405,948	$ 2,587,060	$ 2,299,252
Proceeds from disposition of investments	$ 4,565,232	$ 16,486,067	$ 4,563,763
Cost of investments sold	14,677,252	3,883,188	2,556,651
Realized gain (loss) on investments before income taxes	(10,112,020)	12,602,879	2,007,112
Income tax expense (benefit)	(4,046,206)	4,411,007	661,384
Net realized gain (loss) on investments	(6,065,814)	8,191,872	1,345,728
Increase (decrease) in unrealized appreciation of investments before income taxes	27,809,654	114,067,574	(69,688,616)
Increase (decrease) in deferred income taxes on appreciation of investments	9,925,000	39,379,000	(24,317,000)
Net increase (decrease) in unrealized appreciation of investments	17,884,654	74,688,574	(45,371,616)
Net realized and unrealized gain (loss) on investments	$ 11,818,840	$ 82,880,446	$ (44,025,888)
Increase (decrease) in net assets from operations	$ 14,224,788	$ 85,467,506	$ (41,726,636)

See Notes to Consolidated Financial Statements

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

	Years Ended March 31		
	2005	2004	2003
Operations			
Net investment income	$ 2,405,948	$ 2,587,060	$ 2,299,252
Net realized gain (loss) on investments	(6,065,814)	8,191,872	1,345,728
Net increase (decrease) in unrealized appreciation of investments	17,884,654	74,688,574	(45,371,616)
Increase (decrease) in net assets from operations	14,224,788	85,467,506	(41,726,636)
Distributions from:			
Undistributed net investment income	(2,314,231)	(2,308,631)	(2,297,431)
Capital share transactions			
Exercise of employee stock options	--	997,500	--
Increase (decrease) in net assets	11,910,557	84,156,375	(44,024,067)
Net assets, beginning of year	290,623,350	206,466,975	250,491,042
Net assets, end of year	$ 302,533,907	$ 290,623,350	$ 206,466,975

See Notes to Consolidated Financial Statements

Capital Southwest Corporation and Subsidiaries
Consolidated Statements of Cash Flows

	Years Ended March 31		
	2005	2004	2003
Cash flows from operating activities			
Increase (decrease) in net assets from operations	$ 14,224,788	$ 85,467,506	$(41,726,636)
Adjustments to reconcile increase (decrease) in net assets from operations to net cash provided by (used in) operating activities:			
Proceeds from disposition of investments	4,510,652	16,486,067	4,563,763
Purchases of securities	(2,280,690)	(12,458,840)	(11,904,639)
Maturities of securities	394,269	2,754,845	80,000
Depreciation and amortization	17,597	19,089	21,668
Net pension benefit	(254,872)	(272,912)	(387,923)
Net realized and unrealized (gain) loss on investments	(11,818,840)	(82,880,446)	44,025,888
(Increase) decrease in receivables	(59,924)	221,187	1,455,633
(Increase) decrease in other assets	(10,477)	5,023	(29,447)
Increase (decrease) in accrued interest and other liabilities	121,196	41,701	(96,188)
Decrease in accrued pension cost	(164,129)	(167,281)	(167,280)
Deferred income taxes	88,800	95,600	135,800
Net cash provided by (used in) operating activities	4,768,370	9,311,539	(4,029,361)
Cash flows from financing activities			
Increase (decrease) in note payable to bank	(7,500,000)	--	9,000,000
Increase (decrease) in notes payable to portfolio company	--	(2,500,000)	5,000,000
Decrease in subordinated debenture	--	--	(5,000,000)
Distributions from undistributed net investment income	(2,314,231)	(2,308,631)	(2,297,431)
Proceeds from exercise of employee stock options	--	997,500	--
Net cash provided by (used in) financing activities	(9,814,231)	(3,811,131)	6,702,569
Net increase (decrease) in cash and cash equivalents	(5,045,861)	5,500,408	2,673,208
Cash and cash equivalents at beginning of year	10,150,796	4,650,388	1,977,180
Cash and cash equivalents at end of year	$ 5,104,935	$ 10,150,796	$ 4,650,388
Supplemental disclosure of cash flow information:			
Cash paid during the year for: Interest	$ 420,446	$ 531,194	$ 606,722
Income taxes	$ --	$ --	$ --

Note:

On September 20, 2004, the Company received 2,936 shares of Tekelec valued at $54,580 ($18.59 per share) related to the sale of VocalData, Inc.

See Notes to Consolidated Financial Statements

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. Capital Southwest Management Corporation ("CSMC"), a wholly-owned subsidiary of CSC, is the management company for CSC and CSVC. The following is a summary of significant accounting policies followed in the preparation of the consolidated financial statements of CSC, CSVC and CSMC (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.

Indemnification. The Company enters into agreements that contain customary indemnification provisions. The maximum exposure under these indemnification agreements is unknown, but the Company has had no previous claims or losses and expects the risk of losses to be remote.

Related Parties. Several of the Company's directors, officers and employees serve on the boards of various portfolio companies.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Stock-Based Compensation. Effective April 1, 2003, the Company adopted the fair value method of recording compensation expense related to all stock options granted after March 31, 2003, in accordance with FASB Statement Nos. 123 and 148. Accordingly, the fair value of stock options as determined on the date of grant using the Black-Scholes pricing model will be expensed over the vesting period of the related stock options. On July 19, 2004, 7,500 stock options were granted to a new investment associate who resigned on December 31, 2004 with no options vested.

The following table illustrates the effect on net asset value and net asset value per share if the Company had applied the fair value recognition provisions of FASB Statement No. 123 to stock-based compensation for options granted prior to the implementation of FASB Statement No. 123.

	Years Ended March 31		
	2005	2004	2003
Net asset value, as reported	$302,533,907	$290,623,350	$206,466,975
Deduct: Total fair value computed stock-based compensation	160,764	179,440	179,440
Pro forma net asset value	$302,373,143	$290,443,910	$206,287,535
Net asset value per share:			
Basic - as reported	$78.44	$75.35	$53.92
Basic - pro forma	$78.39	$75.30	$53.87
Diluted - as reported	$78.38	$75.32	$53.79
Diluted- pro forma	$78.34	$75.27	$53.74

The diluted net asset value per share calculation assumes all vested outstanding options for which the market price exceeds the exercise price have been exercised.

In December 2004, the FASB issued a revised SFAS No. 123(R), "Share-Based Payment." It requires the Company to measure all employee stock-based compensation awards using a fair value method and record such expense in our consolidated financial statements. In addition it requires additional accounting and disclosure related to the cash flow effects resulting from share-based payment arrangements. It is effective at the beginning of the fiscal year that begins after June 15, 2005. The Company expects that the adoption effective April 1, 2006, will not have a material effect on our financial condition, results of operations and cash flows and that the effect on our net asset value will be comparable to the pro forma disclosures presented above.

2. Valuation of Investments

The consolidated financial statements as of March 31, 2005 and 2004 include securities valued at $364,732,932 (86.4% of the value of the consolidated investment portfolio) and $357,538,427 (87.9% 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, 2004, 2003 and 2002, 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.

For the year ended December 31, 2004, CSC and CSVC had net investment income for book and tax purposes of $2,314,231 and $527,647, respectively, all of which has been distributed. During 2004, CSC and CSVC had a net capital loss for book purposes of $434,183 and $2,032,537, respectively, and a net capital loss for tax purposes of $773,674 and $2,262,703, respectively. As of December 31, 2004, CSC and CSVC had capital loss carryforwards of $2,989,796 (expires 2009-2012) and $2,351,473 (expires 2009-2012), respectively, which may be used to offset future taxable capital gains.

The aggregate cost of investments for federal income tax purposes as of March 31, 2005 was $87,467,764. Such investments had unrealized appreciation of $352,030,249 and unrealized depreciation of $14,554,425 for book purposes, or net unrealized appreciation of $337,475,824. They had unrealized appreciation of $349,728,725 and unrealized depreciation of $15,174,267 for tax purposes, or net unrealized appreciation of $334,554,458 at March 31, 2005. The difference between book basis and tax basis net unrealized appreciation is attributable primarily to interest income that was accrued for tax purposes, but not for book purposes.

CSC and CSVC may not qualify or elect to be taxed as RICs in future years. Therefore, consolidated deferred Federal income taxes of $117,094,000 and $107,169,000 have been provided on net unrealized appreciation of investments of $337,475,824 and $309,666,170 at March 31, 2005 and 2004, 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, 2005 and 2004.

4. Notes Payable

The note payable to bank at March 31, 2005 and 2004 was from an unsecured revolving line of credit of $25,000,000 of which $8,000,000 and $15,500,000 had been drawn at March 31, 2005 and 2004, respectively. The revolving line of credit bears interest at the bank's base rate less .50% or LIBOR plus 1.25% and matures on August 31, 2007.

The note payable to portfolio company is a demand promissory note to Skylawn Corporation with interest payable at the greater of prime minus 2.0% or the Applicable Federal Rate established by the Internal Revenue Service. Interest expense on this portfolio company note was $134,542 in 2005, $151,089 in 2004 and $75,531 in 2003.

5. Employee Stock Option Plan

Under the 1984 Incentive Stock Option Plan, options to purchase -0-, -0- and 28,000 shares of common stock at $35.625 per share (the market price at the time of grant) were outstanding and exercisable at March 31, 2005, 2004 and 2003, respectively. During the three years ended March 31, -0- options were exercised in 2005, 28,000 were exercised in 2004 and -0- were exercised in 2003. The 1984 Incentive Stock Option Plan expired in 1994.

On July 19, 1999, shareholders approved the 1999 Stock Option Plan ("Plan"), which provides for the granting of stock options to employees and officers of the Company and authorizes the issuance of common stock upon the exercise of such options for up to 140,000 shares of common stock. All options are granted at or above market price and generally 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, 2005, there were 91,500 shares available for grant under the Plan. The per share weighted average fair value of stock options granted during 2005 was $23.53 on the date of grant using the Black Scholes option-pricing model with the following assumptions: expected dividend yield of .79%, risk-free interest rate of 4.07%, expected volatility of 22.6%, and expected life of 7 years.

The following summarizes activity in the stock option plans for the years ended March 31, 2005, 2004 and 2003:

	Number of shares	Weighted Average Exercise Price
Balance at April 1, 2002	82,500	$58.336
Granted	--	--
Exercised	--	--
Forfeited	--	--
Expired	--	--
Balance at March 31, 2003	82,500	58.336
Granted	--	--
Exercised	(28,000)	35.625
Forfeited	--	--
Expired	--	--
Balance at March 31, 2004	54,500	70.004
Granted	7,500	76.000
Exercised	--	--
Forfeited	(7,500)	76.000
Expired	(6,000)	84.700
Balance at March 31, 2005	48,500	$68.186

At March 31, 2005, the range of exercise prices and weighted average remaining contractual life of outstanding options was $65.00 - $77.00 and 5.84 years, respectively.

At March 31, 2005, 2004 and 2003, the number of options exercisable was 25,650, 24,200 and 44,750, respectively and the weighted average exercise price of those options was $68.98, $73.24 and $50.61, respectively.

6. 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, 2005, the Company made contributions to the ESOP, which were charged against net investment income, of $93,588 in 2005, $88,937 in 2004 and $44,417 in 2003.

7. 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, 2005.

The following tables set forth the qualified plan's benefit obligations and fair value of plan assets at March 31, 2005, 2004 and 2003:

	Years Ended March 31		
	2005	2004	2003
Change in benefit obligation			
Benefit obligation at beginning of year	$ 3,799,113	$ 3,676,599	$ 3,284,463
Service cost	92,434	81,309	41,142
Interest cost	214,076	215,511	202,424
Amendments	--	--	346,882
Actuarial loss	94,812	189,566	165,560
Benefits paid	(367,024)	(363,872)	(363,872)
Benefit obligation at end of year	$ 3,833,411	$ 3,799,113	$ 3,676,599
Change in plan assets			
Fair value of plan assets at beginning of year	$ 10,030,763	$ 6,881,723	$ 9,410,320
Actual return on plan assets	(337,485)	3,512,912	(2,164,725)
Benefits paid	(367,024)	(363,872)	(363,872)
Fair value of plan assets at end of year	$ 9,326,254	$ 10,030,763	$ 6,881,723

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	
	2005	2004
Actuarial present value of benefit obligations:		
Accumulated benefit obligation	$ (3,392,308)	$ (3,403,639)
Projected benefit obligation for service rendered to date	$ (3,833,411)	$ (3,799,113)
Plan assets at fair value*	9,326,254	10,030,763
Excess of plan assets over the projected benefit obligation	5,492,843	6,231,650
Unrecognized net loss from past experience different from that assumed and effects of changes in assumptions	1,272,655	275,731
Unrecognized prior service costs	202,816	210,351
Unrecognized net assets being amortized over 20 years	--	(73,815)
Prepaid pension cost included in other assets	$ 6,968,314	$ 6,643,917

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*Primarily equities and bonds including approximately 28,000 shares of common stock of the Company.

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

	Years Ended March 31		
	2005	2004	2003
Service cost - benefits earned during the year	$ 92,434	$ 81,309	$ 41,142
Interest cost on projected benefit obligation	214,076	215,511	202,424
Expected return on assets	(564,627)	(576,020)	(641,722)
Net amortization and deferral	(66,280)	(66,296)	(104,087)
Net pension benefit from qualified plan	$(324,397)	$(345,496)	$(502,243)

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, 2005, 2004 and 2003:

	Years Ended March 31		
	2005	2004	2003
Change in benefit obligation			
Benefit obligation at beginning of year	$ 1,414,091	$ 1,353,386	$ 1,778,496
Service cost	10,380	5,464	5,389
Interest cost	74,711	82,683	104,436
Amendments	--	--	(347,147)
Actuarial (gain) loss	(32,685)	139,839	(20,507)
Benefits paid	(164,129)	(167,281)	(167,281)
Benefit obligation at end of year	$ 1,302,368	$ 1,414,091	$ 1,353,386

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	
	2005	2004
Projected benefit obligation	$(1,302,368)	$(1,414,091)
Unrecognized net gain from past experience different from that assumed and effects of changes in assumptions	52,182	84,867
Unrecognized prior service costs	(255,136)	(270,699)
Accrued pension cost included in other liabilities	$(1,505,322)	$(1,599,923)

The Retirement Restoration Plan expenses recognized during the years ended March 31, 2005, 2004 and 2003 of $69,528, $72,584 and $114,320, respectively, are offset against the net pension benefit from the qualified plan.

The following assumptions were used in estimating the actuarial present value of the projected benefit obligations:

	Years Ended March 31		
	2005	2004	2003
Discount rate	5.75%	5.75%	6.0%
Rate of compensation increases	5.0%	5.0%	5.0%

The following assumptions were used in estimating the net periodic (income)/expense:

	Years Ended March 31		
	2005	2004	2003
Discount rate......................	5.75%	6.0%	6.5%
Expected return on plan assets.....	6.0%	6.0%	6.0%
Rate of compensation increases.....	5.0%	5.0%	5.0%

The expected rate of return on assets assumption was determined based on the anticipated performance of the various asset classes in the plan's portfolio and the allocation of assets to each class. The anticipated asset class return is developed using historical and predicted asset return performance, considering the investments underlying each asset class and expected investment performance based on forecasts of inflation, interest rates and market indices for fixed income and equity securities.

The Company's pension plan asset allocations are as follows:

	Percentage of plan assets at March 31	
Asset Category	2005	2004
Equity securities...........................	78.6%	81.5%
Debt securities.............................	16.2%	17.2%
Cash	5.2%	1.3%
	100.0%	100.0%

The Company's pension plan is administered by a board-appointed committee that has fiduciary responsibility for the plan's management. The trustee of the plan is JPMorgan Asset Management. Currently approximately 25% of the assets are selected and managed by the trustee and the remainder of the assets are managed by the committee, invested mostly in equity securities, including the Company's stock.

Following are the expected benefit payments for the next five years and in the aggregate for the years 2011-2015:

	Years Ended March 31					
(In Thousands)	2006	2007	2008	2009	2010	2011-2015
	$342	$327	$310	$293	$275	$1,132

8. Commitments

The Company has agreed, subject to certain conditions, to invest up to $1,407,527 in five portfolio companies.

The Company leases office space under an operating lease which requires base annual rentals of approximately $76,000 through February, 2008. For the three years ended March 31, total rental expense charged to investment income was $75,248 in 2005, $74,122 in 2004 and $60,482 in 2003.

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
2005	Interest	Dividends	Other Income	
Companies more than 25% owned	$ --	$3,361,345	$637,000	$ --
Companies 5% to 25% owned	55,236	80,858	--	(12,097,124)
Companies less than 5% owned	346,396	335,987	--	1,985,104
Other sources, including temporary investments	36,121	--	--	--
	$437,753	$3,778,190	$637,000	$ (10,112,020)
2004				
Companies more than 25% owned	$ --	$3,577,800	$629,000	$ --
Companies 5% to 25% owned	--	--	3,864	(188,900)
Companies less than 5% owned	203,304	283,137	--	12,791,779
Other sources, including temporary investments	10,683	--	--	--
	$213,987	$3,860,937	$632,864	$ 12,602,879
2003				
Companies more than 25% owned	$ 5,600	$3,073,770	$494,900	$ --
Companies 5% to 25 owned	--	--	--	(47,525)
Companies less than 5% owned	180,000	287,220	1,000	2,054,637
Other sources, including temporary investments	18,890	--	--	--
	$204,490	$3,360,990	$495,900	$ 2,007,112

Selected Per Share Data and Ratios

Per Share Data	2005	2004	2003	2002	2001
	Years Ended March				
Investment income	$ 1.26	$ 1.22	$ 1.06	$ 1.08	$ 1.06
Operating expenses	(.51)	(.39)	(.30)	(.27)	(.26)
Interest expense	(.11)	(.14)	(.12)	(.24)	(.30)
Income taxes	(.02)	(.02)	(.04)	(.04)	(.05)
Net investment income	.62	.67	.60	.53	.45
Distributions from undistributed net investment income	(.60)	(.60)	(.60)	(.60)	(.60)
Net realized gain (loss) on investments	(1.57)	2.13	.35	(.14)	(.85)
Net increase (decrease) in unrealized appreciation of investments after deferred taxes	4.64	19.37	(11.85)	6.31	(1.69)
Exercise of employee stock options*	--	(.14)	--	(.08)	--
Increase (decrease) in net asset value	3.09	21.43	(11.50)	6.02	(2.69)
Net asset value					
Beginning of year	75.35	53.92	65.42	59.40	62.09
End of year	$78.44	$75.35	$ 53.92	$65.42	$59.40
Increase (decrease) in deferred taxes on unrealized appreciation	$ 2.57	$10.09	$ (6.35)	$ 3.26	$(1.01)
Deferred taxes on unrealized appreciation:					
Beginning of year	27.79	17.70	24.05	20.79	21.80
End of year	$30.36	$27.79	$ 17.70	$24.05	$20.79
Ratios and Supplemental Data					
Ratio of operating expenses to average net assets	.67%	.63%	.52%	.42%	.42%
Ratio of operating expenses to average net assets plus average deferred taxes on unrealized appreciation	.49%	.47%	.39%	.31%	.31%
Ratio of net investment income to average net assets	.83%	1.09%	1.04%	.85%	.74%
Portfolio turnover rate	.56%	3.74%	1.53%	1.05%	2.56%
Net asset value total return	4.90%	41.16%	(16.75%)	11.18%	(3.25%)
Shares outstanding at end of period (000s omitted)	3,857	3,857	3,829	3,829	3,815

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

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States.

Because of its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company has assessed the effectiveness of its internal control over financial reporting as of March 31, 2005. In making this assessment, it used the criteria described in "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management believes that, as of March 31, 2005, the Company's internal control over financial reporting is effective.

Grant Thornton LLP has issued its attestation report on management's assessment and on the effectiveness of the Company's internal control over financial reporting. That report appears on the next page.

Date: May 23, 2005

/s/ William R. Thomas
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William R. Thomas
President & Chairman of the Board

/s/ Susan K. Hodgson
- --------------------
Susan K. Hodgson
Secretary-Treasurer
(chief financial/accounting officer)

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
Capital Southwest Corporation

We have audited management's assessment, included in Management's Report on Internal Control Over Financial Reporting, that Capital Southwest Corporation (a Texas corporation) and subsidiaries, maintained effective internal control over financial reporting as of March 31, 2005 based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Capital Southwest Corporation and subsidiaries maintained effective internal control over financial reporting as of March 31, 2005, is fairly stated, in all material respects, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also in our opinion Capital Southwest Corporation and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of March 31, 2005, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We have also audited in accordance with the standards of the Public Company Accounting Oversight Board (United States of America), the consolidated statement of financial condition of Capital Southwest Corporation and subsidiaries, including the portfolio of investments on pages 10-15 as of March 31, 2005, and the related statements of operations, changes in net assets, and cash flows, and the selected per share data and ratios on page 27 for the year then ended, and our report dated May 23, 2005 expressed an unqualified opinion on those financial statements and per share data and ratios.

/s/Grant Thornton LLP
- ---------------------
Grant Thornton LLP
Dallas, Texas
May 23, 2005

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Capital Southwest Corporation:

We have audited the accompanying consolidated statement of financial condition of Capital Southwest Corporation (a Texas corporation) and subsidiaries, including the portfolio of investments on pages 10-15, as of March 31, 2005, and the related consolidated statements of operations, changes in net assets, and cash flows, and the selected per share data and ratios on page 27 for the year then ended. 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 audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements 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 verification by examination of securities held by the custodian as of March 31, 2005 and confirmation of securities not held by the custodian by correspondence with others. 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 audit provides a reasonable basis for our opinion.

In our opinion the consolidated financial statements and the selected per share data and ratios referred to above present fairly, in all material respects, the consolidated financial position of Capital Southwest Corporation and subsidiaries at March 31, 2005, the consolidated results of operations, changes in net assets, and cash flows, and the selected per share data and ratios for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States of America), management's assessment that Capital Southwest Corporation and subsidiaries maintained effective internal control over financial reporting as of March 31, 2005, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our accompanying report dated May 23, 2005 expressed an unqualified opinion on management's assessment of, and the effective operation of Capital Southwest Corporation and subsidiaries' internal control over financial reporting.

GRANT THORNTON LLP

Dallas, Texas
May 23, 2005

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Capital Southwest Corporation:

We have audited the accompanying consolidated statement of financial condition of Capital Southwest Corporation and subsidiaries, including the portfolio of investments as of March 31, 2004, and the related consolidated statements of operations, changes in net assets, and cash flows, and the selected per share data and ratios for the year then ended. 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 audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements 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 verification by examination of securities held by the custodian as of March 31, 2004 and confirmation of securities not held by the custodian by correspondence with others. 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 audit provides a reasonable basis for our opinion.

In our opinion the consolidated financial statements and the selected per share data and ratios referred to above present fairly, in all material respects, the consolidated financial position of Capital Southwest Corporation and subsidiaries at March 31, 2004, the consolidated results of its operations, changes in its net assets, and its cash flows, and the selected per share data and ratios for the year then ended, in conformity with U.S. generally accepted accounting principles.

ERNST & YOUNG LLP

Dallas, Texas
May 12, 2004

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Capital Southwest Corporation:

We have audited the accompanying consolidated statements of operations, changes in net assets, and cash flows of Capital Southwest Corporation and subsidiaries for the year ended March 31, 2003, and the selected per share data and ratios for each of the years in the three-year period ended March 31, 2003. These consolidated 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 consolidated financial statements and per share data and ratios based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 results of operations, and the changes in net assets and cash flows for the year ended March 31, 2003, and the selected per share data and ratios for each of the years in the three-year period ended March 31, 2003, of Capital Southwest Corporation and subsidiaries in conformity with U.S. generally accepted accounting principles.

KPMG LLP

Dallas, Texas
April 25, 2003

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 $35,048 in 2005, $10,247 in 2004 and $17,346 in 2003. The Company also receives management fees from its wholly-owned portfolio companies which aggregated $597,000 in 2005 and 2004 and $458,400 in 2003. During the three years ended March 31, 2005, the Company recorded dividend income from the following sources:

	Years Ended March 31		
	2005	2004	2003
Alamo Group Inc.	$ 677,112	$ 677,112	$ 677,112
Balco, Inc.	252,960	252,960	--
Dennis Tool Company	25,000	49,999	49,999
Kimberly-Clark Corporation	127,347	109,596	95,703
PalletOne, Inc.	80,858	--	--
The RectorSeal Corporation	960,000	1,407,729	960,000
Skylawn Corporation	600,000	950,000	1,146,659
Sprint Corporation	45,000	36,000	36,000
TCI Holdings, Inc.	81,270	81,270	81,270
The Whitmore Manufacturing Company	846,273	240,000	240,000
Other	82,370	56,271	74,247
	$3,778,190	$3,860,937	$3,360,990

Total operating expenses, excluding interest expense, increased by $445,937 or 29.7% and by $350,160 or 30.5% during the years ended March 31, 2005 and 2004, 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 $110,717 during the year ended March 31, 2005 primarily due to a decrease in notes payable.

Net Realized Gain (Loss) on Investments

Net realized loss on investments was $6,065,814 (after income tax benefit of $4,046,206) during the year ended March 31, 2005, compared with a gain of $8,191,872 (after income tax expense of $4,411,007) during 2004 and a gain of $1,345,728 (after income tax expense of $661,384) during 2003. 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 $27,809,654, $114,067,574 and $(69,688,616) in 2005, 2004 and 2003, 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		
	2005	2004	2003
Alamo Group Inc.	$ 19,749,000	$ 8,464,000	$ (8,464,000)
Cenveo, Inc.	2,453,008	5,115,674	(2,557,926)
Concert Industries Ltd.	--	(442,998)	(5,479,000)
Encore Wire Corporation	(27,245,000)	46,316,000	(10,898,000)
Extreme International, Inc.	375,000	4,613,661	551,750
Media Recovery, Inc.	9,256,000	7,000,000	--
Palm Harbor Homes, Inc.	(15,710,000)	15,710,000	(39,275,000)
PETsMART, Inc.	507,000	4,335,000	(436,051)
The RectorSeal Corporation	12,500,000	5,000,000	5,000,000
Texas Capital Bancshares, Inc.	2,865,728	6,110,352	--
The Whitmore Manufacturing Company	6,000,000	2,000,000	1,200,000

As shown in the above table for the year ended March 31, 2005, the value of our investment in Alamo Group Inc. was increased from our March 31, 2004 value by $19,749,000 due to the escalation in sales and earnings during 2004 which reflected the favorable performance of Alamo's European operations and an improved U.S. climate for industrial mowers and agricultural equipment. During the year ended March 31, 2005, the value of our investment in Encore Wire Corporation was reduced by $27,245,000 due to the cyclical variations in Encore's profitability and the effect of copper price fluctuations and competitive market conditions on Encore's earnings. In the year ago period, we increased our value of Encore by $46,316,000 reflecting increases in the company's sales and earnings which stemmed partly from higher copper prices. During the year ended March 31, 2005, the value of our investment in Palm Harbor Homes, Inc. decreased by $15,710,000 due to the unfavorable pattern of the company's earnings and the continuing negative outlook for the manufactured housing industry. In the year ago period, we increased our value of Palm Harbor due to anticipated improvement of the manufactured housing industry resulting from substantially reduced inventories of foreclosed homes and reappearance of sources of chattel mortgage financing.

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, 2005."

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, 2005 consolidated deferred Federal income taxes of $117,094,000 were provided on net unrealized appreciation of investments of $337,475,824 compared with deferred taxes of $107,169,000 on net unrealized appreciation of $309,666,170 at March 31, 2004. Deferred income taxes at March 31, 2005 and 2004 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, 2005, the Company invested $2,280,690 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 2004 and 2003 fiscal years, the Company invested a total of $12,458,840 and $11,904,639, respectively.

Financial Liquidity and Capital Resources

At March 31, 2005, the Company had cash and cash equivalents of approximately $5.1 million. Pursuant to Small Business Administration ("SBA") regulations, cash and cash equivalents of $0.3 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 $65.0 million. The Company also has an unsecured $25.0 million revolving line of credit from a commercial bank, of which $17.0 million was available at March 31, 2005. 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 37 years. Retention of future gains is viewed as an important source of funds to sustain the Company's investment activity. Approximately $57.3 million of the Company's investment portfolio is represented by unrestricted publicly-traded securities, which have an ascertainable market value and represent a 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. At March 31, 2005, the Company owed $5.0 million to Skylawn Corporation.

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.

Contractual Obligations

As shown below, the Company had the following contractual obligations as of March 31, 2005. For further information see Note 4 and Note 8 of the Consolidated Financial Statements.

	Payments Due By Period ($ in Thousands)				
Contractual Obligations	Total	Less than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Long-term debt obligations	$13,000	$ 5,000	$ 8,000	--	--
Capital lease obligations	--	--	--	--	--
Operating lease obligations	76	--	$ 76	--	--
Purchase obligations	--	--	--	--	--
Other long-term liabilities reflected on the Company's balance sheet under GAAP	--	--	--	--	--
Total	$13,076	$ 5,000	$ 8,076	--	--

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)

	1995	1996	1997	1998	1999	2000
Financial Position (as of March 31)						
Investments at cost	$ 49,730	$ 58,544	$ 59,908	$ 61,154	$ 73,580	$ 85,002
Unrealized appreciation	153,031	198,386	233,383	340,132	276,698	238,627
Investments at market or fair value	202,761	256,930	293,291	401,286	350,278	323,629
Total assets	213,811	326,972	310,760	522,324	360,786	392,586
Notes payable *	11,000	11,000	5,000	5,000	5,000	10,000
Deferred taxes on unrealized appreciation	53,247	69,121	81,313	118,674	96,473	83,151
Net assets	147,370	189,048	218,972	296,023	256,232	236,876
Shares outstanding	3,735	3,767	3,767	3,788	3,815	3,815
Changes in Net Assets (years ended March 31)						
Net investment income	$ 2,447	$ 2,855	$ 2,574	$ 2,726	$ 1,762	$ 1,663
Net realized gain (loss) on investments	142	11,174	6,806	6,485	995	6,020
Net increase (decrease) in unrealized appreciation before distributions	13,584	38,746	22,804	69,388	(41,233)	(24,750)
Increase (decrease) in net assets from operations before distributions	16,173	52,775	32,184	78,599	(38,476)	(17,067)
Cash dividends paid	(2,241)	(2,270)	(2,260)	(2,268)	(2,280)	(2,289)
Securities distributed	--	(9,402)	--	--	--	--
Employee stock options exercised	385	575	--	720	965	--
Increase (decrease) in net assets	14,317	41,678	29,924	77,051	(39,791)	(19,356)
Per Share Data (as of March 31)						
Deferred taxes on unrealized appreciation	$ 14.26	$ 18.35	$ 21.59	$ 31.33	$ 25.29	$ 21.80
Net assets	39.46	50.18	58.13	78.15	67.16	62.09
Closing market price	38.00	60.00	67.875	94.00	73.00	54.75
Cash dividends paid	.60	.60	.60	.60	.60	.60
Securities distributed	--	2.50	--	--	--	--

*Excludes quarter-end borrowing which is repaid on the first business day after year end.

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

	2001	2002	2003	2004	2005
Financial Position (as of March 31)					
Investments at cost	$ 87,602	$ 82,194	$ 91,462	$ 97,283	$ 84,546
Unrealized appreciation	228,316	265,287	195,598	309,666	337,476
Investments at market or fair value	315,918	347,481	287,060	406,949	422,022
Total assets	322,668	357,183	298,490	423,979	434,384
Notes payable *	16,000	14,000	23,000	20,500	13,000
Deferred taxes on unrealized appreciation	79,310	92,107	67,790	107,169	117,094
Net assets	226,609	250,491	206,467	290,623	302,534
Shares outstanding	3,815	3,829	3,829	3,857	3,857
Changes in Net Assets (years ended March 31)					
Net investment income	$ 1,723	$ 2,042	$ 2,299	$ 2,587	2,406
Net realized gain (loss) on investments	(3,231)	(538)	1,346	8,192	(6,066)
Net increase (decrease) in unrealized appreciation before distributions	(6,470)	24,174	(45,372)	74,689	17,885
Increase (decrease) in net assets from operations before distributions	(7,978)	25,678	(41,727)	85,468	14,225
Cash dividends paid	(2,289)	(2,295)	(2,297)	(2,309)	(2,314)
Securities distributed	--	--	--	--	--
Employee stock options exercised	--	499	--	997	--
Increase (decrease) in net assets	(10,267)	23,882	(44,024)	84,156	11,911
Per Share Data (as of March 31)					
Deferred taxes on unrealized appreciation	$ 20.79	$ 24.05	$ 17.70	$ 27.79	$ 30.36
Net assets	59.40	65.42	53.92	75.35	78.44
Closing market price	65.00	68.75	48.15	75.47	79.10
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 700 record holders of its common stock at March 31, 2005. This total does not include an estimated 2,400 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, 2003	$66.75	$47.26
September 30, 2003	60.00	53.31
December 31, 2003	64.75	56.35
March 31, 2004	78.00	61.15

Quarter Ended	High	Low
June 30, 2004	$84.28	$72.68
September 30, 2004	81.40	69.55
December 31, 2004	80.44	73.00
March 31, 2005	79.87	74.25

Dividends

The payment dates and amounts of cash dividends per share since April 1, 2003 are as follows:

Payment Date	Cash Dividend
May 30, 2003	$0.20
November 28, 2003	0.40
May 28, 2004	0.20
November 30, 2004	0.40
May 31, 2005	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 18, 2005, at 10:00 a.m. in the North Dallas Bank Tower Meeting Room (second floor), 12900 Preston Road, Dallas, Texas.

Exhibit 23.1

Consent of Grant Thornton LLP
Independent Registered Public Accounting Firm

We have issued our reports dated May 23, 2005, accompanying the consolidated financial statements and management's assessment of the effectiveness of internal control over financial reporting included in the Annual Report to Shareholders of Capital Southwest Corporation for the year ended March 31, 2005 and incorporated by reference in the March 31, 2005 annual report on Form 10-K. We hereby consent to the incorporation by reference of said reports in the Registration Statement of Capital Southwest Corporation on Form S-8 (File No. 33-43881).

/s/ GRANT THORNTON LLP

May 23, 2005
Dallas, Texas

Exhibit 23.2

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 33-43881) pertaining to Capital Southwest Corporation of our report dated May 12, 2004, with respect to the consolidated financial statements of Capital Southwest Corporation for the year ended March 31, 2004 included in the March 31, 2005 Annual Report to Shareholders of Capital Southwest Corporation and incorporated by reference in this Annual Report (Form 10-K) for the year ended March 31, 2005.

Ernst & Young LLP

May 24, 2005
Dallas, Texas

Exhibit 23.3

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Capital Southwest Corporation:

We consent to the incorporation by reference in the registration statement on Form S-8 of Capital Southwest Corporation of our report dated April 25, 2003, with respect to the consolidated statements of operations, changes in net assets, and cash flows for the year ended March 31, 2003, and the selected per share data and ratios for each of the years in the three-year period ended March 31, 2003, of Capital Southwest Corporation and subsidiaries, which report appears in the annual report to shareholders for the year ended March 31, 2005, and is incorporated by reference in the March 31, 2005 annual report on Form 10-K of Capital Southwest Corporation.

KPMG LLP

Dallas, Texas
May 27, 2005

Exhibit 31.1

CERTIFICATIONS

I, William R. Thomas, President and Chairman of the Board of Capital Southwest Corporation, certify that:

1. I have reviewed this annual report on Form 10-K of Capital Southwest Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the consolidated financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 27, 2005

By: /s/ William R. Thomas

William R. Thomas, President and Chairman of the Board

Exhibit 31.2

CERTIFICATIONS

I, Susan K. Hodgson, Secretary-Treasurer of Capital Southwest Corporation, certify that:

1. I have reviewed this annual report on Form 10-K of Capital Southwest Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the consolidated financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 27, 2005

By: /s/ Susan K. Hodgson

Susan K. Hodgson, Secretary-Treasurer

Exhibit 32.1

Certification of President and Chairman of the Board

Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code

I, William R. Thomas, President and Chairman of the Board of Capital Southwest Corporation, certify that, to my knowledge:

1. the Form 10-K, filed with the Securities and Exchange Commission on May 27, 2005 ("accompanied report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the accompanied report fairly presents, in all material respects, the consolidated financial condition and results of operations of Capital Southwest Corporation.

Date: May 27, 2005

By: /s/ William R. Thomas

William R. Thomas, President and Chairman of the Board

Exhibit 32.2

Certification of Secretary-Treasurer

Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code

I, Susan K. Hodgson, Secretary-Treasurer of Capital Southwest Corporation, certify that, to my knowledge:

1. the Form 10-K, filed with the Securities and Exchange Commission on May 27, 2005 ("accompanied report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the accompanied report fairly presents, in all material respects, the consolidated financial condition and results of operations of Capital Southwest Corporation.

Date: May 27, 2005

/s/ Susan K. Hodgson

Susan K. Hodgson, Secretary-Treasurer