

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

FORM 10-K

(Mark One)

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

For the fiscal year ended March 31, 2007

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  
(State or other jurisdiction of incorporation  
or organization)

75-1072796  
(I.R.S. Employer  
Identification No.)

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

75230  
(Zip Code)

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

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 if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer \_\_\_ Accelerated filer  Non-accelerated filer \_\_\_

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the voting stock held by non-affiliates of the registrant as of September 30, 2006 was \$332,548,127, 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, 2007 was 3,888,151.

Documents Incorporated by Reference  
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Part of Form 10-K  
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(1) Annual Report to Shareholders for the Year Ended March 31, 2007 Parts I and II; and Part IV, Item 15(a)(1) and (2)

(2) Proxy Statement for Annual Meeting of Shareholders to be held July 16, 2007 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. Our 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 12 largest investments we own had a combined cost of \$38,566,269 and a value of \$638,196,845, representing 93.7% of the value of our consolidated investment portfolio at March 31, 2007. For a narrative description of the 12 largest investments, see "Twelve Largest Investments - March 31, 2007" on pages 8 through 10 of our Annual Report to Shareholders for the Year Ended March 31, 2007 (our "2007 Annual Report") which is herein incorporated by reference. Certain of the information presented on the 12 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' audited financial statements.

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, 2007 was seven.

Our internet website address is [www.capitalsouthwest.com](http://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 1A. Risk Factors

You should carefully consider the risks described below and all other information contained in this annual report on Form 10-K, including our consolidated financial statements and the related notes thereto. The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties not presently known to us, or not presently deemed material by us, may also impair our operations and performance. If any of the following risks actually occur, our business, financial condition or results of operations could be materially adversely affected. If that happens, the trading price of our common stock could decline, and you may lose all or part of your investment.

There is uncertainty regarding the value of our investments in restricted securities.

Our net asset value is based on the values assigned to the various investments in our portfolio, determined in good faith by our board of directors. Because of the inherent uncertainty of the valuation of portfolio securities which do not have readily ascertainable market values, our fair value determinations may differ materially from the values which would be applicable to unrestricted securities having a public market.

The lack of liquidity of our restricted securities may adversely affect our business.

Our portfolio contains many securities which are subject to restrictions on sale because they were acquired from issuers in "private placement" transactions or because we are deemed to be an affiliate of the issuer. Unless an exemption from the registration requirements of the Securities Act of 1933 is available, we will not be able to sell these securities publicly without the expense and time required to register the securities under applicable federal and state securities laws. In addition, contractual or practical limitations may restrict our ability to liquidate our securities in portfolio companies, because we may own a relatively large percentage of the issuer's outstanding securities. Sales may also be limited by unfavorable market conditions. The illiquidity of our investments may preclude or delay the disposition of such securities, which may make it difficult for us to obtain cash equal to the value at which we record our investments.

There is limited publicly available information regarding the companies in which we invest.

Many of the securities in our portfolio are issued by privately held companies. There is generally little or no publicly available information about such companies, and we must rely on the diligence of our management to obtain the information necessary for our decision to invest. There can be no assurance that such diligence efforts will uncover all material information necessary to make fully informed investment decisions.

Certain of our portfolio companies are highly leveraged.

Many of our portfolio companies have incurred substantial indebtedness in relation to their overall capital base. Such indebtedness often has a term that will require the balance of the loan to be refinanced when it matures. If portfolio companies cannot generate adequate cash flow to meet the principal and interest payments on their indebtedness, the value of our investments could be reduced or eliminated through foreclosure on the portfolio company's assets or by the portfolio company's reorganization or bankruptcy.

Fluctuations may occur in our quarterly results.

Our quarterly operating results may fluctuate materially due to a number of factors including, among others, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which we encounter competition in our portfolio companies' markets, the ability to find and close suitable investments, and general economic conditions. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

We may not continue to qualify for pass-through tax treatment.

We may not qualify for conduit tax treatment as a Regulated Investment Company ("RIC") if we are unable to comply with the requirements of Subchapter M of the Internal Revenue Code. If we fail to satisfy such requirements and cease to qualify for conduit tax treatment, we will be subject to federal taxes on our net investment income. The loss of this pass-through tax treatment could have a material adverse effect on the total return, if any, obtainable from an investment in our common stock.

Historically, we have distributed net investment income semi-annually. Our current intention is to continue these distributions of ordinary income to our shareholders. Also, historically, we have retained net realized capital gains, paid the resulting tax at the corporate level and retained the after-tax gains

to supplement our equity capital and support continuing additions to our portfolio. Our shareholders then report such capital gains on their tax returns, receive credit for the tax we paid and are deemed to have reinvested the amount of the retained after-tax gain. We cannot assure you that we will achieve investment results or maintain a RIC tax status that will allow any specified level of cash distributions or our shareholders' current tax treatment of realized and retained capital gains.

Our financial condition and results of operations will depend on our ability to effectively manage any future growth.

Sustaining growth depends on our ability to identify, evaluate, finance, and invest in companies that meet our investment criteria. Accomplishing such results on a cost-effective basis is a function of our marketing capabilities and skillful management of the investment process. Failure to achieve future growth could have a material adverse effect on our business, financial condition, and results of operations.

We are dependent upon management for our future success.

Selection, structuring and closing our investments depends upon the diligence and skill of our management, which is responsible for identifying, evaluating, negotiating, monitoring and disposing of our investments. Our management's capabilities may significantly impact our results of operations. If we lose any member of our management team and he/she cannot be promptly replaced with an equally capable team member, our results of operations could be significantly impacted.

We operate in a highly competitive market for investment opportunities.

We compete with a number of private equity funds, other investment entities and individuals for investment opportunities. Some of these competitors are substantially larger and have greater financial resources, and some are subject to different and frequently less stringent regulation. As a result of this competition, we may not be able to take advantage of attractive investment opportunities from time to time and there can be no assurance that we will be able to identify and make investments that satisfy our objectives.

Changes in laws or regulations governing our operations or our failure to comply with those laws or regulations may adversely affect our business.

We and our portfolio companies are subject to regulation by laws at the local, state and federal level. These laws and regulations, as well as their interpretation, may be changed from time to time. Accordingly, any changes in these laws and regulations or failure to comply with them could have a material adverse effect on our business. Certain of these laws and regulations pertain specifically to business development companies such as ours.

Failure to deploy new capital may reduce our return on equity.

If we fail to invest our capital effectively, our return on equity may be decreased, which could reduce the price of the shares of our common stock.

Investment in shares of our common stock should not be considered a complete investment program.

Our stock is intended for investors seeking long-term capital appreciation. Our investments in portfolio securities generally require many years to reach maturity, and such investments generally are illiquid. An investment in our shares should not be considered a complete investment program. Each prospective purchaser should take into account his or her investment objectives as well as his or her other investments when considering the purchase of our shares.

Our common stock often trades at a discount from net asset value.

Our common stock is listed on The Nasdaq Global Market ("NASDAQ"). Shareholders desiring liquidity may sell their shares on NASDAQ at current market value, which has often been below net asset value. Shares of closed-end investment companies frequently trade at discounts from net asset value, which is a risk separate and distinct from the risk that a fund's performance will cause its net asset value to decrease.

The market price of our common stock may fluctuate significantly.

The market price and marketability of shares of our common stock may from time to time be significantly affected by numerous factors, including our investment results, market conditions, and other influences and events over which we have no control and that may not be directly related to us.

#### Item 1B. Unresolved Staff Comments

We have no unresolved staff comments to report pursuant to Item 1B.

#### 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, 2007.

### 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 2007 Annual Report is herein incorporated by reference.

#### Performance Graph

The following graph compares our cumulative total shareholder return during the last five years (based on the market price of our common stock and assuming reinvestment of all dividends and tax credits on retained long-term capital gains) with the Total Return Index for NASDAQ (U.S. Companies) and with the Total Return Index for Nasdaq Financial Stocks, both of which indices have been prepared by the Center for Research in Security Prices at the University of Chicago.

Comparison of Five Year Cumulative Total Returns

[GRAPH OMITTED]

	Nasdaq Total Return (U.S.)	Nasdaq Financial Stocks	Capital Southwest Corporation
2002	100.000	100.000	100.000
2003	73.397	92.777	70.744
2004	108.335	133.387	112.003
2005	109.059	138.745	118.299
2006	128.607	162.999	143.785
2007	133.404	170.643	241.089

Item 6. Selected Financial Data

"Selected Consolidated Financial Data" on page 36 of our 2007 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 2007 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.

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

Our investment in portfolio securities includes fixed-rate debt securities which totaled \$6,109,238 at March 31, 2007, equivalent to 0.9% 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 stocks of publicly-owned companies. The fair values of these restricted securities are influenced by the nature of applicable resale restrictions, the underlying earnings and financial condition of the 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 equity price would result in an identical change in the value of our investment in such security.

Item 8. Financial Statements and Supplementary Data

Pages 11 through 32 of our 2007 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, 2007 and 2006.

	First Quarter -----	Second Quarter -----	Third Quarter -----	Fourth Quarter -----	Total -----
	(In thousands, except per share amounts)				
2007					
-----					
Net investment income	\$ 492	\$ 1,170	\$ 1,617	\$ 954	\$ 4,233
Net realized gain (loss) on investments	258	5,986	12,805	(2,715)	16,334
Net increase (decrease) in unrealized appreciation of investments	(3,023)	(2,120)	86,187	15,300	96,344
Net increase (decrease) in net assets from operations	(2,273)	5,036	100,609	13,539	116,911
Net increase (decrease) in net assets from operations per share	(0.59)	1.30	25.89	3.48	30.08
2006					
-----					
Net investment income	\$ 574	\$ 666	\$ 893	\$ 256	\$ 2,389
Net realized gain on investments	3,409	3,772	4,132	1,803	13,116
Net increase in unrealized appreciation of investments	2,692	17,436	9,755	46,521	80,685
Net increase in net assets from operations	6,675	21,874	14,780	48,580	96,190
Net increase in net assets from operations per share	1.73	5.67	3.83	12.58	24.92

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

None.

Item 9A. Controls and Procedures

(i) Disclosure Controls and Procedures.

As of March 31, 2007, 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 and 15d-15 of the Securities Exchange Act of 1934). Based on that evaluation, the President and Chairman of the Board and Secretary-Treasurer concluded that our disclosure controls and procedures are effective to ensure that the information required to be disclosed is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and is accumulated and communicated to management, including the President and Chairman of the Board and Secretary-Treasurer, as appropriate, to allow timely decisions regarding such required disclosure.

During the fiscal quarter ended March 31, 2007, there were no changes to the internal control over financial reporting that have materially affected, or are reasonably likely to materially affect our internal controls over financial reporting.

(ii) Internal Control Over Financial Reporting.

(a) Management's annual report on internal control over financial reporting.

The Company's management report on internal control over financial reporting is set forth in our 2007 Annual Report on page 30 and is incorporated herein by reference.

(b) Attestation report of the registered public accounting firm

The report of Grant Thornton LLP, the Company's independent registered public accounting firm, on management's assessment of the effectiveness of the Company's internal control over financial reporting and the effectiveness of the Company's internal control over financial reporting is set forth in our 2007 Annual Report on page 31 and is incorporated herein by reference.

Item 9B. Other Information

None.

### PART III

Item 10. Directors, Executive Officers and Corporate Governance

The section of our 2007 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.

The names and ages of our executive officers as of June 1, 2007, together with certain biographical information, are as follows:

William M. Ashbaugh, age 52, has served as Senior Vice President since 2005 and 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.

Susan K. Hodgson, age 45, has served as Secretary-Treasurer since 2001 and was Controller from 1994 to 2001.

Gary L. Martin, age 60, 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.

Jeffrey G. Peterson, age 33, has served as Vice President since 2005 and was an Investment Associate since 2001. He previously held positions with the investment banking division of Scott & Stringfellow, Inc. and the corporate lending division of Bank One.

William R. Thomas, age 78, 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.

The sections of our 2007 Proxy Statement captioned "Meetings and Committees of the Board of Directors" 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 2007 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](http://www.capitalsouthwest.com).

Item 11. Executive Compensation

The information in the section of our 2007 Proxy Statement captioned "Compensation Discussion and Analysis" is incorporated in this Item 11 by reference.

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

The information in the sections of our 2007 Proxy Statement captioned "Stock Ownership of Certain Beneficial Owners" are incorporated in this Item 12 by reference.

The table below sets forth certain information as of March 31, 2007 regarding the shares of our common stock available for grant or granted under stock option plans that (i) were approved by our shareholders, and (ii) were not approved by our shareholders.

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)	52,500	\$86.184	58,500
Equity compensation plans not approved by security holders	-	-	-
Total	52,500	\$86.184	58,500

(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, and Director Independence

The information in the sections of our 2007 Proxy Statement captioned "Meetings and Committees of the Board of Directors" - "Committee Member Independence" and "Certain Relationships and Related Party Transactions" are incorporated in this Item 13 by reference.

Item 14. Principal Accountant Fees and Services

The information in the sections of our 2007 Proxy Statement captioned "Proposal 2: Ratification of Appointment of Independent Registered Accounting Firm" 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 11 through 32 of our 2007 Annual Report are herein incorporated by reference:

- (A) Portfolio of Investments - March 31, 2007  
Consolidated Statements of Financial Condition - March 31, 2007 and 2006  
Consolidated Statements of Operations - Years Ended March 31, 2007, 2006 and 2005  
Consolidated Statements of Changes in Net Assets - Years Ended March 31, 2007, 2006 and 2005  
Consolidated Statements of Cash Flows - Years Ended March 31, 2007, 2006 and 2005
- (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 Firm
- (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

/s/ William R. Thomas

By: William R. Thomas, President  
and Chairman of the Board

Date: May 25, 2007

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 ----
<u>/s/ William R. Thomas</u> William R. Thomas	President and Chairman of the Board and Director (chief executive officer)	May 25, 2007
<u>/s/ Gary L. Martin</u> Gary L. Martin	Director	May 25, 2007
<u>/s/ Donald W. Burton</u> Donald W. Burton	Director	May 25, 2007
<u>/s/ Graeme W. Henderson</u> Graeme W. Henderson	Director	May 25, 2007
<u>/s/ Samuel B. Ligon</u> Samuel B. Ligon	Director	May 25, 2007
<u>/s/ John H. Wilson</u> John H. Wilson	Director	May 25, 2007
<u>/s/ Susan K. Hodgson</u> Susan K. Hodgson	Secretary-Treasurer (chief financial/accounting officer)	May 25, 2007

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.
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, 2007.
10.2 *	Retirement Plan for Employees of Capital Southwest Corporation and Its Affiliates as amended and restated effective April 1, 2006.
10.3	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).
10.4	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).
10.5	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).
10.6	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).
10.7	Capital Southwest Corporation 1999 Stock Option Plan (filed as Exhibit 10.10 to Form 10-K for the fiscal year ended March 31, 2000).
10.8	Severance Pay Agreement with William M. Ashbaugh (filed as Exhibit 10.1 to Form 8-K dated July 18, 2005).
10.9	Severance Pay Agreement with Susan K. Hodgson (filed as Exhibit 10.3 to Form 8-K dated July 18, 2005).
10.10	Severance Pay Agreement with Jeffrey G. Peterson (filed as Exhibit 10.4 to Form 8-K dated July 18, 2005).

- 13.1 \* Annual Report to Shareholders for the fiscal year ended March 31, 2007.
- 21.1 \* List of subsidiaries of the Company.
- 23.1 \* Consent of Independent Registered Public Accounting Firm - Grant Thornton 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.

AMENDED AND RESTATED BYLAWS  
OF  
CAPITAL SOUTHWEST CORPORATION

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AMENDED AND RESTATED BYLAWS  
OF  
CAPITAL SOUTHWEST CORPORATION

ARTICLE I

OFFICES

1.01 Registered Office. The registered office, until changed by action of the Board of Directors, shall be at 12900 Preston Road, Suite 700, City of Dallas, County of Dallas, State of Texas.

1.02 Other Offices. The corporation also may have offices at such other places both within and without the State of Texas as the Board of Directors may from time to time determine or as the business of the corporation may require.

ARTICLE II

MEETINGS OF THE SHAREHOLDERS

2.01 Place of Meetings. Meetings of shareholders for the election of directors or for any other proper purpose shall be held at such place within or without the State of Texas as the Board of Directors may from time to time designate. At the discretion of the Board of Directors, or as agreed to by all persons entitled to notice of the meeting, meetings of shareholders may also be held or shareholders may participate in meetings of shareholders by means of remote communication authorized under the Texas Business Organizations Code as stated in the notice of such meeting or a duly executed waiver of notice thereof.

2.02 Annual Meeting. An annual meeting of shareholders shall be held at such time and date as the Board of Directors may determine. At such meeting the shareholders entitled to vote thereat shall elect a Board of Directors and may transact such other business as may properly be brought before the meeting.

2.03 Special Meetings. Special meetings of shareholders may be called by the Chairman of the Board of Directors, the President, the Board of Directors, or the holders of at least 10% of all the shares entitled to vote at the proposed special meeting. If not otherwise fixed in accordance with these Bylaws, the record date for determining shareholders entitled to call a special meeting is the date the first shareholder signs the notice of such meeting.

2.04 Notice of Annual or Special Meeting. Written or printed notice stating the place, if any, day and hour of the meeting, the means of any remote communications by which shareholders may be considered present and may vote at the meeting and the means of accessing the remote communications system, and, in the case of a special meeting, the purpose or purposes for which the meeting is

called shall be delivered not less than 10 nor more than 60 days before the date of the meeting, personally, by electronic transmission, or by mail, or by any other method permitted by applicable law, by or at the direction of the President, the Secretary, or the officer or person calling the meeting, to each shareholder entitled to vote at such meeting except as otherwise provided in the Texas Business Organizations Code. If the meeting is held by means of remote communications, the notice of meeting shall include information on how to access the list of shareholders entitled to vote at the meeting required by Section 2.11. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the shareholder at his address as it appears on the share transfer records of the corporation, with postage thereon prepaid. Whenever any notice is required to be given to any shareholder under the provisions of any law, the Articles of Incorporation, or these Bylaws, a waiver thereof in writing signed by the person or persons entitled to such notice, or a waiver by electronic transmission by the person or persons entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

2.05 Notice by Electronic Transmission. On consent of a shareholder, notice from the corporation under any applicable law, the Articles of Incorporation, or these Bylaws may be given to the shareholder by electronic transmission. The shareholder may specify the form of electronic transmission to be used to communicate notice. The shareholder may revoke this consent by written notice to the corporation. The consent of a shareholder is considered revoked if the corporation is unable to deliver by electronic transmission two consecutive notices, and the secretary, assistant secretary or transfer agent of the corporation, or another person responsible for delivering notice on behalf of the corporation, knows that delivery of these two electronic transmissions was unsuccessful. Inadvertent failure to treat the unsuccessful transmissions as a revocation of the shareholder's consent does not affect the validity of a meeting or other action. Notice by electronic transmission shall be deemed given when the notice is: (1) transmitted to a facsimile number provided by the shareholder for the purpose of receiving notice; (2) transmitted to an electronic mail address provided by the shareholder for the purpose of receiving notice; (3) posted on an electronic network and a message is sent to the shareholder at the address provided by the shareholder for the purpose of alerting the shareholder of a posting; or (4) communicated to the shareholder by any other form of electronic transmission consented to by the shareholder.

2.06 Business at Special Meeting. The business transacted at any special meeting of shareholders shall be limited to the purposes stated in the notice thereof.

2.07 Quorum of Shareholders. Unless otherwise provided in the Articles of Incorporation, the holders of a majority of the shares entitled to vote at a meeting of shareholders, represented in person or by proxy, shall constitute a quorum for any matter to be presented at that meeting. If, however, a quorum shall not be present or represented at any meeting of the shareholders, unless otherwise provided in the Articles of Incorporation, the holders of a majority of the shares represented in person or by proxy at the meeting shall have the power to adjourn the meeting until such time and to such place as they shall determine, without notice other than announcement at the meeting. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted that might have been transacted at the meeting as originally notified. Unless otherwise provided in the Articles of Incorporation, the shareholders present at a duly organized meeting may continue to transact

business until adjournment, and the subsequent withdrawal of any shareholder or the refusal of any shareholder to vote shall not affect the presence of a quorum at the meeting.

2.08 Act of Shareholders' Meeting. With respect to any matter, other than the election of directors, a vote on a "fundamental action" as defined in the Texas Business Organizations Code (a "Fundamental Action"), a vote on a "fundamental business transaction" as defined in the Texas Business Organization Code (a "Fundamental Business Transaction"), or another matter for which the affirmative vote of the holders of a specified portion of the shares entitled to vote is required by law or the Articles of Incorporation, the affirmative vote of the holders of a majority of the shares entitled to vote on, and that voted for or against or expressly abstained with respect to, that matter at a meeting of shareholders at which a quorum is present shall be the act of shareholders. Unless otherwise provided in the Articles of Incorporation, directors shall be elected by a plurality of the votes cast by the holders of shares entitled to vote in the election of directors at a meeting of shareholders at which a quorum is present. Unless otherwise provided in the Texas Business Organizations Code or the Articles of Incorporation, the vote required for approval of a Fundamental Action or a Fundamental Business Transaction by the shareholders is the affirmative vote of the holders of at least two-thirds of the outstanding shares entitled to vote on the Fundamental Action or Fundamental Business Transaction.

2.09 Voting of Shares. Each outstanding share, regardless of class, shall be entitled to one vote on each matter submitted to a vote at a meeting of shareholders, except to the extent otherwise provided by law or the Articles of Incorporation. At each election for directors, every shareholder entitled to vote at such election shall have the right to vote the number of shares owned by him for as many persons as there are directors to be elected and for whose election he has the right to vote. Unless expressly permitted by the Articles of Incorporation, no shareholder shall be entitled to cumulate his votes by giving one candidate as many votes as the number of such directors to be elected multiplied by the number of shares owned by such shareholder or by distributing such votes on the same principle among any number of such candidates.

2.10 Proxies. At any meeting of the shareholders, each shareholder having the right to vote shall be entitled to vote either in person or by proxy executed in writing by the shareholder. A telegram, telex, cablegram, or other form of electronic transmission, including telephone transmission, by the shareholder, or a photographic, photostatic, facsimile, or similar reproduction of a writing executed by the shareholder, shall be treated as an execution in writing for purposes of this section. Any electronic transmission must contain or be accompanied by information from which it can be determined that the transmission was authorized by the shareholder. No proxy shall be valid after 11 months from the date of its execution unless otherwise provided in the proxy. Each proxy shall be revocable unless the proxy form conspicuously states that the proxy is irrevocable and the proxy is coupled with an interest. An irrevocable proxy, if noted conspicuously on the certificate representing the shares that are subject to the irrevocable proxy, shall be specifically enforceable against the holder of those shares or any successor or transferee of the holder. Unless noted conspicuously on the certificate representing the shares that are subject to the irrevocable proxy, an irrevocable proxy, even though otherwise enforceable, is ineffective against a transferee for value without actual knowledge of the existence of the irrevocable proxy at the time of the transfer or against any subsequent transferee (whether or not for value), but such an irrevocable proxy shall be specifically enforceable against any

other person who is not a transferee for value from and after the time that the person acquires actual knowledge of the existence of the irrevocable proxy.

2.11 Voting List. The officer or agent having charge of the share transfer records for shares of the corporation shall make, not later than the 11th day before the date of each meeting of shareholders, a complete list of the shareholders entitled to vote at such meeting or any adjournment thereof, arranged in alphabetical order, with the address of and number and type of shares held by each shareholder, which list, for a period of ten days prior to such meeting, shall be kept on file at the registered office or principal executive office of the corporation and shall be subject to inspection by any shareholder at any time during usual business hours. Such list also shall be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any shareholder during the whole time of the meeting. The original share transfer records shall be prima-facie evidence as to who are the shareholders entitled to examine such list or transfer records or to vote at any such meeting of shareholders. Instead of being kept on file, the list may be kept on a reasonably accessible electronic network if the information required to gain access to the list is provided with notice of the meeting. If the list is made available on an electronic network, the corporation shall take reasonable measures to ensure the information is available only to shareholders of the corporation. If a meeting of shareholders is held by means of remote communication, the list must be open to inspection by a shareholder during the meeting on a reasonably accessible electronic network.

2.12 Action by Written Consent Without a Meeting. Any action required or permitted to be taken at any annual or special meeting of the shareholders may be taken without a meeting, without prior notice, and without a vote, if a consent or consents in writing, setting forth the action so taken, is signed by the holder or holders of all the shares entitled to vote with respect to the action that is the subject of the consent or consents. A telegram, telex, cablegram, or other electronic transmission by a shareholder consenting to an action to be taken is considered to be written, signed, and dated for the purposes of this section if the transmission sets forth or is delivered with information from which the corporation can determine that the transmission was transmitted by the shareholder and the date on which the shareholder transmitted the transmission. Any photographic, photostatic, facsimile, or similarly reliable reproduction of a consent in writing signed by a shareholder may be substituted or used instead of the original writing for any purpose for which the original writing could be used, if the reproduction is a complete reproduction of the entire original writing.

2.13 Presence at Meeting. Participation in a meeting shall constitute presence in person at such meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

### ARTICLE III

#### BOARD OF DIRECTORS

3.01 Powers. The powers of the corporation shall be exercised by or under the authority of, and the business and affairs of the corporation shall be

managed under the direction of, the Board of Directors, which may exercise all such powers of the corporation and do all such lawful acts and things as are not by law, the Articles of Incorporation, or these Bylaws directed or required to be exercised and done by the shareholders.

3.02 Number of Directors. The Board of Directors shall consist of one or more directors. The initial Board of Directors shall be fixed by the Articles of Incorporation; thereafter, the number of directors shall be determined by resolution of the Board of Directors, but no decrease in the number of directors shall have the effect of shortening the term of any incumbent director.

3.03 Election and Term. The directors, other than the initial Board of Directors, shall be elected at each annual meeting of the shareholders, except as provided in Section 3.04 of this Article, and each director elected shall hold office until the next succeeding annual meeting and until his successor is elected and qualified or until his death, resignation, or removal in accordance with these Bylaws. Directors need not be residents of the State of Texas or shareholders of the corporation.

3.04 Vacancies. Any vacancy occurring in the Board of Directors may be filled by an election at an annual or special meeting of the shareholders called for that purpose or by the affirmative vote of a majority of the remaining directors though less than a quorum of the Board of Directors. A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office. Any directorship to be filled by reason of an increase in the number of directors may be filled by election at an annual or special meeting of the shareholders called for that purpose or may be filled by the Board of Directors for a term of office continuing only until the next election of one or more directors by the shareholders; provided that the Board of Directors may not fill more than two such directorships during the period between any two successive annual meetings of shareholders.

3.05 Resignation and Removal. Any director may resign at any time by giving notice in writing or by electronic transmission to the corporation. At any meeting of shareholders called expressly for the purpose of removing a director or directors, any director or the entire Board of Directors may be removed, with or without cause, by a vote of the holders of a majority of the shares then entitled to vote at an election of directors.

3.06 Compensation of Directors. As specifically prescribed from time to time by resolution of the Board of Directors, the directors of the corporation may be paid their expenses of attendance at each meeting of the Board and may be paid a fixed sum for attendance at each meeting of the Board or a stated salary in their capacity as directors. This provision shall not preclude any director from serving the corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for service on any such committee.

3.07 Chairman of the Board. The Board of Directors, at its first meeting after each annual meeting of shareholders, may elect one of its members Chairman of the Board. Subject to the authority of the Board of Directors, the Chairman of the Board shall preside at all meetings of the Board of Directors and shall have such other powers and duties as usually pertain to such position or as may be delegated by the Board of Directors.

## ARTICLE IV

### MEETINGS OF THE BOARD

4.01 First Meeting. The first meeting of each newly elected Board of Directors shall be held without notice immediately following the shareholders' annual meeting at which such directors were elected, at the same place as such shareholders' meeting or at such other time and place either within or without the State of Texas as shall be designated by the Secretary upon the written request of a majority of the directors then elected.

4.02 Regular Meetings. Regular meetings of the Board of Directors may be held with or without notice at such time and at such place either within or without the State of Texas as from time to time shall be prescribed by resolution of the Board of Directors.

4.03 Special Meetings. Special meetings of the Board of Directors may be called by the Chairman of the Board of Directors or the President, and shall be called by the Chairman of the Board of Directors, the President, or the Secretary on the written request of two directors. Notice of special meetings of the Board of Directors, either in writing or by electronic transmission, shall be given to each director at least 24 hours prior to the time of the meeting.

4.04 Written Notice. Whenever any notice is required to be given to any director under the provisions of any law, the Articles of Incorporation, or these Bylaws, and the director has not consented to notice by electronic transmission, it shall be given in writing and delivered personally or mailed, or delivered by any other method permitted under applicable law, to such director at such address as appears on the records of the corporation, and, if mailed, such notice shall be deemed to be delivered at the time when the same shall be deposited in the United States mail with sufficient postage thereon prepaid.

4.05 Notice by Electronic Transmission. On consent of a director, notice of the date, time, place, or purpose of a regular or special meeting of the Board of Directors may be given to the director by electronic transmission. The director may specify the form of electronic transmission to be used to communicate notice. Notice by electronic transmission shall be deemed given when the notice is: (1) transmitted to a facsimile number provided by the director for the purpose of receiving notice; (2) transmitted to an electronic mail address provided by the director for the purpose of receiving notice; (3) posted on an electronic network and a message is sent to the director at the address provided by the director for the purpose of alerting the director of a posting; or (4) communicated to the director by any other form of electronic transmission consented to by the director. The director may revoke this consent by written notice to the corporation. The director's consent under this Section is considered revoked if the corporation is unable to deliver by electronic transmission two consecutive notices, and the secretary, assistant secretary, or transfer agent of the corporation, or another person responsible for delivering notice on behalf of the corporation, knows that delivery of those two electronic transmissions was unsuccessful. Inadvertent failure to treat the unsuccessful transmissions as a revocation of the director's consent does not affect the validity of a meeting or other action.

4.06 Waiver of Notice. Whenever any notice is required to be given to any director under the provisions of any law, the Articles of Incorporation, or these Bylaws, a waiver thereof in writing signed by the director or directors

entitled to such notice, or a waiver by electronic transmission by the director or directors entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

4.07 Attendance as Waiver. Attendance of a director at a meeting of the Board of Directors or a committee thereof shall constitute a waiver of notice of such meeting, except when a director attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

4.08 Business at Regular or Special Meeting. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice, or waiver of notice, whether in writing or by electronic transmission, of such meeting.

4.09 Quorum of Directors. A majority of the Board of Directors shall constitute a quorum for the transaction of business. If a quorum shall not be participating at any meeting of the Board of Directors, the directors participating thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be participating.

4.10 Interested Directors. An otherwise valid contract or transaction between the corporation and one or more of its directors or officers, or between the corporation and any other corporation or other entity in which one or more of its directors or officers are directors, officers or other managerial officials or have a financial interest, shall be valid notwithstanding that the director or officer is present at or participates in the meeting of the Board of Directors or committee thereof that authorizes the contract or transaction, and notwithstanding whether his or their votes are counted for such purpose, if:

- (a) The material facts as to his relationship or interest and as to the contract or transaction are disclosed to or are known by the Board of Directors or the committee, and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative vote of a majority of the disinterested directors or committee members, even though the disinterested directors be less than a quorum; or
- (b) The material facts as to his relationship or interest and as to the contract or transaction are disclosed to or are known by the shareholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the shareholders; or
- (c) The contract or transaction is fair as to the corporation as of the time it is authorized, approved, or ratified by the Board of Directors, a committee thereof, or the shareholders.

Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee that authorizes the contract or transaction.

4.11 Act of Directors' Meeting. The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors unless the act of a greater number is required by the Articles of Incorporation, by these Bylaws or by law.

4.12 Action by Written Consent Without a Meeting. Any action required or permitted to be taken at a meeting of the Board of Directors or any committee thereof may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all members of the Board of Directors or committee, as the case may be. A telegram, telex, cablegram, or other electronic transmission by a director is considered written, signed, and dated for the purposes of this section if the transmission sets forth or is delivered with information from which the corporation can determine that the transmission was transmitted by the director and the date on which the director transmitted the transmission. Such consent shall be filed with the minutes of the proceedings of the Board of Directors or committee, as the case may be. Such consent shall have the same force and effect as a unanimous vote at a meeting.

4.13 Presence at Meeting. Participation in a meeting shall constitute presence in person at such meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

## ARTICLE V

### COMMITTEES

5.01 Designation of Committees. The Board of Directors, by resolution, may designate from among its members one or more committees; provided, however, the Board of Directors shall establish all committees required by the Securities and Exchange Commission or the principal securities exchange on which the corporation's securities are listed for trading. No director who is employed by the corporation may serve on the audit, nominating or compensation committees. Each committee shall be comprised of one or more directors, and the Board may designate one or more of its members as alternate members of any committee, who may, subject to any limitations imposed by the Board of Directors, replace absent or disqualified members at any meeting of that committee. The Board of Directors may remove a member of a committee appointed by the Board if the Board determines the removal is in the best interests of the corporation. The removal shall be without prejudice to any contract rights of the person removed. Appointment of a committee member shall not of itself create contract rights.

5.02 Authority and Proceedings of Committees. Any such committee, to the extent provided in the resolution of the Board of Directors, shall have and may exercise all of the authority of the Board of Directors, subject to the limitations imposed by applicable law. Each committee shall keep regular minutes of its proceedings and report the same to the Board of Directors when required. To the extent applicable, the provisions of Article IV of these Bylaws governing the meetings of the Board of Directors shall likewise govern the meetings of any committee thereof.

5.03 Employee Director. No director who is also employed by the corporation shall serve on any audit, nominating or compensation committee.

5.04 Regular Meetings. Regular meetings of any committee may be held without notice at such time and place as may be designated from time to time by the committee and communicated to all members thereof.

5.05 Special Meetings. Special meetings of any committee may be held whenever called by any committee member. The committee member calling any special meeting shall cause notice of such special meeting, including therein the time and place of such special meeting, to be given to each committee member at least two days before such special meeting. Neither the business to be transacted at, nor the purpose of, any special meeting of any committee need be specified in the notice or waiver of notice of any special meeting.

5.06 Quorum; Majority Vote. At meetings of any committee, a majority of the number of members designated by the Board of Directors shall constitute a quorum for the transaction of business. If a quorum is not present at a meeting of any committee, a majority of the members present may adjourn the meeting from time to time, without notice other than an announcement at the meeting, until a quorum is present. The act of a majority of the members present at any meeting at which a quorum is in attendance shall be the act of a committee, unless the act of a greater number is required by law, the Articles of Incorporation, or these Bylaws. If any committee shall consist of two members, the presence of both directors shall be necessary to constitute a quorum, and the consent of both members shall be necessary to approve any action.

5.07 Minutes. Each committee shall cause minutes of its proceedings to be prepared and shall report the same to the Board of Directors upon the request of the Board of Directors. The minutes of the proceedings of each committee shall be delivered to the Secretary of the Corporation for placement in the minute books of the corporation.

5.08 Compensation. Committee members may, by resolution of the Board of Directors, be allowed a fixed sum and expenses of attendance, if any, for attending any committee meetings or a stated salary.

5.09 Responsibility. The designation of any committee and the delegation of authority to it shall not operate to relieve the Board of Directors or any director of any responsibility imposed upon it or such director by law.

#### ARTICLE VI

##### MEETING BY USE OF CONFERENCE TELEPHONE OR SIMILAR COMMUNICATIONS EQUIPMENT

The shareholders, members of the Board of Directors, or members of any committee designated by the Board of Directors may participate in and hold a meeting of such shareholders, Board of Directors, or committee by means of conference telephone or similar communications equipment or another suitable electronic communications system, including videoconferencing technology or the Internet, or any combination if the telephone or other equipment or system permits each person participating in the meeting to communicate with all other persons participating in the meeting and, if voting is to take place at the meeting, to vote. If voting is to take place at the meeting, the corporation must implement reasonable measures to verify that each person voting at the

meeting by means of remote communications is sufficiently identified and entitled to vote and must keep a record of any vote or other action taken.

## ARTICLE VII

### OFFICERS

7.01 Executive Officers. The officers of the corporation shall consist of a President and a Secretary, and may also include one or more Vice Presidents, a Treasurer, and such other officers as are provided for in this Article. Each officer of the corporation shall be elected by the Board of Directors as provided in Section 7.02 of this Article. Any two or more offices may be held by the same person.

7.02 Election and Qualification. The Board of Directors, at its first meeting after each annual meeting of shareholders, shall elect a President and a Secretary. The Board of Directors also may elect one or more Vice Presidents, a Treasurer, and such other officers, including assistant officers and agents, as may be deemed necessary, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors.

7.03 Compensation. The compensation of all officers and agents of the corporation shall be determined by or determined in a manner specified by the Board of Directors.

7.04 Term, Removal, and Vacancies. Each officer of the corporation shall hold office until his successor is chosen and qualified or until his death, resignation, or removal. Any officer may resign at any time upon giving written notice to the corporation, but such resignation shall be without prejudice to the contract rights, if any, of the corporation. Any officer or agent may be removed by the Board of Directors for or without cause whenever in its judgment the best interests of the corporation will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer shall not of itself create contract rights. Any vacancy occurring in any office of the corporation by death, resignation, removal, or otherwise shall be filled by the Board of Directors.

7.05 Chief Executive Officer. Unless the Board of Directors designates otherwise, the President shall be the chief executive officer of the corporation. The Chief Executive Officer shall preside at all meetings of the shareholders. The Chief Executive Officer shall have such other powers and duties as usually pertain to such office or as may be delegated by the Board of Directors.

7.06 President. Unless the Board of Directors shall otherwise delegate such duties, the President shall have general powers of oversight, supervision, and management of the business and affairs of the corporation, and shall see that all orders and resolutions of the Board of Directors are carried into effect. The President shall have such powers and duties as usually pertain to such office, except as the same may be modified by the Board of Directors. He shall execute bonds, mortgages, instruments, contracts, agreements, and other documentation, except when the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the corporation.

7.07 Vice Presidents. Unless otherwise determined by the Board of Directors, the Vice Presidents in order of their seniority as such seniority may from time to time be designated by the Board of Directors, shall perform the duties and exercise the powers of the President in absence or disability of the President. They shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

7.08 Secretary. The Secretary shall attend all meetings of the Board of Directors and of the shareholders, record all the proceedings of the meetings of the Board of Directors and of the shareholders in a book to be kept for that purpose, and shall perform like duties for the standing committees when required. He shall give, or cause to be given, notice of all meetings of the shareholders and special meetings of the Board of Directors as may be prescribed by the Board of Directors or the President. He shall keep in safe custody the seal of the corporation, and, when authorized by the Board of Directors, affix the same to any instrument requiring it. When so affixed, such seal shall be attested by his signature or by the signature of the Treasurer or an Assistant Secretary. He shall perform all duties incident to the office of the Secretary and such other duties as may from time to time be assigned to him by the Board of Directors.

7.09 Assistant Secretary. An Assistant Secretary, unless otherwise determined by the Board of Directors, shall, in the absence or disability of the Secretary, perform the duties and exercise the powers of the Secretary. An Assistant Secretary shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

7.10 Treasurer. The Treasurer shall have the custody of the corporate funds and securities, shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation, and shall deposit all moneys and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the Board of Directors. He shall disburse the funds of the corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the President and the Board of Directors at its regular meetings, or when the Board of Directors so requires, an account of all his transactions as Treasurer, and of the financial condition of the corporation. The Treasurer shall perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Board of Directors.

7.11 Assistant Treasurer. An Assistant Treasurer, unless otherwise determined by the Board of Directors, shall, in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer. An Assistant Treasurer shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

7.12 Officer's Bond. If required by the Board of Directors, any officer so required shall give the corporation a bond (which shall be renewed as the Board of Directors may require) in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the corporation, in case of his death, resignation, retirement, or removal from office, of any and all books, papers, vouchers, money, and other property of whatever kind in his possession or under his control belonging to the corporation.

## ARTICLE VIII

### CERTIFICATES FOR SHARES

8.01 Certificates Representing Shares. The corporation shall deliver certificates representing shares to which shareholders are entitled, provided that the Board of Directors may provide by resolution that some or all of any class or series of the corporation's stock may be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the corporation (or the transfer agent or registrar, as the case may be). Notwithstanding the adoption of such resolution by the Board of Directors, every holder of stock represented by certificates and, upon request, a holder of uncertificated shares shall be entitled to have a certificate signed in the name of the corporation by the Chairman of the Board, if any, or the President or a Vice President and by the Treasurer or an Assistant Treasurer or the Secretary or any Assistant Secretary, certifying the number of shares and the class or series of shares of the corporation owned by the stockholder. Any or all of the signatures on the certificate may be facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if such person were an officer, transfer agent or registrar at the date of issue. If a holder of uncertificated shares elects to receive a certificate for shares of the corporation's stock, the corporation (or the transfer agent or registrar, as the case may be) shall (to the extent permitted under applicable law and rules, regulations and listing requirements of any stock exchange or stock market on which the corporation's shares are listed or traded), cease providing annual statements indicating such holder's holdings of shares in the corporation.. Such certificates shall be numbered and shall be entered in the books of the corporation as they are issued, and shall be signed by the President or any Vice President and the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary of the corporation, and may be sealed with the seal of the corporation or a facsimile thereof. The signatures of such officers upon a certificate may be facsimiles. In case any officer who has signed or whose facsimile signature has been placed upon such certificate shall have ceased to be such officer before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer at the date of its issuance. Each certificate representing shares issued by the corporation shall conspicuously set forth such provisions as are required by applicable law. Each certificate representing shares shall state upon the face thereof that the corporation is organized under the laws of the State of Texas, the name of the person to whom issued, the number and class of shares and the designation of the series, if any, that such certificate represents and the par value of each share represented by such certificate or a statement that the shares are without par value. No certificate shall be issued for any share until the full amount of the consideration therefor, fixed as provided by law, has been paid or delivered.

8.02 Restriction on Transfer of Shares. Any restriction on the transfer, or registration of the transfer, of shares shall be noted conspicuously on each certificate representing shares that are subject to the restriction in accordance with applicable law.

8.03 Voting and Shareholder Agreements. Any voting or shareholder agreement shall be noted conspicuously on each certificate representing the shares that are subject to the agreement in accordance with applicable law.

8.04 Transfer of Shares. Upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment, or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate, and record the transaction upon its books.

8.05 Lost, Stolen or Destroyed Certificates. The Board of Directors, or such officer or officers of the corporation as the Board of Directors may from time to time designate, may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen, or destroyed upon the making of an affidavit of that fact by the person claiming the certificate or certificates of stock to be lost, stolen, or destroyed. When authorizing the issuance of a new certificate or certificates, the Board of Directors, or such officer or officers, in its or his discretion and as a condition precedent to the issuance thereof, may require the owner of such lost, stolen, or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it or he shall require or to give the corporation a bond in such form, in such sum, and with such surety or sureties as it or he may direct as indemnity against any claim that may be made against the corporation on account of the certificate or certificates alleged to have been lost, stolen, or destroyed or the issuance of the new certificate or certificates.

8.06 Closing of Transfer Books and Record Date. For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or entitled to receive a distribution by the corporation (other than a distribution involving a purchase or redemption by the corporation of any of its own shares) (a "Distribution") or a share dividend, or in order to make a determination of shareholders for any other proper purpose (other than determining shareholders entitled to consent to action taken by shareholders that is proposed to be taken without a meeting of shareholders), the Board of Directors may provide that the share transfer records shall be closed for a stated period but not to exceed, in any case, 60 days. If the share transfer records shall be closed for the purpose of determining shareholders entitled to notice of or to vote at a meeting of shareholders, such records shall be closed for at least 10 days immediately preceding such meeting. In lieu of closing the share transfer records, the Board of Directors may fix in advance a date as the record date for any such determination of shareholders, such date in any case to be not more than 60 days and, in case of a meeting of shareholders, not less than 10 days, prior to the date on which the particular action requiring such determination of shareholders is to be taken. If the share transfer records are not closed and no record date is fixed for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders, or shareholders entitled to receive a Distribution or a share dividend, the date on which notice of the meeting is mailed or the date on which the resolution of the Board of Directors declaring such Distribution or share dividend is adopted, as the case may be, shall be the record date for such determination of shareholders. When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this Section 9.06, such determination shall apply to any adjournment thereof, except when the determination has been made through the closing of the share transfer records and the stated period of closing has expired. Unless a record date shall have previously been fixed or determined pursuant to this Section 9.06, whenever action by shareholders is proposed to be taken by consent in writing without a meeting of shareholders, the Board of Directors may fix a record date for the purpose of determining shareholders entitled to consent to

that action, which record date shall not precede, and shall not be more than ten days after, the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no record date has been fixed by the Board of Directors and the prior action of the Board of Directors is not required by law, the record date for determining shareholders entitled to consent to action in writing without a meeting shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the corporation. If no record date shall have been fixed by the Board of Directors and prior action of the Board of Directors is required by law, the record date for determining shareholders entitled to consent to action in writing without a meeting shall be at the close of business on the date on which the Board of Directors adopts a resolution taking such prior action.

8.07 Registered Shareholders. The corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by law.

## ARTICLE IX

### GENERAL PROVISIONS

9.01 Dividends. The Board of Directors from time to time may authorize and declare, and the corporation may pay, dividends or other distributions on its outstanding shares in cash, property, or its own shares pursuant to law and subject to the provisions of the Articles of Incorporation and these Bylaws.

9.02 Reserves. The Board of Directors may by resolution create a reserve or reserves out of surplus for any proper purpose or purposes, and may abolish any such reserve in the same manner.

9.03 Negotiable Instruments. All bills, notes, checks, or other instruments for the payment of money shall be signed or countersigned by such officer or officers or such other person or persons and in such manner as are permitted by these Bylaws or in such manner as the Board of Directors from time to time may designate.

9.04 Fiscal Year. The fiscal year of the corporation shall be fixed by resolution of the Board of Directors.

9.05 Seal. The corporation may have a corporate seal and, if the Board of Directors adopts a corporate seal, the corporate seal shall have inscribed thereon the name of the corporation and may be used by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

9.06 Books and Records. The corporation shall keep books and records of account and shall keep minutes of the proceedings of the shareholders, the Board of Directors, and each committee of the Board of Directors. The corporation shall keep at its registered office or principal place of business, or at the

office of its transfer agent or registrar, a record of the original issuance of shares issued by the corporation and a record of each transfer of those shares that have been presented to the corporation for registration of transfer. Such records shall contain the names and addresses of all past and current shareholders of the corporation and the number and class or series of shares issued by the corporation held by each of them. Any books, records, minutes, and share transfer records may be in written form or in any other form capable of being converted into written paper form within a reasonable time.

#### ARTICLE X

##### AMENDMENTS

These Bylaws may be amended or repealed or new Bylaws may be adopted by the Board of Directors at any regular or special meeting of the Board, unless the Articles of Incorporation or applicable law reserves the power exclusively to the shareholders in whole or part or the shareholders in amending, repealing or adopting a particular bylaw expressly provide that the Board may not amend or repeal that bylaw. In addition, unless the Articles of Incorporation or a Bylaw adopted by the shareholders provides otherwise as to all or a part of the corporation's Bylaws, the shareholders may amend or repeal the corporation's Bylaws.

CERTIFICATE OF SECRETARY

The undersigned does hereby certify that (i) she is the duly elected and qualified Secretary of Capital Southwest Corporation, a Texas corporation and (ii) the foregoing is a true and correct copy of the Bylaws of the corporation as of April \_\_, 2007.

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\_\_\_\_\_, Secretary



THE RECTORSEAL CORPORATION AND JET-LUBE, INC.  
 EMPLOYEE STOCK OWNERSHIP PLAN  
 (As Revised and Restated Effective April 1, 2007)

THE RECTORSEAL CORPORATION AND JET-LUBE, INC.  
 EMPLOYEE STOCK OWNERSHIP PLAN  
 (As Revised and Restated Effective April 1, 2007)

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THE RECTORSEAL CORPORATION AND JET-LUBE, INC.  
EMPLOYEE STOCK OWNERSHIP PLAN  
(As Revised and Restated Effective April 1, 2007)

THIS AGREEMENT, executed this \_\_\_\_ day of May, 2007, and effective the first day of April, 2007 unless specifically provided otherwise in this Agreement, by The RectorSeal Corporation, a Delaware corporation, having its principal office in Houston, Texas (hereinafter referred to as the "Company").

W I T N E S S E T H:

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

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

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

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

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

the merger of the Jet Lube Plan with and into the Plan, was amended to comply with (i) those provisions of the Tax Reform Act of 1986 that were technical corrections to the Retirement Equity Act of 1984 and (ii) the temporary Treasury regulations issued with respect to those provisions in the Code enacted by the Retirement Equity Act of 1984 or the subsequent technical correction provisions thereto;

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

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

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

WHEREAS, the Company revised and restated the Plan effective April 1, 1998, except for certain provisions for which another effective date was subsequently provided otherwise in the terms of the Plan, to bring the Plan into compliance with the Code, as modified by the Small Business Job Protection Act of 1996, the General Agreement on Tariffs and Trade under the Uruguay Round Agreements Act, the Uniformed Services Employment and Reemployment Rights Act of 1994, the Taxpayer Relief Act of 1997, the Internal Revenue Service Restructuring and Reform Act of 1998, and the Community Renewal Tax Relief Act of 2000, as well as all other 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 were subsequently 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;

WHEREAS, the Company adopted 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;

WHEREAS, EGTRRA amended Section 401(a)(31)(B) of the Code to require that mandatory distributions of more than \$1,000 from the Plan be paid in a direct rollover to an individual retirement plan as defined in Sections 408(a) and (b) if the distributee does not make an affirmative election to have the amount paid in a direct rollover to an eligible retirement plan or to receive the distribution directly and I.R.S. Notice 2005-5 provides that this provision became effective to the Plan for distributions on or after March 28, 2005;

WHEREAS, the Company adopted Amendment No. 4 to the revised and restated Plan, effective as of March 28, 2005, to reduce the maximum dollar amount of mandatory distributions under the Plan from \$5,000 to \$1,000;

WHEREAS, pursuant to the guidance issued by the Internal Revenue Service in Rev. Proc. 2005-66, the Plan has been assigned a five-year remedial amendment cycle of Cycle A which requires the Plan to be amended no later than January 31, 2007 (except as may be provided otherwise by Rev. Proc. 2005-66 or other published guidance for certain interim amendments) to bring the Plan into compliance with the 2005 Cumulative List of Changes in Plan Qualification published by the Internal Revenue Service in Notice 2005-101 for Cycle A plans (the "Cycle A Cumulative List"), which identifies all changes in the qualification requirements applicable to Cycle A plans resulting from statutory, regulatory and other guidance published in the Internal Revenue Bulletin;

WHEREAS, the Pension Protection Act of 2006 (the "Pension Protection Act") enacted changes to the Code, certain provisions of which become applicable to the Plan for Years beginning on or after April 1, 2007;

WHEREAS, the Pension Protection Act enacted Section 401(a)(35) of the Code which imposes diversification requirements for certain defined contribution plans within the meaning of Section 401(a)(35)(E) of the Code, excluding an employee stock ownership plan within the meaning of Section 4975(e)(7) of the Code which meets the requirements of Section 401(a)(35)(E)(ii) of the Code;

WHEREAS, the Company amended and restated the Plan effective April 1, 2002, except for certain provisions for which another effective date is subsequently provided otherwise in the terms of the Plan, to (i) incorporate the provisions of Amendment Nos. 1-4 to the Plan, as revised as restated effective April 1, 1998, (ii) bring the Plan into compliance with the Code, as modified by the changes in the qualification requirements applicable to the Plan that are identified in the Cycle A Cumulative List, including, but not limited to EGTRRA and the Final Distribution Regulations, (iii) effective April 1, 2007, formally designate the Plan an employee stock ownership plan within the meaning of Section 4975(e)(7) of the Code and Treas. Reg. ss.54.4975-11(a), add pass through voting in accordance with the requirements of Section 409(e) of the Code, and add a diversification of investment provision applicable to qualified

participants in compliance with the requirements of Section 401(a)(28) of the Code, such that the Plan will be exempt from the requirements of Section 401(a)(35) of the Code, (iv) reflect certain provisions of the Pension Protection Act and to constitute good faith compliance with the requirements of the Pension Protection Act, and (v) bring the Plan into compliance with all other applicable rules, regulations and administrative pronouncements enacted, promulgated or issued since the Plan was last restated effective April 1, 1998;

WHEREAS, the Company now desires to amend and restate the Plan, effective as of April 1, 2007, to revise the permissible method of complying with the diversification of investment provision applicable to qualified participants in compliance with the requirements of Section 401(a)(28) of the Code; and

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

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

ARTICLE I

DEFINITIONS

-----

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

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

Committee, as Administrator of the Plan.

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

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

Sec. 1.4 Alternate Payee means a person defined in Section 414(p)(8) of the Code who is entitled to benefits under the Plan pursuant to a Qualified Domestic Relations Order.

Sec. 1.5 Anniversary Date means the last day of each Year.

Sec. 1.6 Annual Compensation means the sum of (i) the amounts actually paid to an Employee by the Employer for services rendered, as reported on the Employee's Federal income tax withholding statement (Form W-2 or its subsequent equivalent) for the Year, exclusive, however, of reimbursements and other expense allowances, fringe benefits (cash and noncash), including but not limited to automobile allowances, taxable group life insurance and amounts that are paid to the Employee in cash in lieu of being contributed on his behalf to the Plan or any other qualified defined contribution plan maintained by the Employer, moving expenses, welfare benefits, and all other extraordinary compensation, such as income attributable to phantom stock plans, and (ii) amounts applied to purchase benefits pursuant to a salary reduction agreement under a cafeteria plan as defined in Section 125 of the Code sponsored by an Employer, amounts deferred pursuant to a salary reduction agreement under any other plan described in Sections 401(k) and 408(k) of the Code sponsored by an Employer, and elective amounts that are not includible in gross income of the Participant by reason of Section 132(f)(4) of the Code. For each Year only \$225,000 of Annual Compensation shall be taken into account by the Plan with respect to any Participant [or, for each Year beginning after March 31, 2008,

such other amount as may be determined under Section 401(a)(17)(B) of the Code to reflect cost-of-living increases] (hereinafter referred to as the "Compensation Limitation"); provided, however, if a Participant's Annual Compensation for the Year exceeds the maximum amount of Annual Compensation that can be taken into account for any purpose under the Plan, the Participant may designate which portion of his total compensation shall be considered for any such purpose.

Sec. 1.7 Beneficiary means any person or fiduciary designated by a Participant or Former Participant in accordance with the terms hereof and Section 401(a)(9) of the Code to receive benefits hereunder following the death of such Participant or Former Participant. Each Participant and Former Participant may, from time to time, select one or more Beneficiaries to receive benefits pursuant to Section 8.1 in the event of the death of such Participant or Former Participant. Such selection shall be made in writing by Notice to the Administrator. Unless the provisions of the Plan or a Qualified Domestic Relations Order provide otherwise, the last such selection filed with the Administrator prior to the date of death of the Participant or Former Participant shall determine to whom Plan benefits shall be paid.

If the Participant or Former Participant is married at the date of his death, the Beneficiary shall be the surviving spouse unless the spouse has consented in writing to the designation of some other Beneficiary, which designation may not be changed without spousal consent unless the voluntary consent of the spouse (i) expressly permits designations by the Participant or Former Participant without any requirement of further consent by the spouse and (ii) acknowledges that the spouse has the right to limit the consent to a specific Beneficiary. Such written consent must acknowledge the effect of such selection and such consent must be witnessed by a Plan representative or a notary public. Spousal consent is not required if it is established to the satisfaction of the Plan representative that the consent may not be obtained (i) because the Participant or Former Participant has no spouse, (ii) because the spouse cannot be located or (iii) because of such other circumstances as the Secretary of Treasury may by regulations prescribe. Any consent by a spouse (or establishment that the consent of the spouse is not required) shall be effective only with respect to that particular spouse.

If the Administrator cannot readily determine whether a Participant or Former Participant has a spouse under the laws of the state in which the Participant or Former Participant resides resulting from an individual's claim to be a "common law" spouse of a Participant or Former Participant or similar circumstances, the Administrator may request such individual to provide the Administrator with a legal opinion satisfactory to the Administrator or other evidence demonstrating the individual's status as a spouse of the Participant or Former Participant. The Administrator has the sole and absolute authority to determine an individual's status as a spouse of a Participant or Former Participant and any such determination shall be final, binding and conclusive on all parties ever claiming an interest in the Plan. Any consent by a spouse (or establishment that the consent of the spouse may not be obtained) shall be effective only with respect to that spouse. If a Participant is divorced and the Participant's spouse was a Beneficiary named by the Participant, the spouse shall be deemed to have predeceased the Participant and such designation of the spouse shall be void and the next successive Beneficiary or Beneficiaries shall become the Beneficiary(ies) entitled to the benefits under the Plan, unless a Qualified Domestic Relations Order requires a death benefit be payable to the spouse.

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

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

If more than one Beneficiary of a particular class (primary or secondary) is entitled to benefits, payments shall be made in equal shares to such Beneficiaries, unless some other specific proportions are clearly designated by the Participant or Former Participant. If more than one Beneficiary of a

particular class (primary or secondary) is named, the interest of any deceased Beneficiary of that class shall pass to the surviving Beneficiary or Beneficiaries of that class except to the extent that the designation provides for payment to any secondary Beneficiary or Beneficiaries upon the death of a primary Beneficiary. In determining whether any person named as a Beneficiary is living at the time of a Participant's or Former Participant's death, if such person and the Participant or Former Participant died in a common disaster and there is insufficient evidence to determine which person died first, then it shall be deemed that the Beneficiary died first.

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

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

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

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

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

Sec. 1.13 Employee means any individual in the employ of an Employer who is included on the Federal Insurance Contribution Act rolls of an Employer (and who is classified as an Employee of an Employer), excluding (i) any Leased Employee that Section 414(n) of the Code treats as an Employee of an Employer, unless classification of such Leased Employee as an Employee is necessary to maintain the qualification of the Plan, (ii) any employee included in a unit of Employees covered by a collective bargaining agreement between an Employer and employee representatives, if retirement benefits were the subject of good faith bargaining and if two percent or less of the employees who are covered pursuant to that agreement are professional employees [as defined in Treas. Reg. ss.1.410(b)-9], (iii) any employee who is a non-resident alien [within the meaning of Section 7701(b)(1)(B) of the Code] and who received no earned income [within the meaning of Section 911(d)(2) of the Code] from any Employer which constitutes income from sources within the United States [within the meaning of Section 861(a)(3) of the Code], and (iv) those employees of an Affiliated Employer that has not elected to participate in the Plan. The term "Employee" shall not include any individual who by contract is not classified by the Employer as a common law employee of the Employer, even if such individual is included on the Employer's payroll for Federal income tax withholding purposes or whether such person is later classified as an employee by the Internal Revenue Service, the Department of Labor, a court, an administrative agency, or an Employer.

Sec. 1.14 Employer means the Company and any other Affiliated Company, with respect to its Employees, provided such Affiliated Company is designated by the governing body of the Company as an Employer under the Plan and whose designation as such has become effective and has continued in effect. The designation shall become effective only when it shall have been accepted by the governing body of the Employer and shall be effective for the Year determined by the governing body of the Company and the Employer. An Employer may revoke its acceptance of such designation at any time, but until such acceptance has been

revoked, all of the provisions of the Plan and amendments thereto shall apply to the Employees of the Employer. In the event the designation of the Employer as such is revoked by the governing body of the Employer, this will not be deemed a termination of the Plan.

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

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

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

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

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

- (a) An Hour of Service shall be credited to an individual for each hour for which he is either directly or indirectly paid, or entitled to payment, by any Affiliated Company or, to the extent permitted by the governing body of the Company or the Administrator in accordance with Section 401(a)(4) of the Code, by the predecessor company. An Employee on a non-hourly payroll whose Annual Compensation is not determined on the basis of certain amounts for each hour worked shall be credited with 45 Hours of Service for each week during which he would otherwise have at least one Hour of Service, adjusted pro rata on the basis of 10 hours per day when employment or the Year begins on other than a Monday or ends on other than a Friday.
- (b) An Hour of Service shall be credited to an individual for each hour for which back pay, irrespective of mitigation of damages, has been either awarded or agreed to by an Affiliated Company or, to the extent permitted

by the governing body of the Company or the Administrator in accordance with Section 401(a)(4) of the Code, by the predecessor company. These Hours of Service shall be credited to the individual for the computation period or periods to which the award or agreement pertains rather than the computation period in which the award, agreement or payment is made.

- (c) An Hour of Service shall be credited to an individual for each hour while on unpaid leave pursuant to the Family and Medical Leave Act of 1993 for which he would have been paid or entitled to payment by an Affiliated Company had he been performing services.
- (d) In no event shall an individual be given credit for a specific Hour of Service under more than one of the above subsections (a), (b) or (c) and, notwithstanding any other provision of the Plan to the contrary, an individual shall not be credited with Hours of Service more than once with respect to the same period of time.
- (e) Hours of Service for periods during which no duties are performed shall be calculated and credited pursuant to Section 2530.200b-2(b) and (c) of the Department of Labor regulations which are incorporated herein by reference. No more than 501 Hours of Service shall be credited under the preceding sentence during any computation period.
- (f) Notwithstanding any other provisions of this Section 1.19, in the event an Employee is:
  - (i) on leave of absence authorized by his Employer in accordance with standard personnel policies of such Employer applied in a nondiscriminatory manner to all Employees similarly situated, including those described in Section 1.19(g) hereof, or
  - (ii) on military leave while the Employee's reemployment rights are protected by law,

a Five-Year Break in Service and a One-Year Break in Service shall be deemed not to have occurred and the Employee shall continue to accrue Hours of Service under the Plan during the period of leave of absence, at the same rate he would have had he remained an active Employee throughout such leave of absence, provided he returns to employment immediately (in the

case of military leave, within the 90-day period after his honorable discharge or release or within the period prescribed by applicable law, whichever is longer) upon the expiration of such authorized absence. If an Employee fails to return to the active employment of an Affiliated Company within the time specified in a written leave of absence, or after such period of military service, as appropriate, his service will be deemed terminated as of the end of such permitted period of absence.

- (g) In addition, solely for the purpose of determining a One-Year Break in Service and a Five-Year Break in Service, the Plan shall credit the Employee with the Hours of Service which otherwise would normally have been credited to such individual during the computation period in which an absence from the service of an Affiliated Company occurs for any period by reason of (i) pregnancy of the individual, (ii) birth of a child of the individual, (iii) placement of a child with the individual in connection with the adoption of such child by such individual, or (iv) for purposes of caring for such child for a period beginning immediately following such birth or placement; provided, however, if the Employee has credit for more than 500 Hours of Service without the application of this sentence in the computation period in which the absence from the service of an Affiliated Company occurs for the reasons specified in this sentence, the Plan shall credit the Employee with such Hours of Service in the following computation period. The Plan shall not credit any Employee with any Hours of Service under this subsection (g) unless such Employee timely furnishes the Administrator information establishing (i) that the absence from the service of an Affiliated Company was for one or more reasons specified in the first sentence of this subsection (g) and (ii) the number of days for which there was an absence.
- (h) Effective December 12, 1994, each period of qualified military service (within the meaning of Chapter 43 of Title 38, United States Code) served by an Employee who is reemployed under that chapter by an Affiliated Company following such service shall be considered service with an Affiliated Company for purposes of determining his Hours of Service.

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

Sec. 1.21 Interactive Electronic Communication means, to the extent available under the Plan, a communication between a Participant, Former Participant or Beneficiary and the Recordkeeper pursuant to a system maintained by the Recordkeeper and communicated to each Participant, Former Participant and Beneficiary in compliance with final Treasury regulations and final Department of Labor regulations whereby each such individual may initiate actions approved from time to time by the Administrator, including the options under Section 18.2 if he is a Qualified Participant, with respect to his Individual Account, through the use of the telephone, internet or such other system and a personal identification number assigned to the Participant, Former Participant or Beneficiary by the Recordkeeper or the Administrator. If a Participant, Former Participant or Beneficiary (i) consents to participate in the Plan's Interactive Electronic Communication procedures adopted by the Administrator and (ii) acknowledges that actions taken by such Participant, Former Participant or Beneficiary, through the use of his personal identification number constitute his signature, to the extent allowed by the Administrator, for such actions approved from time to time by the Administrator, the Participant, Former Participant or Beneficiary, as the case may be, will be deemed to have given his written consent and authorization to any action resulting from the use of the Interactive Electronic Communication system by the Participant, Former Participant or Beneficiary.

Sec. 1.22 Leased Employee means an individual who is not in the employ of an Employer and who, pursuant to a leasing agreement between an Employer and any other person (including such individual) ("leasing organization"), has performed services for an Employer [or for an Employer and any other person related to an Employer within the meaning of Section 144(a)(3) of the Code] on a substantially full-time basis for at least one year and who performs such services under the primary direction or control by the Employer. Leased Employee shall also include any individual who is deemed to be an employee of an Employer under Section 414(o) of the Code. Notwithstanding the preceding sentences, if individuals

described in the preceding sentence constitute less than 20% of an Employer's non-highly compensated work force within the meaning of Section 414(n)(5)(C)(ii) of the Code, the Plan shall not treat an individual as a Leased Employee if the leasing organization covers the individual in a money purchase pension plan providing immediate participation, full and immediate vesting and a non-integrated contribution formula equal to at least ten percent of the individual's annual compensation [as defined in Section 415(c)(3) of the Code, but including amounts contributed by an Employer pursuant to a salary reduction agreement which are excludable from the individual's gross income under Sections 125, 402(e)(3), 402(h)(1)(B), 403(b) or 132(f)(4) of the Code]. If any Leased Employee shall be treated as an Employee of an Employer, however, contributions or benefits provided by the leasing organization which are attributable to services of the Leased Employee performed for an Employer shall be treated as provided by the Employer.

Sec. 1.23 Named Fiduciary means the Company, except to the extent the Company has delegated specific functions to the Committee, if any, appointed by the Company pursuant to Article XIV. If no Committee is appointed, the Company will perform the functions of the Committee.

Sec. 1.24 Normal Retirement Date means a Participant's or Former Participant's 65th birthday.

Sec. 1.25 Notice means, unless otherwise provided specifically in the Plan, (i) written Notice on an appropriate form provided by the Administrator, which is properly completed and executed by the party giving such Notice and which is delivered by hand or by mail to the Administrator or to such other party designated by the terms of the Plan or by the Administrator to receive the Notice or (ii) Notice by Interactive Electronic Communication, to the extent authorized by the Administrator, to the Recordkeeper. Notice to the Administrator, the Recordkeeper or to any other person as provided herein shall be deemed to be given when it is actually received (either physically or by Interactive Electronic Communication, as the case may be) by the party to whom such Notice is given.

Sec. 1.26 One-Year Break in Service means any Year during which the Employee or Participant performs for an Affiliated Company 500 or fewer Hours of Service.

Sec. 1.27 Other Investments Account means the portion of the Individual Account maintained by the Trustee or the Recordkeeper for each Participant, Former Participant or Beneficiary reflecting the monetary value of such person's individual interest in the Trust Fund attributable to Employer contributions and forfeitures in cash under the Plan which have not been invested in Parent Company Stock and are to be invested in other assets; it shall be credited with the net income (or debited with the loss) of the Trust Fund attributable to investments in the Other Investments Account.

Sec. 1.28 Parent Company Stock means shares of any class of stock, preferred or common stock which are issued by Capital Southwest Corporation, a Texas corporation, and are readily tradable on an established securities market. The shares of Parent Company Stock currently held by the Plan are regularly traded on the Nasdaq National Market. If there is no common stock which meets the foregoing requirement, Parent Company Stock means common stock issued by Capital Southwest Corporation having a combination of voting power and dividend rights equal to or in excess of (i) that class of common stock of Capital Southwest Corporation having the greatest voting power, and (ii) that class of common stock of Capital Southwest Corporation having the greatest dividend rights. Noncallable preferred stock shall be deemed to be Parent Company Stock if such stock is convertible at any time into stock which constitutes Parent Company Stock hereunder and if such conversion is at a conversion price which (as of the date of the acquisition by the Trust Fund) is reasonable. For purposes of the preceding sentence, pursuant to applicable Treasury regulations, preferred stock shall be treated as noncallable if after the call there will be a reasonable opportunity for a conversion which meets the requirements of the preceding sentence.

Sec. 1.29 Parent Company Stock Account means the portion of the Individual Account maintained by the Trustee or the Recordkeeper for each Participant, Former Participant or Beneficiary to which is credited shares (including fractional shares) of Parent Company Stock which are attributable to Employer contributions and forfeitures under the Plan.

Sec. 1.30 Participant means an Employee who has met the eligibility requirements of the Plan as provided in Article II hereof and who has begun participating in the Plan.

Sec. 1.31 Plan means the stock bonus plan embodied herein, as the same may be amended from time to time, and shall be known as "The RectorSeal Corporation and Jet-Lube, Inc. Employee Stock Ownership Plan." Effective April 1, 2007, the Plan has been formally designated an employee stock ownership plan within the meaning of Section 4975(e)(7) of the Code and Treas. Reg. ss.54.4975-11(a).

Sec. 1.32 Qualified Domestic Relations Order means any judgment, decree or order (including approval of a property settlement agreement) which (i) relates to the provision of child support, alimony payments, or marital property rights to a spouse, former spouse, child or other dependent of a Participant or Former Participant, (ii) is made pursuant to a state domestic relations law, (iii) creates or recognizes the existence of an Alternate Payee's right to, or assigns to an Alternate Payee the right to, receive all or a portion of the benefits payable with respect to a Participant or Former Participant under the Plan and (iv) complies with the requirements of Section 414(p) of the Code.

Sec. 1.33 Qualified Election Period means the six-Year period beginning with the later of (i) the first Year in which the Participant or Former Participant first becomes a Qualified Participant, or (ii) the first Year beginning after March 31, 2007.

Sec. 1.34 Qualified Participant means any Participant or Former Participant who has completed ten Years of Service (Vesting) as a Participant and has attained age 55.

Sec. 1.35 Recordkeeper means any person or entity appointed by the Company or the Committee to perform recordkeeping and other administrative services on behalf of the Plan. If no Recordkeeper is appointed, the Trustee shall perform the duties of the Recordkeeper.

Sec. 1.36 Trust Agreement means "The RectorSeal Corporation and Jet-Lube, Inc. Employee Stock Ownership Plan Trust Agreement" entered into between the Company and the Trustee to carry out the purposes of the Plan and under which the Trust Fund is maintained; provided that if such agreement be amended or

supplemented, Trust Agreement, as of a particular date, shall mean such agreement, as amended and supplemented and in force on such date.

Sec. 1.37 Trust Fund means all assets of whatsoever kind and nature from time to time held by the Trustee pursuant to terms and conditions of the Trust Agreement out of which benefits of the Plan are provided.

Sec. 1.38 Trustee means any institution or individuals designated as Trustee or Trustees by the governing body of the Company, or any successor trustee or additional trustee or trustees acting at any time as Trustee under the Trust Agreement.

Sec. 1.39 Valuation Date means any day of the Year the Nasdaq Global Market is open for trading.

Sec. 1.40 Year means the 12-month period from April 1 of each year to the next following March 31.

Sec. 1.41 Year of Service (Participation) means the 12- consecutive month period commencing with the employment commencement date of an Employee by an Affiliated Company, which is the date the Employee first performs an Hour of Service for an Affiliated Company, during which the Employee performs at least 1,000 Hours of Service for an Affiliated Company. If an Employee does not perform at least 1,000 Hours of Service in the 12-month period beginning with his employment commencement date, Year of Service (Participation) means the Year commencing with the Year immediately following his employment commencement date during which the Employee performs at least 1,000 Hours of Service for an Affiliated Company.

Sec. 1.42 Year of Service (Vesting) means any Year during which the Employee performs at least 1,000 Hours of Service for an Affiliated Company, subject to the following:

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

benefit derived from Employer contributions which accrued before such break.

Sec. 1.43 Gender and Number. Except as otherwise indicated by the context, any masculine terminology used herein also includes the feminine and neuter, and vice versa, and the definition of any term herein in a singular shall also include the plural, and vice versa.

## ARTICLE II

### ELIGIBILITY OF EMPLOYEES

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

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

Sec. 2.3 Eligibility upon Reemployment. Notwithstanding Section 2.1, each Employee who completes a Year of Service (Participation) in either his first 12

months of employment or a Year, as required in Section 1.41, but is not employed at the expiration of such 12-month period or such Year, shall become a Participant immediately upon his return to the status of Employee, subject to Section 2.6. An Employee who completes 1,000 Hours of Service in the 12-month period or the Year while employed by an Affiliated Company which is not an Employer shall become a Participant as of the Entry Date preceding the date on which he becomes an Employee of an Employer.

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

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

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

ARTICLE III

CONTRIBUTIONS

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

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

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

to an Employer shall not be increased by any earnings thereon and shall be reduced by any losses attributable to such amount.

Sec. 3.4 Limit on Employer Contributions. Notwithstanding the foregoing provisions of this Article III, the contribution of an Employer for any Year shall in no event exceed an amount which will, under the law then in effect, be deductible by the Employer in computing its federal taxes for the fiscal year of the Employer in which that Year ends.

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

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

#### ARTICLE IV

##### ACCOUNTS AND VALUATION OF TRUST FUND

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

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

The value of the Trust Fund shall be determined by the Trustee as of the close of business on any Valuation Date determined necessary by the Trustee, or as soon thereafter as practicable, and shall be the cash and the fair market value of Parent Company Stock and other assets held by the Trust Fund, with equitable adjustments for pending trades, less all charges, expenses, reserves and liabilities due which are determined to be properly chargeable to the other investments of the Trust Fund as of the Valuation Date. For purposes of determining the market value of securities held by the Trustee, such securities shall be valued as of the close of business on the Valuation Date or, if securities shall not have been traded and reported on a national securities exchange or in the over-the-counter market on such date, then at the last bid price as of the close of business on the Valuation Date.

Notwithstanding any other provision of this Section 4.2, if the Trustee shall determine that the Trust Fund assets consist in whole or in part of property not traded freely on a recognized market, including but not limited to Parent Company Stock, or that information necessary to ascertain the fair market value thereof is not readily available to the Trustee, the Trustee shall request the Administrator to instruct the Trustee as to the value of such property for all purposes under the Plan, and the Administrator shall comply with such request. The Administrator may engage a competent appraiser to assist it in this process. The value placed upon such property by the Administrator in its instructions to the Trustee shall be conclusive and binding upon the Trustee subject to the fiduciary provisions of ERISA. If the Administrator shall fail or refuse to instruct the Trustee as to the value of such property within a

reasonable time after receipt of the Trustee's request to do so, the Trustee may engage a competent appraiser to fix the fair market value of such property for all purposes hereunder. The determination of any duly retained appraiser as to the fair market value of such property shall be the value reported hereunder, and neither the Administrator nor the Trustee shall have any liability in connection therewith, subject to the fiduciary provisions of ERISA. The reasonable fees and expenses incurred for any such appraisal shall be deemed an expense of the Trustee and paid as provided in Section 15.8.

If the Administrator in good faith determines that certain expenses of administration paid by the Trustee during the Year under consideration are not general, ordinary and usual and should not equitably be borne by all Participants, Former Participants and Beneficiaries, but should be borne only by one or more Participants, Former Participants or Beneficiaries, for whom or because of whom such specific expenses were incurred, the net earnings and adjustments in value of the Individual Accounts shall be increased by the amounts of such expenses, and the Administrator shall make suitable adjustments by debiting the particular Individual Account or Individual Accounts of such one or more Participants, Former Participants or Beneficiaries; provided, however, that any such adjustment must be nondiscriminatory and consistent with the provisions of Section 401(a) of the Code.

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

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

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

it. Each Participant's Other Investments Account may also be debited for any purchases of Parent Company Stock and his Parent Company Stock Account shall then be credited.

(c) The allocations will be made as follows:

- (i) Employer Contributions and Other Items. Employer contributions and Parent Company Stock attributable thereto will be allocated as of each Anniversary Date among the Individual Accounts of Participants who are Employees of each Employer at the end of the Year and, for any Year in which the Plan is not a Top Heavy Plan as defined in Section 19.3(f), who completed at least 1,000 Hours of Service during the Year, and to the Individual Accounts of Former Participants whose employment was terminated by reason of death, Disability or retirement under Article VII during the Year, in the ratio in which the Annual Compensation of each such Participant and Former Participant bears to the aggregate Annual Compensation of all such Participants and Former Participants.
- (ii) Forfeitures. Forfeitures during a Year attributable to the former Participants of each Employer, subject to Section 10.5, shall be allocated as of the Anniversary Date in such Year among the Individual Accounts of the remaining Participants and Former Participants employed by the same Employer in the same proportion that the Employer contributions are (or would be) allocated for such Year.

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

(d) Special Rate for Participants in Qualified Military Service. For purposes of this Section 4.3, while a Participant is in qualified military service (within the meaning of chapter 43 of title 38, United States Code), he shall be considered to be in the service of the

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

- (e) Equitable Allocation. The Administrator may establish accounting procedures for the purpose of making the allocations, valuations and adjustments to Individual Accounts of Participants and Former Participants provided for in this Article IV. Should the Administrator determine that the strict application of its accounting procedures will not result in an equitable and nondiscriminatory allocation among the Other Investments Accounts and Parent Company Stock Accounts of Participants and Former Participants, it may modify its procedures for the purpose of achieving an equitable and nondiscriminatory allocation in accordance with the general concepts of the Plan and the provisions of this Article IV; provided, however, that such adjustments to achieve equity shall not reduce the vested portion of a Participant or Former Participant and shall be consistent with the provisions of the Code.
- (f) Computations. All of the computations required to be made under the provisions of this Article IV shall be made in accordance with generally accepted accounting principles and such computations, when made, shall be conclusive with respect thereto and shall be binding upon all the Participants and Former Participants and all other persons ever having an interest in the Trust Fund, subject to the provisions of Section 8.1.
- (g) Dividends After Anniversary Date. If a Participant or Former Participant is to receive a distribution or withdrawal from the Plan based on the immediately preceding Anniversary Date and prior to the date of such distribution or withdrawal a dividend is declared on any security held by that Participant's or Former Participant's Individual

Account, the amount of the distribution to such Participant or Former Participant shall be adjusted to reflect such dividend.

Sec. 4.4 Included Individual Accounts. For the purposes of this Article IV, references to the Individual Accounts of Participants shall include the Individual Accounts of those who die, become disabled, retire, or whose employment terminates during the Year in question.

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

#### ARTICLE V

##### LIMITATION ON ALLOCATIONS

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

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

of the Code, or (iii) an individual medical account, as defined in Section 415(1)(2) of the Code, which provides an Annual Addition, the Annual Additions which may be allocated under this Plan to a Participant's Individual Account for a Limitation Year shall not exceed the lesser of:

- (i) the Maximum Permissible Amount, reduced by the sum of any Annual Additions allocated to the Participant's accounts for the same Limitation Year under this Plan and such other Related Plan and the welfare plans described in clauses (ii) and (iii) above; or
- (ii) any other limitation contained in this Plan.

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

- (a) "Annual Additions" means the sum of the following amounts allocated to a Participant's Individual Account for a Limitation Year:
  - (i) all Employer contributions;
  - (ii) all forfeitures;
  - (iii) all Employee contributions other than catch-up contributions made pursuant to Section 414(v) of the Code; and
  - (iv) amounts allocated to an individual medical account, as defined in Section 415(1)(2) of the Code, which is part of a pension or annuity plan maintained by the Employer and amounts derived from contributions which are attributable to post-retirement medical benefits allocated to the separate account of a key employee, as defined in Section 419A(d)(3) of the Code, under a welfare benefit fund, as defined in Section 419(e) of the Code, maintained by the Employer.

For purposes of this Article V, Employee contributions shall be determined without regard to any (i) rollover contribution within the meaning of Section 402(c), 403(a)(4), 403(b)(8), 408(d)(3) and 457(e)(16) of the Code, (ii) contribution by the Employee to a

simplified employee pension, (iii) contribution by the Employee to an individual retirement account or individual retirement annuity, and (iv) direct transfers of Employee contributions from a plan described in Section 401(a) of the Code to the Plan.

In addition, Annual Additions shall include "excess elective deferrals" within the meaning of Treas. Reg. ss.1.402(g)-1(e)(1)(iii) that are not distributed by the defined contribution plan to the participant before April 15 following the taxable year of deferral, "excess employee savings contributions" within the meaning of Treas. Reg. ss.1.401(k)-1(g)(7), and "excess matching contributions" within the meaning of Treas. Reg. ss.1.401(m)-1(f)(8).

- (b) "Excess Amount" means the excess of the Annual Additions allocated to a Participant's Individual Account for the Limitation Year over the Maximum Permissible Amount, less loading and other administrative charges allocable to such excess.
- (c) "Limitation Year" means a twelve-consecutive month period ending on the last day of the Year. All qualified plans maintained by the Employer must use the same Limitation Year unless different years are elected as allowed by procedures established by the Internal Revenue Service. If the Limitation Year is amended to a different 12-consecutive month period, the new Limitation Year must begin on a date within the Limitation Year in which the amendment is made.
- (d) "Maximum Permissible Amount" for a Limitation Year with respect to any Participant shall be the lesser of:
  - (i) \$45,000 [or, beginning April 1, 2008, and each April thereafter, such other dollar limitation determined for the Limitation Year by automatically adjusting the \$45,000 limitation by the cost-of-living adjustment factor prescribed by the Secretary of the Treasury under Section 415(d) of the Code in such manner as the Secretary shall prescribe]; or
  - (ii) 100% of the Participant's Annual Compensation for the Limitation Year.

The compensation limit referred to in clause (ii) above shall not apply to any contribution for medical benefits after separation from service (within the meaning of Section 401(h) or 419(f)(2) of the Code), which is otherwise treated as an Annual Addition.

- (e) "Employer" means for purposes of this Article V, any Employer and any Affiliated Company that adopts this Plan; provided, however, the determination under Sections 414(b) and (c) of the Code shall be made as if the phrase "more than 50 percent" were substituted for the phrase "at least 80 percent" each place it is incorporated into Section 414(b) and (c) of the Code.
- (f) "Annual Compensation" means, notwithstanding Section 1.6, for the purposes of this Article V, a Participant's earned income, wages, salaries, fees for professional service and other amounts received (without regard to whether an amount is paid in cash) for personal services actually rendered in the course of employment with an Employer maintaining the Plan to the extent that the amounts are includable in gross income [including, but not limited to, commissions paid salesmen, compensation for services on the basis of a percentage of profits, commissions on insurance premiums, tips, bonuses, fringe benefits, and reimbursements, or other expense allowances under a nonaccountable plan, as described in Treas. Reg. ss.1.62-2(c)] and excluding the following:
  - (i) Employer contributions to a plan of deferred compensation to the extent contributions are not included in gross income of the Employee for the taxable year in which contributed, or on behalf of an Employee to a simplified employee pension plan to the extent such contributions are deductible by the Employee, and any distributions from a plan of deferred compensation whether or not includable in the gross income of the Employee when distributed;
  - (ii) amounts realized from the exercise of a non-qualified stock option, or when restricted stock (or property) held by an Employee becomes freely transferable or is no longer subject to a substantial risk of forfeiture;

(iii) amounts realized from the sale, exchange or other disposition of stock acquired under a qualified stock option; and

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

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

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

Sec. 5.3 Excess Annual Additions. In the event that, notwithstanding Section 5.4(a) hereof, the limitations with respect to Annual Additions prescribed hereunder are exceeded with respect to any Participant for the Limitation Year and such Excess Amount arises as a result of the allocation of forfeitures, a reasonable error in estimating a Participant's Annual Compensation [as defined in Section 5.2(f)] for the Year, a reasonable error in determining the amount of Employer contributions and forfeitures that may be allocated to the Participant's Individual Account under the limits of Section 415 of the Code, or as a result of other facts and circumstances as established by the Commissioner of the Internal Revenue Service, the Excess Amount shall not be deemed an Annual Addition in that Limitation Year, to the extent such Excess Amount is treated in accordance with any of the following:

(a) the Excess Amount attributable to the portion of the Employer contribution made pursuant to Section 3.1 which has been allocated to

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

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

Sec. 5.4 Special Rules.

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

reducing any Employer contributions, but only to the extent necessary to satisfy the limitations.

(b) If the Annual Additions with respect to the Participant under other Related Plans and welfare plans described in Section 5.1(b)(i) and (ii) are less than the Maximum Permissible Amount and the Employer contribution that otherwise would be contributed or allocated to the Participant's Individual Account under the Plan would cause the Annual Additions for the Limitation Year to exceed the limitation of Section 5.1(b), the amount contributed or allocated will be reduced so that the Annual Additions under all such plans for the Limitation Year will equal the Maximum Permissible Amount. If the Annual Additions with respect to the Participant under the Related Plans and welfare plans described in Section 5.1(b)(i) and (ii) in the aggregate are equal to or greater than the Maximum Permissible Amount, no amount will be contributed or allocated to the Participant's Individual Account under the Plan for the Limitation Year unless the Annual Additions with respect to the Participant under the Related Plans are sufficiently reduced. If a Participant's Annual Additions under the Plan and all Related Plans result in an Excess Amount, such Excess Amount shall be deemed to consist of the amounts last allocated, except that Annual Additions attributable to a welfare plan described in Section 5.1(b)(i) and (ii) will be deemed to have been allocated first regardless of the actual allocation date.

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

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

multiplied by:

(ii) the ratio of:

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

divided by:

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

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

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

ARTICLE VI

INDIVIDUAL ACCOUNTS

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

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

ARTICLE VII

RETIREMENT

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

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

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

Sec. 7.4 Benefits on Retirement. Upon the retirement of a Participant from the employment of his Employer and all Affiliated Companies on or after his Normal Retirement Date or his Early Retirement Date, his entire Individual Account shall be held for his benefit. Said Participant shall receive payment from his Individual Account in a single lump sum in accordance with Article XI hereof as soon as administratively practicable after his Individual Account has been credited and adjusted (as provided in Article IV) as of the Anniversary Date concurrent with or next following his retirement. For Participants in the Plan as of March 31, 1994, the Administrator shall direct the Trustee to begin distribution prior to the time set forth in the preceding sentence if the Participant directs the Administrator in writing.

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

Sec. 7.6 Final Contribution After Distribution of Benefits. If a Participant who has already received a distribution of his Individual Account under this Article is entitled to an allocation of an Employer contribution

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

#### ARTICLE VIII

##### DEATH -----

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

Sec. 8.2 Final Contribution After Payment of Benefits. If the Individual Account of a deceased Participant whose Beneficiary has already received a distribution of the Participant's Individual Account under this Article is entitled to an allocation of an Employer contribution under Section 4.3 for the

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

ARTICLE IX

DISABILITY

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Sec. 9.1 Benefits on Disability. In the event of termination of a Participant's employment with his Employer and all Affiliated Companies due to Disability, his entire Individual Account shall be held for his benefit. If the balance of the Participant's Individual Account exceeds \$5,000, the Participant shall receive payment from his Individual Account in a single lump sum in accordance with Article XI hereof as soon as administratively practicable after the allocations have been completed and his Individual Account has been credited and adjusted (as provided in Article IV) as of the Anniversary Date concurrent with or next following the date his Normal Retirement Date or earlier death occurs. The Administrator shall direct the Trustee to begin distribution prior to the time set forth in the preceding sentence if the Participant directs the Administrator in writing. If the balance of the Participant's Individual Account does not exceed \$5,000, the Participant's entire Individual Account shall be distributed to him in a single lump sum as soon as administratively practicable after the allocations have been completed and his Individual Account has been credited and adjusted (as provided in Article IV) as of the Anniversary Date of the Year in which the date of his Disability occurs. The Administrator shall direct the Trustee to begin distribution prior to the time set forth in the preceding sentence if the Participant directs the Administrator in writing. Effective with respect to any distribution by reason of a Participant's Disability on or after March 28, 2005, the dollar amount in this Section 9.1 shall automatically be reduced to \$1,000.

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

ARTICLE X

TERMINATION BENEFITS

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

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

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

Notwithstanding the preceding provisions of this Section 10.2, any such Participant who (i) has credit for less than five Years of Service (Vesting) before April 1, 2007 and (ii) receives credit for an Hour of Service after March 31, 2007 shall be entitled (as a vested interest) to receive a percentage of the then balance to his credit in his Individual Account determined in accordance with the following schedule:

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

Sec. 10.3 Time of Distribution. If the employment of a Participant with his Employer and all Affiliated Companies terminates for any reason other than retirement (whether normal or early), death or Disability, and the value of the vested portion of his Individual Account exceeds \$5,000, then the Administrator shall direct the Trustee, with such Participant's written consent, to distribute to such Participant the portion of his Individual Account to which he is entitled under Section 10.2 in a single lump sum in accordance with Article XI

hereof as soon as administratively practicable after his Individual Account has been credited and adjusted (as provided in Article IV) as of the earlier of (i) the Anniversary Date immediately following the date the Participant incurs a One-Year Break in Service following his termination of employment, provided the written consent of the Participant to such distribution is received by the Administrator not later than 60 days after such Anniversary Date, or (ii) the Anniversary Date following the date on which his Normal Retirement Date or earlier death occurs, but not later than the time specified in Section 11.4. If the Participant does not elect to receive the distribution when he is first eligible under the preceding sentence, he may elect to receive the distribution of his Individual Account in a single lump sum as soon as administratively practicable after his Individual Account has been credited and adjusted (as provided in Article IV) as of any subsequent Anniversary Date if he has provided written consent to such distribution to the Administrator not later than 60 days after such Anniversary Date. If, however, the vested balance of the terminated Participant's Individual Account does not exceed \$5,000, the vested balance of the Participant's Individual Account shall be distributed to him in a single lump sum as soon as administratively practicable after the allocations have been completed and his Individual Account has been credited and adjusted (as provided in Article IV) as of the Anniversary Date of the Year in which the Participant incurs a One-Year Break in Service. Effective with respect to any distribution by reason of a Participant's termination of employment on or after March 28, 2005, the dollar amount in this Section 10.3 shall automatically be reduced to \$1,000.

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

Account which was forfeited hereunder shall be restored to his Individual Account in full. If currently unallocated forfeitures are not adequate to effect the restoration, the Company or any Employer shall make such additional contribution to the Plan as is necessary to restore the forfeited portion of his Individual Account.

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

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

Accounts and Other Investments Accounts on the Anniversary Date of the Year in which the forfeiture occurs.

ARTICLE XI

DISTRIBUTIONS AND WITHDRAWALS

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

Sec. 11.2 Consent to Distribution. If the vested balance of the Participant's or Former Participant's Individual Account exceeds \$5,000 and any part of the Individual Account could be distributed to the Participant or Former Participant before the Participant or Former Participant attains (or would have attained if not deceased) his Normal Retirement Date, the Participant or Former Participant must consent in writing to any distribution of such Individual Account. The consent of the Participant or Former Participant must be obtained within the 90-day period prior to the date benefit payments are to commence. The Administrator shall notify the Participant or Former Participant of (i) the right to defer any distribution until his Required Beginning Date, and (ii) effective for any such Notice provided after March 31, 2007, the consequences of

failing to defer such receipt. Such Notice shall be provided no less than 30 days and no more than 180 days before benefit payment is to commence and shall include a general description of the material features, and an explanation of the relative values of, the form of benefit available under Section 11.1 in a manner that would satisfy the notice requirements of Section 417(a)(3) of the Code and a description of his direct rollover rights under Section 11.11. Prior to April 1, 2007, the 180-day limitation specified in the preceding sentence is 90 days. If the vested balance of the Participant's Individual Account does not exceed \$5,000, the Participant, Former Participant, or Beneficiary does not have a right to delay the distribution, but shall be provided with a notice of his direct rollover rights under Section 11.11. Such distribution may commence less than 30 days after the Notice required under Treas. Reg. ss.1.411(a)-11(c) is given, provided that (i) the Administrator clearly informs the Participant or Former Participant that the Participant or Former Participant has a right to a period of at least 30 days after receiving the Notice to consider the decision of whether or not to elect a distribution (and, if applicable, a particular distribution option) and (ii) the Participant or Former Participant, after receiving the Notice, affirmatively elects a distribution in writing to the Administrator. The consent of the Participant or Former Participant is not required to the extent that a distribution is required to satisfy either Section 401(a)(9) or Section 415 of the Code. Effective for distributions on or after March 28, 2005, the dollar amount in this Section 11.2 shall automatically be reduced to \$1,000.

Sec. 11.3 Minority or Disability of Distributee. During the minority or disability of a person entitled to receive benefits hereunder, the Administrator may, in its sole discretion, direct payment by the Trustee of all or any portion of such benefits due such person directly to him or to his spouse or a relative or to any individual or institution having custody of such person. Neither an Employer, the Committee, the Administrator, the Named Fiduciary nor the Trustee shall be required to see to the application of any payments so made and the receipt of the payee (including the endorsement of a check or checks) shall be conclusive as to all interested parties. Any payment made pursuant to the power herein conferred on the Administrator shall operate as a complete discharge of all obligations of the Administrator and the Trustee, to the extent of the distributions so made.

Sec. 11.4 Additional Requirements Relating to Benefit Payments and Death Distributions. Notwithstanding any other provisions of the Plan, the following provisions shall be applicable to the Plan for calendar years beginning with the 2003 calendar year:

- (a) General Distribution Deadline. Distribution of benefits shall be made, unless the Participant otherwise elects, not later than the 60th day after the last day of the Year in which the latest of the following events occurs:
  - (i) the Participant reaches the earlier of age 65 or his Normal Retirement Date;
  - (ii) the tenth anniversary of the date on which the Participant commenced participation in the Plan occurs, but not later than the April 1 of the calendar year following the calendar year in which the Participant attains age 70 1/2 if such Participant is a Five-Percent Owner; or
  - (iii) the date the Participant's employment with his Employer and all Affiliated Companies terminates, but in no event later than the April 1 of the calendar year following the calendar year in which the Participant attains age 70 1/2 if such Participant is a Five-Percent Owner.

If a Participant is entitled to receive a distribution of all or a portion of his Individual Account pursuant to Article VII, VIII, IX or X, he may elect to defer the date of distribution of that amount, but not beyond his Required Beginning Date. If the Participant fails to consent to a distribution at a time when any part of the balance of the Individual Account could be distributed prior to the Participant's Normal Retirement Date, such failure shall be deemed to be an election to defer the date of distribution of any benefit under this Section 11.4(a); provided that in no event shall he receive distribution of the vested portion of his Individual Account later than his Required Beginning Date.

- (b) Required Compliance with Code and Treasury Regulations. All distributions required under this Article XI shall be determined and

made in accordance with Section 401(a)(9) of the Code and the Treasury regulations thereunder.

(c) Time and Manner of Distribution.

- (i) Required Beginning Date and Election to Defer Distribution Date. The Participant's entire Individual Account shall be distributed to the Participant no later than the Participant's Required Beginning Date. An election of a Participant to defer the distribution date shall be made by submitting to the Administrator a written statement signed by the Participant describing the benefits and the date on which the Participant requests that the distribution of his benefits be made; provided, however, a Participant may not elect to defer receipt of benefits beyond his Required Beginning Date.
- (ii) Death of Participant Before Distribution to Him. If the Participant dies before distribution to him of his entire Individual Account under Section 11.1, the Participant's entire Individual Account shall be distributed no later than as follows:
  - (A) If the Participant's surviving spouse is the Participant's sole Designated Beneficiary, then, except as elected by the surviving spouse as provided below, distribution to the surviving spouse shall be made by December 31 of the calendar year immediately following the calendar year in which the Participant died, or by December 31 of the calendar year in which the Participant would have attained age 70 1/2, if later.
  - (B) If the Participant's surviving spouse is not the Participant's sole Designated Beneficiary, then, except as provided below, distribution to the Designated Beneficiary shall be made by December 31 of the calendar year immediately following the calendar year in which the Participant died.
  - (C) If there is no Designated Beneficiary of the Participant as of September 30 of the year following the year of the Participant's death, the Participant's entire Individual

Account shall be distributed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

- (D) If the Participant's surviving spouse is the Participant's sole Designated Beneficiary and the surviving spouse dies after the Participant but before distribution to the surviving spouse has been made, this Section 11.4(c)(ii), other than Section 11.4(c)(ii)(A), shall apply as if the surviving spouse were the Participant.

If the Participant dies before distribution to him of his entire Individual Account and there is a Designated Beneficiary, distribution to the Designated Beneficiary is not required to be made by the date specified above in this Section 11.4(c)(ii), but the Participant's entire Individual Account shall be distributed to the Designated Beneficiary by December 31 of the calendar year containing the fifth anniversary of the Participant's death. If the Participant's surviving spouse is the Participant's Designated Beneficiary, the surviving spouse may elect to apply the distribution requirement of Section 11.4(c)(ii) without regard to the prior sentence. If the Participant's surviving spouse is the Participant's sole Designated Beneficiary and the surviving spouse dies after the Participant but before distribution to either the Participant or the surviving spouse has been made, this election shall apply as if the surviving spouse were the Participant. For purposes of this Section 11.4(c)(ii), unless Section 11.4(c)(ii)(D) applies, distributions are considered to be made on the Participant's Required Beginning Date. If Section 11.4(c)(ii)(D) applies, distributions are considered to be made on the date distributions are required to be made to the surviving spouse under Section 11.4(c)(ii)(A).

- (d) Definitions. For purposes of this Section 11.4, the following terms shall have the meanings set forth below:
  - (i) "Designated Beneficiary" means the individual who is designated as the Beneficiary under Section 1.7 and is the designated

beneficiary under Section 401(a)(9) of the Code and Treas. Reg. ss.1.401(a)(9)-4, Q&A-1.

- (ii) "Five-Percent Owner" means a Participant who is a five-percent owner of the Company within the meaning of Section 416(i)(1)(B)(i) of the Code (determined in accordance with Section 416 of the Code but without regard to whether the Plan is top heavy) at any time during the Year ending with or within the calendar year in which such owner attains age 70 1/2.
- (iii) "Required Beginning Date" of a Participant means the date determined as follows:
  - (A) if the Participant is not a Five-Percent Owner and has not attained age 70 1/2 prior to April 1, 2002, his Required Beginning Date is the April 1 of the calendar year following the later of (1) the calendar year in which the Participant attains age 70 1/2 or (2) the calendar year in which the Participant retires; or
  - (B) if the Participant is a Five Percent-Owner, or if the Participant has attained age 70 1/2 prior to April 1, 2002, his Required Beginning Date is the April 1 of the calendar year following the calendar year in which the Participant attains age 70 1/2 even if he has not retired.

Sec. 11.5 Withdrawals. Except as provided in this Section, no amounts may be withdrawn by a Participant from his Individual Account until the Participant's employment with his Employer and all Affiliated Companies has terminated. In the event of financial hardship, a Participant or Former Participant may, with the consent of the Administrator, withdraw such portion of his Individual Account as the Administrator may approve; provided, however, that no amount in excess of the vested portion of his Individual Account may be withdrawn from such Individual Account. A request for withdrawal under this Section 11.5 shall be made in writing to the Administrator, and shall set forth the particular circumstances constituting the financial hardship and the amount requested to be withdrawn. The term "financial hardship" shall mean acute

financial necessity resulting from illness or death of members of the family, education of children and casualty losses not covered by insurance. The determination by the Administrator as to the existence of financial hardship and the amount permitted to be withdrawn shall be conclusive but shall be made on a consistent and nondiscriminatory basis. All amounts not actually withdrawn shall remain credited to the Individual Account of the Participant or Former Participant. For the purposes of allocating appreciation, depreciation, income, expense, gain and loss of the Trust Fund, any withdrawals shall be subtracted from the Individual Account balance as of the beginning of the Year in which the withdrawal is made.

Sec. 11.6 Claims Procedure. The Administrator shall process all benefit claims of Participants, Former Participants and Beneficiaries pursuant to the claims procedure specified in the summary plan description for the Plan and shall act in a manner which is consistent with regulations published from time to time by the Department of Labor.

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

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

search for or locate a Participant, Former Participant or Beneficiary.

Sec. 11.9 Failure to Claim Benefits. If the Administrator notifies the Participant, Former Participant or Beneficiary by registered or certified mail at his last known address that he is entitled to a distribution and also notifies him of the provisions of this Section 11.9, and the Participant, Former Participant or Beneficiary fails to claim his benefits under the Plan or make his current address known to the Administrator within a reasonable period of time after such notification, the Administrator shall use reasonable efforts to locate the Participant, Former Participant or Beneficiary. If those reasonable efforts are unsuccessful, the Administrator shall direct that all unpaid amounts which would have been payable to such Participant, Former Participant or Beneficiary will be forfeited and applied as provided in Section 10.5. In the event that the Participant, Former Participant or Beneficiary is subsequently located, the Participant's Parent Company Stock Account will be restored and credited with the number of whole shares of Parent Company Stock and cash for any fractional share that have an aggregate fair market value equal to the aggregate value of his Individual Account as of the date his Individual Account was forfeited. The shares of Parent Company Stock and cash credited to his Parent Company Stock Account shall be distributed to the Participant, Former Participant or Beneficiary, and the Employer shall contribute an amount to the Plan which is equal to the amount distributed under the terms of this Section 11.9 to the extent that such amount cannot be reinstated through forfeitures occurring during the Year of payment. Notwithstanding the preceding sentences, if the Administrator is trying to locate a Participant, Former Participant or Beneficiary in connection with a minimum required distribution under Section 11.4, and the Administrator determines that such Participant, Former Participant or Beneficiary cannot be located, the Administrator shall establish an escrow account outside of the Plan in the name of that Participant, Former Participant or Beneficiary and direct the Trustee to distribute such amount to that account.

Sec. 11.10 Distribution Pursuant to Qualified Domestic Relations Orders. The Administrator shall establish policies and procedures for reviewing domestic relations orders relating to a Participant's or Former Participant's interest in the Plan. The Administrator or its delegate shall determine whether any such

domestic relations order is a Qualified Domestic Relations Order. Notwithstanding any other provision of the Plan to the contrary, if the provisions of a Qualified Domestic Relations Order provide that distributions shall be made to an Alternate Payee prior to the time that the Participant with respect to whom the Alternate Payee's benefits are derived is entitled to a distribution under the Plan, the Administrator shall direct the Trustee to commence payments to the Alternate Payee as soon as administratively practicable following the later of (i) the date the Participant attains (or would have attained) the Earliest Retirement Age (as defined below) or (ii) the receipt of such Qualified Domestic Relations Order by the Administrator. Until such time as payment is made to an Alternate Payee pursuant to this Section 11.10, the Administrator shall direct the Recordkeeper to identify the Alternate Payee's interest in the Trust Fund and the Alternate Payee shall have no rights under the Plan other than the rights of a Beneficiary and the right, if the Participant or Former Participant is a Qualified Participant, of a Qualified Participant pursuant to the provisions of Section 18.2. A distribution to an Alternate Payee who is the former spouse of the Participant or Former Participant shall be subject to the provisions of Section 11.11. For purposes of this Section 11.10, Earliest Retirement Age shall mean the earlier of (i) the date on which the Participant is entitled to a distribution under the Plan, or (ii) the later of (A) the date the Participant attains age 50, or (B) the earliest date on which the Participant could begin receiving benefits under the Plan if his employment with his Employer and all Affiliated Companies had terminated.

Sec. 11.11 Tax Withholding and Participant's Direct Rollover. Unless provided otherwise in regulations promulgated by Secretary of the Treasury, to the extent required under Section 3405 of the Code, if a Participant, Former Participant or Beneficiary receives a distribution or withdrawal from the Plan consisting of cash or assets other than Parent Company Stock with a combined value (excluding the value of Parent Company Stock) in excess of \$200 (the "Non-Parent Company Stock Distribution"), the Trustee shall withhold the lesser of (i) 100% of the Non-Parent Company Stock Distribution made to that Participant, Former Participant or Beneficiary or (ii) 20% of the value of the taxable portion of the entire distribution or withdrawal made to a Participant, Former Participant or Beneficiary which constitutes an Eligible Rollover Distribution (as defined below). Any amount withheld shall be deposited by the

Trustee with the Internal Revenue Service for the purpose of paying the distributee's federal income tax liability associated with the distribution or withdrawal. Notwithstanding the foregoing provisions, each Direct Rollover Distributee (as defined below) shall be provided with a Notice described in Section 11.2 and given the right to elect [pursuant to Section 401(a)(31) of the Code and the applicable Treasury regulations promulgated thereunder] during the period prescribed in Section 11.2 to rollover all or any portion of the taxable amount of such person's distribution or withdrawal (subject to limitations and restrictions, if any, adopted by the Administrator in accordance with applicable Treasury regulations) directly to an Eligible Retirement Plan (as defined below) and, to the extent a direct rollover is elected by any Direct Rollover Distributee, the withholding requirements of this Section 11.11 shall not apply. If permitted by the Code or applicable Treasury regulations, a direct rollover as described in the preceding sentence may be accomplished by delivering a check from the Plan to the Direct Rollover Distributee payable to the trustee or custodian of the Eligible Retirement Plan. Each such direct rollover election shall be in writing on a form prescribed by the Administrator for such purpose and given to the Direct Rollover Distributee within a reasonable period of time prior to the distribution or withdrawal.

For purposes of this Section 11.11, the following terms shall have the following meanings:

- (a) "Direct Rollover Distributee" shall mean a Participant, a Former Participant, a spouse of a Participant or a Former Participant, and a Participant's or Former Participant's former spouse who is the Alternate Payee under a Qualified Domestic Relations Order. Effective April 1, 2007, a Direct Rollover Distributee shall also include a Participant's or Former Participant's non-spouse designated Beneficiary who receives an otherwise qualifying distribution after March 31, 2007 from a Participant's or Former Participant's Individual Account, provided such distribution is directly rolled over to an individual retirement account described in Section 408(a) of the Code which is established as an inherited IRA in accordance with guidance issued by the Department of Treasury or the Internal Revenue Service.

- (b) "Eligible Retirement Plan" shall mean an individual retirement account described in Section 408(a) of the Code, an individual retirement annuity described in Section 408(b) of the Code (other than an endowment contract), an annuity plan described in Section 403(a) of the Code, an annuity contract described in Section 403(b) of the Code, a qualified trust described in Sections 401(a) and 501(a) of the Code, and an eligible plan under Section 457(b) of the Code which is maintained by a state, a political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state, that will accept an Eligible Rollover Distribution, and, in the case of an eligible plan under Section 457(b) of the Code, that agrees to separately account for amounts transferred into such plan from the Plan.
- (c) "Eligible Rollover Distribution" shall mean any distribution of all or a portion of a Participant's or Former Participant's Individual Account to a Direct Rollover Distributee; provided, however, an Eligible Rollover Distribution shall not mean any distribution of all or a portion of a Participant's or Former Participant's Individual Account (i) that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the Direct Rollover Distributee or the joint lives (or joint life expectancies) of the Direct Rollover Distributee and his designated Beneficiary, (ii) that is paid for a specified period of ten years or more, (iii) that is a part of a series of distributions during a calendar year to the extent that such distributions are expected to total less than \$200 or a total lump sum distribution which is less than \$200, as described in Q&A-11 of Treas. Reg. ss.1.401(a)(31)-1, (iv) to the extent such distribution is required by under Section 401(a)(9) of the Code as provided in Section 11.4, or (v) to the extent such distribution is not includable in gross income (determined without regard to the exclusion for net annualized appreciation with respect to employer securities).

ARTICLE XII

NOTICES

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

- (a) name and address of the Participant, Former Participant or Beneficiary,
- (b) amount to be distributed, and
- (c) any other information required by the Trustee for federal or state income tax withholding and reporting purposes.

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

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

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

ARTICLE XIII

AMENDMENT OR TERMINATION OF PLAN

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

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

- (a) operate retroactively to reduce or divest the then vested interest in any Individual Account or to reduce or divest any benefit then payable hereunder; or
- (b) change the duties or responsibilities of the Trustee without the written consent or approval of the Trustee.

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

Sec. 13.3 Distribution on Termination or Discontinuance of Contributions. Upon termination of the Plan or complete discontinuance of contributions to the Plan, any amount of the Trust Fund previously unallocated, including any amounts in a suspense account established under Article V, shall be allocated (unless such allocation would violate Article V), and the Individual Accounts of all Participants, Former Participants, and Beneficiaries shall thereupon be and become fully vested and nonforfeitable to the extent then funded. The Trustee shall deduct from the Trust Fund all unpaid charges and expenses including those relating to said termination, except as the same may be paid by an Employer. The

Trustee shall then adjust the balance of all Individual Accounts on the basis of the net value of the Trust Fund. Subject to the limitations on distributions provided in this Section 13.3, the Administrator shall direct the Trustee to distribute the amount to the credit of each Participant, Former Participant and Beneficiary when all appropriate administrative procedures have been completed. If any amount in a suspense account shall not be allocable because of the provisions of Article V, such amount shall be returned to the Employer. Upon any complete discontinuance of contributions by an Employer, the assets of the Trust Fund shall be held and administered by the Trustee for the benefit of the Participants employed by such Employer discontinuing contributions in the same manner and with the same powers, rights, duties and privileges herein described until the Trust Fund with respect to such Employer has been fully distributed. Upon the partial termination of the Plan, the Individual Accounts of affected Participants, Former Participants and Beneficiaries shall thereupon be and become fully vested and nonforfeitable to the extent then funded and shall be distributed to such Participants, Former Participants and Beneficiaries by the Trustee when all appropriate administrative procedures have been completed. The Administrator shall direct the Trustee to distribute each Participant's entire Individual Account in a single lump sum distribution to him in accordance with and subject to the consent requirements of Article XI, or to an Eligible Retirement Plan as defined in Section 11.11 pursuant to the Participant's direct rollover election described in Section 11.11, as soon as administratively practicable after the later of (i) the termination date of the Plan or (ii) the receipt following application of a favorable determination letter from the Internal Revenue Service with respect to the termination of the Plan.

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

Sec. 13.5 Amendment of Vesting Schedule. At any time that the vesting schedule of the Plan is amended, or the Plan is amended in any way that directly or indirectly affects the computation of the Participant's nonforfeitable

interest in his Individual Account, each Participant who has completed at least three Years, whether or not consecutive, during each of which he has completed not fewer than 1,000 Hours of Service, may elect to have his vested interest in his Individual Account determined under the vesting schedule in effect prior to such amendment. An election made under the preceding sentence may be made at any time within 60 days after the later of the date:

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

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

Sec. 13.6 Merger or Consolidation of Plan. In the event of any merger or consolidation of the Plan with, or transfer in whole or in part of the assets and liabilities of the Trust Fund to, another trust fund held under any other plan of deferred compensation maintained or to be established for the benefit of all or some of the Participants in the Plan, the assets of the Trust Fund applicable to such Participants shall be transferred to the other trust fund only if:

- (a) each Participant would (if either the Plan or the other plan had then terminated) receive a benefit immediately after the merger, consolidation, or transfer which is equal to or greater than the benefit he would have been entitled to receive immediately before the merger, consolidation, or transfer (if the Plan had then terminated); and
- (b) such other plan and trust fund are qualified under Section 401(a) of the Code and exempt from tax under Section 501(a) of the Code.

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

ARTICLE XIV

COMMITTEE

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Sec. 14.1 Committee Composition. The Company may appoint a Committee consisting of any number of members as determined by the Company. The Company may remove any member of the Committee at any time and a member may resign by written notice to the Company. Any vacancy in the membership of the Committee shall be filled by appointment of the governing body of the Company, but pending the filling of any such vacancy the then members of the Committee may act hereunder as though they alone constitute the full Committee.

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

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

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

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

- (a) To direct the Trustee as to investments in Parent Company Stock.
- (b) To administer the Plan as provided in Section 14.5.
- (c) To establish and administer the Plan's claims procedure pursuant to Section 11.6 in a uniform and nondiscriminatory manner and, if appropriate in its sole discretion, to designate persons or entities to be responsible for initial claims and requests for review of claims decisions.
- (d) To adopt such rules, forms and procedures as it shall deem necessary for the efficient administration of the Plan in accordance with its

terms and the terms of any applicable law.

- (e) Effective for Years beginning after March 31, 2007, to establish and communicate the procedures to Qualified Participants to enable the Plan to satisfy the requirement of Section 401(a)(28)(B)(ii)(I) of the Code that each Qualified Participant be permitted during his Qualified Election Period to direct the Trustee as to the eligible portion of such Qualified Participant's Individual Account to be distributed to him pursuant to Section 18.2.
- (f) To prepare and submit to governmental agencies, Participants, Former Participants and Beneficiaries such Plan descriptions, reports and other documents, or summaries thereof, as may be required by applicable law or necessary in the administration of the Plan.
- (g) To remedy possible ambiguities, inconsistencies or omissions in connection with its power to interpret the Plan; provided, however, that all such actions and decisions shall be applied in a uniform manner to all Employees similarly situated.
- (h) To authorize disbursements from the Trust Fund, including refunds of contributions permitted by the Plan (any instructions of the Committee to the Trustee shall be evidenced in writing and signed by a member of the Committee delegated with such authority by a majority of the Committee).
- (i) To appoint a Recordkeeper who shall perform, without discretionary authority or control, administrative functions within the framework of policies, interpretations, rules, practices and procedures adopted by the Committee or the Administrator.
- (j) To employ such advisors (including but not limited to attorneys, independent public accountants and investment advisors) and such other technical and clerical personnel as may be required in the Committee's discretion for the proper administration of the Plan, and to pay the reasonable expenses of such persons from the Trust Fund.

- (k) To establish and to instruct the Trustee and any investment manager with respect to asset administration objectives and policies consistent with Plan requirements.
- (l) To review from time to time, but at least as often as annually, the investment performance of the Trustee and any insurance company or investment manager acting with respect to any portion of the Trust Fund. The Committee may engage the services of such person it deems appropriate including, investment managers, to review investments held by the Plan and the financial condition of insurance companies issuing insurance contracts to the Plan.
- (m) To supervise at least one audit of the Plan's assets for each Year and review the Trustee's annual accounting.
- (n) Effective April 1, 2007, to direct the Trustee with respect to voting shares of Parent Company Stock in accordance with the provisions of Section 17.6.

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

Sec. 14.6 Committee Member's Abstention in Cases Involving Own Rights. Notwithstanding any other provision of this Article XIV, no Committee member

shall vote or act upon any matter involving his own rights, benefits, or participation in the Plan.

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

Sec. 14.8 Indemnification of Employees and Directors. The Company hereby indemnifies each member of the Committee and each employee, officer and director of an Affiliated Company who are delegated responsibilities under or pursuant to the Plan against any and all liabilities and expenses, including attorneys' fees, actually and reasonably incurred by them in connection with any threatened, pending or completed legal action or judicial or administrative proceeding to which they may be a party, or may be threatened to be made a party, by reason of membership on the Committee or other delegation of responsibilities, except with regard to any matters as to which they shall be adjudged in such action or proceeding to be liable for gross negligence or willful misconduct in connection therewith. In addition, the Company may provide appropriate insurance coverage for the members of the Committee or each such other individual indemnified pursuant to this Section 14.8 who is not otherwise appropriately insured.

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

ARTICLE XV

MISCELLANEOUS

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Sec. 15.1 No Employment or Compensation Agreement. Nothing contained in the Plan shall be construed as giving any person or entity any legal or equitable right against the Company, any Employer, any Affiliated Company, their stockholders or partners, officers or directors, the Named Fiduciary, the

Committee, the Administrator, the Trustee or the Recordkeeper, except as the same shall be specifically provided in the Plan. The Plan shall not be deemed to constitute a contract between the Employer and any Participant or to be a consideration or an inducement for the employment of any Participant or Employee. Nor shall anything in the Plan give any Participant or other Employee the right to be retained in the service of any Employer or to interfere with the right of the Employer to discharge any Participant or Employee at any time regardless of the effect which such discharge shall have upon him as a Participant in the Plan. The employment of all persons by any Employer shall remain subject to termination by that Employer to the same extent as if the Plan had never been executed.

Sec. 15.2 Spendthrift Provision. Except (i) as provided by the terms of a domestic relations order which is determined to be qualified under Section 414(p) of the Code, or (ii) as permitted pursuant to Section 401(a)(13) of the Code and Section 206(d) of ERISA, no Participant, Former Participant, or Beneficiary shall have the right to assign, alienate or transfer his interest hereunder, nor shall his interest be subject to claims of his creditors or others, it being understood that all provisions of the Plan shall be for the exclusive benefit of those designated herein.

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

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

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

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

Sec. 15.7 Allocation of Fiduciary Responsibility by Named Fiduciary. A fiduciary with respect to the Plan, as described in Section 3(21) of ERISA, shall only have those specific powers, duties, responsibilities and obligations as are explicitly given such fiduciary under the terms of the Plan and the Trust Agreement or allocated to such fiduciary pursuant to the procedures set forth herein. The Named Fiduciary may, by written instrument, allocate some or all of its responsibilities to another fiduciary, including the Trustee, or designate another person to carry out some or all of its fiduciary responsibilities. Each fiduciary to whom responsibilities are allocated by the Named Fiduciary will be furnished a copy of the Plan and their acceptance of such responsibility will be made by agreeing in writing to act in the capacity designated. It is intended that each fiduciary shall be responsible only for the proper exercise of his own powers, duties, responsibilities and obligations under the Plan and shall not be responsible for any act or failure to act of another fiduciary. The Named Fiduciary shall not be liable for an act or omission of any person (who is allocated a fiduciary responsibility or who is designated to carry out such responsibility) in carrying out a fiduciary responsibility except to the extent that with respect to the allocation or designation, continuation thereof, or implementation or establishment of the allocation or designation procedures the Named Fiduciary (i) did not perform all of his duties and responsibilities and exercise his powers hereunder with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims, (ii) knowingly participates in or knowingly undertakes to conceal an act or omission of another fiduciary of the Plan, with the knowledge that such act or omission is a breach of fiduciary responsibility, (iii) did not make reasonable efforts under the circumstances to remedy a breach of fiduciary responsibility of which the Named Fiduciary has knowledge, or (iv) did not carry out its specific responsibilities, in accordance with the standard set forth in (i) above, and as a result, it has enabled another fiduciary of the Plan to commit a breach. Any person or group of persons may serve in more than one fiduciary capacity with respect to the Plan.

Sec. 15.8 Expenses of Administration. Except to the extent paid by an Employer or prohibited by ERISA, the Administrator shall cause the Trustee to pay from the assets of the Plan, including from the unallocated forfeitures as

provided in Section 10.5, all expenses incurred in the administration of the Plan, including expenses of the Committee, the Recordkeeper and the Administrator, and expenses and compensation of the Trustee and the expenses of counsel. The Employer shall pay all brokerage commissions, taxes and other costs incident to the purchase and sale of securities.

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

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

Sec. 15.11 Operation of the Plan; Permitted Corrections. The Company intends to operate and administer the Plan as a tax-qualified retirement plan under Section 401(a) of the Code. In the event that the Administrator determines that the operation of the Plan or the form of the Plan, or both, fails to comply in any respect with the applicable requirements of the Code, the Company may take whatever action it deems necessary and appropriate under the circumstances to comply with its intent to maintain the Plan as a tax-qualified retirement plan, including corrections made pursuant to, or consistent with the purposes of, the Employee Plans Compliance Resolution System, as set forth in Revenue Procedure 2006-27 issued by the Internal Revenue Service, as the principles of such Revenue Procedure may be modified or expanded from time to time, or any other correction procedures available generally to the Company with respect to the Plan. The Administrator also is permitted to take any action it deems necessary and appropriate under the circumstances to make corrections under the Voluntary Fiduciary Correction Program established by the Department of Labor and/or to assist another Plan fiduciary in connection with its compliance actions under such program.

ARTICLE XVI

ADOPTION BY AFFILIATED COMPANIES

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

Sec. 16.2 Contributions and Forfeitures. Each Participant shall have his Individual Account credited with his share of his former Employer's contributions and with his share of his new Employer's contributions. The Annual Compensation received by such Participant from each Employer during the portion of the Year employed by an Employer shall constitute the basis for his allocation of that particular Employer's contribution. Forfeitures shall be applied as provided in Section 10.5 only for the benefit of the Participants employed by the Employer for whom the Participant works or last worked at the time the forfeiture occurs.

Sec. 16.3 Transfers of Employment Between Affiliated Companies. If an Employee of one Affiliated Company transfers to the employment of another Affiliated Company and such Affiliated Company has a comparable plan and trust agreement, the Trustee of each plan and trust shall make suitable arrangements

for the transfer of the assets held in his Individual Account from the Plan of the former employer to the plan of the successor employer. The Employee will be granted credit for Years of Service (Vesting) with the former employer and will not be deemed to have terminated his employment. Annual Compensation from the former employer will be considered to be Annual Compensation from the successor employer.

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

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

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

ARTICLE XVII

THE TRUSTEE

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

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

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

Sec. 17.4 Trust Fund Applicable Only to Payment of Benefits. The Trust Fund will be used and applied only in accordance with the provisions of the Plan, to provide the benefits thereof, except as provided in Section 15.8 regarding payment of administrative expenses, and no part of the corpus or income of the Trust Fund will be used for, or diverted to, purposes other than for the exclusive benefit of the Participants and other persons thereunder entitled to benefits.

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

Sec. 17.6 Voting Rights. Effective April 1, 2007, at each annual or special meeting of the stockholders of Capital Southwest Corporation or by actions taken

without a meeting, each Participant, Former Participant and Beneficiary shall be entitled to direct the Trustee as to the manner in which the Parent Company Stock which is entitled to vote and which is allocated to the Parent Company Stock Account of such Participant, Former Participant or Beneficiary is to be voted. If the Trustee does not timely receive voting directions from a Participant, Former Participant or Beneficiary with respect to any shares of Parent Company Stock allocated to that Participant's, Former Participant's or Beneficiary's Parent Company Stock Account, the Trustee shall vote such shares of Parent Company Stock or refrain from voting any or all such shares of Parent Company Stock held in the Trust Fund in such manner as deemed, in the Trustee's sole discretion, to be in the best interest of the Participants, Former Participants and Beneficiaries. Prior to April 1, 2007, the Trustee was entitled to vote or refrain from voting any and all shares of Parent Company Stock held in the Trust Fund in such manner as deemed, in the Trustee's sole discretion, to be in the best interest of the Participants, Former Participants and Beneficiaries. The Administrator may from time to time direct the Trustee as to the manner of voting such shares described in the preceding sentences, and the Trustee shall follow such instructions and shall bear no responsibility for the propriety of the decisions of the Administrator.

ARTICLE XVIII

INVESTMENTS

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Sec. 18.1 Investment of Contributions and Trust Assets. All Employer contributions in cash and any other cash received by the Trust Fund attributable to Employer contributions under the Plan, including dividends, will first be used to pay current obligations of the Trust Fund, and any excess will be used either to pay other obligations of the Trust Fund, to buy Parent Company Stock from holders of outstanding stock or newly issued or treasury stock or to make other prudent investments; provided, however, that at all times the Trustee shall attempt to invest 100% of the Trust Fund assets in Parent Company Stock consistent with market availability or other conditions. Qualified Participants may direct the Trustee as to the portion of their Individual Account to be distributed as provided in Section 18.2. The Administrator may from time to time

direct the Trustee as to the extent of investment in Parent Company Stock and the Trustee shall follow such instructions and shall bear no responsibility for the propriety of the investment decision of the Administrator. All purchases of Parent Company Stock shall be made at a price, or at prices, which in the judgment of the Trustee do not exceed the fair market value of such shares of Parent Company Stock, which may be above the quoted market price on a national securities exchange or in the over-the-counter market. If no current obligations of the Trust Fund are outstanding and unpaid and the Trustee determines that it is in the best interest of the Trust Fund, the Trustee may invest funds of the Trust Fund temporarily in securities issued or guaranteed by the United States of America or any agency thereof, in certificates of deposit, or in short-term commercial paper, or such funds may be held temporarily in cash.

Sec. 18.2 Diversification of Investments by Qualified Participants. Effective for Years beginning after March 31, 2007, based on a non-discriminatory policy and procedures adopted by the Committee, each Qualified Participant may, subject to and in accordance with this Section 18.2, elect within the 90-day period immediately after the close of each Year during that Qualified Participant's Qualified Election Period to diversify the investment of up to 25 percent of the total number of shares of Parent Company Stock acquired by or contributed to the Plan that have ever been allocated to such Qualified Participant's Parent Company Stock Account as of the last day of each of the first five Years in his Qualified Election Period (reduced by the number of shares of Parent Company Stock covered by his prior actual diversification election or elections). In each case the resulting number of shares of Parent Company Stock determined to be subject to a Qualified Participant's diversification election for a Year during that Qualified Participant's Qualified Election Period shall be rounded to the nearest whole integer. In the case of the election year in which the last election can be made by the Qualified Participant, the preceding sentence shall be applied by substituting "50 percent" for "25 percent."

If a Qualified Participant timely elects to diversify the investment of the eligible portion of his Parent Company Stock Account, the Administrator shall direct the Trustee to distribute to the Participant no later than 180 days after the close of the Year to which such diversification election applies from his Parent Company Stock Account the number of shares of Parent Company Stock with respect to which he is eligible to and actually elects to diversify the investment of his Parent Company Stock Account. The Participant shall be

notified of his direct rollover rights under Section 11.11 with respect to the shares of Parent Company Stock to be distributed to him pursuant to his diversification election.

ARTICLE XIX

TOP HEAVY PROVISIONS

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Sec. 19.1 Minimum Allocation Requirements. Notwithstanding the provisions of Section 4.3, for any Year in which the Plan is a Top Heavy Plan and no other plan is maintained by an Employer or an Affiliated Company that provides the minimum benefit applicable to top heavy plans within the meaning of Section 416(g) of the Code, the requirement for 1,000 Hours of Service shall not apply and Employer contributions and forfeitures (excluding Employer contributions to Social Security) which are allocated to any Participant who on the last day of the Year is a Non-Key Employee who has satisfied the eligibility requirements of Section 2.1, shall not be less than the lesser of (i) three percent of such Participant's Annual Compensation [as defined in Section 5.2(f)] or (ii) the largest percentage of Employer contributions, as a percentage of the amount of the Annual Compensation [as defined in Section 5.2(f)] of Participants who are Key Employees, but not in excess of the Compensation Limitation as defined in Section 1.6 allocated to any such Participant who is a Key Employee for that Year; provided, however, if the Employer maintains a defined benefit plan which designates the Plan to satisfy Section 401 or 410 of the Code, (ii) above shall not apply.

Sec. 19.2 Vesting Schedule. Notwithstanding the provisions of Section 10.2, beginning with the first Year in which the Plan is a Top Heavy Plan, the following provisions shall be applicable to Section 10.2:

- (a) Except as provided in Section 19.2(b) below, each Participant shall be entitled (as a vested interest) to receive the greater of the vested interest calculated pursuant to Article X or a percentage of the then combined balance to his credit in his Parent Company Stock Account and

Other Investments Account determined in accordance with the following schedule:

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

- (b) The schedule in Section 19.2(a) above shall not apply to the Individual Account of any Participant who does not perform an Hour of Service after the Determination Date on which the Plan first became a Top Heavy Plan; any such Participant's vested interest in his Parent Company Stock Account and Other Investments Account shall be determined by applying the schedule in Section 10.2 of the Plan as applicable to the Plan prior to the Determination Date on which the Plan first became a Top Heavy Plan. This Section 19.2 shall not apply for any Year beginning after March 31, 2007.

Sec. 19.3 Definitions.

- (a) "Determination Date" means for any Year the Anniversary Date of the preceding Year, or in the case of the first Year of the Plan, the Anniversary Date of that Year.
- (b) "Key Employee" means for Years beginning after March 31, 2007, as of any Determination Date, any Employee or former Employee (or Beneficiary of such Employee) of an Employer who, at any time during the Year which includes the Determination Date, is:
- (i) an officer of any Employer having Annual Compensation [as defined in Section 5.2(f)] greater than \$145,000 [as adjusted under Section 416(i)(1) of the Code for Years beginning after March 31, 2008];
  - (ii) a more than five-percent owner of any Employer; or
  - (iii) a more than one percent owner of any Employer having Annual Compensation [as defined in Section 5.2(f)] from all Employers of more than \$150,000.

For purposes of subsection (b)(i), no more than 50 Employees (or, if lesser, the greater of three or ten percent of the Employees of all Employers) shall be treated as officers. The constructive ownership rules of Section 318 of the Code (or the principles of that section, in the case of an unincorporated Employer) will apply to determine ownership in each Employer.

- (c) "Non-Key Employee" means any Employee who is not a Key Employee.
- (d) "Permissive Aggregation Group" means the Required Aggregation Group plus any other qualified plan or plans maintained by an Employer which, when considered as a group with the Required Aggregation Group, would continue to satisfy the requirements of Sections 401(a)(4) and 410 of the Code.
- (e) "Required Aggregation Group" means (i) each qualified plan of an Employer in which at least one Key Employee participates or participated at any time during the determination period (regardless of whether the plan has terminated), and (ii) any other qualified plan of an Employer which enables a plan described in (i) to meet the requirements of Sections 401(a)(4) or 410 of the Code.
- (f) "Top Heavy Plan" means the Plan (i) if the Plan is not part of a Required Aggregation Group or a Permissive Aggregation Group and the Top Heavy Ratio for the Plan as of the Determination Date exceeds 60 percent, (ii) if the Plan is part of a Required Aggregation Group but not part of a Permissive Aggregation Group and the Top Heavy Ratio for the group of plans exceeds 60 percent, or (iii) if the Plan is part of a Required Aggregation Group and part of a Permissive Aggregation Group and the Top Heavy Ratio for the Permissive Aggregation Group exceeds 60 percent.
- (g) "Top Heavy Ratio" means"
  - (i) If the Employer maintains one or more defined contribution plans (including any simplified employee pension plan) and the Employer has not maintained any defined benefit plan which during the one-year period (five-year period in determining whether the plan is top heavy for Years beginning before January 1, 2002) ending on the Determination Date(s) has or has had accrued benefits, the Top Heavy

Ratio for the Plan alone or for the Required Aggregation Group or Permissive Aggregation Group, as appropriate, is a fraction, the numerator of which is the sum of the account balances of all Key Employees as of the Determination Date(s) (including any part of any account balance distributed in the one-year period ending on the Determination Date in the case of a distribution made for a reason other than severance from employment, death or Disability and in determining whether the Plan is a Top Heavy Plan for Years beginning before January 1, 2002), and the denominator of which is the sum of all account balances (including any part of any account balance distributed in the one-year period ending on the Determination Date(s)) (five-year period ending on the Determination Date in the case of a distribution made for a reason other than severance from employment, death or Disability and in determining whether the Plan is a Top Heavy Plan for Years beginning before January 1, 2002), both computed in accordance with Section 416 of the Code and the Treasury regulations thereunder. Both the numerator and denominator of the Top Heavy Ratio are increased to reflect any contribution not actually made as of the Determination Date, but which is required to be taken into account on that date under Section 416 of the Code and the Treasury regulations thereunder.

- (ii) If the Employer maintains one or more defined contribution plans (including any simplified employee pension plan) and the Employer maintains or has maintained one or more defined benefit plans which during the one-year period (five-year period in determining whether the Plan is a Top Heavy Plan for Years beginning before January 1, 2002) ending on the Determination Date(s) has or has had any accrued benefits, the Top Heavy Ratio for any Required Aggregation Group or Permissive Aggregation Group, as appropriate, is a fraction, the numerator of which is the sum of account balances under the aggregated defined contribution plan or plans for all Key Employees, determined in accordance with subsection (g)(i) above, and the present value of

accrued benefits under the aggregated defined benefit plan or plans for all Key Employees as of the Determination Date(s), and the denominator of which is the sum of the account balances under the aggregated defined contribution plan or plans for all participants, determined in accordance with subsection (g)(i) above, and the present value of accrued benefits under the defined benefit plan or plans for all participants as of the Determination Date(s), all determined in accordance with Section 416 of the Code and the Treasury regulations thereunder. The accrued benefits under a defined benefit plan in both the numerator and denominator of the Top Heavy Ratio are increased for any distribution of an accrued benefit made in the one-year period ending on the Determination Date (five-year period ending on the determination date) in the case of a distribution made for a reason other than severance from employment, death or Disability and in determining whether the Plan is a Top Heavy Plan for Years beginning before January 1, 2002).

(iii) For purposes of subsection (g)(i) and (ii) above the value of account balances and the present value of accrued benefits will be determined as of the most recent valuation date that falls within or ends with the 12-month period ending on the Determination Date, except as provided in Section 46 of the Code and the Treasury regulations thereunder for the first and second plan years of a defined benefit plan of a Participant (A) who is not a Key Employee but who was a Key Employee in a prior year, or (B) who has not been credited with at least one Hour of Service with any Employer maintaining the Plan at any time during the one-year period (five-year period in determining whether the Plan is a Top Heavy Plan for Years beginning before January 1, 2002) ending on the Determination Date will be disregarded. The calculation of the Top Heavy Ratio, and the extent to which distributions, rollovers, and transfers are taken into account will be made in accordance with Section 416 of the Code and the Treasury regulations thereunder. Deductible employee contributions will not be taken into account for purpose of computing the Top Heavy Ratio. When

aggregating plans the value of account balances and accrued benefits will be calculated with reference to the Determination Dates that fall within the same calendar year.

The accrued benefit of a Participant other than a Key Employee shall be determined under (A) the method, if any, that uniformly applies for accrual purposes under all defined benefit plans maintained by the Employer, or (B) if there is not such method, as if such benefit accrued not more rapidly than the slowest accrual rate permitted under the fractional rule of Section 411(b)(1)(C) of the Code.

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

THE RECTORSEAL CORPORATION

By \_\_\_\_\_

RETIREMENT PLAN FOR EMPLOYEES OF  
 CAPITAL SOUTHWEST CORPORATION AND ITS AFFILIATES  
 As Amended and Restated Effective April 1, 2006

Capital Southwest Corporation  
 Dallas, Texas

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RETIREMENT PLAN FOR EMPLOYEES OF  
CAPITAL SOUTHWEST CORPORATION AND ITS AFFILIATES  
As Amended and Restated Effective April 1, 2006

INTRODUCTION

Capital Southwest Corporation adopted and established a retirement plan, called the Capital Southwest Corporation Retirement Plan, for the benefit of its eligible employees effective as of April 1, 1966. Effective as of April 1, 1972, the Comprehensively Amended Retirement Plan for Employees of Capital Southwest Corporation was adopted by Capital Southwest Corporation as an amendment and restatement of the aforementioned retirement plan and, in conjunction therewith, the Retirement Trust for Employees of Capital Southwest Corporation was adopted as an amendment and restatement of the original trust agreement. Effective as of January 1, 1974, Capital Southwest Corporation amended and restated the aforementioned Comprehensively Amended Retirement Plan for Employees of Capital Southwest Corporation in its entirety as set forth in an instrument known as the Retirement Plan for Employees of Capital Southwest Corporation and, in conjunction therewith, the aforementioned Retirement Trust for Employees of Capital Southwest Corporation was amended and restated in its entirety as set forth in a trust agreement of the same title. The said Retirement Plan for Employees of Capital Southwest Corporation and Retirement Trust for Employees of Capital Southwest Corporation were subsequently amended and restated in their entirety effective as of April 1, 1976, as set forth in instruments of the same titles. Capital Southwest Management Corporation was formed as a subsidiary of Capital Southwest Corporation in December of 1986, and effective as of January 1, 1987, the employees of Capital Southwest Corporation were transferred to, and

became employees of, Capital Southwest Management Corporation which, as the successor employer of such employees, continued the aforementioned retirement plan on their behalf.

The Whitmore Manufacturing Company under date of July 14, 1961 entered into a trust agreement whereby it established a retirement plan and trust for certain of its employees, and under date of April 14, 1965 entered into another trust agreement whereby it established a different retirement plan and trust for certain of its other employees. The retirement plans set forth in such trust agreements were known as The Whitmore Manufacturing Company Retirement Plan and The Whitmore Manufacturing Company Hourly Rate Pension Plan, respectively. Effective as of March 1, 1976, the trust agreements setting forth the provisions of the aforementioned retirement plans were amended and restated, and such amended and restated retirement plans were subsequently known as The Whitmore Manufacturing Company Revised Retirement Plan and The Whitmore Manufacturing Company Revised Hourly Rate Pension Plan, respectively. Effective as of March 1, 1980, the said The Whitmore Manufacturing Company Revised Retirement Plan and The Whitmore Manufacturing Company Revised Hourly Rate Pension Plan were again amended and restated, and were consolidated into a single plan and trust, known as the Retirement Plan for Employees of The Whitmore Manufacturing Company and the Retirement Trust for Employees of The Whitmore Manufacturing Company.

The Retirement Plan for Employees of The Rectorseal Corporation was adopted by The RectorSeal Corporation effective as of April 1, 1976, as an amendment and restatement of the retirement plan and trust which it had originally established for the benefit of its eligible employees effective as of January 1, 1972. The said Retirement Plan for Employees of The Rectorseal Corporation was subsequently amended and restated in its entirety effective as of April 1, 1984, as set forth in an instrument of the same title.

The Retirement Plan for Employees of Jet-Lube, Inc. was adopted by Jet-Lube, Inc. effective as of April 1, 1976 as an amendment and restatement of

the retirement plan and trust which it had originally established for the benefit of its eligible employees effective as of June 13, 1973. The said Retirement Plan for Employees of Jet-Lube, Inc. was subsequently amended and restated in its entirety effective as of April 1, 1984, as set forth in an instrument of the same title.

The aforementioned Retirement Plan for Employees of Capital Southwest Corporation and Retirement Trust for Employees of Capital Southwest Corporation, Retirement Plan for Employees of The Whitmore Manufacturing Company and Retirement Trust for Employees of The Whitmore Manufacturing Company, Retirement Plan for Employees of The Rectorseal Corporation and Retirement Plan for Employees of Jet-Lube, Inc. have subsequently been amended from time to time, and said retirement plans and trust agreements were further amended and restated in their entirety effective as of April 1, 1989 as set forth in an instrument known as the Retirement Plan for Employees of Capital Southwest Corporation and Its Affiliates, and in a trust agreement, titled Retirement Trust for Employees of Capital Southwest Corporation and Its Affiliates. In conjunction with such amendment and restatement, said retirement plans were consolidated and merged, effective as of April 1, 1989, into a "single plan" within the meaning of Section 414(1) of the Internal Revenue Code and regulations issued pursuant thereto. Said retirement plan, as amended and restated effective as of April 1, 1989, contained special provisions for certain employees whose service commenced prior to such date as set forth in a supplement thereto which was identified as the "First Supplement to Retirement Plan for Employees of Capital Southwest Corporation and Its Affiliates as Amended and Restated Effective April 1, 1989."

The said Retirement Plan for Employees of Capital Southwest Corporation and Its Affiliates has subsequently been amended from time to time, and said retirement plan is being further amended and is being restated in its entirety effective as of April 1, 2006 set forth in this instrument.

The aforementioned First Supplement to Retirement Plan for Employees of Capital Southwest Corporation and Its Affiliates as in effect on April 1, 1989 shall be attached to and made a part of the plan as amended and restated effective April 1, 2006, and all references to the "plan" in said supplement shall on and after April 1, 2006 refer to the plan as amended and restated effective April 1, 2006 set forth herein and references in said supplement to specified sections in the plan shall refer to the corresponding sections in the amended and restated plan even though the corresponding section in the amended and restated plan may not have the same section number that is specified in said supplement.

Subject to receipt by the aforementioned Employers of a favorable ruling that the qualified status of the Retirement Plan for Employees of Capital Southwest Corporation and Its Affiliates and the Retirement Trust for Employees of Capital Southwest Corporation and Its Affiliates under Sections 401(a) and 501(a) of the Internal Revenue Code is not adversely affected by such amendment and restatement, each person who becomes a participant hereunder shall be entitled upon his retirement or termination of service to such benefits as are specified in the provisions which follow.

## SECTION 1

## DEFINITIONS: PARTICIPATION

## 1.1 - DEFINITIONS

(A) The following terms as used herein shall have the meanings stated below unless a different meaning is plainly required by the context:

(1) "Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date" shall mean the monthly retirement income, payable in the manner described in Section 2.1(C) hereof commencing at the Participant's Normal Retirement Date, which he has accrued as of a given date and, with respect to any given date on or after April 1, 1998 and prior to April 1, 2007, shall be equal to the sum of:

(a) 1.25% of his Final Average Monthly Compensation at such given date multiplied by his number of years of Credited Service at such given date that are not in excess of 35 years;

plus

(b) 0.65% of that portion, if any, of his Final Average Monthly Compensation at such given date that is in excess of the Monthly Covered Compensation that applies to him at such given date multiplied by his number of years of Credited Service at such given date that are not in excess of 35 years;

provided, however, that the Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date which a Participant has accrued as of a given date shall not exceed an amount that is actuarially equivalent as of such given date to the maximum amount of retirement income permitted under Section 415 of the Internal Revenue Code; and provided further, however, that the provisions of Section 4.6 hereof shall apply in determining the Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date of a Participant who has accrued Vesting Service during any Plan Year that the Plan is top-heavy.

Notwithstanding the foregoing provisions of this Section 1.1(A)(1), the Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date of a Participant at any given date shall not be less than the Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date which the Participant has

accrued as of March 31, 1998, based upon the Participant's Credited Service, Final Average Monthly Compensation, and Monthly Covered Compensation (or, if applicable, the corresponding terms used to compute his accrued benefit under the Superseded Plan) determined as of the earlier of March 31, 1998, or the date of the Participant's termination of service, under the provisions of the Plan and the First Supplement then in effect.

Effective April 1, 2007, the Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date which a Participant has accrued as of a given date on or after April 1, 2007, shall be equal to the sum of:

(a) 1.20% of his Final Average Monthly Compensation at such given date multiplied by his number of years of Credited Service at such given date that are not in excess of 35 years;

plus

(b) 0.65% of that portion, if any, of his Final Average Monthly Compensation at such given date that is in excess of the Monthly Covered Compensation that applies to him at such given date multiplied by his number of years of Credited Service at such given date that are not in excess of 35 years.

Notwithstanding the foregoing provisions of this Section 1.1(A)(1), the Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date of a Participant at any given date on or after April 1, 2007, shall not be less than the Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date which the Participant has accrued as of March 31, 2007, based upon the Participant's Credited Service, Final Average Monthly Compensation, and Monthly Covered Compensation determined as of the earlier of March 31, 2007, or the date of the Participant's termination of service, under the provisions of the Plan and the Supplements then in effect.

(2) "Annuity Starting Date" shall have the meaning assigned in Section 417(f) of the Internal Revenue Code and regulations issued with respect thereto and shall be the first day of the first period for which an amount is payable (not the actual date of payment) as an annuity or any other form. Any auxiliary disability benefits shall be disregarded in determining the Annuity Starting Date.

Unless otherwise qualified by the context, the regularly scheduled Annuity Starting Date of a Participant shall be:

- (a) in the case of the benefit payable under Section 2.1 in the event of his normal retirement, the first day of the month coincident with or next following the date of his retirement or his Required Beginning Date, whichever is earlier;
- (b) in the case of the benefit payable under Section 2.2 in the event of his early retirement, the first day of the month coincident with or next following the date of his retirement;
- (c) in the case of the benefit payable under Section 2.3 in the event of his disability retirement, the date as of which his disability retirement income payments are scheduled to start under Section 2.3(F);
- (d) in the case of the benefit payable under Section 2.4(A) in the event of termination of service with a vested benefit, the Participant's Normal Retirement Date or, if applicable, the first day of the month prior to his Normal Retirement Date that the Participant has elected in accordance with the provisions of Section 2.4(A) to start receiving the benefits to which he is entitled under such section; and
- (e) in the case of the benefit payable under Section 3.2 hereof, the first day of the month coincident with or next following the date of termination of the Participant's service; provided, however, if payment is not made under Section 3.2 as of the first day of the month coincident with or next following the date of termination of his service but the Committee establishes, in accordance with a uniform policy applied without discrimination, a subsequent date as of which calculations shall be made to determine if voluntary or involuntary cashouts shall be permitted or required as of such subsequent date under the provisions of Section 3.2, the Annuity Starting Date shall be such subsequent date established by the Committee if payment is made under such section as of such subsequent date;

provided, however, if the Participant elects pursuant to the provisions of Section 3.1 hereof to defer the commencement of the benefit to which he is entitled to a date beyond the regularly scheduled Annuity Starting Date described above, his Annuity Starting Date shall be such later date of commencement specified in his election.

- (3) "Beneficiary" shall mean the person or persons or other entity on whose behalf benefits may be payable under the Plan after a Participant's death in accordance with the provisions hereof.
- (4) "Break in Service" shall mean a period of severance of 12 consecutive months or longer that immediately follows an employee's date of termination of service and immediately precedes the date, if any, on which he next performs an Hour of Service.
- (5) "Committee" shall mean the Retirement Committee appointed from time to time to administer the Plan pursuant to the provisions of Section 7.1 hereof.
- (6) "Compensation" shall mean the sum of:
  - (a) the amounts actually paid to an employee by the Employer for services rendered, as reported on the employee's Federal income tax withholding statement (Form W-2 or its subsequent equivalent) for the applicable calendar year, exclusive, however, of reimbursements and other expense allowances, fringe benefits (cash and noncash), including but not limited to automobile allowances, taxable group life insurance and amounts that are paid to the employee in cash in lieu of being contributed on his behalf to a qualified defined contribution plan maintained by the Employer, moving expenses, welfare benefits, and all other extraordinary compensation; and
  - (b) the amounts, if any, that would have been includable in the employee's Compensation under (a) above for such calendar year if they had not been contributed on his behalf by the Employer pursuant to a salary reduction agreement and had not been excluded from his gross income under the provisions of Section 125 (cafeteria plans), Section 132(f)(4) (qualified transportation fringes), or Section 402(e)(3) (cash or deferred arrangements) of the Internal Revenue Code. Amounts under Section 125 include any amounts not available to a Participant in cash in lieu of group health coverage because the Participant is unable to certify that he has other health coverage; provided that such an amount shall be treated as an amount under Section 125 only if the Employer does not request or collect information regarding

such Participant's other health coverage as part of the enrollment process for the health plan.

Any provisions above to the contrary notwithstanding, the annual Compensation of a Participant for any given calendar year or other specified 12-consecutive-month period, which is taken into account with respect to contributions to the Plan and to benefits accruing under the Plan shall not exceed the maximum annual compensation that may be taken into account under Section 401(a)(17) of the Internal Revenue Code and regulations issued with respect thereto (the "IRC Section 401(a)(17) Annual Compensation Limit").

The IRC Section 401(a)(17) Annual Compensation Limit with respect to any given calendar year or other specified 12-consecutive-month period shall be equal to \$200,000 or such increased or decreased amount, as the case may be, that applies as of the January 1 coincident with or immediately preceding the beginning of such given calendar year or other specified 12-consecutive-month period, pursuant to the provisions of Section 401(a)(17) of the Internal Revenue Code, as amended and rules and regulations issued with respect thereto. The \$200,000 limit on annual Compensation shall be adjusted for cost-of-living increases in accordance with Section 401(a)(17)(B) of the Internal Revenue Code.

Notwithstanding the foregoing, for purposes of determining benefit accruals in a Plan Year beginning after December 31, 2001, Compensation for any given calendar year or other specified 12-consecutive-month period beginning before January 1, 2002 shall be limited to \$200,000.

In the event that Compensation under the Plan is determined based on a period of time that contains fewer than 12 calendar months, the IRC Section 401(a)(17) Annual Compensation Limit for that period of time shall be equal to the IRC Section 401(a)(17) Annual Compensation Limit for the calendar year during which such period of time begins multiplied by the fraction in which the numerator is the number of full months in such period of time and the denominator is 12.

Any provisions herein to the contrary notwithstanding, a Participant's accrued benefit as of March 31, 1989 shall not be reduced due to the IRC Section 401(a)(17) Annual Compensation Limit which was imposed under the Superseded Plan effective as of April 1, 1989 on the amount of his Compensation. In the event that the IRC Section 401(a)(17) Annual Compensation Limit is reduced effective as of any date subsequent to January 1, 1989, a Participant's accrued benefit immediately prior to the date that such reduction becomes effective shall not be reduced due to the reduction in such limit.

(7) "Controlled Group Member" shall mean:

- (a) the Employer;
- (b) any corporation or association that is a member of a controlled group of corporations (within the meaning of Section 1563(a) of the Internal Revenue Code, determined without regard to Section 1563(a)(4) and Section 1563(e)(3)(C) of said Code, except that, for the purposes of applying the limitations on benefits and contributions that are required under Section 415 of the Internal Revenue Code and are described in Section 4.1(A) hereof, such meaning shall be determined by substituting the phrase "more than 50%" for the phrase "at least 80%" each place that it appears in Section 1563(a)(1) of said Code) with respect to which the Employer is a member;
- (c) any trade or business (whether or not incorporated) that is under common control with the Employer as determined in accordance with Section 414(c) of the Internal Revenue Code and regulations issued thereunder;
- (d) any service or other organization that is a member of an affiliated service group (within the meaning of Section 414(m) of the Internal Revenue Code) with respect to which the Employer is a member; and
- (e) any other entity required to be aggregated with the Employer pursuant to regulations under Section 414(o) of the Internal Revenue Code.

(8) "Credited Service" shall mean the total period of an employee's service with the Employer, computed in completed months, during the period beginning on his Last Date of Commencement of Service and ending on the date of his retirement or termination of service or, where applicable, ending on such other date as is specified hereunder; provided, however, that the following provisions shall apply with respect to any period of such an employee's service that would be included in his Credited Service in accordance with the provisions above:

- (a) any complete calendar month that the employee is absent from the service of the Employer will be excluded from his Credited Service unless he receives regular Compensation from the Employer

for all or any portion of such calendar month and except as otherwise provided below; and

- (b) any absence due to the employee's engagement in military service will, except as provided below, be included in his Credited Service if such absence is covered by a leave of absence granted by the Employer or is by reason of compulsory military service and provided that such employee returns from such absence within the period of time prescribed in Section 1.3 hereof; and
- (c) any service that the employee accrued prior to April 1, 1976 while he was employed on a part-time basis or for a temporary job will be excluded from his Credited Service;

and provided further, however, that the provisions of Section 1.4 hereof shall apply in the case of an employee who is reemployed with a reinstatement of Credited Service accrued prior to his Last Date of Commencement of Service and the provisions of Section 1.5 hereof shall apply in the case of an employee who is transferred to or from his status as an eligible Employee.

Any period of an employee's service prior to the Effective Date of the Plan that was either included with or excluded from the service used to determine his accrued retirement income under the Superseded Plan for any reason specified under the terms of the Superseded Plan as in effect on the day immediately preceding the Effective Date of the Plan shall be included with or excluded from, as the case may be, his Credited Service under the provisions of the Plan, except that any such period of service shall not be excluded on or after April 1, 1988 from a Participant's Credited Service solely because of the fact that it was accrued after his Normal Retirement Date.

(9) "Designated Nonparticipating Employer" shall mean:

- (a) any Controlled Group Member that is not an Employer as defined herein; and
- (b) any other corporation, association, proprietorship, partnership or other business organization that (i) is not an Employer as defined herein and (ii) the Sponsoring Employer, by formal action on its part in the manner described in Section 6.7 hereof, designates on the basis of a uniform policy applied without discrimination as a "Designated Nonparticipating Employer" for the purposes of the Plan.

(10) "Earliest Annuity Commencement Date" shall mean:

- (a) the first day of the month coincident with or next following the date of termination of the Participant's service if he has satisfied the age and service requirements to be eligible for a normal or early retirement benefit under the provisions hereof as of such termination date; or
- (b) the earliest date as of which the Participant could elect to start receiving retirement income payments under the provisions of Section 2.4(A) hereof if his service were terminated and he had not satisfied the age and service requirements to be eligible for a normal or early retirement benefit under the provisions hereof as of such termination date.

(11) "Effective Date of the Plan" shall mean April 1, 2006 or such later date as of which the Plan first became effective with respect to the particular Employer concerned.

(12) "Eligibility Computation Period" shall mean the 12-consecutive-month period that is used for the purpose of determining a year of service for eligibility to participate in the Plan. Initially, the Eligibility Computation Period shall be the 12-consecutive-month period beginning on the Employee's Last Date of Commencement of Service and ending with the first anniversary of his Last Date of Commencement of Service; provided, however, if the Employee fails to complete 1,000 Hours of Service during such initial Eligibility Computation Period, the Eligibility Computation Period shall mean the Plan Year, and the first of such Plan Year Eligibility Computation Periods shall be the Plan Year that overlaps the first anniversary of the Employee's Last Date of Commencement of Service.

(13) "Employee" shall mean any person on the payroll of the Employer whose wages from the Employer are subject to withholding for the purposes of Federal income taxes and for the purposes of the Federal Insurance Contributions Act; provided, however, that such term shall not include:

- (a) any such person who is employed at any division or branch of any Employer that is formed or acquired by or merged into the Employer after the Effective Date of the Plan unless the Employer, by formal action on its part in the manner described in Section 6.7 hereof, provides that such persons who are employed at such division or branch shall, subject to the provisions of

(b), (c) and (d) below, be eligible for participation in the Plan in accordance with the provisions hereof;

- (b) any such person who is a participant and is accruing benefits (or who, upon his satisfaction of any age and service requirements specified thereunder as a condition of participation, will be eligible to become a participant and accrue benefits) under any other qualified defined benefit pension plan maintained by the Employer or to which the Employer makes contributions on his behalf based upon his employment with the Employer;
- (c) any such person who is included in a unit of persons employed by the Employer who are covered by an agreement which the Secretary of Labor finds to be a collective bargaining agreement between employee representatives and the Employer if retirement benefits were the subject of good faith bargaining between such employee representatives and the Employer and such persons are not required by that agreement to be covered in the Plan;
- (d) any individual who by contract is not classified by the Employer as a common law employee of the Employer, even if such individual is included on the Employer's payroll for Federal income tax withholding purposes or whether such person is later classified as an employee by the Internal Revenue Service, the Department of Labor, a court, an administrative agency, or an Employer;
- (e) the Director of Business Development of Cargo Chemical Corporation;
- (f) any such person who is a nonresident alien and who receives no earned income (within the meaning of Section 911(b) of the Internal Revenue Code) from the Employer which constitutes income from sources within the United States (within the meaning of Section 861(a)(3) of the Internal Revenue Code); or
- (g) any such person who is treated by an Employer at the time of his performance of services for such Employer as either a leased employee (within the meaning of Section 414(n) of the Internal Revenue Code) or an independent contractor for Federal income tax purposes.

A person in the employment of the Employer shall be deemed for the purposes of the Plan to be included in a unit of persons employed by the Employer who are covered by an agreement which the Secretary of Labor finds to be a collective bargaining agreement between employee representatives and the Employer as long as he is permanently assigned to a job or job classification covered by the terms of such a collective bargaining agreement. In the event any such collective bargaining agreement expires or is terminated, it shall be deemed that such collective bargaining agreement continues to cover all persons in the employment of the Employer who are permanently assigned to jobs or job classifications covered thereby, in accordance with the provisions thereof, during the period of time subsequent to the expiration or termination thereof, but in no case to exceed 12 months, provided that negotiations commence and ensue between the parties to such expired or terminated agreement for the purpose of entering into a new or modified collective bargaining agreement to replace the expired or terminated agreement. In the event of the complete cessation of negotiations without the adoption of a new or modified collective bargaining agreement prior to the lapse of a 12-month period of time from the date of the expiration or termination of such collective bargaining agreement, then such expired or terminated agreement shall for the purposes of the Plan be deemed to cease covering the persons in the employment of the Employer who are permanently assigned to jobs or job classifications covered thereby as of the date of such cessation and not before.

- (14) "Employer" shall mean, collectively or distributively as the context may indicate, the Sponsoring Employer and any other corporations, associations, joint ventures, proprietorships, partnerships or other business organizations that have adopted and are participating in the Plan in accordance with the provisions of Section 1.7 hereof.
- (15) "Final Average Monthly Compensation" shall mean the Participant's average monthly rate of Compensation from the Employer for the five successive calendar years, out of the 10 completed calendar years immediately preceding the first day of the month coincident with or next following the date on which his service terminates for any reason (or, where applicable, immediately preceding such other date as is specified hereunder), that give the highest average monthly rate of Compensation for the Participant. If a Participant completes fewer than five successive calendar years of employment with the Employer preceding such date, his actual number of calendar years of employment shall be substituted for such five-calendar-year period for the purpose of determining his Final Average Monthly Compensation.

The Participant's average monthly rate of Compensation will be determined by dividing the total Compensation received by him during such five-calendar-year period (or such lesser period described above) by the number of months for which he received Compensation from the Employer in such five-calendar-year period (or such lesser period described above). The number of months for which he received Compensation from the Employer may be computed, to the extent he was paid on other than a monthly basis, by determining the number of pay periods ending within such five-calendar-year period (or such lesser period described above) for which he received Compensation from the Employer and converting such pay periods into months by dividing the number thereof, if weekly, by 4-1/3, if biweekly, by 2-1/6, and, if semi-monthly, by 2.

In computing Final Average Monthly Compensation for a Participant who has returned to the active service of the Employer following a full calendar year or calendar years during which he did not receive any regular Compensation from the Employer because of a leave of absence granted by the Employer or because of his reemployment with a reinstatement of his prior Vesting Service and Credited Service as described in Section 1.4 hereof, such full calendar year or calendar years during which he did not receive any regular Compensation from the Employer shall be ignored or excluded in determining the 10 completed calendar years and the five successive calendar years (or such lesser period described above) to be used in determining the Participant's Final Average Monthly Compensation at a subsequent date.

Anything above to the contrary notwithstanding, if a Participant's service is terminated for any reason and he has not received any Compensation during any preceding calendar years, his "Final Average Monthly Compensation" shall mean his average monthly rate of Compensation received from the Employer during the calendar year in which his service was terminated. Such average monthly rate of Compensation will be determined in accordance with the procedure described above, based upon the total Compensation that he received and the number of months for which he received Compensation from the Employer during such calendar year.

Notwithstanding any provision of this Section 1.1(A)(15) to the contrary, for purposes of determining a Participant's average monthly rate of Compensation on or after April 1, 1998 and prior to April 1, 2007, the Participant's Compensation for a calendar year shall not include the portion of any bonus or aggregated bonuses paid in such calendar year which exceeds (a) 40% of the Participant's total base

pay in the calendar year, for years prior to 2003, and (b) 25% of the Participant's total base pay in the calendar year, for years after 2002. Provided, however, that the Participant's retirement benefits under the Plan on and after January 1, 2003 shall not be less than the Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date that the Participant has accrued as of December 31, 2002 using 'Final Average Monthly Compensation' determined as of such date without regard to clause (b) of the preceding sentence.

Notwithstanding any provision of this Section 1.1(A)(15) to the contrary, for purposes of determining a Participant's average monthly rate of Compensation on or after April 1, 2007, the Participant's Compensation for a calendar year shall not include the portion of any bonus, aggregated bonuses, or sales commissions paid in such calendar year which exceeds 25% of the Participant's total base pay in the calendar year, for years after 2006. Provided, however, that the Participant's benefits under the Plan on and after April 1, 2007 shall not be less than the Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date that the Participant has accrued as of March 31, 2007 using "Final Average Monthly Compensation" determined as of such date.

(16) "Highly Compensated Employee" shall mean any "highly compensated active employee" or "highly compensated former employee."

(a) A "highly compensated active employee" includes any employee who performs service for an Employer or Controlled Group Member during the determination year and who, during the look-back year, received compensation from the Employer or Controlled Group Member in excess of \$80,000 (as adjusted pursuant to Section 415(d) of the Internal Revenue Code) and was a member of the top-paid group for such year. The term "highly compensated active employee" also includes an employee who is a "5-percent owner" (within the meaning of Section 414(q) of the Internal Revenue Code) any time during the look-back year or the determination year. An employee is in the "top-paid group" for a year if such employee is in the group consisting of the top 20% of the employees of all Controlled Group Members when ranked on the basis of compensation paid during such year.

The "determination year" shall be the Plan Year and the "look-back year" shall be the twelve-month period immediately preceding the determination year. The calendar year which begins with or within the look-back year shall be treated as the look-back year for purposes of

determining whether an employee is a highly compensated employee on account of the employee's compensation for a look-back year under Section 414(q)(1)(B) of the Internal Revenue Code.

- (b) A "highly compensated former employee" includes any employee who separated from service (or was deemed to have separated) prior to the determination year, performs no service for the Employer or a Controlled Group Member during the determination year, and was a highly compensated active employee for either the separation year or any determination year ending on or after the employee's 55th birthday.
  - (c) The determination of who is a Highly Compensated Employee, including the determinations of the number and identity of employees in the top-paid group and the compensation that is considered, shall be made in accordance with Section 414(q) of the Internal Revenue Code and regulations thereunder. The method of determination set forth above in this Section shall apply to all plans (both retirement and nonretirement) of the Employer for which the definition of "highly compensated employee" is applicable.
- (17) "Hour of Service" shall mean each hour for which an employee is directly or indirectly paid, or is entitled to payment, by the Employer (including any predecessor business of an Employer conducted as a corporation, partnership or proprietorship) for (a) the performance of duties or (b) reasons other than the performance of duties, including but not limited to vacation, holidays, sickness, disability, paid layoff and similar paid periods of nonworking time. Such Hours of Service shall be credited to the employee for the period in which such duties were performed or in which occurred the period during which no duties were performed. An Hour of Service also includes each hour, not credited above, for which backpay, irrespective of mitigation of damages, has been either awarded or agreed to by the Employer. These Hours of Service shall be credited to the employee for the period to which the award or agreement pertains. The number of Hours of Service to be credited to an employee for any period shall be governed by Sections 2530.200b-2(b) and 2530.200b-2(c) of Part 2530 of Subchapter C of Chapter XXV of Title 29 of the Code of Federal Regulations (Department of Labor regulations relating to minimum standards for employee pension benefit plans).

(18) "Initial Vesting Date" shall mean the earlier to occur of the following dates:

(a) the date on which the Participant has completed five years of Vesting Service;

or

(b) the date on which the Participant attains his Normal Retirement Age;

provided, however, that the provisions of Section 4.6 hereof shall apply in determining the Initial Vesting Date of a Participant who has accrued Vesting Service during any Plan Year that the Plan is top-heavy; and provided further that the Initial Vesting Date of a Participant shall not be earlier than the Effective Date of the Plan.

(19) "Internal Revenue Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(20) "IRC 414(1) Single Plan" shall mean a "single plan" within the meaning of Section 414(1) of the Internal Revenue Code and regulations issued pursuant thereto.

(21) "Last Date of Commencement of Service" shall mean:

(a) if the employee's service has not been previously terminated in accordance with the provisions hereof, the date on which he first performs an Hour of Service; or

(b) if the employee's service has been previously terminated in accordance with the provisions hereof, the first day following his last termination of service on which he performs an Hour of Service;

provided, however, that the provisions of Section 1.4(A) hereof shall apply in determining the Last Date of Commencement of Service of any employee whose service is terminated and who is reemployed on or after the Effective Date of the Plan and prior to his incurring a Break in Service.

An Employer may at the time of its initial adoption of the Plan provide, with respect to all or any specified classification of its employees, that the Last Date of Commencement of Service for purposes of determining the Credited Service and Vesting Service of such

employees shall not be earlier than a specified date, which is later than the otherwise applicable date described above but is not later than the date as of which the Plan first became effective with respect to such Employer, and may provide that such specified date will be different for the purposes of determining the eligibility to participate in the Plan, the Credited Service and the Vesting Service of such employees; provided, however, that the date established to determine the Vesting Service of such employees shall not be later than the date as of which such Employer became a Controlled Group Member of any other Employer maintaining the Plan or Superseded Plan or, if later, the date as of which the Plan or Superseded Plan first became effective with respect to such other Employer.

The Last Date of Commencement of Service of an employee by a predecessor or acquired business shall not be earlier than the date of such merger or acquisition unless the Employer provides that a uniformly applied earlier date or dates will be used for the purposes of the Plan.

- (22) "Monthly Covered Compensation" shall be equal to one-twelfth of the "covered compensation," within the meaning of Section 401(l)(5)(E) of the Internal Revenue Code and regulations and rulings issued pursuant thereto, that applies to the Participant during any specified Plan Year based upon his year of birth. The amount of Monthly Covered Compensation shall be automatically adjusted each Plan Year; provided, however, that any changes in the amount of "covered compensation" that become effective after the first day of the Plan Year during which the date of the Participant's retirement or termination of service occurs shall be ignored.
- (23) "Normal Retirement Age" shall mean the older of:
  - (a) age 65 years; or
  - (b) the Participant's age on the fifth anniversary of the date of commencement of his Vesting Service.
- (24) "Normal Retirement Date" shall have the meaning assigned in Section 2.1 hereof.
- (25) "Participant" shall mean:
  - (a) any active Employee who has satisfied the requirements of Section 1.2 hereof;

- (b) any former Employee who has satisfied the requirements of Section 1.2 hereof, whose service has not been terminated but who has subsequently been transferred from his status as an eligible Employee as described in Section 1.5 hereof; and
  - (c) any retired or terminated Employee who has vested rights to benefits under the provisions of the Plan.
- (26) "Plan" shall mean the Retirement Plan for Employees of Capital Southwest Corporation and Its Affiliates, as amended and restated effective as of April 1, 2006, as set forth in this document and as it may hereafter be amended from time to time.
- (27) "Plan Year" shall mean the calendar, policy or fiscal year on which the records of the Plan are kept as reported from time to time by the plan administrator to the Internal Revenue Service. The Plan Year, unless subsequently changed in accordance with rules or regulations issued by the Internal Revenue Service or Department of Labor, shall be the 12-month period beginning April 1 of each calendar year.
- (28) "Post Payment Recalculation Date" shall have the meaning assigned in Section 2.1(D) hereof.
- (29) "Qualified Joint and Survivor Annuity" means an annuity that (a) is payable for the life of the Participant with a survivor annuity payable for the life of his spouse which is not less than 50% and is not greater than 100% of the amount of the annuity which is payable during the joint lives of the Participant and his spouse and (b) is the actuarial equivalent of the monthly retirement income payable to the Participant for life under the provisions of the Plan.
- (30) "Qualified Joint and 50% Survivor Annuity Option" shall have the meaning assigned in Section 3.1 hereof.
- (31) "Qualified Preretirement Survivor Annuity" shall mean the minimum death benefit, if any, described in Section 4.1(D) hereof that may be payable to the spouse of a Participant who dies prior to his Annuity Starting Date.
- (32) "Required Beginning Date" shall have the meaning assigned in Section 401(a)(9) of the Internal Revenue Code and shall mean the later of:
- (a) April 1 of the calendar year that next follows the calendar year in which the Participant attains or will attain the age of 70 1/2 years; or

(b) April 1 of the calendar year that next follows the calendar year in which he retires or his service is terminated;

provided, however, that the Required Beginning Date of any Participant who is a 5-percent owner (within the meaning of Section 416 of the Internal Revenue Code) with respect to the Plan Year ending in the calendar year in which the Participant attains age 70 1/2 shall not be later than April 1 of the calendar year that next follows the calendar year in which he attains or will attain the age of 70 1/2 years.

For purposes of this Section 1.1(A)(32), a Participant is treated as a 5-percent owner after December 31, 1996, if such Participant is a 5-percent owner, as defined in Section 416 of the Internal Revenue Code, with respect to the Plan Year ending in the calendar year in which the Participant attains age 70 1/2.

- (33) "Sponsoring Employer" shall mean Capital Southwest Corporation, a Texas corporation, and its successor or successors.
- (34) "Superseded Plan" shall mean, collectively or distributively, as the context may indicate, the qualified retirement plan, if any, that was maintained by an Employer for its eligible employees prior to the Effective Date of the Plan and that the Plan represents an amendment and restatement thereof. References to the Superseded Plan as of any given date shall refer to the provisions as set forth under the terms of the applicable document describing such qualified retirement plan as amended and in effect on such given date prior to the Effective Date of the Plan.
- (35) "Supplement" shall mean any supplement that is attached to and made a part of the Plan and that describes provisions of the Plan that apply only to employees of an Employer or Employers specified in such Supplement. The term "Supplement" shall specifically include, but not be limited to, the First Supplement to Retirement Plan for Employees of Capital Southwest Corporation and Its Affiliates, as amended and restated effective April 1, 1989, which was attached to the Superseded Plan and shall be attached to the Plan as of April 1, 2006.
- (36) "Trust" and "Trust Fund" shall mean the trust fund established pursuant to the terms of the Trust Agreement.
- (37) "Trust Agreement" shall mean the Retirement Trust for Employees of Capital Southwest Corporation and Its Affiliates, as amended and restated effective as of April 1, 1989, as set forth in the trust agreement of that title, and as such trust agreement may be amended from time to time.

- (38) "Trustee" shall mean the corporate trustee or trustees or the individual trustee or trustees, as the case may be, appointed from time to time pursuant to the provisions of the Trust Agreement to administer the Trust Fund maintained for the purposes of the Plan.
- (39) "Vested Percentage" shall mean the percentage specified in Section 2.4(A)(1) hereof in which the Participant has a nonforfeitable right to his accrued benefit attributable to Employer contributions, based upon his number of years of Vesting Service and his age as of the date that such percentage is being determined; provided, however, that the Vested Percentage of a Participant who has accrued Vesting Service during any Plan Year that the Plan is top-heavy shall be subject to the provisions of Section 4.6 hereof.
- (40) "Vesting Service" shall mean the total period of elapsed time, computed in years and days, during the period beginning on the employee's Last Date of Commencement of Service, and ending on his date of retirement or termination of service, or, where applicable, ending on such other date as is specified hereunder; provided, however, that:
- (a) the first 12 months of any continuous absence during such period will be included in the employee's Vesting Service but the portion, if any, of such absence that is in excess of 12 months will be excluded from his Vesting Service, except that any period of such absence that is included in his Credited Service will also be included in his Vesting Service;
  - (b) the provisions of Section 1.3 hereof shall apply in the case of an employee who has a maternity or paternity absence, the provisions of Section 1.4 hereof shall apply in the case of an employee who is reemployed with a reinstatement of Vesting Service accrued prior to his Last Date of Commencement of Service, the provisions of Section 1.5 hereof shall apply in the case of an employee who is transferred to or from his status as an eligible Employee and the provisions of Section 1.6 hereof shall apply in the case of an employee who has previously been employed as a leased employee;
- and
- (c) with respect to any Participant in the Plan whose Last Date of Commencement of Service is prior to the Effective Date of the Plan and who was a participant in the Superseded Plan as in effect on the day immediately preceding the Effective Date of the

Plan, the Vesting Service that he has accrued under the Plan as of the Effective Date of the Plan shall not be less than the service that he had accrued for the purposes of determining his nonforfeitable right as of such date to the portion of his accrued benefit attributable to employer contributions under the terms of the Superseded Plan as in effect on the day immediately preceding the Effective Date of the Plan.

(B) The terms "actuarially equivalent," "equivalent actuarial value," "actuarial equivalent" and similar terms as used herein mean equality in value of the aggregate amounts expected to be received under different forms of payment based upon the same mortality and interest rate assumptions, which shall be determined as follows.

(1) Unless specifically provided otherwise under the provisions hereof, the mortality and interest rate assumptions used in computing benefits payable on behalf of a Participant upon his retirement or termination of employment and upon the exercise of optional forms of retirement income under the Plan shall be as follows:

(a) the mortality assumptions shall be based upon the "Unisex Pension Mortality Table Projected to 1984" (UP-1984 Mortality Table); and

(b) the interest rate assumption shall be 6%;

provided, however, that for the purposes of determining the maximum retirement income permitted under the provisions of Section 415 of the Internal Revenue Code, the mortality and interest rate assumptions used to determine actuarial equivalence for early retirement shall be the assumptions that would produce the early retirement adjustment factors that apply under the provisions hereof in the event of early retirement.

(2) Any provisions of Subsection (1) above to the contrary notwithstanding, if payment is in a form of distribution which is subject to Section 417(e)(3) of the Internal Revenue Code, which shall include lump-sum distributions and other forms of distribution that provide payments in the form of a decreasing annuity or that provide payments that may be for a period less than the life of the recipient, (an "IRC Section 417(e)(3) form of distribution") the amount of any such IRC Section 417(e)(3) form of distribution to a Participant shall be equal to the actuarial equivalent of the Participant's "accrued benefit" (within the meaning of Section 411(a)(7) of the Internal Revenue

Code and regulations issued with respect thereto) commencing at his Normal Retirement Age or the date of termination of his service, whichever is later, determined using:

- (a) the "applicable mortality table" prescribed by the Secretary of Treasury pursuant to Section 417(e)(3) of the Internal Revenue Code (which as of April 1, 2006, is based upon a fixed blend of 50% of the unloaded male mortality rates and 50% of the unloaded female mortality rates underlying the mortality rates in the 1994 Group Annuity Reserving Table, projected to 2002); and
- (b) the annual rate of interest on 30-year Treasury securities for the second full calendar month immediately preceding the first day of the Plan Year during which the Annuity Starting Date occurs.

- (3) For the purposes of Subsection (2) above, a joint and survivor annuity form of payment which may decrease upon the death of the Participant or his joint pensioner shall be deemed to be a non-decreasing annuity.

(C) The term "single-sum value" as used herein shall mean the actuarially computed present value, as of a given date, of the retirement income payments for which it is determined based upon the interest and mortality assumptions specified in the provisions of the Plan. Unless specifically provided otherwise under the provisions hereof, the single-sum value as of a given date of a Participant's accrued benefit that is scheduled to commence at a later date shall be discounted for both interest and mortality from such scheduled commencement date to such given date.

(D) The terms "herein", "hereof", "hereunder" and similar terms refer to this document, including the Trust Agreement of which this document is a part, unless otherwise qualified by the context.

(E) The pronouns "he", "him" and "his" used in the Plan shall also refer to similar pronouns of the feminine gender unless otherwise qualified by the context.

## 1.2 - PARTICIPATION

(A) Continuation of Participation of Superseded Plan Participants: Each person who was a participant in the Superseded Plan, if any, of the Employer as of the day immediately preceding the Effective Date of the Plan will become a Participant in the Plan on the Effective Date of the Plan; provided, however, that any such Participant who had retired or whose service had been terminated prior to the Effective Date of the Plan and who is not an active employee of an Employer or in the employment of a Designated Nonparticipating Employer or on a leave of absence granted by an Employer or Designated Nonparticipating Employer as of the Effective Date of the Plan shall be entitled on and after the Effective Date of the Plan to only those benefits, if any, to which he is entitled on and after the Effective Date of the Plan under the provisions of the Superseded Plan, and he and his Beneficiaries shall not be entitled to any additional benefits under the Plan as set forth herein unless he reenters the service of an Employer and becomes an Employee after the Effective Date of the Plan or unless the Plan is amended on or after the Effective Date of the Plan specifically to provide otherwise; provided, however, that if the benefits that are payable on behalf of any such Participant under the provisions of the Superseded Plan require modification to permit benefits to be paid to specified individuals other than the Participant in order to comply with any qualified domestic relations order under Section 414(p) of the Internal Revenue Code, or to comply with any other provisions of said Code, the terms and benefits of the Superseded Plan will be considered to have been modified with respect to the Participant affected to the extent necessary to comply with such provisions of said Code.

(B) Participation of Other Employees: Each Employee who does not become a Participant in accordance with the provisions of Section 1.2(A) above and who is in the service of the Employer on or after the Effective Date of the Plan will become a Participant in the Plan on the latest to occur of the following dates:

- (1) the date on which he attains the age of 21 years;
- (2) the date that immediately follows the first Eligibility Computation Period (as defined below) during which he completes at least 1,000 Hours of Service;

or

## (3) the Effective Date of the Plan;

provided, however, that any such Employee whose service has not been terminated but who is absent from the active service of the Employer on such date that he is first eligible to become a Participant in the Plan as described above will become a Participant hereunder as of the date of his return to active service with the Employer.

(C) Participation Following Reemployment: The above provisions of this Section 1.2 describe the date on which an eligible Employee will initially become a Participant in the Plan. In the event that an Employee's service is terminated and he subsequently reenters the service of the Employer, the date on or after the date of his reentry as of which he will become a Participant in the Plan is subject to the provisions of Section 1.4 hereof.

## 1.3 - LEAVE OF ABSENCE AND TERMINATION OF SERVICE

Any absence from the active service of the Employer by reason of an approved absence granted by the Employer because of accident, illness, layoff with the right of recall, or for any other reason on the basis of a uniform policy applied by the Employer without discrimination, will be considered a leave of absence for the purposes of the Plan and will not terminate an employee's service provided he returns to the active service of the Employer at or prior to the expiration of his leave or, if not specified therein, within the period of time which accords with the Employer's policy with respect to permitted absences.

Absence from the active service of the Employer because of engagement in military service will not terminate the service of an employee and will be treated under the Plan as a leave of absence granted by the Employer if (1) he is entitled under the Uniformed Services Employment and Reemployment Rights Act of 1994 ("USERRA") to reemployment by the Employer upon his discharge from active duty, and (2) he returns to the active service of the Employer within the period of time during which he has reemployment rights under USERRA. The following special provisions, which are intended to comply with Section 414(u) of the Internal Revenue Code, shall apply to an employee of an Employer who

returns to active service in accordance with the reemployment provisions of USERRA following a period of qualifying military service (as determined under USERRA):

- (A) Each period of qualifying military service served by an employee shall, upon such reemployment, be counted toward determining the employee's service with the Employer for all purposes of the Plan, including determining the amount of a Participant's Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date and the Vested Percentage in his Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date.
- (B) For all purposes under the Plan, a Participant shall be treated as having received Compensation from the Employer based on the rate of Compensation the Participant would have received during the period of qualifying military service, or if that rate is not reasonably certain, on the basis of the Participant's average rate of Compensation during the 12-month period immediately preceding such period.
- (C) With respect to any Employer contribution made in accordance with the foregoing provisions of this paragraph:
  - (i) such contribution shall not be subject to any otherwise applicable limitation under Sections 404(a) or 415 of the Internal Revenue Code, and shall not be taken in account in applying such limitations to other Participant or Employer contributions under the Plan or any other plan, with respect to the year in which such contribution is made, and such contribution shall be subject to these limitations only with respect to the year to which such contribution relates and only in accordance with regulations prescribed by the Internal Revenue Service; and
  - (ii) the Plan shall not be treated as failing to meet the requirements of Sections 401(a)(4), 401(a)(26), 410(b), or 416 of the Internal Revenue Code by reason of such contribution.

If the employee does not return to the active service of the Employer at or prior to the expiration of his leave of absence as above defined, his service will be considered terminated as of the earliest to occur of (i) the date on which his leave of absence expired, (ii) the first anniversary of the date on which his leave of absence began or (iii) the date of his resignation, quit, discharge or death; provided, however, that if any such employee, who was a participant in the Plan or Superseded Plan on the date on which his leave began,

is prevented from his timely return to the active service of the Employer because of his total and permanent disability or because of his death, he shall be treated as though he returned to active service immediately preceding his total and permanent disability or his death, except that:

- (1) if he becomes totally and permanently disabled prior to his Normal Retirement Date while he is on a leave of absence due to military service, Section 2.4(A) hereof shall be used, in lieu of Section 2.3, to determine the benefit (which shall be determined as though his Initial Vesting Date has occurred prior to the date of termination of his service and assuming that his Vested Percentage is 100%), if any, that is payable on his behalf, but such benefit will be payable only if a benefit would have been payable on his behalf under the provisions of Section 2.3 hereof if he had been in the service of the Employer on the date of his total and permanent disability; or
- (2) if his death occurs while he is on a leave of absence due to military service, Subsection (b) of Section 2.4(B)(1) shall not apply in determining the amount of the death benefit, if any, that is payable on his behalf.

If an employee has an absence from the service of the Employer which begins on or after April 1, 1985 and is due to the pregnancy of the employee, the birth of a child of the employee or the placement of a child with the employee in connection with the adoption of such child by such employee or is for the purpose of caring for such child for a period beginning immediately following such birth or placement (hereinafter referred to in this paragraph as a "maternity or paternity absence"), the rights of such employee under the Plan shall not be less favorable to the employee than those rights that he would have had if he had been granted a one-year leave of absence beginning on the date on which his maternity or paternity absence began. If the length of such maternity or paternity absence extends beyond the first anniversary of the date on which such absence began and the service of such employee is terminated during such maternity or paternity absence, the date of termination of service of such employee for purposes of determining his accrued Vesting Service shall be deemed to be the first anniversary of the date on which such absence began and the rights of such employee under Section 1.4 hereof to resume participation in the

Plan and to a reinstatement of his previous Credited Service and Vesting Service upon his reemployment shall not be less favorable to the employee than those corresponding rights that he would have under such section if the date of termination of his service had been the second anniversary of the date on which his maternity or paternity absence began and if the length of such employee's Break in Service were based on that termination date.

In the event that an employee's service with the Employer is interrupted because of any absence from the active service of the Employer which is not deemed a leave of absence as defined above, his service will be considered terminated as of the date of his retirement, quit, discharge, resignation or death or, if earlier, as of the first anniversary of the date of such interruption for any other reason.

Transfers of an employee's service among the Employers and Designated Nonparticipating Employers shall not be deemed interruptions of his service and shall not constitute a termination of service for the purposes of the Plan.

#### 1.4 - REEMPLOYMENT

(A) Reemployment Prior to Incurring a Break in Service: If any employee, whose service is terminated on or after the Effective Date of the Plan, reenters the active service of the Employer and performs an Hour of Service within the 12-month period immediately following the date of termination of his service, he shall not incur a Break in Service, and his Last Date of Commencement of Service shall be determined as though his service had not previously been terminated. On and after such reentry, any such employee shall be treated under the Plan as though he had been on an unpaid leave of absence granted by the Employer during the period between such date that his service was previously terminated and such date of reentry. However, if any such employee was entitled to a benefit under Section 2.1, 2.2, 2.3 or 2.4(A) hereof prior to his reentry, his rights under the Plan on and after his date of reentry shall be determined under Section 1.4(B), 1.4(C), 1.4(D) or 1.4(E) below, whichever is applicable, except that his

reinstated Vesting Service shall not be less than that determined under the above provisions of this Section 1.4(A).

(B) Reemployment of Vested Terminated Participant Prior to Commencement of Payments: If a Participant's service is terminated on or after his Initial Vesting Date for a reason other than his normal retirement, early retirement or disability retirement as described in Sections 2.1, 2.2 and 2.3 hereof, respectively, and he subsequently reenters the active service of the Employer prior to his Annuity Starting Date, he will become a Participant upon the date of such reentry and will be entitled to a reinstatement of the Vesting Service and Credited Service that he had accrued on the date of termination of his service in lieu of the benefits to which he was entitled under the Plan prior to his reentry; provided, however, that such Participant's Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date (or his accrued monthly normal retirement income, if applicable) determined as of any given date after the date of his reentry shall be reduced on an actuarially equivalent basis, if applicable, to take into account any death benefit coverage that was in effect under Section 2.4(A) hereof after the date of termination of his service and prior to the date of his reentry; and provided further, however, that the benefit payable to such Participant upon his subsequent retirement or termination of service shall not be less than the benefit that he would have been entitled to receive under the provisions of Section 2.4(A) hereof if he had not reentered the service of the Employer.

(C) Reemployment of Retired or Vested Terminated Participant After Commencement of Payments:

(1) If a Participant, whose service is terminated on or after the Effective Date of the Plan and who has received a portion but not all of the retirement income to which he is entitled under the provisions of Section 2.1, 2.2 or 2.4(A)(1) hereof, subsequently reenters the active service of the Employer on or after his Annuity Starting Date, he shall become a Participant upon the date of such reentry and the following provisions shall apply.

- (a) If the date of his reentry is prior to his Required Beginning Date, subject to the provisions of Sections 1.4(C)(2) and 2.1(D) hereof, no retirement income payments shall be made during the period of such reemployment. Upon the subsequent retirement or termination of service of such a Participant, his benefit under the Plan shall be determined in the same manner as that of a vested terminated Participant whose retirement income payments have not commenced and who subsequently reenters the service of the Employer as described in Section 1.4(B) above, except that the benefit payable under the Plan to or on behalf of such Participant upon his subsequent retirement or termination of service shall be reduced on an actuarially equivalent basis by an amount equal to the sum of the retirement income and other benefit payments that he received under the provisions of Section 2.1, 2.2, 2.4(A) or 3.1 hereof, whichever is applicable, prior to such reentry into the service of the Employer; provided, however, that the amount of such monthly retirement income that is payable to him upon his subsequent retirement or termination of service shall not be less than the actuarial equivalent of a monthly retirement income payable to him at that time as a straight life annuity in an amount equal to the amount of the monthly retirement income that was payable to him as a straight life annuity immediately prior to his reentry. (If the retirement income payable to the Participant immediately prior to his reentry was not payable as a straight life annuity, the amount that was payable to him as a straight life annuity immediately prior to his reentry shall be determined by converting the income that was payable to him immediately prior to his reentry to its actuarial equivalent payable as a straight life annuity). If any such Participant reenters the active service of the Employer on or after his Normal Retirement Date, the monthly retirement income payable on behalf of such Participant in accordance with the provisions of Section 2.1 upon his subsequent retirement shall not be less than the amount that can be provided on an actuarially equivalent basis by the single-sum value required, as of such date of reentry, to provide the retirement income that otherwise would have been payable on his behalf after such date of reentry, accumulated with interest from such date of reentry to the date of his subsequent retirement or termination of service.
- (b) If the date of his reentry is on or after his Required Beginning Date, he shall continue to receive the benefits to which he is entitled on and after such date, and any future

benefits that he accrues after his Required Beginning Date shall be determined in accordance with the provisions of Section 411(b)(1)(H) of the Internal Revenue Code and regulations issued with respect thereto in a manner similar to that described in Section 2.1(D) hereof.

(2) In lieu of having his retirement income payments discontinued and his benefit payable upon his subsequent retirement or termination determined in accordance with the provisions of Section 1.4(C)(1) above, any such Participant, whose Vested Percentage at the date of his retirement or termination of service was 100%, who is receiving retirement income payments under the Plan and who reenters the active service of the Employer on less than a full-time basis, may upon such reentry elect in writing filed with the Committee to continue to receive his retirement income payments after his reemployment in the same manner as though he had not reentered the service of the Employer. Any such Participant whose retirement income payments are continued in accordance with the provisions above shall be treated as if he then first entered the service of the Employer except that:

- (a) upon the date after his reentry that he satisfies the requirements to become a Participant in the Plan, he shall become a Participant, retroactively, as of the date of his reentry; provided, however, if either (i) the date of his reentry is during the Plan Year in which the date of his retirement or termination of service occurred and he is credited with at least 501 Hours of Service during such Plan Year or (ii) the date of his reentry is during the Plan Year next following the Plan Year in which the date of his retirement or termination of service occurred and he is credited with at least 501 Hours of Service during both the Plan Year in which the date of his retirement or termination of service occurred and the next following Plan Year, he shall, upon the date of his reentry or upon such later date that such Hours of Service requirement has been satisfied, become a Participant, retroactively if applicable, as of the date of his reentry;
- (b) upon his becoming a Participant, he shall be entitled to a reinstatement of the Vesting Service that he had accrued as of the date of his previous retirement or termination of service; and

- (c) he shall not accrue any additional Credited Service during any "reemployment benefit accrual computation period" that he is credited with less than 1,000 Hours of Service. The "reemployment benefit accrual computation period" of any such Participant shall mean the 12-month period beginning on the date of his reentry and on each anniversary of such date.

The benefit which any such Participant accrues after the date of his reentry (including any disability retirement or death benefit payable on his behalf), which is payable to such Participant or his Beneficiary upon his subsequent retirement or termination of service, shall be limited to the amount that can be provided by the actuarial equivalent of the monthly retirement income, if any, that he accrues subsequent to such date of reentry based upon his Credited Service and Final Average Monthly Compensation determined in the same manner as though he then first entered the service of the Employer on the date on or after his reentry that he commences to accrue additional Credited Service; provided, however, that such income that such a Participant accrues subsequent to his date of reentry shall not cause the actuarial equivalent of the total income payable on behalf of the Participant under the Plan to exceed the amount that would have been payable if he had not elected to continue to receive his retirement income after his reemployment and if the Credited Service that he accrues after his reentry were restricted as provided under (c) above. The retirement income that is continued during the period of reemployment of any such Participant who is reemployed on less than a full-time basis shall be discontinued if the Participant is employed on a full-time basis at any time after his reentry. If the retirement income of any such Participant is subsequently discontinued, his benefit under the Plan shall be determined under this Section 1.4(C) (and not under Section 1.4(A) above) as though his service had been terminated on the date that his retirement income was discontinued and as though he had reentered the service of the Employer immediately thereafter.

(D) Reemployment After Disability Retirement: If a Participant, who has retired on or after the Effective Date of the Plan under the provisions of Section 2.3 and who has not prior to his reentry received the full actuarially equivalent value of the disability retirement income to which he was entitled under Section 2.3 hereof, recovers from disability and reenters the active service of the Employer within one year after the date of his recovery from disability by accepting reemployment offered by the Employer within 30 days after such offer, his service will be deemed to have been continuous and he will be treated under the Plan in the same manner as though he had received Compensation, at the rate he was receiving at the time of his disability, during the period that he was considered totally and permanently disabled as provided herein.

(E) Reemployment After Full Settlement: If a Participant's service has been terminated on or after the Effective Date of the Plan for any reason and he was entitled, upon such termination, to a monthly retirement income under the provisions of Section 2.1, 2.2, 2.3 or 2.4(A)(1) hereof and he reenters the active service of the Employer after the full actuarially equivalent value of such retirement income has been paid on his behalf, he shall become a Participant on the date of his reentry and shall be entitled to a reinstatement of the Vesting Service and Credited Service that he had accrued as of such previous date of termination, but the benefit payable under the Plan to or on behalf of such Participant upon his subsequent retirement or termination of service shall be reduced by the actuarial equivalent of such retirement income that has been previously paid on his behalf (where the amount of such actuarially equivalent reduction shall be determined using the same mortality and interest assumptions that were used to calculate such benefit previously paid on his behalf).

(F) Reemployment of Other Employees: Any other former employee who is not included under the provisions of Section 1.4(A), 1.4(B), 1.4(C), 1.4(D) or 1.4(E) above and who subsequently reenters the active service of the Employer following his termination of service will be treated as though he then first entered the service of the Employer; provided, however, that:

- (1) with respect to any such employee in the service of the Employer on or after the Effective Date of the Plan whose service is or was terminated on or after April 1, 1976 and who incurred a Break in Service prior to the date of his reentry, the following special provisions shall apply:
  - (a) if such employee had completed five or more years of Vesting Service as of the date of termination of his service or if the number of years and days included in his Break in Service is less than either five years or the number of years and days of his Vesting Service that he had accrued as of the date of termination of his service, such employee shall be entitled, upon the date as of which he becomes a Participant in the Plan, to a reinstatement of the Credited Service and Vesting Service that he had accrued as of such previous date of termination of service;
  - (b) if such employee was a Participant in the Plan or Superseded Plan as of the date of termination of his service and he is entitled to a reinstatement of his previous Credited Service and Vesting Service under (a) above, he shall become a Participant in the Plan as of the date of his reentry or the Effective Date of the Plan, whichever is later; and
  - (c) if such employee was not a Participant in the Plan as of the date of termination of his service but he is entitled to a reinstatement of his previous Credited Service and Vesting Service under (a) above or if such employee (regardless of whether or not he was a Participant in the Plan as of the date of termination of his service) reenters the service of the Employer prior to the elapse of five full Plan Years following the date of termination of his service, the date on which he will be eligible to become a Participant in the Plan following his date of reentry shall not be later than the date on which he would have been eligible to become a Participant if he had been on a leave of absence during the period between the date of his previous termination of service and the date of his reentry; and

- (2) with respect to any such employee whose service was terminated prior to the Effective Date of the Plan (while the Superseded Plan was in effect with respect to the Employer by which he was employed at the date of termination of his service) and who had reentered the active service of the Employer prior to the Effective Date of the Plan or who reenters the active service of the Employer on or after the Effective Date of the Plan, his rights under the Plan with respect to the period of his service prior to such date of reentry into the service of the Employer shall be determined under the applicable provisions of the Superseded Plan as in effect on the date of his prior termination of service; provided, however, if any such employee, whose service was terminated prior to April 1, 1985 and whose next succeeding date of reentry into the service of the Employer is on or after the Effective Date of the Plan, would have been entitled under the provisions of the Superseded Plan to a reinstatement of the service used to determine his nonforfeitable right to benefits if he had reentered the service of the Employer on April 1, 1985, the rights upon such reentry of any such employee shall not be less favorable to the employee than the corresponding rights of an employee whose service is terminated on or after the Effective Date of the Plan as described above.

(G) Reemployment of Employee who Does Not Qualify as an "Employee": The rights of any terminated employee of the Employer who was not an Employee as defined herein on the date of termination of his service and who is reemployed in a status in which he qualifies as an Employee as defined herein shall be determined in accordance with the provisions of the Plan as though he had been an Employee as defined herein on the date of termination of his service. The rights of any terminated employee of an Employer who is reemployed by the Employer in a status in which he does not qualify as an Employee as defined herein shall be determined in accordance with the provisions of the Plan as though he had been reemployed by the Employer as an Employee as defined herein and had immediately thereafter been transferred from his status as an Employee as defined herein. A Participant shall not accrue any benefits under the Plan or Superseded Plan solely because of the assumption that he was an Employee as defined herein on the date of termination of his service or the date of his reemployment, as the case may be.

(H) Employment of Terminated Employee of Designated Nonparticipating Employer by an Employer and Employment of Terminated Employee of Employer by Designated Nonparticipating Employer: The rights of any terminated employee of a Designated Nonparticipating Employer who was not an Employee as defined herein on the date of termination of his service and who is subsequently employed by an Employer in a status in which he qualifies as an Employee as defined herein shall be determined in accordance with the provisions of the Plan as though he had been an Employee as defined herein on the date of termination of his service. The rights of any terminated Employee of an Employer who is subsequently employed by a Designated Nonparticipating Employer shall be determined in accordance with the provisions of the Plan as though he had been reemployed by the Employer as an Employee as defined herein and had immediately thereafter been transferred to such Designated Nonparticipating Employer. A Participant shall not accrue any benefits under the Plan or Superseded Plan solely because of the assumption that he was an Employee as defined herein on the date of termination of his service or the date of his employment, as the case may be, with a Designated Nonparticipating Employer.

(I) Employment with Former Employer or Former Designated Nonparticipating Employer: In determining the rights under the Plan of any employee who was previously employed (either before, on or after the Effective Date of the Plan) by an employer, which was formerly an Employer participating in the Plan or Superseded Plan or was formerly a Designated Nonparticipating Employer but which is not currently an Employer or Designated Nonparticipating Employer, the period of such employee's employment with such employer while it was an Employer or Designated Nonparticipating Employer, as the case may be, shall be recognized in determining the Vesting Service of such employee in the same manner as though such employment during such period had been with a current Employer or Designated Nonparticipating Employer, but any period of employment with such

employer after the date that it ceased to be an Employer or Designated Nonparticipating Employer shall not be recognized and his service shall be deemed to have been terminated during such period that such employer is not an Employer or Designated Nonparticipating Employer.

#### 1.5 - TRANSFER TO OR FROM STATUS AS AN ELIGIBLE EMPLOYEE

An employee will be deemed to be transferred from his status as an eligible Employee in the event that he remains in the service of the Employer but has a change in his employee status so that he no longer qualifies as an Employee as defined herein or in the event that he is transferred to and becomes an employee of a Designated Nonparticipating Employer. Conversely, an employee of an Employer who is not an Employee as defined herein will be deemed to be transferred to the status of an eligible Employee in the event that he remains in the service of the Employers but has a change in his employee status so that he becomes an Employee as defined herein, and an employee of a Designated Nonparticipating Employer will be deemed to be transferred to the status of an eligible Employee in the event that he is transferred to an Employer from such Designated Nonparticipating Employer and becomes an Employee as defined herein. The service of such a person described above shall not be considered to be interrupted by reason of any such transfer, and service with the Designated Nonparticipating Employer or with the Employer while not qualified as an Employee as defined herein shall be terminated in the same manner as service with the Employer while qualified as an Employee as defined herein is terminated. Any provisions of Section 2.1, 2.2, 2.3 or 2.4 hereof to the contrary notwithstanding, the benefits of any such Participant who has been transferred to or from the status as an eligible Employee on or after the date that the Plan or Superseded Plan first became effective with respect to his Employer shall be determined in accordance with the following provisions of this Section 1.5.

- (A) Eligibility for Benefits: In determining the eligibility of such an employee to whom the provisions of this Section 1.5 are applicable for participation in the Plan and in determining his eligibility for the benefits provided under the Plan, his Vesting Service and Hours of Service shall be determined in the same manner as though his service with the Designated Nonparticipating Employers and with the Employers while not qualified as an Employee as defined herein had been accrued

with the Employers while qualified as an Employee as defined herein. Any such employee who is transferred to the status of an Employee as defined herein shall become a Participant in the Plan on the date that he becomes an Employee as defined herein if he has otherwise satisfied the requirements to become a Participant in the Plan as described in Section 1.2 hereof prior to such date that he becomes an Employee as defined herein.

- (B) Computation of Benefits: A Participant to whom the provisions of this Section 1.5 are applicable shall be entitled upon his retirement or termination of service (or his Beneficiary shall be entitled in the event his service is terminated by reason of his death), if he meets all requirements necessary to qualify for a benefit under the provisions of Section 2.1, 2.2, 2.3 or 2.4 hereof or under the provisions of any applicable section of any Supplement hereto that specifically applies to the Participant, as the case may be, to a benefit payable in accordance with the provisions of Section 2.1, 2.2, 2.3 or 2.4 hereof or in accordance with the provisions of any applicable section of any Supplement hereto that specifically applies to the Participant, whichever section is applicable, but the amount of the monthly retirement income that is payable on his behalf under the Plan shall, subject to the provisions of Section 1.5(C) below, be computed using only the Credited Service that he accrued with the Employers while qualified as an Employee as defined herein.
- (C) Special Provisions Applicable to Benefits: The monthly income computed under this Section 1.5 shall be subject to the following:
- (1) there shall be no duplication of service in computing benefits under the Plan and under any other qualified defined benefit pension or annuity plan to which any Employer or Designated Nonparticipating Employer makes contributions on behalf of its employees who are not Employees as defined herein, and, if service accrued while qualified as an Employee as defined herein is used in determining the accrued benefit of the Participant under any such other qualified defined benefit pension or annuity plan, then the portion of the benefit payable under the Plan based on such duplicated service shall be reduced (but not so as to produce a negative amount) by the actuarially equivalent amount of the benefit payable under such other qualified defined benefit pension or annuity plan based on such duplicated service;
  - (2) all compensation that a Participant, who is an Employee as defined herein on the date of his retirement or termination of service, received from the Designated Nonparticipating Employers and from the Employers while not qualified as an Employee as defined herein shall be treated in determining his Final Average Monthly Compensation in the same manner as though such compensation had been received from the Employer while qualified as an Employee as defined herein;

- (3) all compensation that a Participant, who is not an Employee as defined herein on the date of his retirement or termination of service, received after the date on which he last qualified as an Employee as defined herein from the Designated Nonparticipating Employers and from the Employers while not qualified as an Employee as defined herein shall be ignored or excluded in determining his Final Average Monthly Compensation and the period during which he received such compensation shall be ignored or excluded in determining the 10 completed calendar years and the five successive calendar years that are used in determining his Final Average Monthly Compensation;
- (4) in the case of a Participant who has been transferred to the status of an Employee as defined herein, who has a nonforfeitable right to an accrued benefit under any other pension or annuity plan to which an Employer or Designated Nonparticipating Employer has made contributions on his behalf and whose combined service used in the computation of his accrued benefits under the Plan and such other pension or annuity plan or plans exceeds 35 years, the amount of the monthly retirement income that is payable under the Plan on his behalf shall not be greater than an amount equal to the excess, if any, of:
  - (a) the monthly retirement income that would have been payable on behalf of such Participant under the provisions of the Applicable Section of the Plan or Supplement if the service used to compute his accrued benefit under such qualified pension or annuity plan or plans were included with the Credited Service that he accrued with the Employers while qualified as an Employee as defined herein;  
  
over
  - (b) the actuarial equivalent of the accrued benefit to which such Participant has a nonforfeitable right under such qualified pension or annuity plan or plans;
- (5) the Participant's employee status at the date of termination of his service due to disability shall be deemed to have continued without change in determining the monthly retirement income that may become payable on his behalf under the provisions of Section 2.3 hereof; and
- (6) the benefit determined under Section 2.4(B)(1)(b) hereof shall apply only if the Participant is an Employee as defined herein on the date of his death and in that event:

- (a) the benefit under Section 2.4(B)(1)(b)(i) shall be reduced by the actuarial equivalent of the benefit payable on behalf of such Participant under each other qualified pension or annuity plan, if any, to which an Employer or Designated Nonparticipating Employer has made contributions on his behalf; and
  - (b) the limitation equal to 100 times the Participant's monthly normal retirement income, described in Section 2.4(B)(1)(b)(ii), shall include the anticipated monthly retirement income based on his service accrued prior to his death to which such Participant would be entitled at his Normal Retirement Date or the date of his death, whichever is later, under each other qualified pension or annuity plan, if any, to which an Employer or Designated Nonparticipating Employer has made contributions on his behalf.
- (D) Payments From One Trust Fund: In lieu of the payment of retirement income or other benefits to such a Participant from the trust fund of more than one qualified defined benefit pension plan of the Designated Nonparticipating Employers and the Employers, the administrators of the pension plans may, by mutual agreement, provide for payment of the entire monthly income or other benefit from one trust fund with appropriate reimbursement to the trustee of the trust fund from which the benefits are to be paid by transfer of funds equal to the single-sum value of the benefits payable under the other plan (or plans) to the trust fund from which benefits actually will be paid.

#### 1.6 - PARTICIPATION AND BENEFITS FOR FORMER LEASED EMPLOYEES

A Leased Employee of an Employer or Designated Nonparticipating Employer shall not be deemed for any purposes of the Plan to be an employee of such Employer or Designated Nonparticipating Employer. However, in the event that any former Leased Employee qualifies as an Employee as defined herein on or after the Effective Date of the Plan, unless the Plan is otherwise excluded by applicable regulations from the requirements of Section 414(n) of the Internal Revenue Code, the total period that he provided services to the Employer or Designated Nonparticipating Employer as a Leased Employee shall be treated under the Plan in determining his nonforfeitable right to his accrued benefits and his eligibility to become a Participant in the Plan in the manner described in Section 1.5(A) hereof as though he had been an employee of a Designated Nonparticipating Employer during such period of service (but such service shall not be included in the service that is used to calculate any benefits that he accrues under the Plan). A "Leased Employee" as defined under Section 414(n) of

the Internal Revenue Code is any person (other than an employee of the recipient) who pursuant to an agreement between the recipient and any other person ("leasing organization") has performed services for the recipient (or for the recipient and related persons determined in accordance with Internal Revenue Code Section 414(n)(6)) on a substantially full-time basis for a period of at least 1 year, and such services are performed under the recipient's primary direction or control.

#### 1.7 - RIGHTS OF OTHER EMPLOYERS TO PARTICIPATE

Capital Southwest Corporation, Capital Southwest Management Corporation, Jet-Lube, Inc., The RectorSeal Corporation, The Whitmore Manufacturing Company, Smoke Guard, Inc. and Blue Magic, Inc. are participating Employers in the Plan. Any other corporation, association, joint venture, proprietorship, partnership or other business organization may, in the future, adopt the Plan on behalf of all or certain of its Employees by formal action on its part in the manner described in Section 6.7 hereof provided that the Sponsoring Employer, by formal action on its part in the manner described in Section 6.7 hereof, and the Committee both approve such participation.

The administrative powers and control of the Sponsoring Employer, as provided in the Plan, shall not be deemed diminished under the Plan by reason of the participation of any other Employers in the Plan, and such administrative powers and control specifically granted herein to the Sponsoring Employer with respect to the appointment of the Committee, amendment of the Plan and other matters shall apply only with respect to the Sponsoring Employer.

The Plan is an IRC 414(l) Single Plan with respect to all Employers unless the Sponsoring Employer, by formal action on its part in the manner described in Section 6.7 hereof, specifically provides that the Plan shall be a separate IRC 414(l) Single Plan with respect to any Employer or to any division of any Employer or with respect to any group of Employers and/or divisions. In the event that the Plan does not represent one IRC 414(l) Single Plan with respect to all divisions of any Employer, the division or divisions with respect to which the Plan represents a separate IRC 414(l) Single Plan shall be considered

for the purposes of this section and treated under the Plan as one Employer and its other division or divisions shall be considered for the purposes of this section and treated under the Plan as a separate Employer or, if applicable, as separate Employers.

The contributions of any Employer that is a member of a group of Employers with respect to which the Plan represents an IRC 414(l) Single Plan shall be available to provide benefits on behalf of any Participants who are employees of any other Employers that are members of such group but shall not be available to provide benefits on behalf of any Participants who are employees of any Employers that are not members of such group. The contributions of any Employer with respect to which the Plan represents an IRC 414(l) Single Plan for only that Employer shall be available to provide benefits on behalf of Participants who are its employees but shall not be available to provide benefits on behalf of Participants who are employees of any other Employers.

Any Employer may withdraw from the Plan at any time by formal action on its part, in the manner described in Section 6.7 hereof, specifying its determination to withdraw. Any such withdrawing Employer shall furnish the Committee and the Trustee with evidence of the formal action of its determination to withdraw. Any such withdrawal may be accompanied by such modifications to the Plan as such Employer shall deem proper to continue a retirement plan for its Employees separate and distinct from the retirement plan herein set forth. Withdrawal from the Plan by any Employer shall not affect the continued operation of the Plan with respect to the other Employers; provided, however, in the event of the withdrawal of an Employer that is a member of a group of Employers with respect to which the Plan represents an IRC 414(l) Single Plan and in the event that provision is made for the continuation of a retirement plan for its Employees separate and distinct from the retirement plan herein set forth, the share, if any, of the assets of the Trust Fund allocable to such group of Employers that is transferred on behalf of such withdrawing

Employer to such other retirement plan shall, subject to the provisions of Section 414(l) of the Internal Revenue Code and regulations issued pursuant thereto, be equal to the assets, if any, that would have been allocated on behalf of the employees of such withdrawing Employer under the provisions of Section 4.5 hereof if such withdrawing Employer had terminated its participation in the Plan on the date of such withdrawal; provided, however, that the Sponsoring Employer, by formal action on its part in the manner described in Section 6.7 hereof, may, in its absolute discretion, direct that an additional amount of assets be transferred on behalf of such withdrawing Employer to such other retirement plan provided that the transfer of such additional amount of assets would not lower the amount of the distributions that would be made on behalf of the Participants who are employees of the other Employers that are members of such group of Employers with respect to which the Plan represents an IRC 414(l) Single Plan if the Plan were terminated as of the effective date of such transfer with respect to all of the Employers that are members of such group of Employers.

The Sponsoring Employer, by formal action on its part in the manner described in Section 6.7 hereof, may in its absolute discretion terminate any Employer's participation in the Plan at any time, and the provisions of the Plan shall be applied with respect to such Employer in the same manner as though it had voluntarily withdrawn as a participating Employer.

#### 1.8 - SERVICE AND TERMINATION OF SERVICE

For purposes of the Plan, an Employee or Participant shall be considered to be in the service of the Employer and shall not be considered to have incurred a termination of his service until the date of his early, normal or disability retirement, death, resignation, discharge or other termination of his employment with an Employer, notwithstanding any payment or agreement to pay severance pay in connection with the termination of his employment.

## SECTION 2

## NORMAL AMOUNT AND PAYMENT OF RETIREMENT INCOME

## 2.1 - NORMAL RETIREMENT AND RETIREMENT INCOME

Normal retirement under the Plan is retirement from the service of the Employer on or after the date that the Participant attains his Normal Retirement Age. No provision of this section or the Plan shall require the retirement of a Participant upon his attainment of his Normal Retirement Age. In the event of normal retirement, payment of retirement income will be governed, subject to the provisions of Section 4 hereof, by the following provisions of this Section 2.1.

(A) Normal Retirement Date: The Normal Retirement Date of each Participant will be the first day of the month coincident with or next following the date on which he attains his Normal Retirement Age. Any Participant who retires after attaining his Normal Retirement Age but prior to his Normal Retirement Date and who is surviving on his Normal Retirement Date shall be considered for the purposes of the Plan to have retired on his Normal Retirement Date

(B) Amount of Retirement Income: The monthly retirement income payable in the manner described in Section 2.1(C) hereof to a Participant who retires on and after April 1, 1998, but prior to April 1, 2007, and on or after his Normal Retirement Date shall be an amount equal to the sum of:

- (1) 1.25% of his Final Average Monthly Compensation multiplied by his number of years of Credited Service that are not in excess of 35 years;

plus

- (2) 0.65% of that portion, if any, of his Final Average Monthly Compensation that is in excess of the Monthly Covered Compensation that applies to him multiplied by his number of years of Credited Service that are not in excess of 35 years.

Notwithstanding the foregoing provisions of this Section 2.1(B), the monthly retirement income of a Participant who retires on or after April 1, 1998, and on or after his Normal Retirement Date shall not be less than the

monthly retirement income which the Participant has accrued as of March 31, 1998, based upon the Participant's Credited Service, Final Average Monthly Compensation, and Monthly Covered Compensation (or, if applicable, the corresponding terms used to compute his accrued benefit under the Superseded Plan) determined as of March 31, 1998, under the provisions of the Plan and the First Supplement then in effect, adjusted on an actuarially equivalent basis, if applicable, to his Annuity Starting Date in accordance with the above provisions of this Section 2.1(B).

Effective as of April 1, 2007, the monthly retirement income payable to a Participant who retires on and after April 1, 2007, and on or after his Normal Retirement Date shall be an amount equal to the sum of:

- (1) 1.20% of his Final Average Monthly Compensation multiplied by his number of years of Credited Service that are not in excess of 35 years;

plus

- (2) 0.65% of that portion, if any, of his Final Average Monthly Compensation that is in excess of the Monthly Covered Compensation that applies to him multiplied by his number of years of Credited Service that are not in excess of 35 years.

Notwithstanding the foregoing provisions of this Section 2.1(B), the monthly retirement income of a Participant who retires on or after April 1, 2007, and on or after his Normal Retirement Date shall not be less than the monthly retirement income which the Participant has accrued as of March 31, 2007, based upon the Participant's Credited Service, Final Average Monthly Compensation and Monthly Covered Compensation determined as of March 31, 2007, under the provisions of the Plan and Supplements then in effect.

The monthly amount of retirement income payable to a Participant who retires after his Normal Retirement Date, however, shall not be less than that amount that can be provided on an actuarially equivalent basis by the sum of (i) the single-sum value as of his Normal Retirement Date of the normal monthly retirement income that would have been payable to him under the provisions of the Plan or Superseded Plan, whichever is applicable, as in effect on his Normal Retirement Date if he had retired on his Normal Retirement Date, based upon his

Credited Service, Final Average Monthly Compensation and Monthly Covered Compensation (or, if applicable, the corresponding terms used to compute his accrued benefit under the Superseded Plan) determined as though he had actually retired on his Normal Retirement Date, and (ii) the amount of interest on such single-sum value in (i) above, where the interest shall be compounded annually from the Participant's Normal Retirement Date to his Annuity Starting Date. All computations to determine such minimum monthly retirement income payable to or on behalf of such a Participant shall be on the basis of the interest and mortality assumptions that were being used as of his Normal Retirement Date to determine actuarially equivalent non-decreasing annuities.

(C) Payment of Retirement Income: The monthly retirement income payable in the event of normal retirement will be payable on the first day of each month. The first payment will be made on the Participant's Normal Retirement Date, or, if the Participant retires after his Normal Retirement Date, the first payment will be made on the first day of the month coincident with or next following the date of his actual retirement. The last payment will be the payment due immediately preceding the retired Participant's death.

Where a Participant's monthly retirement income commences after April 1 following the calendar year in which such Participant attains age 70 1/2, the accrued benefit of such Participant shall be actuarially increased in accordance with regulations or other official pronouncements of the Internal Revenue Service to take into account the period beginning on April 1 following the calendar year in which the Participant attains age 70 1/2 and ending on the date on which benefits under the Plan commence after retirement in an amount sufficient to satisfy Section 401(a)(9) of the Internal Revenue Code.

(D) Special Provisions Applicable to Participants Who Receive Retirement Income Payments While Continuing in Employment of Employer After Required Beginning Date: Any of the above provisions of this Section 2.1 to the contrary notwithstanding, but subject to the provisions of Sections 4.1 and 4.8 hereof, a Participant who continues in the employment of the Employer beyond his Required

Beginning Date shall begin receiving monthly retirement income payments commencing as of his Required Beginning Date.

The monthly retirement income payments of a Participant who continues in the employment of the Employer beyond his Required Beginning Date and begins receiving monthly retirement income payments commencing as of his Required Beginning Date shall be determined in the same manner as though the Participant had actually retired on his Required Beginning Date and shall be paid in the form specified in Section 2.1(C) above. The retirement income payable to such a Participant shall thereafter be subject to adjustment as of the first day of each calendar year which begins after his Required Beginning Date and prior to the date of his actual retirement and shall be subject to adjustment as of the first day of the month coincident with or next following the date of his actual retirement (each such adjustment day is herein referred to as a "Post Payment Recalculation Date") to reflect the additional accruals, if any, that such Participant is entitled to receive because of his employment after his Required Beginning Date. The additional retirement income, if any, payable to any such Participant on and after an applicable Post Payment Recalculation Date shall be determined in accordance with the provisions of Section 411(b)(1)(H) of the Internal Revenue Code and regulations issued with respect thereto, and the actuarial equivalent of the retirement income payments that the Participant has received under the provisions of this Section 2.1 on and after his Required Beginning Date and prior to the applicable Post Payment Recalculation Date shall be used as an offset in the determination of such additional income, but such offset shall not result in the retirement income payable to the Participant being reduced below the amount that was payable on his behalf immediately prior to such Post Payment Recalculation Date. The additional amount of monthly retirement income, if any, that a Participant accrues after his Required Beginning Date shall be converted to an actuarially equivalent amount of monthly retirement income that is payable in the same manner and form as the monthly retirement income that is payable on his behalf immediately prior to the applicable Post Payment Recalculation Date, and such additional actuarially

equivalent income shall be payable to the Participant commencing as of the applicable Post Payment Recalculation Date. Upon the actual retirement of such a Participant, the Participant's remaining retirement income shall continue to be paid, commencing as of the first day of the month coincident with or next following the date of his actual retirement, in the manner specified in Section 2.1(C) above, except that the Participant shall be entitled to elect another form of payment in accordance with Section 3.1.

## 2.2 - EARLY RETIREMENT AND RETIREMENT INCOME

Early retirement under the Plan is retirement from the service of the Employer prior to the Participant's Normal Retirement Date and on or after the date as of which he has both attained the age of 55 years and completed 10 years of Vesting Service. In order to retire under the provisions of this section, the written consent of the Participant to the commencement of his retirement income payments in accordance with the provisions of this Section 2.2 must be filed with the Committee within 90 days of the date as of which his retirement income payments are to commence. In the event of early retirement, payment of retirement income will be governed, subject to the provisions of Section 4 hereof, by the following provisions of this Section 2.2.

(A) Early Retirement Date: The Early Retirement Date will be the first day of the month coincident with or next following the date a Participant retires from the service of the Employer under the provisions of this Section 2.2 prior to his Normal Retirement Date.

(B) Amount of Retirement Income: The monthly amount of retirement income payable in the manner described in Section 2.2(C) hereof to a Participant who retires prior to his Normal Retirement Date under the provisions of this Section 2.2 shall be equal to the product of:

- (1) the Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date which the Participant has accrued as of his Early Retirement Date;

multiplied by

- (2) the early retirement reduction factor specified in the schedule below, based upon the number of years and full months by which the Participant's Early Retirement Date precedes his Normal Retirement Date:

Years	Early Retirement Reduction Factors By Years and Months By Which Early Retirement Date Precedes Normal Retirement Date											
	Months											
	0	1	2	3	4	5	6	7	8	9	10	11
0	1.000	0.994	0.989	0.983	0.978	0.972	0.967	0.961	0.956	0.950	0.944	0.939
1	0.933	0.928	0.922	0.917	0.911	0.906	0.900	0.894	0.889	0.883	0.878	0.872
2	0.867	0.861	0.856	0.850	0.844	0.839	0.833	0.828	0.822	0.817	0.811	0.806
3	0.800	0.794	0.789	0.783	0.778	0.772	0.767	0.761	0.756	0.750	0.744	0.739
4	0.733	0.728	0.722	0.717	0.711	0.706	0.700	0.694	0.689	0.683	0.678	0.672
5	0.667	0.664	0.661	0.658	0.656	0.653	0.650	0.647	0.644	0.642	0.639	0.636
6	0.633	0.631	0.628	0.625	0.622	0.619	0.617	0.614	0.611	0.608	0.606	0.603
7	0.600	0.597	0.594	0.592	0.589	0.586	0.583	0.581	0.578	0.575	0.572	0.569
8	0.567	0.564	0.561	0.558	0.556	0.553	0.550	0.547	0.544	0.542	0.539	0.536
9	0.533	0.531	0.528	0.525	0.522	0.519	0.517	0.514	0.511	0.508	0.506	0.503
10	0.500											

(C) Payment of Retirement Income: The retirement income payable in the event of early retirement will be payable on the first day of the month. The first payment will be made on the Participant's Early Retirement Date and the last payment will be the payment due immediately preceding the retired Participant's death.

### 2.3 - DISABILITY RETIREMENT AND RETIREMENT INCOME

A Participant may retire from the service of the Employer under the Plan if:

- (1) his service is terminated prior to his Normal Retirement Date and on or after the Effective Date of the Plan by reason of his becoming totally and permanently disabled as defined in Section 2.3(A) below; and
- (2) he applies for a disability retirement benefit under the Plan, or under any other formal plan of the Employer which provides specific disability benefits, within six months after the date of termination of his service due to disability; provided, however, that such six-month period for application may be extended by the Committee when, in its sole discretion, reasonable cause exists for so doing.

Such retirement from the service of the Employer shall herein be referred to as disability retirement. In the event of disability retirement, uniformly and consistently applied rules shall be used with respect to all Participants in

similar circumstances and payment of retirement income will be governed, subject to the provisions of Section 4 hereof, by the following provisions of this Section 2.3.

(A) Total and Permanent Disability: A Participant shall be considered totally and permanently disabled for the purposes of the Plan if, in the opinion of the Committee, he is disabled, due to sickness or injury, from a cause other than specified in Section 2.3(B) hereof, and, as a result of such disability, he is eligible for and is receiving (after any specified waiting period) either (a) disability benefits under the Social Security Act or (b) payments (other than workers' compensation payments or medical or hospitalization payments) payable directly or indirectly by the Employer or its insurer as a result of the Participant's sickness or injury under any long-term disability program maintained by the Employer.

(B) Nonadmissible Causes of Disability: A Participant will not be entitled to receive any disability retirement income if, in the opinion of the Committee, the disability is a result of:

- (1) excessive and habitual use by the Participant of drugs, intoxicants or narcotics;
- (2) injury or disease sustained by the Participant while willfully and illegally participating in fights, riots, civil insurrections or while committing a felony;
- (3) injury or disease sustained by the Participant while serving in any armed forces;
- (4) injury or disease sustained by the Participant which was diagnosed or discovered subsequent to the date his employment was terminated;
- (5) injury or disease sustained by the Participant while working for anyone other than the Employer and arising out of such employment; or
- (6) injury or disease sustained by the Participant as a result of an act of war, whether or not such act arises from a formally declared state of war.

(C) Proof of Disability: The Participant, in order to be eligible for the benefits provided under this Section 2.3, shall furnish satisfactory proof (which may be in the form of evidence satisfactory to the Committee that the Participant is receiving disability benefits under the Social Security Act or

under any long-term disability program maintained by the Employer) that he has become totally and permanently disabled as provided herein. Every six months after the date of termination of the Participant's service due to disability, or more frequently, the Committee may similarly require proof of the continued disability of the Participant.

(D) Disability Retirement Income Commencement Date: The Disability Retirement Income Commencement Date of a Participant who retires under the provisions of this Section 2.3 will be his Normal Retirement Date; provided, however, if the Participant receives payments (other than workers' compensation payments or medical or hospitalization payments) after his Normal Retirement Date that are payable directly or indirectly by the Employer or its insurer as a result of the Participant's sickness or injury under any long-term disability program maintained by the Employer, the Disability Retirement Income Commencement Date of such Participant will be the first day of the month coincident with or next following (a) the date as of which such payments under such long-term disability program maintained by the Employer are discontinued or (b) his Required Beginning Date, whichever is earlier.

(E) Disability Retirement Income: The monthly amount of retirement income payable in the manner described in Section 2.3(F) hereof to a Participant who retires from the service of the Employer under the provisions of this Section 2.3 due to total and permanent disability and who attains his Normal Retirement Date without recovering from his total and permanent disability shall be equal to the anticipated monthly retirement income to which the Participant would have been entitled on his Disability Retirement Income Commencement Date in accordance with the provisions of Section 2.1(B) hereof if:

- (1) his employment had not been terminated but had continued uninterrupted from the date of termination of his service due to disability to his Disability Retirement Income Commencement Date;
- (2) his last regular rate of monthly Compensation prior to the date of termination of his service due to disability had continued without change to his Disability Retirement Income Commencement Date;

- (3) the amount of the Monthly Covered Compensation that applies at his Disability Retirement Income Commencement Date were the same as the corresponding amount determined as of the date of termination of his service due to disability; and
- (4) the provisions of the Plan as in effect on the date of termination of his service due to disability had continued without change until his Disability Retirement Income Commencement Date.

(F) Payment of Disability Retirement Income: The monthly retirement income to which a Participant is entitled in the event of his disability retirement will be payable on the first day of each month. The first payment will be made on the Participant's Disability Retirement Income Commencement Date, provided that he attains his Normal Retirement Date without recovering from his total and permanent disability and provided that application has been made in writing by the Participant or his authorized representative for disability retirement under the provisions of this Section 2.3. The last payment will be the payment due immediately preceding the date of his death.

(G) Benefit Payable in the Event of Death of Disabled Participant Prior to Disability Retirement Income Commencement Date: In the event that a Participant dies after he has been determined to be totally and permanently disabled by the Committee and prior to his Disability Retirement Income Commencement Date, and prior to his recovery from his total and permanent disability if he has not attained his Normal Retirement Age as of the date of his death, his Beneficiary will receive, in lieu of all other benefits payable on behalf of the Participant under the Plan, the death benefit, determined and payable in the manner described in Section 2.4(B) hereof, which would have been payable on behalf of the Participant under the provisions of Section 2.4(B) if:

- (1) his employment had not been terminated but had continued uninterrupted from the date of termination of his service due to disability until the date of his death;
- (2) his last regular monthly rate of Compensation prior to the date of termination of his service due to disability had continued without change to the date of his death;

- (3) the amount of the Monthly Covered Compensation that applies at the date of his death were the same as the amount determined as of the date of termination of his service due to disability; and
- (4) the provisions of the Plan as in effect on the date of termination of his service due to disability had continued without change to the date of his death.

(H) Recovery from Disability: If the Committee finds that any Participant who is entitled to receive a disability retirement income under the provisions of this Section 2.3 commencing at his Disability Retirement Income Commencement Date has, at any time prior to his Normal Retirement Date, recovered from his total and permanent disability, such Participant and his Beneficiary shall not be entitled to any benefits under this Section 2.3 unless he reenters the service of the Employer and his service is subsequently terminated by reason of his total and permanent disability in accordance with the provisions hereof. A Participant shall be deemed to have recovered from his total and permanent disability for the purposes of the Plan if the disability benefits, if any, which he is receiving under the Social Security Act and the payments, if any, which he is receiving under the Employer's long-term disability program are discontinued. However, any such Participant who recovers from his total and permanent disability shall accrue Vesting Service during the period that he is considered by the Committee to have been totally and permanently disabled as provided herein, and, if the date of his recovery from his total and permanent disability is on or after his Initial Vesting Date and he does not reenter the service of the Employer, he shall be entitled to the vested retirement income determined and payable in accordance with the provisions of Section 2.4(A) hereof, computed as though his service had been terminated on the date of his recovery from his total and permanent disability but based upon his Credited Service, Final Average Monthly Compensation and Monthly Covered Compensation determined as of the date of termination of his service due to disability.

(I) Election of Vested Benefit on Termination of Service in Lieu of Disability Retirement: A Participant whose service is terminated on or after his Initial Vesting Date by reason of his total and permanent disability may elect, in writing filed with the Committee prior to his Normal Retirement Date, to

receive the benefits provided under Section 2.4(A) hereof in lieu of the disability retirement benefits provided under this Section 2.3. The benefits payable hereunder to or on behalf of any such Participant who makes such an election shall be determined as though the Participant's service had not been terminated by reason of total and permanent disability. The Committee shall require the consent of the Participant's spouse, if any, before any election under this Section 2.3(I) will become effective.

2.4 - BENEFITS OTHER THAN ON RETIREMENT

(A) Benefit on Termination of Service and on Death After Termination of Service:

(1) In the event that a Participant's service is terminated prior to his Normal Retirement Date and on or after his Initial Vesting Date for any reason other than his death, early retirement as described in Section 2.2 hereof or disability retirement as described in Section 2.3 hereof, he will be entitled to a monthly retirement income, payable in the manner described in Section 2.4(A)(2) hereof, equal to:

(a) an amount equal to either:

(i) if the Participant has not both attained the age of 55 years and completed 10 years of Vesting Service as of the date of termination of his service, the Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date that he has accrued to the date of termination of his service;

or

(ii) if the Participant has both attained the age of 55 years and completed 10 years of Vesting Service as of the date of termination of his service, the monthly retirement income, payable in the manner described in Section 2.4(A)(2) hereof commencing at his Normal Retirement Date, if he shall then be living, which is the actuarial equivalent (ignoring the actuarial cost of any death benefit coverage provided between the date of termination of his service and his Normal Retirement Date) of the monthly early retirement income that would have been payable on his behalf in accordance with the provisions of Section 2.2 hereof if he had retired

under the provisions of that section on the date of termination of his service;

multiplied by

- (b) his Vested Percentage, which shall be equal to the percentage specified in the schedule below, based upon his number of years (ignoring fractions) of Vesting Service as of the date of termination of his service:

Years of Vesting Service	Vested Percentage
-----	-----
Less than 5	0%
5 or more	100%;

provided, however, that the Vested Percentage of any Participant who has attained his Normal Retirement Age as of the date of termination of his service shall be 100%;

with the resulting product multiplied by

- (c) a factor, which is based upon the period, if any, that the death benefit coverage described in Section 2.4(A)(3) below has been in effect after the date of termination of his service and prior to his Annuity Starting Date, that will reduce the product of (a) and (b), if applicable, to reflect the cost, determined on an actuarially equivalent basis, of providing such death benefit coverage during such period;

with the resulting product multiplied by

- (d) a factor that will convert, if applicable, the amount of monthly retirement income that is payable to the Participant in the manner described in Section 2.4(A)(2) hereof commencing at his Normal Retirement Date to an actuarially equivalent amount of monthly retirement income that is payable to the Participant in the manner described in Section 2.4(A)(2) hereof commencing on his Annuity Starting Date.

All actuarial computations to determine the monthly retirement income payable to or on behalf of such a terminated Participant (including any computations to determine the monthly retirement income payable on his behalf under Section 2.4(A)(3) or 3.1 hereof) shall be on the basis of the interest and mortality assumptions that are being used as of the date of termination of his service to determine actuarially equivalent non-decreasing annuities.

(2) The retirement income payable under Section 2.4(A)(1) above will be payable on the first day of each month. The first payment will be made, if the Participant shall then be living, as of:

(a) if he does not elect an earlier commencement date pursuant to the provisions of (b) below, his Normal Retirement Date;

or

(b) if he had completed at least 10 years of Vesting Service as of the date of termination of his service and he so elects in writing filed with the Committee at least 30 but not more than 90 days prior to the effective date thereof (or if the Participant waives the 30-day notice period with any required spousal consent, then more than 7 days but not more than 90 days prior to the effective date thereof), the first day of any month, which is prior to his Normal Retirement Date and is on or after the date on which he attained the age of 55 years, that he specifies in his written election filed with the Committee.

The last payment will be the payment due immediately preceding his death.

(3) In the event that the terminated Participant dies prior to his Annuity Starting Date (without his having waived, in accordance with the provisions of Section 2.4(A)(4) below, the benefit provided under this Section 2.4(A)(3) and without his having received, prior to his death, the actuarially equivalent value of the benefit provided on his behalf under Section 2.4(A)(1) above), his Beneficiary will receive, subject to the provisions of Section 4.1(D) hereof regarding the Qualified Preretirement Survivor Annuity, the monthly retirement income, beginning on the first day of the month coincident with or next following the date of the terminated Participant's death, which can be provided on an actuarially equivalent basis by the single-sum value of the benefit determined in accordance with Section 2.4(A)(1) above to which the terminated Participant was entitled as of the date of termination of his service, accumulated with interest from such date to the date of his death. The monthly retirement income payments under this Section 2.4(A)(3) shall, subject to the provisions of Section 2.4(B)(4) hereof, be payable for the life of the Beneficiary designated or selected under Section 5.2 hereof to receive such benefit, and, in the event of such Beneficiary's death within a period of 10

years after the Participant's death, the same monthly amount that was payable to the Beneficiary shall be payable for the remainder of such 10-year period in the manner and subject to the provisions of Section 5.3 hereof; provided, however, in lieu of payment of such benefit in the form of monthly income described above, the single-sum value of such benefit may be paid on an actuarially equivalent basis to the Participant's designated Beneficiary in such other manner and form permitted under Section 2.4(B) hereof and commencing on such other date permitted under Section 2.4(B) hereof as the Participant may elect in writing filed with the Committee or, in the event that a specific election has not been made by the Participant and filed with the Committee prior to his death, as the Beneficiary may elect in writing filed with the Committee.

(4) A terminated Participant may, with the consent of his spouse, if any, elect in writing filed with the Committee at any time (and any number of times) prior to his Annuity Starting Date, to waive prospectively the death benefit provided under Section 2.4(A)(3) above and, in lieu thereof, an increased retirement income, which reflects on an actuarially equivalent basis the period that the death benefit coverage under Section 2.4(A)(3) is waived, will be payable to the Participant under the provisions of Section 2.4(A)(1) if he shall be living on his Annuity Starting Date. Within one year after the date of termination of service of a Participant who is entitled to a benefit under the provisions of this Section 2.4(A), or as soon thereafter as is administratively practicable, the Committee shall furnish the Participant with written notification informing him of his right to waive the death benefit provided under Section 2.4(A)(3) above and the consequences of such a waiver. Any Participant who has waived the death benefit provided under Section 2.4(A)(3) may subsequently revoke such waiver at any time (and any number of times) prior to his Annuity Starting Date by filing written notice of such revocation with the Committee prior to the date on which such revocation is to become effective. Any Participant who has waived the death benefit provided under Section 2.4(A)(3) and who subsequently marries or remarries after such waiver and prior

to his Annuity Starting Date shall automatically be deemed to have revoked his prior waiver of such death benefit effective as of the first anniversary of the date of such marriage or remarriage unless his spouse (following such marriage or remarriage) consents to the waiver of such death benefit.

(5) Any Participant, who is entitled to a benefit under the provisions of Section 2.4(A)(1) above and who is married on his Annuity Starting Date or who is married on the date of his death and on whose behalf a benefit is payable under Section 2.4(A)(3) above, shall be assumed for the purposes of this Section 2.4(A) to have been married for the total period of time beginning on the date of termination of his service and ending on his Annuity Starting Date or the date of his death, whichever is earlier, except for such portions, if any, of such period of time for which evidence is furnished to the Committee which, in the opinion of the Committee, satisfactorily proves that the Participant was not married.

(6) The provisions of Sections 3.1 and 4 hereof are applicable to the benefits provided under this Section 2.4(A).

(7) Except as specifically provided otherwise in any Supplement hereto and except as provided in Section 2.3 with respect to disability retirement and unless specifically provided otherwise in the Plan, the Participant whose service is terminated prior to his Initial Vesting Date shall not be entitled to any benefit under the Plan whatever, and the value of such Participant's accrued benefit shall be forfeited as of the date of termination of his service and used to reduce Employer contributions.

(B) Benefit Payable in Event of Death While in Service:

(1) If the service of a Participant is terminated by reason of his death on and after April 1, 1998, but prior to April 1, 2007, and on and after his Initial Vesting Date and prior to his Required Beginning Date, there shall be payable to the Participant's designated Beneficiary the monthly retirement income, beginning on the first day of the month coincident with or next following the date of the Participant's death, that can be provided on an actuarially equivalent basis by the greater of:

(a) an amount equal to:

(i) if the Participant's service is terminated by reason of his death prior to his Normal Retirement Date, the single-sum value, determined as of the date of his death, of the Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date that the Participant has accrued to the date of his death;

or

(ii) if the Participant's service is terminated by reason of his death on or after his Normal Retirement Date, the single-sum value, determined immediately prior to the Participant's death, of the monthly retirement income that the Participant would have been entitled to receive under the provisions of Section 2.1(B) hereof if he had retired from the service of the Employer on the date of his death;

or

(b) an amount equal to the smaller of:

(i) either:

(aa) 24 times the Participant's Final Average Monthly Compensation at the date of his death if he had not completed 10 years of Vesting Service as of the date of his death;

or

(bb) 36 times the Participant's Final Average Monthly Compensation at the date of his death if he had completed 10 years of Vesting Service as of the date of his death;

or

(ii) 100 times the monthly retirement income to which the Participant would have been entitled on his Normal Retirement Date in accordance with the provisions of Section 2.1(B) hereof if he had remained in the service of the Employer, with no change in his last regular monthly rate of Compensation, until his Normal Retirement Date and based upon the Monthly Covered Compensation that applies to him as of the date of his death instead of as of his Normal Retirement Date or, if his Normal Retirement Date was on or

prior to the date of his death, 100 times the monthly retirement income that the Participant would have been entitled to receive under the provisions of Section 2.1(B) hereof if he had retired from the service of the Employer on the date of his death.

If the service of a Participant is terminated by reason of his death on and after April 1, 2007 and on and after his Initial Vesting Date and prior to his Required Beginning Date, there shall be payable to the Participant's designated Beneficiary the monthly retirement income, beginning on the first day of the month coincident with or next following the date of the Participant's death, that can be provided on an actuarially equivalent basis by the greater of:

(a) an amount equal to:

(i) if the Participant's service is terminated by reason of his death prior to his Normal Retirement Date, the single-sum value, determined as of the date of his death, of the Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date that the Participant has accrued to the date of his death;

or

(ii) if the Participant's service is terminated by reason of his death on or after his Normal Retirement Date, the single-sum value, determined immediately prior to the Participant's death, of the monthly retirement income that the Participant would have been entitled to receive under the provisions of Section 2.1(B) hereof if he had retired from the service of the Employer on the date of his death;

or

(b) an amount equal to the smaller of:

(i) 24 times the Participant's Final Average Monthly Compensation at the date of his death;

or

(ii) 100 times the monthly retirement income to which the Participant would have been entitled on his Normal Retirement Date in accordance with the provisions of Section

2.1(B) hereof if he had remained in the service of the Employer, with no change in his last regular monthly rate of Compensation, until his Normal Retirement Date and based upon the Monthly Covered Compensation that applies to him as of the date of his death instead of as of his Normal Retirement Date or, if his Normal Retirement Date was on or prior to the date of his death, 100 times the monthly retirement income that the Participant would have been entitled to receive under the provisions of Section 2.1(B) hereof if he had retired from the service of the Employer on the date of his death;

provided, however, that the provisions of Section 4.1(D) hereof relating to the Qualified Preretirement Survivor Annuity shall apply with respect to a married Participant whose service is terminated by reason of his death on or after his Initial Vesting Date and whose designated Beneficiary is not his spouse.

(2) Except as provided in Section 2.4(B)(3) below and subject to the provisions of Section 2.4(B)(4) below, the monthly retirement income payments under this Section 2.4(B) shall be payable for the life of the Beneficiary designated or selected under Section 5.2 hereof to receive such benefit, and, in the event of such Beneficiary's death within a period of 10 years after the Participant's death, the same monthly amount that was payable to the Beneficiary shall be payable for the remainder of such 10-year period in the manner and subject to the provisions of Section 5.3 hereof.

(3) A Participant may elect, or, in the event that a specific election has not been made by the Participant and filed with the Committee prior to his death, his designated Beneficiary may elect, in writing filed with the Committee, that, in lieu of payment of the benefit provided under this Section 2.4(B) (or, if applicable, under Section 2.3(G) or 2.4(A)(3) hereof) in the manner described above, such benefit will be paid on an actuarially equivalent basis to the designated Beneficiary commencing on the first day of any month that is on or after the date of the Participant's death and is on or prior to the Participant's Required Beginning Date and is payable in accordance with one of the options described below:

- Option A: A monthly retirement income in equal amounts that is payable to the Beneficiary for his lifetime.
- Option B: A retirement income in equal amounts that is payable for a period certain of five or 10 years whichever is specified by the Participant or his Beneficiary, as the case may be, in his written election filed with the Committee. In the event of the Beneficiary's death prior to the expiration of such specified period certain, the same amount shall be payable for the remainder of the specified period certain in the manner and subject to the provisions of Section 5.3 hereof.
- Option C: A combination of Option A and Option B.

Provided, however, that payment of any such benefit shall be subject to the provisions of Section 2.4(B)(4) below.

(4) Any form of payment applicable to the death benefit provided under this Section 2.4(B) (or, if applicable, under Section 2.3(G) or 2.4(A)(3) hereof), which has been designated by a Participant prior to January 1, 1984 under the terms of the Superseded Plan and which satisfies the transitional rule in Section 242(b)(2) of the Tax Equity and Fiscal Responsibility Act of 1982 (P.L. 97-248), will continue in effect on and after the Effective Date of the Plan with respect to the death benefits provided under this Section 2.4(B) (or, if applicable, under Section 2.3(G) or 2.4(A)(3) hereof) unless such designated form of payment has been or is subsequently revoked or changed (a change of Beneficiaries under the designation will not be considered to be a revocation or change of such form of payment so long as the change in Beneficiaries does not alter, directly or indirectly, the period over which distributions are to be made under such form of payment); provided, however, if a Participant, whose death occurs on or after his Initial Vesting Date, had been married to his spouse throughout the one-year period immediately preceding his death and he had designated a person other than his spouse as his Beneficiary and such spouse has not consented to such other person being designated, the provisions of Section 4.1(D) hereof shall apply with respect to payments due his surviving spouse, if any.

In the event that the Beneficiary to receive the death benefit payable under Section 2.3(G), 2.4(A)(3) or 2.4(B) hereof on behalf of a Participant whose death occurs prior to his Normal Retirement Date is his surviving spouse, the retirement income payable to such surviving spouse under Section 2.3(G), 2.4(A)(3) or 2.4(B) hereof shall be deferred and be payable on an actuarially equivalent basis to such surviving spouse commencing on the Participant's Normal Retirement Date, if such surviving spouse is then living, unless (i) the surviving spouse consents or elects in writing to receive such benefit commencing as of a date that is prior to the Participant's Normal Retirement Date and is on or after the date of the Participant's death, (ii) the date of death of the Participant is prior to his Initial Vesting Date, (iii) the Participant had not been married to his surviving spouse throughout the one-year period immediately preceding his death or (iv) a lump-sum payment is payable to his surviving spouse under the provisions of Section 3.2 hereof.

(5) If the service of a Participant is terminated by reason of his death on or after his Initial Vesting Date and on or after his Required Beginning Date, there shall be payable to the Participant's designated Beneficiary the monthly retirement income, payable in the manner described in Section 2.4(B)(2) or 2.4(B)(3) above beginning on the first day of the month coincident with or next following the date of the Participant's death, that can be provided on an actuarially equivalent basis by an amount equal to the excess, if any, of:

(a) the amount described in Section 2.4(B)(1)(a) or Section 2.4(B)(1)(b), whichever is applicable;

over

(b) the sum of:

(i) the single-sum value, determined as of the Participant's Required Beginning Date, of the retirement income that was payable on his behalf commencing on his Required Beginning Date, accumulated with interest from his Required Beginning Date until the date of his death;

plus

- (ii) the sum of the single-sum values, determined as of each applicable Post Payment Recalculation Date occurring after the Participant's Required Beginning Date, of the additional retirement income, if any, payable to such Participant commencing on such applicable Post Payment Recalculation Date, accumulated with interest from the applicable Post Payment Recalculation Date to the date of his death.

Additional retirement income payments may be payable after the Participant's death to his joint pensioner or other Beneficiary, depending upon the form of payment of the retirement income that the Participant was receiving immediately prior to his death and taking into account the increase, if any, that would have applied under the provisions of Section 2.1(D) hereof to the amount of retirement income payable to the Participant commencing as of the first day of the month coincident with or next following the date of the Participant's death if the Participant had retired immediately prior to his death and had survived to such day.

## SECTION 3

## SPECIAL PROVISIONS REGARDING PAYMENT OF BENEFITS

## 3.1 - OPTIONAL FORMS OF RETIREMENT INCOME

In lieu of the amount and form of retirement income commencing on the Participant's regularly scheduled Annuity Starting Date which is payable, subject to the provisions of Section 4.1 hereof, in the event of his normal retirement, early retirement, disability retirement or termination of service, as determined and specified in Section 2.1, 2.2, 2.3 or 2.4(A) hereof, whichever is applicable, such Participant may, subject to the requirements of this section, elect, in writing filed with the Committee, to receive a retirement income or benefit of equivalent actuarial value which is payable in accordance with one of the options described below commencing on his regularly scheduled Annuity Starting Date or commencing on such later date, which shall not be later than his Required Beginning Date, as the Participant may specify in his written election filed with the Committee.

Option 1: A retirement income of modified monthly amount that is payable in equal monthly amounts to the Participant for his lifetime, and, in the event that the Participant predeceases a joint pensioner designated by him, a percentage, which is not less than 50% nor greater than 100% and is specified by the Participant in his written election filed with the Committee, of such modified monthly amount will be payable after the death of the Participant to such designated joint pensioner for the lifetime of such joint pensioner. This option is referred to herein as the "Qualified Joint and 50% Survivor Annuity Option" when the spouse of the Participant is the designated joint pensioner and the specified percentage is 50%.

Option 2: A retirement income of modified monthly amount that is payable in equal monthly amounts to the Participant during the joint lifetime of the Participant and a joint pensioner designated by him, and, following the death of either of them, a percentage, which is not less than 50% nor greater than 100% and is specified by the Participant in his written election filed with the Committee, of such modified monthly amount will be payable to the survivor for the lifetime of the survivor.

Option 3: A retirement income that is payable in equal monthly amounts to the Participant for his lifetime or in the manner described under Option 1 or Option 2, whichever is elected by the Participant, with the added provision that payments will be made for the remainder of a period certain, specified by the Participant in his written election filed with the Committee, in the event of the death of the Participant and, if applicable, his Beneficiary or joint pensioner prior to the expiration of such specified period certain.

The amount of retirement income determined under any of the above optional forms of payment must satisfy the requirements of Section 4.8 hereof and Section 401(l) and/or Section 401(a)(4) of the Internal Revenue Code. Any provisions hereof to the contrary notwithstanding, any optional form of payment which would otherwise be permitted under the provisions of this Section 3.1 shall not be available to a Participant if:

- (1) the amount of retirement income payable under such option does not satisfy the required distribution and incidental benefit requirements of Section 4.8 hereof; or
- (2) the amount of retirement income payable under such option would result in the amount of retirement income payable on behalf of such Participant under the Plan being increased by a percentage that would cause the disparity in the rate of employer-derived benefits under the Plan to exceed the maximum disparity permitted under Section 401(l) of the Internal Revenue Code and rulings and regulations issued with respect thereto; provided, however, that the restriction of this Subparagraph (2) shall not apply if there is no disparity within the meaning of Section 401(l) of said Code included in the calculation of the Participant's accrued benefit or if it has been determined that the accrued benefits under the Plan satisfy the general test for nondiscrimination in amount of benefits (or any acceptable alternative test that may be available) under Section 401(a)(4) of the Internal Revenue Code and rulings and regulations issued with respect thereto.

A Participant who is not permitted to elect an optional form of payment otherwise permitted under the provisions of this Section 3.1 because of the incidental benefit requirements of Section 4.8 hereof and/or the permitted disparity requirements of said Section 401(l) of the Internal Revenue Code may elect in accordance with the provisions above to receive an actuarially equivalent form of payment which is similar in form to the non-permissible option but which is modified by increasing or decreasing, as the case may be,

the period certain for which payments will be made and/or the percentage of income payable to the survivor, but not to exceed 100%, so that the requirements of Section 4.8 hereof and/or Section 401(l) of the Internal Revenue Code are satisfied.

Any optional form of payment designated by a Participant prior to January 1, 1984, which satisfies the transitional rule in Section 242(b)(2) of the Tax Equity and Fiscal Responsibility Act of 1982 (P.L. 97-248), will continue in effect on and after the Effective Date of the Plan unless such optional form of payment has been or is subsequently revoked or changed (a change of Beneficiaries under the designation will not be considered to be a revocation or change of such optional form of payment so long as the change in Beneficiaries does not alter, directly or indirectly, the period over which distributions are to be made under such form of payment); provided, however, that the provisions of Section 4.1(C) hereof shall apply if the Participant has a spouse at the date on which his initial payment under such optional form is due and his spouse does not consent to such optional form of payment. Subject to the preceding sentence but notwithstanding any other provision of this Section 3.1 to the contrary, any option elected under this Section 3.1 must provide that the entire interest of the Participant will be expected to be distributed to the Participant and his Beneficiaries and joint pensioners, in a manner that satisfies the restrictions of Section 4.8 of the Plan, over one or a combination of the following periods:

- (a) the life of the Participant;
  - (b) the lives of the Participant and his designated Beneficiary or joint pensioner;
  - (c) a period certain not extending beyond the life expectancy of the Participant;
- or
- (d) a period certain not extending beyond the joint life and last survivor expectancy of the Participant and his designated Beneficiary or joint pensioner.

Any amount that is payable to the child of a Participant under an optional form of payment hereunder shall be treated for the purposes of satisfying the requirements of this paragraph as if it had been payable to the surviving spouse

of the Participant if such amount that is payable to the child will become payable to such surviving spouse upon such child's reaching majority (or upon the occurrence of such other designated event permitted under regulations issued with respect to Section 401(a)(9) of the Internal Revenue Code).

If a Participant's retirement income benefits have commenced in either the form and amount specified in Section 2 hereof or under an optional form elected under the provisions of this Section 3.1, upon his written request to the Committee at least 30 but not more than 90 days prior to the effective date thereof (or if the Participant waives the 30-day notice period with any required spousal consent, then more than 7 days but not more than 90 days prior to the effective date thereof), he may elect to discontinue receiving his retirement income under such form and amount of payment and, in lieu thereof, to receive on and after such effective date a retirement income or benefit of equivalent actuarial value that is payable to him for life or is payable in accordance with one of the options provided above; provided, however, that (a) only one such change may be made by any Participant after his retirement income payments have commenced (b) a change after the Annuity Starting Date will not be permitted if the retirement income or benefit payments are being made under the terms of an annuity contract purchased on behalf of the Participant from an insurance company. A Participant who elects to change his form of payment after his Annuity Starting Date must submit to the Committee such evidence of his good health as the Committee requires and, if the Participant is receiving payments in a form in which a joint pensioner is involved, such evidence of the good health of his joint pensioner as the Committee requires; and any such change will not be permitted if, in the opinion of the Committee, such Participant or, if applicable, such joint pensioner is not in good health. The consent of the Participant's spouse (which shall include, if applicable, his former spouse to whom he was married on his Annuity Starting Date), if any, shall be required

before any such change in a form of payment that involves such spouse may become effective, including any change that represents a change in a form of payment that was previously consented to by such spouse, unless, to the extent permitted by law, the previous consent acknowledged that the Participant may change the form of payment without the further consent of said spouse.

The Participant upon electing any option of this section will designate the joint pensioner or Beneficiary to receive the benefit, if any, payable under the Plan in the event of his death and will have the power to change such designation from time to time, subject to the provisions of this section. Any such designation will name a joint pensioner or one or more primary Beneficiaries where applicable. Any change in a joint pensioner after the Participant's retirement income payments have commenced will be considered and treated under the Plan in the same manner as, and will be subject to the same restrictions that apply to, a change in the form of payment. The consent of the Participant's spouse (which shall include, if applicable, his former spouse to whom he was married on his Annuity Starting Date), if any, shall be required before any such change in a Beneficiary or joint pensioner, under an option in which such spouse is not the primary Beneficiary or joint pensioner, may become effective, unless, to the extent permitted by law, such spouse has previously consented to and acknowledged that the Participant may change Beneficiaries or joint pensioners without the further consent of said spouse. A Participant who wants to change any designated joint pensioner after his retirement income payments have started must submit to the Committee such evidence of the good health of any joint pensioner that is being removed as the Committee requires, and any such change shall be denied if, in the opinion of the Committee, such joint pensioner is not in good health. The amount of retirement income payable to the Participant upon the designation of a new joint pensioner shall be actuarially redetermined, taking into account the age of the former joint pensioner, the new joint pensioner and the Participant. Each such designation will be made in writing on a form prepared by the Committee. In the event that

no designated Beneficiary survives the Participant, such benefits as are payable in the event of the death of the Participant subsequent to his retirement shall be paid as provided in Section 5.2 hereof.

Retirement income payments will be made under the option elected in accordance with the provisions of this section and will be subject to the following limitations:

- (A) If a Participant's service is terminated by reason of his death prior to his Annuity Starting Date, no benefit will be payable under the option to any person, but a benefit may be payable on his behalf in accordance with the provisions of Section 2.4(B) hereof.
- (B) If a terminated Participant dies after the date of termination of his service and prior to his Annuity Starting Date, no benefit will be payable under the option to any person, but a benefit may be payable on his behalf under the provisions of Section 2.4(A)(3) hereof.
- (C) In the case of a Participant who is married and who elects an option under which the commencement of payment of his retirement income is deferred beyond his regularly scheduled Annuity Starting Date, the option elected by such Participant must provide that a monthly lifetime income equal to or greater than a qualified preretirement survivor annuity (within the meaning of Section 417(c) of the Internal Revenue Code) will be payable to his surviving spouse in the event of his death after such regularly scheduled Annuity Starting Date and prior to his elected Annuity Starting Date unless his spouse consents to the option not providing such an income.
- (D) If the designated Beneficiary or joint pensioner dies before the Participant's Annuity Starting Date, the option elected will be cancelled automatically and the retirement income payable to the Participant will be paid in the applicable form described in Section 2 hereof unless a new election is made in accordance with the provisions of this section or unless a new Beneficiary or joint pensioner is designated by the Participant prior to the date that his retirement income commences under the Plan.
- (E) If the Participant and, if applicable, his joint pensioner and his designated Beneficiary all die after the Participant's Annuity Starting Date but before the full payment has been effected under any option providing for payments for a period certain and if the commuted value of the remaining payments is equal to or less than the maximum amount that is permissible as an involuntary cash-out of accrued benefits under Sections 411(a)(11) and 417(e) of the Internal Revenue Code and regulations issued with respect thereto, the commuted value of the remaining payments shall, subject to the provisions of Section 3.2 hereof, be paid in a lump sum in accordance with the provisions of Section 5.3 hereof.

- (F) If the Participant dies after his Annuity Starting Date, payment of his remaining interest, if any, shall be distributed, to the extent required by Section 401(a)(9) of the Internal Revenue Code and regulations issued thereunder, at least as rapidly as provided under the method of payment in effect prior to his death.

### 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 to the Participant does not exceed \$1,000, or if the benefit is payable to a Beneficiary and the single-sum value does not exceed \$5,000, 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 to the Participant is greater than \$1,000 but does not exceed \$5,000, the Participant 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. 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.

3.3 - BENEFITS APPLICABLE TO PARTICIPANT WHO HAS BEEN OR IS EMPLOYED BY TWO OR MORE EMPLOYERS

In the event that a Participant's service is terminated for any reason and such Participant has been or is employed by any two or more Employers, his retirement or termination benefit, if any, shall be computed by applying the benefit formulas as if all the Employers were a single Employer; provided, however, if the Plan does not represent an IRC 414(l) Single Plan with respect to all such Employers, there shall be a proper allocation (taking into account the Credited Service and Compensation applicable to each Employer or group of Employers with respect to which the Plan represents an IRC 414(l) Single Plan)

of the costs of the resulting benefits among the Employers (with respect to which the Plan does not represent an IRC 414(l) Single Plan) by which such Participant has been or is employed.

#### 3.4 - NO DUPLICATION OF BENEFITS

Unless the context clearly provides otherwise, there shall be no duplication of benefits under the Plan or under any Supplement hereto, and the benefits payable under any section of the Plan to or on behalf of a Participant shall be inclusive of the benefits, if any, concurrently payable to or on behalf of the same Participant under all other sections of the Plan and under any Supplement hereto.

#### 3.5 - FUNDING OF BENEFITS THROUGH PURCHASE OF LIFE INSURANCE CONTRACT OR CONTRACTS

In lieu of paying benefits from the Trust Fund to a Participant or his Beneficiary, upon direction of the Committee with specific prior authorization in writing from the Employer, the Trustee shall enter into a contract or contracts, or an agreement or agreements, with one or more legal reserve life insurance companies for the purchase, with funds in the Trust, of a retirement annuity or other form of life insurance contract which, as far as possible, provides benefits equal to (or actuarially equivalent to) those provided in the Plan for such Participant or Beneficiary, but provides no optional form of retirement income or benefit which would not be permitted under Section 3.1 hereof, whereupon such contract shall thereafter govern the payment of the amount of benefit, if any, represented by such contract, which is payable under the Plan upon the Participant's retirement or termination of service, and the liability of the Trust Fund and of the Plan will cease and terminate with respect to such benefits that are purchased and for which the premiums are duly paid.

Any policy or contract issued under this section shall be subject to the provisions hereof pertaining to the Qualified Joint and 50% Survivor Annuity Option and to the Qualified Preretirement Survivor Annuity.

Any policy or contract issued under this section prior to the termination of the Plan or prior to the distribution of the policy or contract to a Participant or Beneficiary hereunder shall provide that the Trustee shall retain all rights of ownership at all times except the right, unless such policy or contract provides otherwise, to designate the Beneficiary to receive any benefits payable upon the death of the Participant and shall further provide that all dividends or experience rating credits shall be paid to the Trustee and applied to reduce future Employer contributions to the Plan.

Any annuity contract distributed by the Trustee to a Participant or Beneficiary hereunder shall contain a provision to the effect that the contract may not be sold, assigned, discounted or pledged as collateral for a loan or as security for the performance of an obligation or for any other purpose, to any person other than the issuer thereof.

SECTION 4

GOVERNMENTAL REQUIREMENTS AFFECTING BENEFITS

4.1 - SPECIAL PROVISIONS REGARDING AMOUNT AND PAYMENT OF RETIREMENT INCOME

The amount and payment of retirement income determined under Sections 2.1, 2.2, 2.3 and 2.4 hereof shall be subject to the following provisions of this Section 4.1.

(A) Limitations Imposed by Section 415 of Internal Revenue Code:

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

(a) the maximum amount of retirement income applicable to a Participant who was a participant in the Superseded Plan, if any, before the limitation year beginning in 1983 and whose Credited Service includes service that was accrued prior to such limitation year, shall not be less than his current accrued benefit within the meaning of Section 235(g)(4) of the Tax Equity and Fiscal Responsibility Act of 1982;

and

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

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

Under Section 415 of the Internal Revenue Code, the amount of a Participant's "annual benefit" (as such term is defined in Section 415), payable in the form of a straight life annuity, for any limitation year that is produced by the amount of such Participant's monthly retirement income shall not exceed the lesser of:

- (c) \$160,000 (as adjusted for cost-of-living increases under Section 415(d) of the Internal Revenue Code), or
- (d) 100% of the Participant's average IRC 415 Compensation for his highest three consecutive years of service or the actual number of consecutive years if less than three.

(2) Actuarial Assumptions and Related Adjustments: For purposes of determining the actuarially equivalent maximum amount of retirement income permitted under this Section 4.1(A) with respect to any Participant, the interest and mortality tables specified below shall control.

- (a) For purposes of this Section 4.1(A)(2), the "Plan Mortality Table" is the mortality table determined under Section 1.1(B)(1)(a) without regard to this section. The "Plan Interest Rate" is the rate of interest determined under Section 1.1(B)(1)(b) without regard to this section. The "Applicable Mortality Table" is the mortality table specified by the Secretary of Treasury pursuant to Section 415(b)(2)(E) of the Internal Revenue Code (which, as of April 1, 2006, is based upon a fixed blend of 50% of the unloaded male mortality rates and 50% of the unloaded female mortality rates underlying the mortality rates in the 1994 Group Annuity Reserving Table, projected to 2002). The

"Applicable Interest Rate" is the annual rate of interest on 30-year Treasury securities as determined by the Internal Revenue Service for the second full calendar month immediately preceding the first day of the Plan Year during which the Annuity Starting Date occurs.

- (b) For the purposes of determining whether any benefit payable under the Plan in any form which is not subject to Section 417(e)(3) of the Internal Revenue Code exceeds the maximum retirement income under Section 4.1(A), such benefit shall be converted to an actuarially equivalent straight life annuity beginning at the same age. The interest rate and mortality table used in such calculation shall be either (i) the Plan Interest Rate and the Plan Mortality Table or (ii) 5% and the Applicable Mortality Table, whichever yields the greater amount.
- (c) For the purposes of determining whether any benefit payable under the Plan in any form which is subject to Section 417(e)(3) of the Internal Revenue Code, (which shall include lump-sum distributions and other forms of distribution that provide payments in the form of a decreasing annuity or that provide payments for a period less than the life of the recipient) exceeds the maximum retirement income under Section 4.1(A), such benefit shall be converted to an actuarially equivalent straight life annuity beginning at the same age. The interest rate and mortality table used in such calculation shall be either (i) the Plan Interest Rate and the Plan Mortality Table or (ii) the Applicable Interest Rate and the Applicable Mortality Table, whichever yields the greater amount.
- (d) If the benefit of a Participant begins after the Participant attains age 65, the defined benefit dollar limitation applicable to the Participant at the later age shall be the annual benefit payable in the form of a straight life annuity beginning at the later age that is actuarially equivalent to the defined benefit dollar limitation applicable to the Participant at age 65 (adjusted under (f) below, if required). The actuarial equivalent of the defined benefit dollar limitation applicable at an age after age 65 shall be determined as the lesser of (i) the actuarial equivalent (at such age) of the defined benefit dollar limitation computed using the Plan Interest Rate and the Plan Mortality Table, and (ii) the actuarial equivalent (at such age) of the defined benefit dollar limitation computed using a 5 percent interest rate assumption and the Applicable Mortality Table. For these purposes, mortality between age 65 and the age at which benefits commence shall be ignored.

- (e) If the benefit of a Participant begins prior to age 62, the defined benefit dollar limitation applicable to the Participant at such earlier age shall be an annual benefit payable in the form of a straight life annuity beginning at the earlier age that is the actuarial equivalent of the defined benefit dollar limitation applicable to the Participant at age 62 (adjusted under (f) below, if required). The defined benefit dollar limitation applicable at an age prior to age 62 is determined as the lesser of (i) the actuarial equivalent (at such age) of the defined benefit dollar limitation computed using the Plan Interest Rate and the Plan Mortality Table, and (ii) the actuarial equivalent (at such age) of the defined benefit dollar limitation computed using a 5 percent interest rate and the Applicable Mortality Table. Any decrease in the defined benefit dollar limitation determined in accordance with this paragraph (e) shall not reflect a mortality decrement if benefits are not forfeited upon the death of the Participant. If any benefits are forfeited upon death, the full mortality decrement shall be taken into account.
- (f) If the Participant has less than ten years of participation in the Plan, the maximum dollar limitation under Section 415(b)(1)(A) of the Internal Revenue Code otherwise applicable to the Participant shall be multiplied by a fraction the numerator of which is the number of years (or part thereof) of participation in the Plan, and the denominator of which is ten. In the case of a Participant who has less than ten years of service with the Controlled Group Members, the percentage of compensation limitation under Section 415(b)(1)(B) of the Internal Revenue Code shall be multiplied by a fraction the numerator of which is the number of the Participant's years (or part thereof) of service with the Controlled Group Members, and the denominator of which is ten.

(3) Cost-of-Living Adjustments: In the event that the maximum amount of retirement income permitted under Section 415 of the Internal Revenue Code is increased after the date of commencement of a Participant's retirement income due to any cost-of-living adjustment announced by the Internal Revenue Service pursuant to the provisions of Section 415(d) of the Internal Revenue Code, the amount of monthly retirement income payable under the Plan to a Participant whose retirement income is restricted due to the provisions of such section of the Internal Revenue Code shall be increased, effective as of January 1st of the

calendar year for which such increase becomes effective or, if applicable, as of such other date as the Secretary of the Treasury or his delegate may prescribe as the date on which such increase shall become effective, to reflect the increase in the amount of retirement income that may be payable under the Plan as a result of such cost-of-living adjustment; provided, however, if the Employer maintains a plan for the purpose of restoring benefits that certain Participants may not receive under the Plan due to the limitations on contributions and benefits imposed by Section 415 of the Internal Revenue Code and/or due to the limitations imposed on Compensation under Section 401(a)(17) of said Code and if the Participant or his Beneficiary receives or has received a benefit or benefits under such restoration plan and a portion of such benefit or benefits would be duplicated by the cost-of-living adjustment provided under this paragraph, then such cost-of-living adjustment that would represent a duplication of benefits shall not apply to the Participant or Beneficiary unless the value of the benefit payable from the restoration plan that would cause such duplication of benefits under this Plan is returned to the Employer by the Participant or Beneficiary within 60 days of the effective date of such cost-of-living adjustment or the date that such cost-of-living adjustment is announced by the Internal Revenue Service, whichever date is later; and provided further, however, that such 60-day period may be extended by the Committee if, in its opinion, reasonable cause exists for such an extension.

(4) IRC Section 415 Definitions: Following are certain terms that are used herein for the purposes of the limitations under Section 415 of the Internal Revenue Code and that shall have the meanings assigned to them in Section 415 of said Code and regulations and rulings issued with respect thereto:

- (a) The term "defined benefit plan" shall have the meaning assigned in Section 414(j) of the Internal Revenue Code.
- (b) The term "IRC 415 Compensation" shall include (i) wages, salaries, fees for professional services, and other amounts received (without regard to whether or not an amount is paid in cash) for personal services actually rendered in the

course of employment with the Employer to the extent that the amounts are includable in gross income (including, but not limited to, commissions paid salesmen, compensation for services on the basis of a percentage of profits, commissions on insurance premiums, tips, bonuses, fringe benefits, reimbursements and expense allowances), (ii) earned income (as described in Section 401(c)(2) of the Internal Revenue Code and the regulations thereunder), (iii) amounts described in Sections 104(a)(3), 105(a) and 105(h) of the Internal Revenue Code, but only to the extent that these amounts are includable in the gross income of the Participant, (iv) amounts paid or reimbursed by the Employer for moving expenses incurred by the Participant, but only to the extent that these amounts are not deductible by the Participant under Section 217 of the Internal Revenue Code, (v) the value of a non-qualified stock option granted to the Participant by the Employer, but only to the extent that the value of the stock option is includable in the gross income of the Participant for the taxable year in which granted, (vi) the amount includable in the gross income of the Participant upon making the election described in Section 83(b) of the Internal Revenue Code and (vii) any amounts received by the Participant pursuant to an unfunded non-qualified plan in the year such amounts are includable in the gross income of the Participant. The amounts described in (i) and (ii) above shall include foreign earned income as defined in Section 911(b) of the Internal Revenue Code, whether or not excludable from gross income under Section 911 of said Code. The term "IRC 415 Compensation" shall also include (i) any elective deferral as defined in Section 402(g)(3) of the Internal Revenue Code, and (ii) any amount which is contributed or deferred by the Employer at the election of the Employee and which is not includible in the gross income of the Employee by reason of Section 125, Section 132(f)(4), or Section 457 of the Internal Revenue Code. Such compensation shall exclude (1) contributions by the Employer to a plan of deferred compensation which are not included in the Participant's gross income for the taxable year in which contributed (except as provided above in this subsection (b)), (2) contributions by the Employer under a simplified employee pension plan to the extent such contributions are deductible by the Participant, (3) any distribution from a plan of deferred compensation, (4) amounts realized from the exercise of a non-qualified stock option, (5) amounts realized when restricted stock (or property) held by the Participant either becomes freely transferable or is no longer subject to a substantial risk of forfeiture, (6) amounts realized from the sale, exchange

or other disposition of stock acquired under a qualified stock option, (7) other amounts which received special tax benefits and (8) contributions made by the Employer (whether or not under a salary reduction agreement) towards the purchase of an annuity described in Section 403(b) of the Internal Revenue Code (whether or not the amounts are actually excludable from the gross income of the Participant). Amounts under Section 125 include any amounts not available to a Participant in cash in lieu of group health coverage because the Participant is unable to certify that he has other health coverage; provided that such an amount shall be treated as an amount under Section 125 only if the Employer does not request or collect information regarding such Participant's other health coverage as part of the enrollment process for the health plan.

- (c) The term "limitation year" is the 12-month period which is used for application of the limitations under Section 415 of the Internal Revenue Code and, unless a different 12-month period has been elected by the Employer in accordance with rules or regulations issued by the Internal Revenue Service or the Department of Labor, shall be the calendar year.

(B) Minimum Benefits on Normal or Early Retirement: Any provisions of Section 2.1 or 2.2 hereof to the contrary notwithstanding, in the event of the normal retirement or early retirement of a Participant in accordance with the provisions of Section 2.1 or 2.2 hereof, his monthly retirement income determined in accordance with the provisions of Section 2.1(B) or 2.2(B) hereof, whichever is applicable, shall not be less than the monthly retirement income, if any, determined in accordance with the provisions of Section 2.1(B) or 2.2(B) hereof that such Participant would have received as of any earlier date of retirement if he had retired under the provisions of Section 2.1 or 2.2 at any time prior to his actual date of retirement.

(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;
- (5) the relative values of the optional forms of payment available under the Plan; and
- (6) 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.

(D) Qualified Preretirement Survivor Annuity: If a deceased Participant, whose death occurs on or after his Initial Vesting Date and prior to his Annuity Starting Date, had been married to his spouse throughout the one-year period immediately preceding his death and he had designated a person other than his spouse as his Beneficiary and such spouse has not validly consented to such other person being designated as the Beneficiary, the Participant shall be deemed to have:

- (1) revoked his prior designation of Beneficiary;
- (2) designated such spouse as his Beneficiary to receive a portion of the death benefit payable on his behalf under Section 2.3(G), 2.4(A)(3) or 2.4(B), whichever is applicable;
- (3) specified that the portion of the benefit provided under Section 2.3(G), 2.4(A)(3) or 2.4(B) that is payable to his surviving spouse will be payable as an actuarially equivalent monthly income payable on the first day of each month with the first payment being due (only if said spouse is then living) on the Participant's Normal Retirement Date or the first day of the month coincident with or next following the date of the Participant's death, whichever is later, and with the last payment being the payment due immediately preceding such spouse's death;
- (4) specified that the portion of the benefit provided under Section 2.3(G), 2.4(A)(3) or 2.4(B) that is payable to the surviving spouse shall have an actuarially equivalent single-sum value, determined as

of the date of his death, equal to the single-sum value, determined as of the date of his death, of the monthly retirement income that would be payable to his surviving spouse, commencing on the Participant's Earliest Annuity Commencement Date, under the Qualified Joint and 50% Survivor Annuity Option if:

- (a) the Participant's service had been terminated on the date of his death for a reason other than disability retirement or death (or, if the Participant is a vested terminated Participant entitled to a benefit under Section 2.4(A) hereof, he had survived to the Earliest Annuity Commencement Date);
  - (b) the Participant had (for the purposes of determining the amount of such monthly retirement income commencing at his Earliest Annuity Commencement Date) waived the death benefit coverage under Section 2.4(A)(3) hereof, if applicable, during the period beginning on the date of his death and ending on his Earliest Annuity Commencement Date; and
  - (c) the Participant had died immediately after such commencement of payments (one-half of the initial payment which would have been due the Participant on his Earliest Annuity Commencement Date shall be included in the determination of such single-sum value); and
- (5) designated such other person (or persons) that was named as his Beneficiary under such revoked designation as the Beneficiary to receive the remaining portion of such benefit payable on his behalf under and in accordance with the provisions of Section 2.3(G), 2.4(A)(3) or 2.4(B) hereof.

In lieu of the payment of such benefit to the surviving spouse of a Participant in the form of the monthly income described in Section 4.1(D)(3) above commencing at the Participant's Normal Retirement Date, such benefit may be paid on an actuarially equivalent basis to the Participant's spouse in such other manner and form permitted under Section 2.4(B) hereof and commencing on such other date permitted under Section 2.4(B) hereof as the surviving spouse may elect in writing filed with the Committee. For the purposes of Sections 4.1(D)(3) and 4.1(D)(4) above, the Earliest Annuity Commencement Date of a deceased disabled Participant on whose behalf a death benefit is payable under Section 2.3(G) hereof and the monthly retirement income that would be payable to

his surviving spouse, commencing on his Earliest Annuity Commencement Date, under the Qualified Joint and 50% Survivor Annuity Option, shall be determined as though such Participant had recovered from his total and permanent disability and had reentered the service of the Employer immediately prior to his death.

Except to the extent that it is otherwise permissible under the provisions of Section 417 (or any other applicable section) of the Internal Revenue Code or regulations or rulings issued pursuant thereto for such a spouse to elect to waive his right to the qualified preretirement survivor annuity, the consent of the Participant's spouse to another person being designated as the Beneficiary of the Participant shall be valid for the purposes of this Section 4.1(D) only if such consent satisfies the requirements of Section 4.1(E) hereof and the Participant was given a written explanation of the Qualified Preretirement Survivor Annuity (containing the information described in the paragraph below) prior to obtaining such consent; provided, further, in the event that the Participant's death occurs on or after the beginning of the Plan Year in which he attained the age of 35 years, such consent in order to be valid must have been given on or after the beginning of the Plan Year in which the Participant attained the age of 35 years or after his separation from service.

The Committee shall provide each Employee, who is a Participant in the Plan, within the one-year period immediately following (a) the beginning of the Plan Year in which he will attain the age of 32 years or (b) the date on which he becomes a Participant in the Plan, whichever is later, or, if his service is terminated on or after his Initial Vesting Date and prior to his attaining the age of 32 years, within the one-year period immediately following the date of termination of his service, or as soon thereafter as is administratively practicable, with written notification of (i) the terms and conditions upon which the Qualified Preretirement Survivor Annuity described above will be payable to his surviving spouse, (ii) the Participant's right to designate at

any time prior to his death a person other than his spouse as his Beneficiary and the effect that such a designation will have on the Qualified Preretirement Survivor Annuity, (iii) the rights of the Participant's spouse in the event that the spouse does not consent to such designation and (iv) the right of the Participant to change his Beneficiary designation in accordance with the provisions of Section 5.2 hereof at any time prior to his death and the effect that such a change will have upon the Qualified Preretirement Survivor Annuity.

If the Beneficiary of a Participant is his spouse but the Participant elects, pursuant to the provisions of Section 2.4(A)(3) or 2.4(B) hereof, whichever is applicable, an actuarially equivalent form of payment of the benefit provided under such applicable section that does not provide for monthly payments during the lifetime of his spouse in an amount at least as great as the minimum qualified preretirement survivor annuity required under Section 417 of the Internal Revenue Code, the Committee shall inform such Participant that such election will constitute an election not to receive a benefit which has the effect of a qualified preretirement survivor annuity provided under a qualified joint and survivor annuity as described in Section 417 of the Internal Revenue Code, and the consent of the Participant's spouse shall be required in order for such an election to become effective.

There shall be no duplication between the benefits provided under Sections 2.3(G), 2.4(A)(3) and 2.4(B) and under the Qualified Preretirement Survivor Annuity described in this Section 4.1(D), but the benefits under each shall be inclusive of the benefits under the other.

(E) Spousal Consent Requirement and Waiver: Any provisions herein to the contrary notwithstanding, if the consent of the spouse of the Participant is required for any reason under the provisions hereof, such consent in order to be effective must be in writing and witnessed by a Plan representative or a notary public. In the event that such consent is with respect to the election of a form of payment other than a Qualified Joint and Survivor Annuity or the designation of a person other than the spouse as the Participant's Beneficiary, such consent

must acknowledge the specific form of payment that has been elected or the person who has been designated as Beneficiary, as the case may be, and must acknowledge the effect of such consent. Any of the above to the contrary notwithstanding, such spousal consent for any reason hereunder shall, unless otherwise required by the Committee or by applicable law, be waived for the purposes of the Plan if:

- (1) the spouse has previously consented to such specified action in accordance with the provisions above and such previous consent (a) permits changes with respect to such specified action without any requirement of further consent by such spouse and (b) acknowledges the effect of such consent by the spouse;

or

- (2) it is established to the satisfaction of the Committee that such consent may not be obtained because there is no spouse, because the spouse cannot be located or because of such other circumstances as the Secretary of the Treasury or his delegate may prescribe by regulations as reasons for waiving the spousal consent requirement.

Once spousal consent, which satisfies the requirements of this section, has been given, such consent may not be revoked by the spouse without the consent of the Participant.

(F) Latest Date of Commencement of Payments: Except to the extent otherwise permissible under rules or regulations issued by the Internal Revenue Service, distribution of the accrued benefit to which a Participant has a nonforfeitable interest must commence on a date not later than the earlier to occur of:

- (1) his Required Beginning Date;

or

- (2) the later of:

- (a) the date that is no later than the 60th day after the close of the Plan Year during which (i) his service is terminated for any reason, (ii) he attains the age of 65 years or (iii) the tenth anniversary of the date on which he initially commenced participation in the Plan or Superseded Plan, whichever is latest, occurs; or

- (b) the date that the Participant elects in accordance with the provisions of Section 3.1 hereof as the date of commencement of his retirement income;

provided, however, if an election of a form of payment has been made by a Participant prior to January 1, 1984 that provides for the commencement of his benefit at a date later than the date applicable under (1) or (2) above and such election both (i) satisfies the transitional rule in Section 242(b)(2) of the Tax Equity and Fiscal Responsibility Act of 1982 (P.L. 97-248) and (ii) has not been subsequently revoked or changed (a change of Beneficiaries under the designation will not be considered to be a revocation or change of such form of payment so long as the change in Beneficiaries does not alter, directly or indirectly, the period over which distributions are to be made under such form of payment), distribution of the Participant's accrued benefit shall not be required to commence prior to the date of commencement specified in such election.

(G) No Benefit Reduction Due to Post Termination Social Security Changes: Benefits under the Plan shall not be decreased by reason of any increase in the benefit levels payable under Title II of the Social Security Act or by reason of any increase in the wage base under such Title II, if such increase takes place after September 2, 1974 or (if later) the earlier of the date of first receipt of such benefits or the date of the Participant's separation from service, as the case may be.

(H) Minimum Preserved Benefit Due to Certain Amendments: In the event that the Plan or Superseded Plan has been or is amended effective as of a date on or after July 30, 1984 to eliminate or reduce a retirement-type subsidy or an early retirement benefit or to change the actuarial assumptions used to determine actuarially equivalent benefits payable thereunder, the monthly retirement income or other benefit, if any, payable under the provisions of Section 2.1, 2.2, 2.3 or 2.4 (and Section 3.1 if an optional form of payment is applicable) to a Participant, who was a participant in the Plan or Superseded Plan as of the

day immediately preceding the date that the elimination, reduction or change becomes effective or the date of adoption of such amendment, whichever is later, (herein referred to as the "Preservation Date") and who retires or whose service is terminated after the Preservation Date, shall be at least equal to the corresponding amount of the monthly retirement income or other benefit, if any, payable to him under the provisions of such applicable section of the Plan (or, if applicable, the section of the Superseded Plan that corresponds to such applicable section of the Plan) as in effect on the Preservation Date computed using his Credited Service, Final Average Monthly Compensation and Monthly Covered Compensation (or, if applicable, the corresponding terms used to compute his accrued benefit under the Superseded Plan) determined as of the Preservation Date under the provisions of the Plan (or, if applicable, the Superseded Plan) as in effect on such date and using, if applicable, the mortality table and interest rate assumptions that applied under the provisions of the Plan (or, if applicable, the Superseded Plan) as in effect on the Preservation Date to compute actuarially equivalent benefits payable to a Participant who retired or whose service was terminated on the Preservation Date; provided, however, such preservation shall not be required if, under regulations or other official pronouncements of the Internal Revenue Service, such reduction or elimination or such change in assumptions (without the preservation described above in this subsection) may be made without violating the anticutback rules of Section 411(d)(6) of the Internal Revenue Code.

(I) Direct Rollover Options for Eligible Rollover Distributions: Notwithstanding any provision of the Plan to the contrary that would otherwise limit a distributee's election under this section, a distributee may elect, at the time and in the manner prescribed by the plan administrator, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover. The following definitions apply to this section:

- (1) Eligible rollover distribution: An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include:
  - (a) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of 10 years or more; and
  - (b) any distribution to the extent such distribution is required under Section 401(a)(9) of the Internal Revenue Code.
- (2) Eligible retirement plan: An eligible retirement plan is an individual retirement account described in Section 408(a) of the Internal Revenue Code, an individual retirement annuity described in Section 408(b) of said Code, an annuity plan described in Section 403(a) or 403(b) of said Code, an eligible governmental plan described in Section 457(b) of said Code, or a qualified trust described in Section 401(a) of said Code, that accepts the distributee's eligible rollover distribution. However, in the case of an eligible rollover distribution that includes after-tax employee contributions, an eligible retirement plan is an individual retirement account or annuity described in Section 408(a) or (b) of the Internal Revenue Code, or a qualified defined contribution plan described in Section 401(a) or 403(a) of said Code that agrees to account separately for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible. The definition of eligible retirement plan shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic relation order, as defined in Section 414(p) of said Code.
- (3) Distributee: A distributee includes an employee or former employee. In addition, the employee's or former employee's surviving spouse and the employee's or former employee's spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in Section 414(p) of the Internal Revenue Code, are distributees with regard to the interest of the spouse or former spouse.
- (4) Direct rollover: A direct rollover is a payment by the Plan to the eligible retirement plan specified by the distributee.

Any options set forth in this section shall automatically become inoperative and of no effect upon a ruling by the Treasury Department that the options set forth herein are no longer required.

(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.

#### 4.2 - LIMITATIONS ON BENEFITS REQUIRED BY THE INTERNAL REVENUE SERVICE

(A) Limitation in the Event of Plan Termination: In the event that the Plan is terminated, the benefit of any Participant who is a Highly Compensated Employee shall be limited to a benefit that is nondiscriminatory under Section 401(a)(4) of the Internal Revenue Code and regulations issued with respect thereto.

## (B) Limitation on Annual Payments:

(1) The provisions of this Section 4.2(B) shall apply during each Plan Year to those Participants who during such Plan Year (a) are Highly Compensated Employees and (b) are among the 25 nonexcludable employees and former employees of the Controlled Group Members with the largest amount of compensation in the current or any prior year and whose annual payments under the Plan must be restricted due to the provisions of Section 401(a)(4) of the Internal Revenue Code and regulations issued with respect thereto.

(2) To the extent required by Section 401(a)(4) of the Internal Revenue Code and regulations issued with respect thereto, the annual benefit payable under the Plan to any such Participant to whom the provisions of this Section 4.2(B) are applicable shall not exceed an amount equal to the payments that would be made on his behalf under a single life annuity that is the actuarial equivalent of the sum of his accrued benefit and his other benefits under the Plan; provided, however, that such restriction shall not apply if:

- (a) after payment of the "benefits" (as defined below) to the Participants to whom the provisions of this Section 4.2(B) are applicable, the remaining value of Plan assets equals or exceeds 110% of the value of current liabilities within the meaning of Section 412(l)(7) of the Internal Revenue Code and regulations issued with respect thereto;
- (b) the value of the "benefits" (as defined below) for such Participant is less than 1% of the value of current liabilities within the meaning of Section 412(l)(7) of the Internal Revenue Code and regulations issued with respect thereto;
- (c) the value of the Participant's benefit does not exceed the maximum amount that is permissible as an involuntary cash-out of accrued benefits under Sections 411(a)(11) and 417(e) of the Internal Revenue Code and regulations issued with respect thereto;
- (d) an agreement, which is expressly permitted under Section 401(a)(4) of the Internal Revenue Code or regulations or rulings issued with respect thereto, is entered into with the Trustee,

adequately secured in conformity with the requirements of said Code section, regulations or rulings, which provides for the repayment, if applicable and to the extent required under said Code section, regulations or rulings, to the Trust Fund of any part of the distribution which is restricted under the provisions of said Code section, regulations or rulings;

or

- (e) in the event of the termination of the Plan, there are sufficient assets to satisfy all benefit liabilities of the Plan to Participants and their Beneficiaries.

(3) For the purposes of this Section 4.2(B), the term "benefit" shall have the meaning assigned in Treasury Regulation Section 1.401(a)(4)-5(b) and shall include loans in excess of the amounts set forth in Section 72(p)(2)(A) of the Internal Revenue Code, any periodic income, any withdrawal values payable to a living employee, and any death benefits not provided for by insurance on the employee's life.

#### 4.3 - BENEFITS NONFORFEITABLE IF PLAN IS TERMINATED

In the event of the termination or partial termination of the Plan, the rights of each affected Participant in the Plan to benefits accrued to such date of termination, to the extent then funded, shall be nonforfeitable, where such benefits shall be determined and distributed as provided in Section 4.5 hereof; provided, however, if the participation in the Plan is terminated with respect to one or more but not all Employers that are members of a group of Employers with respect to which the Plan represents an IRC 414(1) Single Plan, the Plan shall not be considered to have been terminated for the purposes of this Section 4.3 (although a partial termination of the Plan may result because of such termination of participation). Unless specifically required otherwise by law or by rules or regulations of the Internal Revenue Service, the nonforfeitable rights granted to Participants under the provisions of this section shall not apply with respect to (i) any benefits (or portions thereof) that have been cashed out, whether voluntarily or involuntarily, under the provisions hereof and that have not been reinstated (by repayment or by the reinstatement of

Credited Service accrued prior to the date of such cash-out) in accordance with the provisions hereof prior to the date of the termination or partial termination of the Plan or (ii) any nonvested benefits that are deemed cashed out and forfeited at the date of termination of service of a terminated or retired Participant whose service was terminated prior to the date of termination or partial termination of the Plan.

#### 4.4 - MERGER OF PLAN

In the case of the merger or consolidation of the Plan with, or the transfer of assets or liabilities to, another qualified retirement plan, each Participant must be entitled to receive a benefit, upon termination of such other retirement plan after such merger, consolidation or transfer, which is at least equal to the benefit which he would have been entitled to receive immediately before the merger, consolidation or transfer if the Plan had been terminated at that time.

#### 4.5 - TERMINATION OF PLAN AND DISTRIBUTION OF TRUST FUND

Upon termination of the Plan in accordance with the provisions hereof, the share of the assets of the Trust Fund available for distribution to the affected Participants and Beneficiaries shall be allocated and distributed in accordance with the following procedure.

(A) The Committee shall determine the date of distribution and the share in the value of the assets of the Trust Fund that is attributable to each Employer or group of Employers with respect to which the Plan represents an IRC 414(l) Single Plan.

(B) The distribution of the asset value will, subject to the provisions of Section 417(e)(1) of the Internal Revenue Code, be provided by the purchase of insured annuities from a company or companies selected by the Committee for each class of Participants and other persons entitled to benefits under the Plan, as specified in (C) below. Any annuities purchased pursuant to the provisions of this Section 4.5 will be subject to the provisions hereof pertaining to the

Qualified Joint and 50% Survivor Annuity Option and to the Qualified Preretirement Survivor Annuity.

(C) The Committee shall determine the asset value available for distribution on behalf of each Employer or group of Employers with respect to which the Plan represents an IRC 414(1) Single Plan after taking into account the expenses of such distribution. After having determined such asset value available for distribution to each such Employer or group of Employers, as the case may be, and subject to the applicable provisions of any Supplement hereto pertaining to the distribution of assets upon the termination of the Plan, the Committee shall allocate such asset value (allocated to the particular Employer or group of Employers) as of the date of termination of the Plan in the manner set forth below to determine the amount, if any, to which each affected Participant or Beneficiary is entitled. Such allocation shall be made using the methods and actuarial assumptions that are being used as of the date of termination of the Plan by the Pension Benefit Guaranty Corporation in determining the value of plan benefits under terminating non-multiemployer pension plans covered by Title IV of the Employee Retirement Income Security Act of 1974, as amended, or, at the option of the Committee, using such other methods and actuarial assumptions that are mutually acceptable to the Committee, the Pension Benefit Guaranty Corporation and the Internal Revenue Service. In cases where an annuity is purchased to provide any given retirement income, the single premium payable for such annuity shall be deemed for the purposes of the allocations described below to be the single-sum or present value of, or the amount otherwise required to provide, the amount of retirement income represented by such annuity.

- (1) Allocation shall first be made with respect to each active, retired or terminated Participant and to each Beneficiary of a deceased Participant in an amount equal to the present value of the portion, if any, of such individual's accrued benefit which is derived from the Participant's employee contributions to the Plan which were not mandatory employee contributions; provided, however, that if the asset value is less than the aggregate of such amounts, such amounts shall be reduced pro rata among such individuals so that the aggregate of such reduced amounts will be

equal to the asset value; and provided further, however, that the benefits on which the allocations specified below are based shall exclude any portion thereof attributable to the Participant's contributions to the Plan which were not mandatory.

- (2) If there is any asset value remaining after the allocation under (1) above, allocation shall next be made with respect to each active, retired or terminated Participant and to each Beneficiary of a deceased Participant in an amount equal to the present value of the portion, if any, of such individual's accrued benefit which is derived from the Participant's mandatory employee contributions to the Plan; provided, however, that if such remaining asset value is less than the aggregate of the amounts thus allocated hereunder, such latter amounts shall be reduced pro rata among such individuals so that the aggregate of such reduced amounts will be equal to the remaining asset value.
- (3) If there is any asset value remaining after the allocations under (1) and (2) above, allocations shall next be made with respect to:
  - (a) each retired or terminated Participant whose retirement income payments commenced at least three years prior to the date of termination of the Plan in an amount equal to the excess, if any, of (i) the amount required to provide (after the date of termination of the Plan) the smallest amount of income payable to such Participant during such three-year period immediately preceding the date of termination of the Plan, based upon the provisions of the Plan as in effect during the five-year period immediately preceding the date of termination of the Plan that would result in the least amount of income being payable to such Participant over (ii) the amount of his allocation, if any, under (2) above;
  - (b) each person receiving a retirement income on such date of termination on account of a deceased Participant or retired or terminated (but since deceased) Participant whose retirement income payments commenced, either to such person or to such retired or terminated (but since deceased) Participant, at least three years prior to the date of termination of the Plan in an amount equal to the excess, if any, of (i) the amount required to provide (after the date of termination of the Plan) the smallest amount of income payable to such person during such three-year period immediately preceding the date of termination of the Plan, based upon the provisions of the Plan as in effect during the five-year period immediately preceding the date of termination of the Plan that would result in the least

amount of income being payable to such person over (ii) the amount of his allocation, if any, under (2) above; and

- (c) each other active, retired or terminated Participant who, at least three years prior to the date of termination of the Plan either had become eligible for normal retirement but had not yet retired or had satisfied the applicable age and service requirements to be eligible for an early retirement benefit, or the Beneficiary of any such eligible Participant whose service was terminated by reason of his death during such three-year period, in an amount equal to the excess, if any, of (i) the amount required to provide (after the date of termination of the Plan) the monthly retirement income that would have been payable on behalf of such Participant if he had retired three years prior to the date of termination of the Plan, based upon the provisions of the Plan as in effect during the five-year period immediately preceding the date of termination of the Plan which would result in the least amount of income being payable to such Participant or Beneficiary over (ii) the amount of his allocation, if any, under (2) above;

provided, however, that if such remaining asset value is less than the aggregate of the amounts thus allocated hereunder, such latter amounts shall be reduced pro rata among such individuals so that the aggregate of such reduced amounts will be equal to the remaining asset value.

- (4) If there is any asset value remaining after the allocations under (1), (2) and (3) above, allocation shall next be made with respect to each active, retired or terminated Participant and to each Beneficiary under the Plan in an amount equal to the excess, if any, of (a) the amount required to provide that portion of the single-sum value of the Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date that he had accrued as of the date of termination of the Plan or, if applicable, that he was receiving as of the date of termination of the Plan, which is not in excess of the actuarially equivalent single-sum value of the benefit guaranteed on his behalf under the termination insurance provisions of the Employee Retirement Income Security Act of 1974 determined without regard to Sections 4022(b)(5) and 4022(b)(6) of said Act, over (b) the aggregate of the allocations, if any, made on his behalf under (2) and (3) above; provided, however, that if such remaining asset value is less than the aggregate of the amounts thus allocated hereunder, such latter amounts shall be reduced pro rata among such individuals so that the aggregate of such reduced amounts will be equal to the remaining asset value.

- (5) If there is any asset value remaining after the allocations under (1), (2), (3) and (4) above, allocation shall next be made with respect to each retired or terminated Participant receiving a retirement income hereunder on such date, each person receiving a retirement income on such date on account of a deceased Participant or a retired or terminated (but since deceased) Participant and each Participant who has, by such date, become eligible for normal retirement but has not yet retired, in an amount equal to the excess, if any, of (a) the amount required to provide the retirement income that such Participant or other person is receiving or is entitled to receive under the Plan over (b) the aggregate of the allocations made on behalf of such Participant or other person under (2), (3) and (4) above; provided, however, that if such remaining asset value is less than the aggregate of the amounts thus allocated hereunder, such latter amounts shall be reduced pro rata among such individuals so that the aggregate of such reduced amounts will be equal to the remaining asset value.
- (6) If there is any asset value remaining after the allocations under (1), (2), (3), (4) and (5) above, allocation shall next be made with respect to:
- (a) each Participant in the service of the Employer on the date of termination of the Plan whose Initial Vesting Date is on or prior to such date and who is not entitled to an allocation under (5) above, in an amount equal to the excess, if any, of (i) the amount required to provide the actuarially equivalent single-sum value of the vested retirement income that he would have been entitled to receive under the provisions of Section 2.4(A)(1) hereof if his service had been terminated on the date of termination of the Plan over (ii) the aggregate of the allocations made on behalf of such Participant under (2), (3) and (4) above;
  - (b) each disabled Participant then entitled to a benefit under the provisions of Section 2.3 hereof, who has not, by such date, reached his Disability Retirement Income Commencement Date, in an amount equal to the excess, if any, of (i) the amount required to provide the actuarially equivalent single-sum value of the vested retirement income that he would have been entitled to receive under the provisions of Section 2.1, 2.2 or 2.4(A)(1) hereof, whichever would be applicable, if he had recovered from his total and permanent disability, reentered the service of the Employer on the date of termination of the Plan and his service had been terminated immediately after his reentry over (ii) the aggregate of the allocations made on behalf of such Participant under (2), (3) and (4) above; and

- (c) each terminated Participant then entitled to a benefit under the provisions of Section 2.4(A)(1) hereof, whose monthly income payments have not commenced by such date, in an amount equal to the excess, if any, of (i) the amount required to provide the actuarially equivalent single-sum value of the vested deferred retirement income to which he is entitled under Section 2.4(A)(1) hereof over (ii) the aggregate of the allocations made on behalf of such Participant under (2), (3) and (4) above;

provided, however, that if such remaining asset value is less than the aggregate of the amounts thus allocated hereunder, such latter amounts shall be reduced pro rata among such individuals so that the aggregate of such reduced amounts will be equal to the remaining asset value.

- (7) If there is any asset value remaining after the allocations under (1), (2), (3), (4), (5) and (6) above, allocation shall lastly be made with respect to each Participant in the service of the Employer on the date of termination of the Plan who is not entitled to an allocation under (5) above, in an amount equal to the excess, if any, of (a) the amount required to provide the actuarially equivalent single-sum value of the Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date that he had accrued as of the date of termination of the Plan (assuming his Vested Percentage is 100%) over (b) the aggregate of the allocations made on behalf of such Participant under (2), (3), (4) and (6) above; provided, however, that if such remaining asset value is less than the aggregate of the amounts thus allocated hereunder, such latter amounts shall be reduced pro rata among such individuals so that the aggregate of such reduced amounts will be equal to such remaining asset value.
- (8) In the event that there is asset value remaining after the full allocations specified in (1), (2), (3), (4), (5), (6) and (7) above, such residual assets shall be distributed to the Employer, except that, in the case of a group of Employers with respect to which the Plan represents an IRC 414(l) Single Plan, such residual assets shall remain in the Trust Fund if the Plan is not being terminated with respect to all of such Employers.

(D) The order of priorities for, and the amounts and methods of, the distributions set forth in (C) above and the rights of Participants and their Beneficiaries to benefits under the Plan shall be subject (i) to the distribution rules set forth in the Plan, (ii) to the limitations provided by Section 4.2 of the Plan, (iii) to any changes, including the recapture of any

prior distributions to Participants, as may be ordered by the Pension Benefit Guaranty Corporation and (iv) to any changes required by the Internal Revenue Service as a condition for issuing a favorable determination letter stating that the distribution of assets will not adversely affect the continued qualified status of the Plan under Section 401(a) of the Internal Revenue Code.

(E) As soon as practicable after both (a) the date that the assets may be distributed under the rules and regulations of the Pension Benefit Guaranty Corporation and (b) the date that a favorable determination letter is received from the Internal Revenue Service stating that in its opinion the method of distribution will not adversely affect the continued qualified status of the Plan under Section 401(a) of the Internal Revenue Code, the Committee shall direct the Trustee to distribute the assets to the affected parties in accordance with such method.

#### 4.6 - SPECIAL PROVISIONS THAT APPLY IF PLAN IS TOP-HEAVY

The provisions of this Section 4.6 shall apply if the Plan is a "top-heavy plan" within the meaning of Section 416(g) of the Internal Revenue Code with respect to any Plan Year beginning after December 31, 1983. Unless a different meaning is plainly required by the context, the term "Plan" as used in this Section 4.6 shall include the Retirement Plan for Employees of Capital Southwest Corporation and Its Affiliates as in effect during the Plan Years beginning after December 31, 1983 and before the Effective Date of the Plan.

(A) Determination of Plan Years in Which Plan Is Top-Heavy: The Plan shall be top-heavy with respect to an applicable Plan Year if:

(1) either:

- (a) any Participant, former Participant or Beneficiary in the Plan is a "key employee" within the meanings of Sections 416(i)(1) and 416(i)(5) of the Internal Revenue Code (hereinafter referred to in this Section 4.6 as "Key-Employees"); or
- (b) the Plan is required to be combined with any other plan, which is included in the Aggregation Group (as defined below) and which has a participant who is a Key Employee, in order to enable such other plan to meet the requirements of

Section 401(a)(4) or Section 410 of the Internal Revenue Code;

and

(2) the ratio (determined in accordance with Section 416 of the Internal Revenue Code) as of the last day of the preceding Plan Year or, in the case of the first Plan Year, the last day of such first Plan Year (such day, whether applicable to the first Plan Year or to subsequent Plan Years, is hereinafter referred to in this Section 4.6 as the "Determination Date") of:

(a) the sum of (i) the present value of the cumulative accrued benefits for all Key Employees under all defined benefit plans included in the Aggregation Group plus (ii) the aggregate of the individual accounts of all Key Employees under all defined contribution plans included in such Aggregation Group;

to

(b) a similar sum determined for all Participants, former Participants and Beneficiaries under all defined benefit plans and defined contribution plans included in such Aggregation Group, but excluding any such Participant or former Participant (or his Beneficiary) who was a Key Employee for any prior Plan Year but who is not currently a Key Employee and also excluding, for Plan Years beginning after December 31, 1984, any Participant or former Participant (or his Beneficiary) who has not at any time during the one-year period ending on the Determination Date, or during the five-year period ending on the Determination Date with respect to Plan Years beginning prior to January 1, 2002, performed services for any employer maintaining a plan included in the Aggregation Group;

is greater than 60%.

For the purposes of this Section 4.6, the Aggregation Group shall mean the Plan plus all other defined benefit plans and defined contribution plans (including any such plans that terminated during the five-year period ending on the Determination Date), if any, maintained by the Controlled Group Members; provided, however, that any defined benefit plan or defined contribution plan of any Controlled Group Member that (i) does not have any participant who is a Key Employee and (ii) is not required to be combined with any other plan, which is

included in the Aggregation Group and which has a participant who is a Key Employee, in order to enable such other plan to meet the requirements of Section 401(a)(4) or Section 410 of the Internal Revenue Code, shall be included in the Aggregation Group only if such defined benefit plan or defined contribution plan, together with the other plans that are included in the Aggregation Group, as a combined group satisfy the requirements of Sections 401(a)(4) and 410 of the Internal Revenue Code. In determining Key Employees under the Plan, the compensation taken into account shall be "IRC 415 Compensation" as defined above in Section 4.1(A).

The present value of an accrued benefit under the Plan shall, for the purposes of this Section 4.6, be determined as of the most recent valuation date that (i) is used for the Plan Year for computing Plan costs for minimum funding purposes (regardless of whether a valuation is actually performed for that year) and (ii) is within the 12-month period ending on the applicable Determination Date (such valuation date is herein referred to in this Section 4.6 as the "Valuation Date"). The present value of accrued benefits under the Plan and under each other defined benefit plan included in the aggregation group shall be computed using 5% interest and the mortality table used for such Plan Year for computing Plan costs for minimum funding purposes.

The present value of the cumulative accrued benefits under the other defined benefit plans included in the Aggregation Group and the aggregate of the individual accounts under the defined contribution plans included in such Aggregation Group shall be determined separately for each such plan in accordance with Section 416 of the Internal Revenue Code and regulations issued with respect thereto as of the "determination date" that is applicable to each such separate plan and that falls within the same calendar year that the Determination Date applicable to the Plan falls.

Unless required otherwise under Section 416 of the Internal Revenue Code and regulations issued thereunder, a Participant's (or Beneficiary's) accrued benefit under the Plan shall be equal to the sum of:

(a) an amount equal to either:

(i) if his service has not been terminated and he has not reached his Normal Retirement Date as of the Valuation Date, the Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date that he has accrued as of the Valuation Date;

(ii) if his service has not been terminated and he has reached his Normal Retirement Date as of the Valuation Date, the monthly retirement income to which he would have been entitled under the normal retirement provisions of the Plan if he had retired on the Valuation Date;

or

(iii) if his service has been terminated as of the Valuation Date, the amount of retirement income or other benefit that is payable on his behalf under the Plan on and after the Valuation Date;

plus

(b) the aggregate distributions made on his behalf during the one-year period ending on the Determination Date (five-year period ending on the Determination Date, with respect to any distribution made for any reason other than death, disability, or separation from service);

provided, however, that his estimated accrued benefit between the Valuation Date and Determination Date applicable to the first Plan Year shall be included as part of his accrued benefit with respect to the first Plan Year only. Any provisions hereof to the contrary notwithstanding and solely for the purpose of determining if the Plan is top-heavy with respect to an applicable Plan Year beginning after December 31, 1986, the accrued benefit of any employee who is not a Key Employee shall be determined under the method which is used for accrual purposes for all defined benefit plans included in the Aggregation Group or, if a single method is not used for all such defined benefit plans, the accrued benefit of such employee shall be determined as though it accrued not

more rapidly than the slowest accrual rate permitted under the fractional accrual rule of Section 411(b)(1)(C) of the Internal Revenue Code.

(B) Minimum Vesting Provisions if Plan Becomes Top-Heavy: Any other provision of the Plan to the contrary notwithstanding, the Initial Vesting Date of a Participant in the Plan, who has accrued an Hour of Service during any Plan Year that is subsequent to the last Plan Year that the Plan was not top-heavy, for the purpose of determining his eligibility for the benefit provided under Section 2.4(A) hereof during any Plan Year that is subsequent to the last Plan Year that the Plan was not top-heavy, shall not be later than (i) the date as of which he completes two years of Vesting Service or (ii) the first day of the Plan Year immediately following the last Plan Year that the Plan was not top-heavy, whichever is later, but the Vested Percentage of the Participant for the purposes of Section 2.4(A)(1) shall be 100% with respect to the portion of his Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date that is attributable to his own contributions, if any, and shall not be less than the percentage specified in the schedule below, based upon the Participant's number of years (ignoring fractions) of Vesting Service as of the date of termination of his service, with respect to the portion of his Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date that is attributable to employer contributions:

Years of Vesting Service -----	Vested Percentage -----
Less than 2	0%
2	20%
3	40%
4	60%
5 or more	100%

In the event that the Plan ceases to be top-heavy with respect to any subsequent Plan Year, the following provisions will apply with respect to the minimum

benefits to which such a Participant is entitled under Section 2.4(A) hereof during such subsequent Plan Years that the Plan is not top-heavy:

- (1) if the Participant had not completed at least two years of Vesting Service as of the last day of the last Plan Year during which the Plan was top-heavy, his nonforfeitable right to the benefits to which he is entitled under Section 2.4(A) hereof shall be determined as though the Plan had never been top-heavy;
- (2) if the Participant had completed at least two but had not completed at least three years of Vesting Service as of the last day of the last Plan Year during which the Plan was top-heavy, he shall be eligible for a minimum benefit payable under Section 2.4(A) hereof; such minimum benefit provided under Section 2.4(A)(1) shall be based upon (a) 100% of the portion of his Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date that he has accrued as of the date of termination of his service that is attributable to his own contributions, if any, plus (b) the product of (i) the portion of the Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date that he had accrued as of the date of termination of his service that is attributable to employer contributions multiplied by (ii) his Vested Percentage determined as of the last day of the last Plan Year during which the Plan was top-heavy;
- (3) if the Participant had completed at least three years of Vesting Service as of the last day of the last Plan Year during which the Plan was top-heavy, he shall be eligible for the benefit provided under Section 2.4(A) hereof, but the Participant's Vested Percentage shall be determined in the same manner as though the Plan had remained top-heavy; and
- (4) the Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date that a Participant, whose Vesting Service includes service that was accrued on or prior to the last day of the last Plan Year that the Plan was top-heavy, has accrued as of any given date shall not be less than the actuarial equivalent of (a) the benefit provided on his behalf under Section 4.6(C)(1) below as of such given date plus (b) the benefit provided on his behalf under Section 4.6(C)(2)(a) below as of the last day of the last Plan Year during which the Plan was top-heavy less (c) the amount of the benefit provided on his behalf under Section 4.6(C)(2)(b) below as of such given date.

(C) Minimum Benefit If Plan Becomes Top-Heavy: In the event that the service of a Participant, who is not a Key Employee, is terminated on or after his Initial Vesting Date for any reason, the retirement income payable to the

Participant under the provisions of Section 2.1, 2.2, 2.3 or 2.4(A) hereof or, if the service of the Participant is terminated by reason of his death, the retirement income which he has accrued as of the date of his death that is used to determine the benefit payable on his behalf under the provisions of Section 2.4(B) hereof, whichever is applicable, shall not be less than that amount of retirement income which is actuarially equivalent (based upon the interest and mortality assumptions that are being used under the Plan as of the date of his retirement or termination of service to determine actuarially equivalent non-decreasing annuities) to an amount equal to:

- (1) 100% of the portion of his Accrued Deferred Monthly Retirement Income Commencing at Normal Retirement Date that he has accrued as of the date of his retirement or termination of service that is attributable to his own contributions, if any;

plus

- (2) the excess, if any, of:

- (a) a monthly retirement income payable to the Participant for life (with no ancillary benefits) commencing at his Normal Retirement Date in an amount equal to (i) 2% of his "IRC 416 Final Average Monthly Compensation" multiplied by (ii) his number of years of Vesting Service, not in excess of 10 years, that were accrued during those Plan Years in which the Plan was top-heavy, with the resulting product of (i) and (ii) multiplied by (iii) his Vested Percentage at the date of his retirement or termination of service; provided, however, if the Participant retires after his Normal Retirement Date, the amount of the monthly retirement income determined under this Subparagraph (a) shall not be less than the actuarial equivalent of the monthly retirement income determined in accordance with this subparagraph that would have been payable to the Participant if he had retired on his Normal Retirement Date;

over

- (b) the monthly retirement income payable to the Participant for life (with no ancillary benefits) commencing at his Normal Retirement Date in an amount equal to the sum of:

- (i) such amount of income, if any, that he has a nonforfeitable right to receive and that is attributable to employer contributions and is payable to the Participant under the other defined benefit plans, if any, which are included in the Aggregation Group;

plus

- (ii) such amount of income that can be provided on an actuarially equivalent basis (based upon the interest and mortality assumptions that are being used under the Plan as of the date of his retirement or termination of service to determine actuarially equivalent non-decreasing annuities) by the amounts, if any, that he has a nonforfeitable right to receive and that are attributable to employer contributions and forfeitures that are credited to his account under the defined contribution plans, if any, included in the Aggregation Group;

provided, however, if the Aggregation Group includes one or more defined contribution plans and if, with respect to each Plan Year that the Plan is top-heavy, the Participant has received an allocation of employer contributions and forfeitures to his account under such defined contribution plan or plans which is equal to or greater than 5% of the IRC 415 Compensation that he received during such Plan Year from the employers maintaining plans included in the Aggregation Group, the minimum benefit described above in this Section 4.6(C) shall not apply to such Participant. For purposes of Section 4.6(C)(2)(a) above, a Participant's service with a Controlled Group Member which occurs during a Plan Year in which the Plan does not benefit (within the meaning of Section 410(b) of the Internal Revenue Code) any Key Employee or former Key Employee shall be ignored or excluded in determining such Participant's Vesting Service.

For the purposes of this Section 4.6(C), subject to the limitations of Section 401(a)(17) of the Internal Revenue Code, a Participant's "IRC 416 Final Average Monthly Compensation" shall be equal to his average monthly rate of IRC 415 Compensation for the five consecutive calendar years, which are prior to the

January 1st immediately following (i) the date of the Participant's retirement or termination of service or (ii) the close of the last Plan Year in which the Plan is top-heavy, whichever is earlier, during which he received the highest aggregate IRC 415 Compensation. Such average monthly rate will be determined by dividing the total of such IRC 415 Compensation that he received during such five-consecutive-calendar year period from the employers maintaining plans included in the Aggregation Group by the product equal to 12 times the number of years of Vesting Service which he accrued during such five-calendar-year period. In the event that the Participant does not receive both IRC 415 Compensation and Vesting Service during a calendar year or calendar years, such calendar year or calendar years during which he did not receive both IRC 415 Compensation and Vesting Service shall be ignored and excluded in determining the five consecutive calendar years during which he received the highest aggregate IRC 415 Compensation.

#### 4.7 TRANSFERS

Notwithstanding any provision in this Plan to the contrary, assets held by the Trust may be transferred between the Trust and any other trust which is exempt from tax under Section 501(a) of the Internal Revenue Code and which is used in connection with a plan that complies with the qualification requirements of Section 401(a) of the Internal Revenue Code, provided that proper notice is given to the Internal Revenue Service as may be required. The Committee shall determine whether to allow any such transfer and shall inform the Trustee of the determination made by the Committee regarding any such transfer and direct the Trustee accordingly. If any assets are transferred from the Trust on behalf of Participants pursuant to a direction described in this section, the assets transferred shall be determined based upon the requirements of Section 414(l) of the Internal Revenue Code and the accrued benefits of those Participants under the Plan shall be reduced to zero. In the event of a transfer received by the Trust, the Committee shall take all necessary steps to ensure that any optional

form of benefit applicable to the assets subject to such a transfer remain applicable to the transferred assets after the transfer pursuant to the requirements of Section 411(d)(6) of the Internal Revenue Code and Section 1.411(d)-4 of the Treasury Regulations. Any transfer made pursuant to the provisions of this section shall be made in a manner consistent with the requirements of Sections 401(a)(12) and 414(l) of the Internal Revenue Code, Section 208 of the Employee Retirement Income Security Act of 1974, as amended, and the regulations thereunder. Any transfer of assets or liabilities will, for purposes of Section 414(l) of the Internal Revenue Code, be considered as a combination of separate mergers and spinoffs using the rules of Section 1.414(l)-1 of the Treasury Regulations.

#### 4.8 - MINIMUM DISTRIBUTION REQUIREMENTS

##### (A) General Rules:

(1) Effective Date: The provisions of this Section 4.8 will apply for purposes of determining required minimum distributions for calendar years beginning with the 2006 calendar year.

(2) Precedence: The requirements of this Section 4.8 will take precedence over any inconsistent provisions of the Plan.

(3) Requirements of Treasury Regulations Incorporated: All distributions required under this Section 4.8 will be determined and made in accordance with Sections 1.401(a)(9)-1 through 1.401(a)(9)-9 of the Treasury regulations under Section 401(a)(9) of the Internal Revenue Code.

(4) TEFRA Section 242(b)(2) Elections: Notwithstanding the other provisions of this Section 4.8, other than Section 4.8(A)(3) above, distributions may be made under a designation made before January 1, 1984, in accordance with Section 242(b)(2) of the Tax Equity and Fiscal Responsibility Act (TEFRA) and the provisions of the Plan that relate to Section 242(b)(2) of TEFRA.

##### (B) Time and Manner of Distribution:

(1) Required Beginning Date: The Participant's entire interest will be distributed, or begin to be distributed, to the Participant no later than the Participant's Required Beginning Date.

(2) Death of Participant Before Distributions Begin: If the Participant dies before distributions begin, the Participant's entire interest will be distributed, or begin to be distributed, no later than as follows:

(a) If the Participant's surviving spouse is the Participant's sole designated Beneficiary, then distributions to the surviving spouse will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died, or by December 31 of the calendar year in which the Participant would have attained age 70 1/2, if later.

(b) If the Participant's surviving spouse is not the Participant's sole designated Beneficiary as of September 30 of the year following the year of the Participant's death, then distributions to the designated Beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died.

(c) If there is no designated Beneficiary as of September 30 of the year following the year of the Participant's death, the Participant's entire interest will be distributed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(d) If the Participant's surviving spouse is the Participant's sole designated Beneficiary as of September 30 of the year following the year of the Participant's death, and the surviving spouse dies after the Participant but before distributions to the surviving spouse begin, this Section 4.8(B)(2), other than Section 4.8(B)(2)(a), will apply as if the surviving spouse were the Participant.

For purposes of this Section 4.8(B)(2) and Section 4.8(E), distributions are considered to begin on the Participant's Required Beginning Date (or, if Section 4.8(B)(2)(d) applies, the date distributions are required to begin to the surviving spouse under Section 4.8(B)(2)(a)). If annuity payments irrevocably commence to the Participant before the Participant's Required Beginning Date (or to the Participant's surviving spouse before the date distributions are required to begin to the surviving spouse under Section 4.8(B)(2)(a)), the date distributions are considered to begin is the date distributions actually commence. Any amount payable to the surviving child of the Participant in

accordance with the requirements of Q&A-15 of Section 1.401(a)(9)-6 of the Treasury regulations shall be treated for purposes of this Section 4.8 as if it had been paid to such Participant's surviving spouse to the extent such amount that is payable to the child will become payable to the Participant's surviving spouse upon such child reaching majority (or upon the occurrence of such other event specified in Q&A-15 of Section 1.401(a)(9)-6 of the Treasury regulations or otherwise specified in IRS guidance under Section 401(a)(9) of the Internal Revenue Code.)

(3) Form of Distribution: Unless the Participant's interest is distributed in the form of an annuity purchased from an insurance company or in a single sum on or before the Required Beginning Date, as of the first distribution calendar year distributions will be made in accordance with Sections 4.8(C), (D), and (E) hereof. If the Participant's interest is distributed in the form of an annuity purchased from an insurance company, distributions thereunder will be made in accordance with the requirements of Section 401(a)(9) of the Internal Revenue Code and the Treasury regulations. Any part of the Participant's interest which is in the form of an individual account described in Section 414(k) of the Internal Revenue Code will be distributed in a manner satisfying the requirements of Section 401(a)(9) of the Internal Revenue Code and the Treasury regulations that apply to individual accounts.

(4) Change in Annuity Payment Period: Once payments have commenced over a period, the period may only be changed in accordance with Q&A-13 of Section 1.401(a)(9)-6 of the Treasury regulations under the following circumstances, or as may be expressly permitted in other IRS guidance under Section 401(a)(9) of the Internal Revenue Code, if permitted under applicable provisions of the Plan:

(a) at the time the Participant retires or in connection with termination of the Plan;

(b) where distribution prior to the change is being made in the form of a period-certain-only annuity without life contingencies; or

(c) where the annuity payments after the change are paid under a Qualified Joint and Survivor Annuity over the joint lives of the Participant and a designated beneficiary, the Participant's spouse is the sole designated beneficiary, and the change occurs in connection with the Participant becoming married to such spouse.

(C) Determination of Amount to be Distributed Each Year:

(1) General Annuity Requirements: If the Participant's interest is paid in the form of annuity distributions under the Plan, payments under the annuity will satisfy the following requirements:

(a) the annuity distributions will be paid in periodic payments made at intervals not longer than one year;

(b) the distribution period will be over a life (or lives) or over a period certain not longer than the period described in Section 4.8(D) or (E) below;

(c) once payments have begun over a period certain, the period certain will not be changed even if the period certain is shorter than the maximum permitted; and

(d) payments will either be nonincreasing or increase only as follows:

(i) by an annual percentage increase that does not exceed the annual percentage increase in an eligible cost-of-living index, as defined in Q&A-14(b) of Section 1.401(a)(9)-6 of the Treasury regulations, for a 12-month period ending in the year during which the increase occurs or the prior year, that is based on prices of all items and issued by the Bureau of Labor Statistics;

(ii) by a percentage increase that occurs at specified times, such as at specified ages, and does not exceed the cumulative total of annual percentage increases in an eligible cost-of-living index as defined in clause (i) above since the annuity starting date or, if later, the date of the most recent percentage increase, provided that in cases providing such a cumulative increase an actuarial increase may not be provided to reflect the fact that increases were not provided in the interim years;

(iii) to the extent of the reduction in the amount of the Participant's payments to provide for a survivor benefit upon death, but only if the Beneficiary whose life was being used to

determine the distribution period described in Section 4.8(D) dies or is no longer the Participant's Beneficiary pursuant to a qualified domestic relations order within the meaning of Section 414(p) of the Internal Revenue Code;

(iv) to pay increased benefits that result from a Plan amendment;

(v) to allow a beneficiary to convert the survivor portion of a joint and survivor annuity into a single-sum distribution upon the employee's death; or

(vi) to the extent increases are permitted in accordance with paragraph (c) or (d) of Q&A-14 of Section 1.401(a)(9)-6 of the Treasury regulations.

(2) Amount Required to be Distributed by Required Beginning Date: The amount that must be distributed on or before the Participant's Required Beginning Date (or, if the Participant dies before distributions begin, the date distributions are required to begin under Section 4.8(B)(2)(a) or (b)) is the payment that is required for one payment interval. The second payment need not be made until the end of the next payment interval even if that payment interval ends in the next calendar year. Payment intervals are the periods for which payments are received, e.g., bi-monthly, monthly, semi-annually, or annually. All of the Participant's benefit accruals as of the last day of the first distribution calendar year will be included in the calculation of the amount of the annuity payments for payment intervals ending on or after the Participant's Required Beginning Date.

(3) Additional Accruals After First Distribution Calendar Year: Any additional benefits accruing to the Participant in a calendar year after the first distribution calendar year will be distributed beginning with the first payment interval ending in the calendar year immediately following the calendar year in which such amount accrues.

(D) Requirements for Annuity Distributions That Commence During Participant's Lifetime:

(1) Joint Life Annuities Where the Beneficiary Is Not the Participant's Spouse: If the Participant's interest is being distributed in the form of a joint and survivor annuity for the joint lives of the Participant and a nonspouse Beneficiary, annuity payments to be made on or after the Participant's Required Beginning Date to the designated Beneficiary after the Participant's death shall not at any time exceed the applicable percentage of the annuity payment for such period that would have been payable to the Participant using the table set forth in Q&A-2 of Section 1.401(a)(9)-6 of the Treasury regulations. If the form of distribution combines a joint and survivor annuity for the joint lives of the Participant and a nonspouse Beneficiary and a period certain annuity, the requirement in the preceding sentence will apply to annuity payments to be made to the designated Beneficiary after the expiration of the period certain.

(2) Period Certain Annuities: Unless the Participant's spouse is the sole designated Beneficiary and the form of distribution is a period certain and no life annuity, the period certain for an annuity distribution commencing during the Participant's lifetime shall not exceed the applicable distribution period for the Participant under the Uniform Lifetime Table set forth in Section 1.401(a)(9)-9 of the Treasury regulations for the calendar year that contains the Annuity Starting Date. If the Annuity Starting Date precedes the year in which the Participant reaches age 70, the applicable distribution period for the Participant is the distribution period for age 70 under the Uniform Lifetime Table set forth in Section 1.401(a)(9)-9 of the Treasury regulations plus the excess of 70 over the age of the Participant as of the Participant's birthday in the year that contains the Annuity Starting Date. If the Participant's spouse is the Participant's sole designated Beneficiary and the form of distribution is a period certain and no life annuity, the period certain may not exceed the longer of the Participant's applicable distribution period, as determined under this Section 4.8(D)(2), or the joint life and last survivor expectancy of the Participant and the Participant's spouse as determined under the Joint and Last

Survivor Table set forth in Section 1.401(a)(9)-9 of the Treasury regulations, using the Participant's and spouse's attained ages as of the Participant's and spouse's birthdays in the calendar year that contains the Annuity Starting Date.

(E) Requirements for Minimum Distributions Where Participant Dies Before Date Distributions Begin:

(1) Participant Survived by Designated Beneficiary: If the Participant dies before the date distribution of his or her interest begins and there is a designated Beneficiary, the Participant's entire interest will be distributed, beginning no later than the time described in Section 4.8(B)(2), over the life of the designated Beneficiary or over a period certain not exceeding:

(a) unless the Annuity Starting Date is before the first distribution calendar year, the life expectancy of the designated Beneficiary determined using the Beneficiary's age as of the Beneficiary's birthday in the calendar year immediately following the calendar year of the Participant's death; or

(b) if the Annuity Starting Date is before the first distribution calendar year, the life expectancy of the designated Beneficiary determined using the Beneficiary's age as of the Beneficiary's birthday in the calendar year that contains the Annuity Starting Date.

(2) No Designated Beneficiary: If the Participant dies before the date distributions begin and there is no designated Beneficiary as of September 30 of the year following the year of the Participant's death, distribution of the Participant's entire interest will be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(3) Death of Surviving Spouse Before Distributions to Surviving Spouse Begin: If the Participant dies before the date distribution of his or her interest begins, the Participant's surviving spouse is the Participant's sole designated Beneficiary, and the surviving spouse dies before distributions to the surviving spouse begin, this Section 4.8(E) will apply as if the surviving spouse were the Participant, except that the time by which distributions must begin will be determined without regard to Section 4.8(B)(2)(a).

(F) Definitions:

(1) Designated Beneficiary: The individual who is designated as the Beneficiary under Section 5.2 or 5.3 of the Plan and is the designated beneficiary under Section 401(a)(9) of the Internal Revenue Code and Section 1.401(a)(9)-4, Q&A-1, of the Treasury regulations.

(2) Distribution calendar year: A calendar year for which a minimum distribution is required. For distributions beginning before the Participant's death, the first distribution calendar year is the calendar year immediately preceding the calendar year which contains the Participant's Required Beginning Date. For distributions beginning after the Participant's death, the first distribution calendar year is the calendar year in which distributions are required to begin pursuant to Section 4.8(B)(2).

(3) Life expectancy: Life expectancy as computed by use of the Single Life Table in Section 1.401(a)(9)-9 of the Treasury regulations.

(4) Required Beginning Date: The date specified in Section 1.1(A) of the Plan.

## SECTION 5

## MISCELLANEOUS PROVISIONS REGARDING PARTICIPANTS

## 5.1 - PARTICIPANTS TO FURNISH REQUIRED INFORMATION

Each Participant, his spouse and his Beneficiaries and joint pensioners will furnish to the Committee such information as the Committee considers necessary or desirable for purposes of administering the Plan, and the provisions of the Plan respecting any payments thereunder are conditional upon the Participant's, Beneficiary's or joint pensioner's furnishing promptly such true, full and complete information as the Committee may request.

Each Participant will submit proof of his age and marital status and proof of the age and continued life of each Beneficiary and joint pensioner designated or selected by him to the Committee at such time as required by the Committee. The Committee will, if such proof of age, marital status or continued life is not submitted as required, use as conclusive evidence thereof, such information as is deemed by it to be reliable, regardless of the source of such information. Any adjustment required by reason of lack of proof or the misstatement of the age of persons entitled to benefits hereunder, by the Participant or otherwise, will be in such manner as the Committee deems equitable.

Any notice or information which, according to the terms of the Plan or the rules of the Committee, must be filed with the Committee, shall be deemed so filed at the time that it is actually received by the Committee.

The Employer, the Committee, and any person or persons involved in the administration of the Plan shall be entitled to rely upon any certification, statement, or representation made or evidence furnished by an employee, Participant, Beneficiary or joint pensioner with respect to his age or other facts required to be determined under any of the provisions of the Plan and shall not be liable on account of the payment of any monies or the doing of any act or failure to act in reliance thereon. Any such certification, statement, representation or evidence, upon being duly made or furnished, shall be

conclusively binding upon the person furnishing same; but it shall not be binding upon the Employer, the Committee, or any other person or persons involved in the administration of the Plan, and nothing herein contained shall be construed to prevent any of such parties from contesting any such certification, statement, representation or evidence or to relieve the Employee, Participant, Beneficiary or joint pensioner from the duty of submitting satisfactory proof of any such fact.

Any Participant, Beneficiary, joint pensioner or other person who receives an incorrect payment from the Trust Fund (whether an erroneous benefit amount, a payment made after a Participant's death or other reason) shall be responsible to notify the Committee or the Trustee of such receipt of incorrect payment and to promptly return such payment to the Trustee.

## 5.2 - BENEFICIARIES

Subject to the provisions of the following paragraphs of this section, each Participant may, on a form provided for that purpose, signed and filed with the Committee, designate a Beneficiary to receive the benefit, if any, which may be payable to his Beneficiary under the Plan in the event of his death, and each designation may be revoked by such Participant by signing and filing with the Committee a new designation of Beneficiary form.

If a deceased Participant, who has been married to his spouse throughout the one-year period immediately preceding his death, has designated a person other than his spouse as his Beneficiary and such spouse has not validly consented in accordance with the provisions of Sections 4.1(D) and 4.1(E) hereof to such other person being designated as the Beneficiary, the provisions of Section 4.1(D) hereof, relating to the Qualified Preretirement Survivor Annuity payable to his surviving spouse, will apply in the event of his death on or after his Initial Vesting Date, and the Participant will automatically be deemed

to have changed his designation of Beneficiary to the extent necessary to comply with the provisions of Section 4.1(D).

If a deceased Participant who had a spouse at the date of his death failed to designate a Beneficiary in accordance with the provisions of this section, he shall be deemed to have designated his spouse as his Beneficiary. If a deceased Participant who had no spouse at the date of his death failed to designate a Beneficiary in accordance with the provisions of this section, or if such a deceased Participant had previously designated a Beneficiary but no designated Beneficiary is surviving at the date of his death, the death benefit, if any, that may be payable under the Plan with respect to such deceased Participant shall be paid to the estate of such deceased Participant. In any of such cases, if the commuted value of the remaining monthly income payments is equal to or less than the maximum amount that is permissible as an involuntary cash-out of accrued benefits under Sections 411(a)(11) and 417(e) of the Internal Revenue Code and regulations issued with respect thereto, the commuted value of the remaining payments shall, subject to the provisions of Section 3.2 hereof, be paid in a lump sum. Any payment made to any person pursuant to the provisions of this Section 5.2 shall operate as a complete discharge of all obligations under the Plan with respect to such deceased Participant and shall not be subject to review by anyone but shall be final, binding and conclusive on all persons ever interested hereunder.

### 5.3 - CONTINGENT BENEFICIARIES

In the event of the death of a Beneficiary who survives the Participant and who, at the Beneficiary's death, is receiving benefits pursuant to the provisions of the Plan within any certain period specified under the Plan with respect to which death benefits are payable under the Plan after the Participant's death, the same amount of monthly retirement income that the Beneficiary was receiving shall be payable for the remainder of such specified certain period to a person designated by the Participant (in the manner provided in Section 5.2) to receive the remaining death benefits, if any, payable in the event of such contingency or, if no person was so named, then to a person designated by the Beneficiary (in the manner provided in Section 5.2) of the deceased Participant to receive the remaining death benefits, if any, payable in the event of such contingency; provided, however, that if no person so

designated is living upon the occurrence of such contingency, or if there has been no such designation, then the remaining death benefits, if any, shall be payable for the remainder of such specified certain period to the estate of such deceased Beneficiary, or the Committee may elect to have a court of applicable jurisdiction determine to whom a payment or payments shall be paid. In any of such cases, if the commuted value of the monthly income payments due for the remainder of the specified certain period is equal to or less than the maximum amount that is permissible as an involuntary cash-out of accrued benefits under Sections 411(a)(11) and 417(e) of the Internal Revenue Code and regulations issued with respect thereto, the commuted value of the remaining payments shall, subject to the provisions of Section 3.2 hereof, be paid in a lump sum. Any payments made to any person pursuant to the provisions of this Section 5.3 shall operate as a complete discharge of all obligations under the Plan with respect to such deceased Beneficiary and shall not be subject to review by anyone but shall be final, binding and conclusive on all persons ever interested hereunder.

#### 5.4 - PARTICIPANTS' RIGHTS IN TRUST FUND

No Participant or other person shall have any interest in or any right in, to or under the Trust Fund, or any part of the assets held thereunder, except as to the extent expressly provided in the Plan.

#### 5.5 - BENEFITS NOT ASSIGNABLE

Except to the extent required to comply with a qualified domestic relations order as described in Sections 401(a)(13) and 414(p) of the Internal Revenue Code, no benefits, rights or accounts shall exist under the Plan which are subject in any manner to voluntary or involuntary anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt so to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge the

same shall be null and void; nor shall any such benefit, right or account under the Plan be in any manner liable for or subject to the debts, contracts, liabilities, engagements, torts or other obligations of the person entitled to such benefit, right or account; nor shall any benefit, right or account under the Plan constitute an asset in case of the bankruptcy, receivership or divorce of any person entitled to a benefit under the Plan; and any such benefit, right or account under the Plan shall be payable only directly to the Participant or Beneficiary, as the case may be. Where a qualified domestic relations order has been received by the Committee, the terms and benefits of the Plan will be considered to have been modified with respect to the Participant affected to the extent that such order requires benefits to be paid to specified individuals other than the Participant.

#### 5.6 - BENEFITS PAYABLE TO MINORS AND INCOMPETENTS

Whenever any person entitled to payments under the Plan shall be a minor or under other legal disability or in the sole judgment of the Committee shall otherwise be unable to apply such payments to his own best interest and advantage (as in the case of illness, whether mental or physical, or where the person not under legal disability is unable to preserve his estate for his own best interest), the Committee may in the exercise of its discretion direct all or any portion of such payments to be made in any one or more of the following ways unless claim shall have been made therefor by an existing and duly appointed guardian, tutor, conservator, committee or other duly appointed legal representative, in which event payment shall be made to such representative:

- (A) directly to such person unless such person shall be an infant or shall have been legally adjudicated incompetent at the time of the payment;
- (B) to the spouse, child, parent or other blood relative to be expended on behalf of the person entitled or on behalf of those dependents as to whom the person entitled has the duty of support; or
- (C) to a recognized charity or governmental institution to be expended for the benefit of the person entitled or for the benefit of those dependents as to whom the person entitled has the duty of support.

The decision of the Committee will, in each case, be final and binding upon all persons, and the Committee shall not be obliged to see to the proper application or expenditure of any payments so made. Any payment made pursuant to the power herein conferred upon the Committee shall operate as a complete discharge of the obligations of the Trustee and of the Committee.

#### 5.7 - CONDITIONS OF EMPLOYMENT NOT AFFECTED BY PLAN

The establishment and maintenance of the Plan will not be construed as conferring any legal rights upon any Participant to the continuation of his employment with the Employer, nor will the Plan interfere with the right of the Employer to discipline, lay off or discharge any Participant. The adoption and maintenance of the Plan shall not be deemed to constitute a contract between the Employer and any employee or to be a consideration for, inducement to, or condition of employment of any person.

#### 5.8 - NOTIFICATION OF MAILING ADDRESS

Each Participant and other person entitled to benefits hereunder shall file with the Committee from time to time, in writing, his post office address and each change of post office address, and any check representing payment hereunder and any communication addressed to a Participant, a former Participant, a Beneficiary or a pensioner hereunder at his last address filed with the Committee (or, if no such address has been filed, then at his last address as indicated on the records of the Employer) shall be binding on such person for all purposes of the Plan, and neither the Committee nor the Trustee shall be obliged to search for or ascertain the location of any such person.

If the Committee, for any reason, is in doubt as to whether retirement income payments are being received by the person entitled thereto, it may, by registered mail addressed to such person and to such person's designated Beneficiary, if any, at their address last known to the Committee, notify such person and his Beneficiary that all unmailed and future retirement income payments shall be henceforth withheld until the Committee is provided with

evidence of such person's continued life and his proper mailing address or with evidence of such person's death. In the event that (i) such notification is mailed to such person and his designated Beneficiary, (ii) the Committee is not furnished with evidence of such person's continued life and proper mailing address or with evidence of his death within three years of the date such notification was mailed and (iii) the Committee is unable to find any person to whom payment is due under the provisions of the Plan within three years of the date such notification was mailed, all retirement income and other benefit payments due shall be forfeited at the end of such three-year period following the date such notification was mailed; provided, however, if claim for any forfeited benefit is subsequently made by any such person to whom payment is due under the Plan, such forfeited benefits due such person shall be reinstated.

Notwithstanding any provision of the Plan to the contrary, in the event that the Plan is terminated, the benefits of any missing participants shall be transferred to the Pension Benefit Guaranty Corporation in accordance with Section 4050 of the Employee Retirement Income Security Act of 1974, as amended.

#### 5.9 - WRITTEN COMMUNICATIONS REQUIRED

Any notice, request, instruction, or other communication to be given or made hereunder shall be in writing and may be delivered to the addressee personally, may be delivered to the addressee by a commercial delivery service at the last address for notice shown on the Committee's records, or may be deposited in the United States mail fully postpaid and properly addressed to such addressee at the last address for notice shown on the Committee's records.

#### 5.10 - BENEFITS PAYABLE AT OFFICE OF TRUSTEE

All benefits hereunder, and installments thereof, shall be payable at the office of the Trustee.

5.11 - APPEAL TO COMMITTEE

A Participant or Beneficiary who feels he is being denied any benefit or right provided under the Plan must file a written claim with the Committee. All such claims shall be submitted on a form provided by the Committee which shall be signed by the claimant and shall be considered filed on the date the claim is received by the Committee.

The Committee shall establish claims procedures in compliance with applicable law, and such claims procedures shall be set forth in the summary plan description for the Plan.

## SECTION 6

## MISCELLANEOUS PROVISIONS REGARDING THE EMPLOYER

## 6.1 - CONTRIBUTIONS

No contributions shall be required of or permitted to be made by any Participant. The Employer intends, but does not guarantee, to make annual contributions in amounts at least equal to the amounts, if any, required to meet the minimum funding requirements of Section 412 of the Internal Revenue Code, as specified in the actuary's valuation reports for the applicable periods of time. Subject to applicable provisions of law, neither the Employer nor any of its officers, agents or employees, nor any member of its board of directors, nor any partner or sole proprietor, guarantees, in any manner the payment of benefits under the Plan.

## 6.2 - EMPLOYER'S CONTRIBUTIONS IRREVOCABLE

The Employer shall have no right, title or interest in the Trust Fund or in any part thereof, and no contributions made thereto shall revert to the Employer except such part of the Trust Fund, if any, that remains therein after the satisfaction of all liabilities to persons entitled to benefits under the Plan and except as provided in the following paragraph.

All contributions to the Plan are made subject to the qualification of the Plan under Section 401 of the Internal Revenue Code and to their deductibility under Section 404 of said Code. In the event that (1) the Plan represents a newly established retirement plan (and not an amendment of an existing retirement plan) with respect to an Employer, (2) an application for the determination of the qualification of the Plan is made by the time prescribed by law for filing the Employer's return for the taxable year in which the Plan was adopted by such Employer, or by such later date as the Secretary of Treasury may prescribe, and (3) such qualification of the Plan is denied, the total contributions of the Employer, adjusted for any earnings or losses of the Trust Fund attributable thereto, shall be returned to the Employer within one year of the date of denial of qualification. In the event that a contribution either is

made by a good faith mistake of fact or is disallowed as a tax deductible expense under Section 404 of the Internal Revenue Code, the excess of the amount contributed over either the amount that would have been contributed if there had not been such a mistake or the amount that is allowed as a tax deductible expense, as the case may be, with such excess reduced by the net losses, if any, of the Trust Fund attributable thereto (but without any increase due to the net earnings, if any, of the Trust Fund attributable thereto), shall be returned to the Employer within one year of the date of the mistaken payment or the disallowance of the deduction, as the case may be.

6.3 - FORFEITURES

Forfeitures shall not be used to increase the benefits that any Participant would otherwise receive under the Plan at any time prior to the termination of the Plan but shall be anticipated in determining the costs under the Plan.

6.4 - AMENDMENT OF PLAN

The Plan may be amended from time to time in any respect whatever by formal action on the part of the Sponsoring Employer in the manner described in Section 6.7 hereof specifying such amendment, subject only to the following limitations:

- (A) Under no condition shall such amendment result in or permit the return or repayment to any Employer of any property held or acquired by the Trustee hereunder or the proceeds thereof or result in or permit the distribution of any such property for the benefit of anyone other than the Participants and their Beneficiaries or joint pensioners, except to the extent provided in Section 6.2 hereof with respect to contributions that are returnable to the Employer because they are made by a mistake of fact or are disallowed as a tax deductible expense under Section 404 of the Internal Revenue Code or because the Plan is denied qualification under Section 401(a) of said Code and except to the extent provided by Section 4.5 and Section 6.6 hereof with respect to termination of the Plan and expenses of administration, respectively.
- (B) Under no condition shall such amendment change the duties or responsibilities of the Trustee hereunder without its written consent.
- (C) No amendment shall be effective to the extent it eliminates or reduces any Plan benefits or rights that are protected under Section 411(d)(6) of the Internal Revenue Code unless such protected benefits or rights

are preserved with respect to benefits accrued to the date of such amendment or unless such reduction or elimination is otherwise permitted by the Internal Revenue Service.

Except to the extent permissible to comply with any laws or regulations of the United States or of any state to qualify this as a tax-exempt plan and trust, no amendment may be made that would result in a slower rate of vesting under the Plan for any Participant who has completed at least three years of Vesting Service as of the effective date of such amendment or, if later, as of the date such amendment is adopted, unless such amendment provides that each such Participant may elect, during the period described below, to retain the rate of vesting in effect under the Plan prior to such amendment in lieu of the new rate of vesting. The period during which the election described in the preceding sentence may be made shall begin no later than the date the Plan amendment is adopted and shall end no earlier than 60 days after (i) the date the amendment is adopted, (ii) the effective date of such amendment or (iii) the date the Participant is notified in writing of the amendment by the Committee, whichever is the latest date to occur.

Subject to the foregoing limitations, any amendment may be made retroactively which, in the judgment of the Committee, is necessary or advisable provided that such retroactive amendment does not deprive a Participant, without his consent, of a right to receive benefits hereunder which have already vested and matured in such Participant, except such modification or amendment as shall be necessary to comply with any laws or regulations of the United States or of any state to qualify this as a tax-exempt plan and trust.

The participation in the Plan of Employers other than the Sponsoring Employer shall not limit the power of the Sponsoring Employer under the foregoing provisions, and all amendments by the Sponsoring Employer to the Plan shall be binding upon all other Employers. The Sponsoring Employer, on behalf of an Employer, may modify the provisions of the Plan as it pertains only to such Employer's Employees by the adoption, by formal action on its part in the manner

described in Section 6.7 hereof, of a Supplement to the Plan specifying such modifications that shall pertain only to such Employer's Employees. Any such Supplement to the Plan shall not affect the continued operation of the Plan with respect to any other Employers.

#### 6.5 - TERMINATION OF PLAN

The Plan may be terminated by the Sponsoring Employer at any time by formal action, in the manner described in Section 6.7 hereof, specifying (a) that the Plan is being terminated and (b) the date as of which the termination is to be effective. In the event the Plan is to be terminated, the Sponsoring Employer shall notify the Committee and the Trustee of such termination.

The Plan or participation in the Plan may be terminated in the manner described above with respect to one or more, but less than all, of the Employers theretofore parties hereto and the Plan continued for the remaining Employer or Employers. The Plan or participation in the Plan shall automatically terminate as to a particular Employer only upon dissolution of such Employer or upon its liquidation, merger or consolidation without provisions being made by its successor, if any, for the continuation of the Plan.

In the event of the liquidation, dissolution, merger or consolidation of the Employer under such circumstances that there shall be a successor person, firm or corporation continuing and carrying on all or a substantial part of its business, such successor may be substituted for the Employer under the terms of the Plan by formal action on the part of such successor in the manner described in Section 6.7 hereof specifying its election to continue the Plan.

Any provisions herein to the contrary notwithstanding, in the event of termination of the Plan the following will apply:

- (a) a disability retirement benefit shall not be payable on behalf of any Participant whose service is terminated on or after the date of termination of the Plan by reason of his total and permanent disability; and

- (b) the death benefits provided under Sections 2.3(G), 2.4(A)(3) and 2.4(B) hereof (or under any Supplements hereto) shall not be payable on behalf of any Participant whose death occurs on or after the date of termination of the Plan; provided, however, if the death of the Participant occurs after the date of termination of the Plan and prior to (i) the date as of which an annuity is purchased on his behalf to provide the benefit to which he is entitled as a result of the termination of the Plan or (ii) the date as of which distribution is made on his behalf in some other manner as a result of the termination of the Plan, as the case may be, the amount required to provide the distribution to which he is entitled as a result of termination of the Plan shall, subject to the provisions hereof relating to the Qualified Preretirement Survivor Annuity, be used to provide a benefit to his Beneficiary; and provided further, however, the minimum qualified preretirement survivor annuity required under Section 417 of the Internal Revenue Code shall be provided on behalf of any such Participant who is married and whose death occurs prior to his Annuity Starting Date and on or after the date on which an annuity has been purchased to provide the benefit to which he is entitled as a result of termination of the Plan.

#### 6.6 - EXPENSES OF ADMINISTRATION

The Employer may pay all expenses incurred in the establishment and administration of the Plan, including expenses and fees of the Trustee, but it shall not be obligated to do so, and any such expenses not so paid by the Employer shall be paid from the Trust Fund. The Trustee, upon direction from the Committee, shall reimburse the Employer for expenses properly and actually paid by the Employer on behalf of the Plan.

#### 6.7 - FORMAL ACTION BY EMPLOYER

Any formal action herein permitted or required to be taken by an Employer shall be:

- (a) if and when a partnership, by written instrument executed by one or more of its general partners or by written instrument executed by a person or group of persons who has been authorized by written instrument executed by one or more general partners as having authority to take such action;
- (b) if and when a proprietorship, by written instrument executed by the proprietor or by written instrument executed by a person or group of persons who has been authorized by written instrument executed by the proprietor as having authority to take such action;

- (c) if and when a corporation, by resolution of its board of directors or other governing board, or by written instrument executed by a person or group of persons who has been authorized by resolution of its board of directors or other governing board as having authority to take such action; or
- (d) if and when a joint venture, by formal action on the part of the joint venturers in the manner described above.

## SECTION 7

## ADMINISTRATION

## 7.1 - ADMINISTRATION BY COMMITTEE

The Plan will be administered by the Retirement Committee appointed by the Sponsoring Employer by formal action on its part in the manner described in Section 6.7 hereof. Such Committee will consist of (a) a chairman and at least two additional members or (b) a single individual. Each member may, but need not, be a director, proprietor, partner, officer or employee of any Employer, and each such member shall be appointed by the Sponsoring Employer to serve until his successor shall be appointed in like manner. Any member of the Committee may resign by delivering his written resignation to the Sponsoring Employer and to the other members, if any, of the Committee. The Sponsoring Employer by formal action on its part in the manner described in Section 6.7 hereof may remove any member of the Committee by so notifying the member and other Committee members, if any, in writing. Vacancies on the Committee shall be filled by formal action on the part of the Sponsoring Employer in the manner described in Section 6.7 hereof.

The Committee, in its discretion, may delegate all or any part of its responsibilities of administering the provisions of the Plan with respect to any Employer or group of Employers to an administrative committee which will be appointed by such Employer or group of Employers by formal action on its or their part in the manner described in Section 6.7 hereof. In such event, references to the "Committee" in any provisions hereof which apply with respect to such delegated responsibilities shall refer to such administrative committee instead of the Retirement Committee

## 7.2 - OFFICERS AND EMPLOYEES OF COMMITTEE

The Committee may appoint a secretary who may, but need not, be a member of the Committee and may employ such agents, clerical and other services, legal counsel, accountants and actuaries as may be required for the purpose of administering the Plan. Any person or firm so employed may be a person or firm then, theretofore or thereafter serving the Employer in any capacity. The Committee and any individual member of the Committee and any agent thereof shall be fully protected when relying in good faith upon the advice of the following professional consultants or advisors employed by the Employer or the Committee: any attorney insofar as legal matters are concerned, any certified public accountant insofar as accounting matters are concerned and any enrolled actuary insofar as actuarial matters are concerned.

## 7.3 - ACTION BY COMMITTEE

A majority of the members of the Committee shall constitute a quorum for the transaction of business and shall have full power to act hereunder. The Committee may act either at a meeting at which a quorum is present or by a writing subscribed by at least a majority of the members of the Committee then serving. Any written memorandum signed by the secretary or any member of the Committee who has been authorized to act on behalf of the Committee shall have the same force and effect as a formal resolution adopted in open meeting. Minutes of all meetings of the Committee and a record of any action taken by the Committee shall be kept in written form by the secretary appointed by the Committee or, if no secretary has been appointed by the Committee, by an individual member of the Committee. The Committee shall give to the Trustee any order, direction, consent or advice required under the terms of the Trust Agreement, and the Trustee shall be entitled to rely on any instrument delivered to it and signed by the secretary or any authorized member of the Committee as evidencing the action of the Committee.

A member of the Committee may not vote or decide upon any matter relating solely to himself or vote in any case in which his individual right or claim to any benefit under the Plan is particularly involved. If, in any case in which any Committee member is so disqualified to act, the remaining members cannot agree or if there is only one individual member of the Committee, the Sponsoring Employer, by formal action on its part in the manner described in Section 6.7 hereof, will appoint a temporary substitute member to exercise all of the powers of a qualified member concerning the matter in which the disqualified member is not qualified to act.

#### 7.4 - RULES AND REGULATIONS OF COMMITTEE

The Committee shall have the authority to make such rules and regulations and to take such action as may be necessary to carry out the provisions of the Plan and will, subject to the provisions of the Plan, decide any questions arising in the administration, interpretation and application of the Plan, which decisions shall be conclusive and binding on all parties. The Committee may allocate or delegate any part of its authority and duties as it deems expedient.

#### 7.5 - POWERS OF COMMITTEE

In order to effectuate the purposes of the Plan, the Committee shall have the full power and authority to construe and interpret any and all provisions of the Plan, to reconcile any inconsistencies and resolve any ambiguities in the terms of the Plan and to make equitable adjustments for any mistakes or errors made in the administration of the Plan, and all such actions or determinations made by the Committee in good faith shall not be subject to review by anyone. The Committee shall have the power to appoint, in its discretion, one or more Investment Managers to manage, including the power to acquire or dispose of, all or any portion of the assets of the Plan and Trust Fund. The Committee shall also have the power to serve as paying agent for the Trust Fund, if it so desires, or to appoint, in its discretion, a paying agent or agents to disburse the benefits payable from the Trust Fund and to authorize and direct the Trustee

to make distribution to the Committee as paying agent or to such other paying agent as the Committee shall direct in writing.

#### 7.6 - DUTIES OF COMMITTEE

The Committee shall, as a part of its general duty to supervise and administer the Plan:

- (A) determine all facts and maintain records with respect to any Employee's age, amount of Compensation, length of service, Hours of Service, Vesting Service, Credited Service and date of initial coverage under the Plan, and by application of the facts so determined and any other facts deemed material, determine the amount, if any, of benefit payable under the Plan on behalf of a Participant;
- (B) establish, carry out and periodically review a funding policy and method consistent with the objectives of the Plan and the applicable lawful requirements of Title I of the Employee Retirement Income Security Act of 1974; provided, however, that any decisions pertaining to the amount and timing of contributions by the Employer to the Trust Fund are delegated to the Employer;
- (C) give the Trustee specific directions in writing with respect to:
  - (1) the making of distribution payments, giving the names of the payees, the amounts to be paid and the time or times when payments shall be made; and
  - (2) the making of any other payments which the Trustee is not by the terms of the Trust Agreement authorized to make without a direction in writing of the Committee;
- (D) furnish the Trustee with such information (including information relative to the liquidity needs of the Plan) as is deemed necessary for the Trustee to carry out the purposes of the Trust Agreement;
- (E) comply with all applicable lawful reporting and disclosure requirements of the Employee Retirement Income Security Act of 1974;
- (F) comply (or transfer responsibility for compliance to the Trustee) with all applicable Federal income tax withholding requirements for distribution payments imposed by the Tax Equity and Fiscal Responsibility Act of 1982;

- (G) engage on behalf of all Plan Participants an independent qualified public accountant to examine the financial statements and other records of the Plan for the purposes of an annual audit and opinion as to whether the financial statements and schedules in the annual report of the Plan are presented fairly in conformity with generally accepted accounting principles, unless such audit is waived by the Secretary of Labor or his delegate or unless such audit is otherwise not required; and
- (H) engage on behalf of all Plan Participants an enrolled actuary to prepare required actuarial statements, unless this requirement is waived by the Secretary of Labor or his delegate or unless such actuarial statements are otherwise not required.

The foregoing list of express duties is not intended to be either complete or conclusive, and the Committee shall, in addition, exercise such other powers and perform such other duties as it may deem necessary, desirable, advisable or proper for the supervision and administration of the Plan.

#### 7.7 - INDEMNIFICATION OF CERTAIN FIDUCIARIES

To the extent not covered by insurance or if there is a failure to provide full insurance coverage for any reason and to the extent permissible under corporate by-laws and other applicable laws and regulations, the Employers agree to hold harmless and indemnify the members of the Committee against any and all claims and causes of action by or on behalf of any and all parties whomsoever, and all losses therefrom, including, without limitation, costs of defense and attorneys' fees, based upon or arising out of any act or omission relating to or in connection with the Plan and Trust Agreement other than losses resulting from any such person's fraud or willful misconduct.

#### 7.8 - ACTUARY

The actuary will do such technical and advisory work as the Committee or the Employer may request, including analysis of the experience of the Plan from time to time, the preparation of actuarial tables for the making of computations thereunder, and the submission of actuarial reports to the Sponsoring Employer or the Committee, which reports shall contain an actuarial valuation showing the financial condition of the Plan, a statement of the contributions to be made by

the Employers and such other information as may be required by the Committee. The actuary shall be appointed by the Committee with the approval of the Sponsoring Employer to serve as long as it is agreeable to the Committee, the Sponsoring Employer and the actuary.

#### 7.9 - FIDUCIARIES

The Trustee is the named fiduciary hereunder with respect to the powers, duties and responsibilities of investment of the Trust Fund; the board of directors of the Sponsoring Employer is the named fiduciary with respect to the powers, duties and the responsibilities of (a) appointing the members of the Committee in the manner set out in Section 7.1 hereof, (b) appointing the Trustee or Trustees in the manner set out in the Trust Agreement, (c) amending and terminating the Plan and Trust in accordance with the provisions of the Plan and Trust Agreement and (d) reviewing annually the annual report of the Trustee and the activities of the Trustee, any Investment Manager and the Committee relating to the Plan in order to determine whether any replacement of those persons is necessary; and the Committee is the plan administrator and is the named fiduciary hereunder with respect to the other powers, duties and responsibilities of the administration of the Plan; provided, however, that certain powers, duties and responsibilities of each of said named fiduciaries are specifically delegated to others under the provisions of the Plan and Trust Agreement, and other powers, duties and responsibilities of any fiduciaries may be delegated by written agreement to others to the extent permitted under the provisions of the Plan and Trust Agreement.

The powers and duties of each fiduciary hereunder, whether or not a named fiduciary, shall be limited to those specifically delegated to each of them under the terms of the Plan and Trust Agreement. It is intended that the provisions of the Plan and Trust Agreement allocate to each fiduciary the individual responsibilities for the prudent execution of the functions assigned to each fiduciary. None of the allocated responsibilities or any other responsibilities shall be shared by two or more fiduciaries unless such sharing

shall be provided by a specific provision in the Plan or the Trust Agreement. If any of the enumerated responsibilities of a fiduciary are specifically waived by the Secretary of Labor, then such enumerated responsibilities shall also be deemed to be waived for the purposes of the Plan and Trust Agreement. Whenever one fiduciary is required by the Plan or the Trust Agreement to follow the directions of another fiduciary, the two fiduciaries shall not be deemed to have been assigned a share of any responsibility, but the responsibility of the fiduciary giving the directions shall be deemed to be his sole responsibility and the responsibility of the fiduciary receiving those directions shall be to follow same insofar as such instructions on their face are proper under applicable law. Any fiduciary may employ one or more persons to render advice with respect to any responsibility such fiduciary has under the Plan or Trust Agreement.

Each fiduciary may, but need not, be a director, proprietor, partner, officer or employee of the Employer. Nothing in the Plan shall be construed to prohibit any fiduciary from:

- (a) serving in more than one fiduciary capacity with respect to the Plan and Trust Agreement;
- (b) receiving any benefit to which he may be entitled as a Participant or Beneficiary in the Plan, so long as the benefit is computed and paid on a basis that is consistent with the terms of the Plan as applied to all other Participants and Beneficiaries;  
or
- (c) receiving any reasonable compensation for services rendered, or for the reimbursement of expenses properly and actually incurred in the performance of his duties with respect to the Plan, except that no person so serving who already receives full-time pay from an Employer shall receive compensation from the Plan, except for reimbursement of expenses properly and actually incurred.

Each fiduciary shall be bonded as required by applicable law or statute of the United States, or of any state having appropriate jurisdiction, unless such

bond may under such law or statute be waived by the parties to the Trust Agreement. The Employer shall pay the cost of bonding any fiduciary who is an employee of the Employer.

7.10 - APPLICABLE LAW

The Plan will, unless superseded by federal law, be construed and enforced according to the laws of the State of Texas, and all provisions of the Plan will, unless superseded by federal law, be administered according to the laws of the said state.

SECTION 8

TRUST FUND

8.1 - PURPOSE OF TRUST FUND

The Trust Fund has been created and will be maintained for the purposes of the Plan, and the moneys thereof will be invested in accordance with the terms of the agreement and declaration of trust which forms a part of the Plan. All contributions will be paid into the Trust Fund, and all benefits under the Plan will be paid from the Trust Fund, except to the extent provided by Section 3.5 hereof.

8.2 - BENEFITS SUPPORTED ONLY BY TRUST FUND

Subject to applicable provisions of law, any person having any claim under the Plan will look solely to the assets of the Trust Fund for satisfaction.

8.3 - TRUST FUND APPLICABLE ONLY TO PAYMENT OF BENEFITS

The Trust Fund will be used and applied only in accordance with the provisions of the Plan, to provide the benefits thereof, and no part of the corpus or income of the Trust Fund will be used for, or diverted to, purposes other than for the exclusive benefit of Participants and other persons thereunder entitled to benefits, except to the extent provided in Section 6.2 hereof with respect to contributions that are returnable to the Employer because they are made by a mistake of fact or are disallowed as a tax deductible expense under Section 404 of the Internal Revenue Code or because the Plan is denied qualification under Section 401(a) of said Code and except to the extent provided in Section 4.5 and Section 6.6 hereof with respect to termination of the Plan and expenses of administration, respectively.

IN WITNESS WHEREOF, CAPITAL SOUTHWEST CORPORATION, CAPITAL SOUTHWEST MANAGEMENT CORPORATION, JET-LUBE, INC., THE RECTORSEAL CORPORATION, THE WHITMORE MANUFACTURING COMPANY, SMOKE GUARD, INC. and BLUE MAGIC, INC. have caused this instrument to be executed by their duly authorized officers on this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, effective as of April 1, 2006.

CAPITAL SOUTHWEST CORPORATION

By

Title:

CAPITAL SOUTHWEST MANAGEMENT CORPORATION

By

Title:

JET LUBE, INC.

By

Title:

THE RECTORSEAL CORPORATION

By

Title:

THE WHITMORE MANUFACTURING COMPANY

By

Title:

SMOKE GUARD, INC.

By

Title:

BLUE MAGIC, INC.

By

Title:



## Twelve Largest Investments - March 31, 2007

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Heelys, Inc.	\$195,664,000
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Heelys, Inc., Carrollton, Texas, manufactures and markets specialty stealth skate footwear, equipment and apparel under the brand name Heelys. The company manufactures its products in China and Korea and distributes them through domestic and international sporting goods chains, department and lifestyle stores and specialty footwear retailers.

During the year ended December 31, 2006, Heelys reported net income of \$29,174,000 (\$1.16 per share) on net sales of \$188,208,000, compared with net income of \$4,347,000 (\$0.17 per share) on net sales of \$43,950,000 in the previous year. The March 30, 2007 closing Nasdaq market price of Heely's common stock was \$29.34 per share.

At March 31, 2007, the \$102,490 investment in Heelys by Capital Southwest's subsidiary was valued at \$195,664,000 (\$21.00 per share), consisting of 9,317,310 restricted shares of common stock, representing a fully-diluted equity interest of 31.8%.

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The RectorSeal Corporation	\$98,000,000
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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 and sells automotive chemical products. RectorSeal also owns a 20% equity interest in The Whitmore Manufacturing Company (described on page 9).

During the year ended March 31, 2007, RectorSeal earned \$10,381,000 on revenues of \$103,922,000, compared with earnings of \$8,655,000 on revenues of \$95,060,000 in the previous year. RectorSeal's earnings do not reflect its 20% equity in The Whitmore Manufacturing Company.

At March 31, 2007, Capital Southwest owned 100% of RectorSeal's common stock having a cost of \$52,600 and a value of \$98,000,000.

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Palm Harbor Homes, Inc.	\$70,696,000
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Palm Harbor Homes, Dallas, Texas, is an integrated manufacturer and retailer of manufactured and modular housing produced in 14 plants and sold in 27 states by 107 company-owned retail stores and builder locations and approximately 350 independent dealers, builders and developers. The company provides financing through its 80% owned subsidiary, CountryPlace Mortgage, and sells insurance through its subsidiary, Standard Casualty. Palm Harbor's traditional manufactured homes and its upscale modular homes are designed to meet the need for attractive, affordable housing.

During the year ended March 30, 2007, Palm Harbor reported a net loss of \$11,565,000 (\$0.51 per share) on net sales of \$661,247,000, compared with net income of \$11,114,000 (\$0.49 per share) on net sales of \$710,635,000 in the previous year. The March 30, 2007 closing Nasdaq market price of Palm Harbor's common stock was \$14.34 per share.

At March 31, 2007, 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%.

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Encore Wire Corporation	\$69,475,000
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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 and also armored 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, 2006, Encore reported net income of \$115,133,000 (\$4.86 per share) on net sales of \$1,249,330,000, compared with net income of \$50,079,000 (\$2.13 per share) on net sales of \$758,089,000 in the previous year. The March 30, 2007 closing Nasdaq bid price of Encore's common stock was \$25.29 per share.

At March 31, 2007, 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 \$69,475,000 (\$17.00 per share), representing a fully-diluted equity interest of 16.9%.

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Alamo Group Inc. \$47,962,000
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Alamo Group Inc., Sequin, Texas, is a leading designer, manufacturer and distributor of heavy-duty, tractor and truck mounted mowing and other vegetation maintenance equipment, mobile excavators, street-sweeping and snow removal equipment and replacement parts. Founded in 1969, Alamo Group operates 16 manufacturing facilities and serves governmental, industrial and agricultural markets in North America, Europe, and Australia.

For the year ended December 31, 2006, Alamo reported net income of \$11,488,000 (\$1.16 per share) on net sales of \$456,494,000, compared with net income of \$11,291,000 (\$1.14 per share) on net sales of \$368,110,000 in the previous year. The March 30, 2007 closing NYSE market price of Alamo's common stock was \$23.21 per share.

At March 31, 2007, the \$2,065,047 investment in Alamo by Capital Southwest and its subsidiary was valued at \$47,962,000 (\$17.00 per share), consisting of 2,821,300 restricted shares of common stock, representing a fully-diluted equity interest of 26.2%.

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Media Recovery, Inc. \$45,000,000
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Media Recovery, Inc., Dallas, Texas, provides datacenter supplies and services to corporate customers through its direct sales force. Its Shockwatch division manufactures 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, 2006, Media Recovery reported net income of \$5,164,000 on net sales of \$137,040,000, compared with net income of \$5,028,000 on net sales of \$142,574,000 in the previous year.

At March 31, 2007, the \$5,415,000 investment in Media Recovery by Capital Southwest and its subsidiary was valued at \$45,000,000, consisting of 800,000 shares of Series A convertible preferred stock and 4,000,000 shares of common stock, representing a fully-diluted equity interest of 96.5%.

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Lifemark Group \$40,000,000
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Lifemark Group, Hayward, California, owns and operates cemeteries, mausoleums and mortuaries. Lifemark's operations, all of which are in California, include a major cemetery and funeral home 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. Its funeral and cemetery trusts enable Lifemark's clients to make pre-need arrangements. The company's assets also include excess real estate holdings.

For the fiscal year ended March 31, 2007, Lifemark reported earnings of \$2,239,000 on revenues of \$28,727,000, compared with earnings of \$2,457,000 on revenues of \$27,178,000 in the previous year.

At March 31, 2007, Capital Southwest owned 100% of Lifemark Group's common stock, which had a cost of \$4,510,400 and was valued at \$40,000,000.

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The Whitmore Manufacturing Company \$26,000,000
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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 Air Sentry division manufactures fluid contamination control devices. The company's assets also include several commercial real estate tracts.

During the year ended March 31, 2007, Whitmore reported net income of \$2,848,000 on net sales of \$20,863,000, compared with net income of \$1,776,000 on net sales of \$18,010,000 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 8).

At March 31, 2007, the direct investment in 80% of Whitmore by Capital Southwest was valued at \$26,000,000 and had a cost of \$1,600,000.

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Hologic, Inc. \$18,228,380  
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Hologic, Inc., Bedford, Massachusetts, is a leading developer, manufacturer and supplier of bone densitometers, mammography and breast biopsy devices, direct-to-digital x-ray systems and other x-ray based imaging systems. These products are generally targeted to address women's healthcare and general radiographic applications.

For the year ended September 30, 2006, Hologic reported net income of \$27,423,000 (\$0.56 per share) on net sales of \$462,680,000, compared with net income of \$28,256,000 (\$0.63 per share) on net sales of \$287,684,000 in the previous year. The March 30, 2007 closing Nasdaq bid price of Hologic's common stock was \$57.61 per share.

At March 31, 2007, Capital Southwest and its subsidiary owned 316,410 unrestricted shares of common stock, having a cost of \$220,000 and a market value of \$18,228,380 (\$57.61 per share).

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Texas Capital Bancshares, Inc. \$10,013,465  
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Texas Capital Bancshares, Inc. of Dallas, Texas, formed in 1998, has total assets of approximately \$3.7 billion. With branch banks in Austin, Dallas, Fort Worth, Houston, Plano and San Antonio, Texas Capital Bancshares conducts its business through its subsidiary, Texas Capital Bank, N.A., which targets middle market commercial and wealthy private client customers in Texas. In 2006, Texas Capital Bancshares sponsored the formation of BankCap Partners Fund I, a \$109 million partnership organized to finance and launch other regional banks similar to Texas Capital Bancshares.

For the year ended December 31, 2006, Texas Capital reported net income of \$28,924,000 (\$1.09 per share), compared with net income of \$27,192,000 (\$1.02 per share) in the previous year. The March 30, 2007 closing Nasdaq bid price of Texas Capital's common stock was \$20.45 per share.

At March 31, 2007, Capital Southwest owned 489,656 unrestricted shares of common stock, having a cost of \$3,550,006 and a market value of \$10,013,465 (\$20.45 per share).

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PETSMART, Inc. \$9,885,000  
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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 928 pet superstores in the United States and Canada, many of which offer pet grooming services, operate PETSHOTELS and house veterinary clinics. 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 28, 2007, PETSMART, Inc. reported net income of \$185,069,000 (\$1.33 per share) on net sales of \$4.234 billion, compared with net income of \$182,490,000 (\$1.25 per share) on net sales of \$3.760 billion in the previous year. The March 30, 2007 closing Nasdaq bid price of PETSMART's common stock was \$32.95 per share.

At March 31, 2007, 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 \$9,885,000 (\$32.95 per share).

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Extreme International, Inc. \$7,273,000  
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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.

During the year ended September 30, 2006, Extreme reported net income of \$1,202,723 on net sales of \$10,342,478, compared with net income of \$817,121 on net sales of \$8,688,545 in the previous year.

At March 31, 2007, Capital Southwest and its subsidiary owned 39,359.18 shares of Series C convertible preferred stock, 3,750 shares of 8% Series A convertible preferred stock and warrants to purchase 13,035 shares of common stock at \$25 per share, having a cost of \$3,000,000 and a market value of \$7,273,000, representing a fully-diluted equity interest of 53.3%.

Portfolio of Investments - March 31, 2007

Company	Equity (a)	Investment (b)	Cost	Value (c)
+AT&T, INC. San Antonio, Texas Global leader in local, long distance, Internet and transaction- based voice and data services.	<1%	++20,770 shares common stock (acquired 3-9-99)	\$ 12	\$ 818,961
+ALAMO GROUP INC. Seguin, Texas Tractor-mounted mowing and mobile excavation equipment for governmental, industrial and agricultural markets; street-sweeping equipment for municipalities.	26.2%	2,821,300 shares common stock (acquired 4-1-73 thru 10-4-99)	2,065,047	47,962,000
ALL COMPONENTS, INC. Addison, Texas Electronics contract manufacturing; distribution and production of memory and other components for computer manufacturers, retailers and value-added resellers.	57.0%	10% subordinated note due 2008 (acquired 10-28-03 thru 10-3-05) 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)	3,000,000  150,000 ----- 3,150,000	3,000,000  1,000,000 ----- 4,000,000
+ALLTEL CORPORATION Little Rock, Arkansas Owner and operator of the nation's largest wireless network.	<1%	++8,880 shares common stock (acquired 7-1-98)	88,699	550,560
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	2,500,000
BOXX TECHNOLOGIES, INC. Austin, Texas Workstations for computer graphics imaging and design.	15.2%	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	300,000
CMI HOLDING COMPANY, INC. Richardson, Texas Owns Chase Medical, which develops and sells devices used in cardiac surgery to relieve congestive heart failure; develops and supports cardiac imaging systems.	18.2%	10% convertible subordinated notes, convertible into 720,350 shares of common stock at \$1.32 per share, due 2007 (acquired 4-16-04 thru 12-17-04) 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 6-4-03) Warrants to purchase 109,012 shares of common stock at \$1.72 per share, expiring 2012 (acquired 4-16-04)	750,000  4,000,000  -- ----- 4,750,000	750,000  2,000,000  -- ----- 2,750,000
+Publicly-owned company		++Unrestricted securities as defined in Note (b)		

Company	Equity (a)	Investment (b)	Cost	Value (c)
+COMCAST CORPORATION Philadelphia, Pennsylvania Leading provider of cable, entertainment and communications products and services.	<1%	++64,656 shares common stock (acquired 11-18-02)	\$ 21	\$ 1,675,884
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 ) 140,137 shares common stock (acquired 3-7-94 and 8-10-98)	999,981 2,329,963 3,329,944	999,981 2 999,983
+DISCOVERY HOLDING COMPANY Englewood, Colorado Provider of creative content, media management and network services worldwide.	<1%	++70,501 shares Series A common stock (acquired 7-21-05)	20,262	1,347,274
+EMBARK CORPORATION Overland Park, Kansas Local exchange carrier that provides voice and data services, including high-speed Internet.	<1%	++4,500 shares common stock (acquired 5-17-06)	46,532	253,575
+ENCORE WIRE CORPORATION McKinney, Texas Electric wire and cable for residential and commercial use.	16.9%	4,086,750 shares common stock (acquired 7-16-92 thru 10-7-98)	5,800,000	69,475,000
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%	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) 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) Warrants to purchase 13,035 shares of common stock at \$25.00 per share, expiring 2008 (acquired 8-11-98 thru 9-30-03)	2,625,000 375,000 -- 3,000,000	6,449,000 614,000 210,000 7,273,000
+FMC CORPORATION Philadelphia, Pennsylvania Chemicals for agricultural, industrial and consumer markets.	<1%	++6,430 shares common stock (acquired 6-6-86)	66,726	485,015
+FMC TECHNOLOGIES, INC. Houston, Texas Equipment and systems for the energy, food processing and air transportation industries.	<1%	++11,057 shares common stock (acquired 1-2-02)	57,051	771,336
+Publicly-owned company		++Unrestricted securities as defined in Note (b)		

Company	Equity (a)	Investment (b)	Cost	Value (c)
+HEELYS, INC. Carrollton, Texas Heelys stealth skate shoes, equipment and apparel sold through sporting goods chains, department stores and footwear retailers	31.8%	9,317,310 shares common stock (acquire 5-26-00)	\$ 102,490	\$ 195,664,000
HIC-STAR CORPORATION Dallas, Texas Holding company previously engaged in mortgage banking operations, which have now been sold.	34.9%	10% subordinated note due 2007 (acquired 10-19-04 and 1-13-05) 12% subordinated notes due 2008 (acquired 3-25-05 thru 2-27-06) 12% demand note (acquired 12-15-06) Warrants to purchase 463,162 shares of Series A common stock at \$1.00 per share, expiring 2014 (acquired 3-31-04 thru 1-13-05)	352,646 717,523 4,500 --	-- 354,738 4,500 --
			1,074,669	359,238
+HOLOGIC, INC. Bedford, Massachusetts Medical instruments including bone densitometers, mammography devices and digital radiography systems.	<1%	++316,410 shares common stock (acquired 8-27-99)	220,000	18,228,380
+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	5,286,058
+LIBERTY GLOBAL, INC. Englewood, Colorado Owns interests in broadband, distribution and content companies.	<1%	++42,463 shares Series A common stock (acquired 6-15-05) ++42,463 shares Series C common stock (acquired 9-6-05)	106,553 100,870	1,397,033 1,299,368
			207,423	2,696,401
+LIBERTY MEDIA CORPORATION Englewood, Colorado Holding company owning interests in electronic retailing, media, communications and entertainment businesses.	<1%	++35,250 shares Liberty Capital Series A common stock (acquired 5-9-06) ++176,252 share Liberty Interactive Series A common stock (acquired 5-9-06)	51,829 66,424	3,897,593 4,196,560
			118,253	8,094,153
LIFEMARK GROUP 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
+Publicly-owned company		++Unrestricted securities as defined in Note (b)		

Company	Equity (a)	Investment (b)	Cost	Value (c)
MEDIA RECOVERY, INC. Dallas, Texas Computer datacenter and office automation supplies and accessories; impact, tilt monitoring and temperature sensing devices to detect mishandled shipments; dunnage for protecting shipments.	96.5%	800,000 shares Series A convertible preferred stock, convertible into 800,000 shares of common stock at \$1.00 per share (acquired 11-4-97) 4,000,000 shares common stock (acquired 11-4-97)	\$ 800,000 4,615,000 ----- 5,415,000	\$ 7,500,000 37,500,000 ----- 45,000,000
PALLETONE, INC. Bartow, Florida Manufacturer fo wooden pallets and pressure-treated lumber.	8.8%	12.3% senior subordinated notes due 2012 (acquired 9-25-06) 150,000 shares common stock (acquired 10-18-01) Warrant to purchase 15,294 shares of common stock at \$1.00 per share, expiring 2011 (acquired 2-17-06)	1,553,150 150,000 45,746 ----- 1,748,896	2,000,000 1,714,000 159,000 ----- 3,873,000
+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 928 stores selling pet foods, supplies and services.	<1%	++300,000 shares common stock (acquired 6-1-95)	1,318,771	9,885,000
THE RECTORSEAL CORPORATION Houston, Texas Specialty chemicals for plumbing, HVAC, electrical, construction, industrial, oil field and automotive applications; smoke containment systems for building fires; owns 20% of The Whitmore Manufacturing Company.	100.0%	27,907 shares common stock (acquired 1-5-73 and 3-31-73)	52,600	98,000,000
+SPRINT NEXTEL CORPORATION Reston, Virginia Diversified telecommunications company.	<1%	++90,000 shares common stock (acquired 6-20-84)	457,113	1,706,400
TCI HOLDINGS, INC. Denver, Colorado Cable television systems and microwave relay systems.	-	21 shares 12% Series C cumulative compounding preferred stock (acquired 1-30-90)	--	677,250
+TEXAS CAPITAL BANCSHARES, INC. Dallas, Texas Regional bank holding company with banking operations in six Texas cities.	1.6%	++489,656 shares common stock (acquired 5-1-00)	3,550,006	10,013,465
+Publicly-owned company		++Unrestricted securities as defined in Note (b)		

Company	Equity (a)	Investment (b)	Cost	Value (c)
VIA HOLDINGS, INC. Sparks, Nevada Designer, manufacturer and distributor of high-quality office seating.	28.2%	9,118 shares Series B preferred stock (acquired 9-19-05)	\$ 4,559,000	\$ 2
WELLOGIX, INC. Houston, Texas Developer and supporter of software used by the oil and gas industry to control drilling and maintenance expenses.	19.3%	4,478,673 shares Series A-1 convertible participating preferred stock, convertible into 4,478,673 shares of common stock at \$1.1164 per share (acquired 8-19-05 thru 9-15-06)	5,000,000	2
THE WHITMORE MANUFACTURING COMPANY Rockwall, Texas Specialized mining, railroad and industrial lubricants; coatings for automobiles and primary metals; fluid contamination control devices.	80.0%	80 shares common stock (acquired 8-31-79)	1,600,000	26,000,000
+WINDSTREAM CORPORATION Little Rock, Arkansas Provider of voice, broadband and entertainment services.	<1%	++9,181 shares common stock (acquired 7-17-06)	19,656	134,869
MISCELLANEOUS	-	BankCap Partners Fund, L.P. - 6.0% limited partnership interest (acquired 7-14-06 and 1/8-07)	565,619	595,619
	-	Diamond State Ventures, L.P. - 1.9% limited partnership interest (acquired 10-12-99 thru 8-26-05)	146,000	146,000
	-	First Capital Group of Texas III, L.P. - 3.3% limited partnership interest (acquired 12-26-00 thru 8-12-05)	964,604	964,604
	100.0%	Humac Company - 1,041,000 shares common stock (acquired 1-31-75 and 12-31-75)	--	172,000
	-	PharmaFab, Inc. - contingent payment agreement (acquired 2-15-07)	2	2
	-	STARTech Seed Fund I - 12.1% 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)	950,000	1
	-	Sterling Group Partners I, L.P. - 1.7% limited partnership interest (acquired 4-20-01 thru 1-24-05)	1,064,042	1,800,000
TOTAL INVESTMENTS			\$71,642,297 =====	\$681,155,033 =====
+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, 2007, restricted securities represented approximately 90.9% 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, 2007 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, Lifemark Group 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 registered public accounting firm. 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
BankCap Partners Fund I, L.P.....	\$595,619
Hic-Star Corporation.....	4,500
PalletOne, Inc.....	203,150
	-----
	\$803,269
	=====

Dispositions

	Cost	Amount Received
Cenveo, Inc. ....	\$ 712,318	\$ 9,597,254
Diamond State Ventures, L.P.....	64,000	64,000
Exopack, Inc.....	-	230,035
Heelys, Inc.....	17,510	31,087,659
Hic-Star Corporation.....	6,529,167	-
PharmaFab, Inc.....	9,499,998	-
StarTech Seed Fund II.....	50,000	50,000
Sterling Group Partners I, L.P.....	-	601,081
Texas Shredder, Inc.....	-	1,289,959
	-----	-----
	\$16,872,993	\$42,919,988
	=====	=====
Repayments Received.....		\$884,935
		=====

Capital Southwest Corporation and Subsidiaries  
Consolidated Statements of Financial Condition

Assets	March 31	
	2007	2006
Investments at market or fair value		
Companies more than 25% owned (Cost: 2007 - \$28,632,356, 2006 - \$23,114,866).....	\$526,993,983	\$298,481,983
Companies 5% to 25% owned (Cost: 2007 - \$18,798,896, 2006 - \$18,595,746).....	76,398,002	92,070,852
Companies less than 5% owned (Cost: 2007 - \$24,211,045, 2006 - \$46,886,344).....	7,763,048	159,875,248
Total investments (Cost: 2007 - \$71,642,297, 2006 - \$88,596,956).....	681,155,033	550,428,083
Cash and cash equivalents.....	38,844,203	11,503,866
Receivables.....	337,892	135,887
Other assets.....	9,170,185	7,300,297
Totals.....	<u>\$729,507,313</u>	<u>\$569,368,133</u>

Liabilities and Shareholders' Equity	March 31	
	2007	2006
Note payable to bank.....	\$ -	\$ 8,000,000
Other liabilities.....	1,457,847	1,697,086
Income taxes payable.....	231,274	982,653
Deferred income taxes.....	213,474,680	162,070,285
Total liabilities .....	<u>215,163,801</u>	<u>172,750,024</u>

Shareholders' equity		
Common stock, \$1 par value: authorized, 5,000,000 shares; issued, 4,323,416 shares at March 31, 2007 and 4,297,616 shares at March 31, 2006.....	4,323,416	4,297,616
Additional capital.....	11,221,601	8,109,797
Undistributed net investment income.....	5,655,020	3,744,830
Undistributed net realized gain on investments.....	102,766,040	86,432,040
Unrealized appreciation of investments - net of deferred income taxes.....	397,410,737	301,067,128
Treasury stock - at cost (437,365 shares).....	(7,033,302)	(7,033,302)
Net assets at market or fair value, equivalent to \$132.36 per share at March 31, 2007 on the 3,886,051 shares outstanding and \$102.74 per share at March 31, 2006 on the 3,860,251 shares outstanding.....	514,343,512	396,618,109
Totals.....	<u>\$729,507,313</u>	<u>\$569,368,133</u>

See Notes to Consolidated Financial Statements

Capital Southwest Corporation and Subsidiaries  
Consolidated Statements of Operations

	Years Ended March 31		
	2007	2006	2005
Investment income:			
Interest.....	\$ 2,308,660	\$ 505,536	\$ 437,753
Dividends.....	3,954,875	3,485,430	3,778,190
Management and directors' fees.....	708,900	848,070	637,000
	6,972,435	4,839,036	4,852,943
Operating expenses:			
Salaries.....	1,356,062	1,211,584	1,132,510
Net pension benefit.....	(144,945)	(116,747)	(254,872)
Other operating expenses.....	1,014,255	859,702	1,068,313
	2,225,372	1,954,539	1,945,951
Income before interest expense and income taxes.....	4,747,063	2,884,497	2,906,992
Interest expense.....	460,399	436,021	420,351
Income before income taxes.....	4,286,664	2,448,476	2,486,641
Income tax expense.....	53,324	59,220	80,693
Net investment income .....	\$ 4,233,340	\$ 2,389,256	\$ 2,405,948
Proceeds from disposition of investments.....	\$ 42,919,988	\$ 30,802,552	\$ 4,565,232
Cost of investments sold.....	16,872,993	10,523,986	14,677,252
Realized gain (loss) on investments before income taxes.....	26,046,995	20,278,566	(10,112,020)
Income tax expense (benefit) .....	9,712,995	7,162,692	(4,046,206)
Net realized gain (loss) on investments.....	16,334,000	13,115,874	(6,065,814)
Increase in unrealized appreciation of investments before income taxes.....	147,681,609	124,355,303	27,809,654
Increase in deferred income taxes on appreciation of investments.....	51,338,000	43,670,000	9,925,000
Net increase in unrealized appreciation of investments.....	96,343,609	80,685,303	17,884,654
Net realized and unrealized gain on investments.....	\$ 112,677,609	\$ 93,801,177	\$ 11,818,840
Increase in net assets from operations.....	\$ 116,910,949	\$ 96,190,433	\$ 14,224,788

See Notes to Consolidated Financial Statements

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

	Years Ended March 31		
	2007	2006	2005
Operations:			
Net investment income.....	\$ 4,233,340	\$ 2,389,256	\$ 2,405,948
Net realized gain (loss) on investments.....	16,334,000	13,115,874	(6,065,814)
Net increase in unrealized appreciation of investments.....	96,343,609	80,685,303	17,884,654
Increase in net assets from operations.....	116,910,949	96,190,433	14,224,788
Distributions from:			
Undistributed net investment income.....	(2,323,150)	(2,314,231)	(2,314,231)
Capital share transactions:			
Exercise of employee stock options.....	1,794,850	208,000	-
Adjustment to initially apply FASB No. 158, net of tax	1,173,751	-	-
Stock option expense.....	169,003	-	-
Increase in net assets.....	117,725,403	94,084,202	11,910,557
Net assets, beginning of year.....	396,618,109	302,533,907	290,623,350
Net assets, end of year .....	<u>\$514,343,512</u>	<u>\$396,618,109</u>	<u>\$302,533,907</u>

See Notes to Consolidated Financial Statements

Capital Southwest Corporation and Subsidiaries  
Consolidated Statements of Cash Flows

	Years Ended March 31		
	2007	2006	2005
Cash flows from operating activities			
Increase in net assets from operations.....	\$ 116,910,949	\$ 96,190,433	\$ 14,224,788
Adjustments to reconcile increase in net assets from operations to net cash provided by operating activities:			
Proceeds from disposition of investments.....	42,919,988	30,802,552	4,510,652
Purchases of securities.....	(803,269)	(15,054,741)	(2,280,690)
Maturities of securities.....	884,935	480,197	394,269
Depreciation and amortization.....	16,808	16,136	17,597
Net pension benefit.....	(144,945)	(116,747)	(254,872)
Realized (gain) loss on investments before income taxes...	(26,046,995)	(20,278,566)	10,112,020
Deferred taxes on realized (gain) loss on investments....	(1,367,704)	2,335,031	(4,046,206)
Net increase in unrealized appreciation of investments....	(96,343,609)	(80,685,303)	(17,884,654)
Stock option expense.....	169,003	--	--
(Increase) decrease in receivables.....	(202,005)	514	(59,924)
Increase in other assets.....	(39,982)	(3,226)	(10,477)
Increase (decrease) in other liabilities.....	8,934	(67,245)	121,196
Decrease in accrued pension cost.....	(144,171)	(154,673)	(164,129)
Deferred income taxes.....	50,700	40,800	88,800
Net cash provided by operating activities.....	35,868,637	13,505,162	4,768,370
Cash flows from financing activities			
Decrease in note payable to bank.....	(8,000,000)	--	(7,500,000)
Decrease in note payable to portfolio company.....	--	(5,000,000)	--
Distributions from undistributed net investment income.....	(2,323,150)	(2,314,231)	(2,314,231)
Proceeds from exercise of employee stock options.....	1,794,850	208,000	--
Net cash used in financing activities.....	(8,528,300)	(7,106,231)	(9,814,231)
Net increase (decrease) in cash and cash equivalents.....	27,340,337	6,398,931	(5,045,861)
Cash and cash equivalents at beginning of year.....	11,503,866	5,104,935	10,150,796
Cash and cash equivalents at end of year.....	\$ 38,844,203	\$ 11,503,866	\$ 5,104,935
Supplemental disclosure of cash flow information:			
Cash paid during the year for: Interest.....	\$ 460,399	\$ 436,920	\$ 420,446
Income taxes.....	\$ 11,100,699	\$ 4,846,081	\$ --

See Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Capital Southwest Corporation ("CSC") is a business development company subject to regulation under the Investment Company Act of 1940. Capital Southwest Venture Corporation ("CSVC"), a wholly-owned subsidiary of CSC, is a Federal licensee under the Small Business Investment Act of 1958. 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 in accordance with accounting principles generally accepted in the United States of America for investment companies. Under rules and regulations applicable to investment companies, we are precluded from consolidating any entity other than another investment company. An exception to this general principle occurs if the investment company has an investment in an operating company that provides services to the investment company. Our consolidated financial statements include our management company, CSMC.

**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.

**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.

**Federal Income Taxes.** CSC and CSVC intend to comply with the requirements of the Internal Revenue Code necessary to qualify as regulated investment companies. By meeting these requirements, they will not be subject to corporate federal income taxes on ordinary income distributed to shareholders. Therefore, CSC and CSVC made no provision for federal income taxes on net investment income in their financial statements. The Company's policy is to retain and pay the 35% corporate tax on realized long-term capital gains. Therefore, CSC and CSVC provide in their financial statements for taxes on such gain. See page 39 for more detail.

**Stock-Based Compensation.** In December 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123 (revised 2004), Share-Based Payment (SFAS 123R), which revised SFAS 123. SFAS 123R also supersedes APB 25 and amends SFAS No. 95, Statement of Cash Flows. SFAS 123R eliminates the alternative to account for employee stock options under APB 25 and requires the fair value of all share-based payments to employees, including the fair value of grants of employee stock options, be recognized in the income statement, generally over the vesting period.

In March 2005, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 107, which provides additional implementation guidance for SFAS 123R. Among other things, SAB 107 provides guidance on share-based payment valuations, income statement classification and presentation, capitalization of costs and related income tax accounting.

Effective April 1, 2006, the Company adopted SFAS 123R using the modified prospective transition method. The Company recognizes compensation cost over the straight-line method for all share-based payments granted on or after that date and for all awards granted to employees prior to April 1, 2006 that remain unvested on that date. The fair value of stock

options are determined on the date of grant using the Black-Scholes pricing model and are expensed over the vesting period of the related stock options. Accordingly, for the year ended March 31, 2007, the Company recognized compensation expense of \$169,003.

The following table illustrates the effect on net asset value and net asset value per share for the years ended March 31, 2006 and 2005 if the Company had applied the fair value recognition provisions to stock-based compensation for options.

	Years Ended March 31	
	2006	2005
	-----	-----
Net asset value, as reported	\$396,618,109	\$302,533,907
Deduct: Total fair value computed stock-based compensation	150,936	160,764
	-----	-----
Pro forma net asset value	\$396,467,173	\$302,373,143
	=====	=====
Net asset value per share:		
Basic - as reported	\$102.74	\$78.44
	=====	=====
Basic - pro forma	\$102.71	\$78.39
	=====	=====
Diluted - as reported	\$102.49	\$78.38
	=====	=====
Diluted- pro forma	\$102.45	\$78.34
	=====	=====

As of March 31, 2007, the total remaining unrecognized compensation cost related to non-vested stock options was \$1,171,452 which will be amortized over the weighted-average service period of approximately 7.53 years.

#### Defined Pension Benefits and Other Postretirement Plans

Effective March 31, 2007, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements Nos. 87, 88, 106 and 132R (SFAS 158). SFAS 158 is required to be adopted on a prospective basis and prior year financial statements and related disclosures are not permitted to be restated. SFAS 158 requires an employer that sponsors one or more postretirement defined benefit plan(s) to:

- o Recognize the funded status of postretirement defined benefit plans - measured as the difference between the fair value of plan assets and the benefit obligations - in its balance sheet.
- o Recognize changes in the funded status of postretirement defined benefit plans in shareholder's equity in the year in which the changes occur.
- o Measure postretirement defined benefit plan assets and obligations as of the date of the employer's fiscal year-end. The Company presently uses March 31 as the measurement date for all of its postretirement defined benefit plans.

#### Recent Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48 (FIN48), which clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with FASB Statement 109, "Accounting for Income Taxes". FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 is effective for our Company April 1, 2007. The Company has evaluated the positions in the tax returns it has filed and does not believe that FIN 48 will have a material impact on the Company's financial statements.

The State of Texas recently passed House Bill 3 (HB3), which revises the existing franchise tax system to create a new tax on virtually all Texas businesses. Starting in the fiscal year 2007, HB3 changes the franchise tax base, lowers the tax rate and extends coverage to active businesses receiving state law liability protection. The Company has been subject to an immaterial amount of Texas franchise taxes and expects the future effect of HB3 to also be immaterial.

In September 2006, the FASB issued Statement of Financial Accounting Standard No. 157, "Fair Value Measurements" (SFAS 157). The standard defines fair value, outlines a framework for measuring fair value, and details the required disclosures about fair value measurements. The standard is effective

for years beginning after November 15, 2007, therefore the Company will adopt SFAS 157 effective April 1, 2008. The Company is evaluating the impact of SFAS 157.

In September 2006, the SEC issued Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" (SAB 108). SAB 108 clarifies the SEC staff's beliefs regarding the process of quantifying financial statement misstatements and is effective for fiscal years ending after November 15, 2006. The Company applied SAB 108 during the year and was not required to record an adjustment as a result of the application of SAB 108.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" (SFAS 159). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS 159 is effective for our Company beginning April 1, 2008. The impact, if any, from the adoption of SFAS 159 has not been determined.

## 2. Valuation of Investments

The consolidated financial statements as of March 31, 2007 and 2006 include restricted securities valued at \$619,207,702 (90.9% of the value of the consolidated investment portfolio) and \$485,924,522 (88.3% 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. 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.

## 3. Income Taxes

For the tax years ended December 31, 2006, 2005 and 2004, 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, 2006, CSC and CSVC had net investment income for book and tax purposes of \$2,323,150 and \$394,124, respectively, all of which has been distributed. During 2006, CSC and CSVC had a net capital gain for book purposes of \$31,932,775 and \$28,697,723, respectively, and a net capital gain for tax purposes of \$31,659,140 and \$28,697,723, respectively.

The aggregate cost of investments for federal income tax purposes as of March 31, 2007 was \$75,147,983. Such investments had unrealized appreciation of \$626,445,188 and unrealized depreciation of \$16,932,452 for book purposes, or net unrealized appreciation of \$609,512,736. They had unrealized appreciation of \$623,584,608 and unrealized depreciation of \$17,577,558 for tax purposes, or net unrealized appreciation of \$606,007,050 at March 31, 2007. 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 \$212,102,000 and \$160,764,000 have been provided on net unrealized appreciation of investments of \$609,512,736 and \$461,831,127 at March 31, 2007 and 2006, 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, 2007 and 2006.

## 4. Note Payable

The note payable to bank at March 31, 2007 and 2006 was from an unsecured revolving line of credit of \$25,000,000 of which \$0 and \$8,000,000 had been drawn at March 31, 2007 and 2006, 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 average interest rates during the years ended March 31, 2007 and 2006 were 6.46% and 5.05% respectively.

5. Employee Stock Option Plan

On July 19, 1999, shareholders approved the 1999 Stock Option Plan ("Plan"), which provided for the granting of stock options to employees and officers of the Company and authorized the issuance of common stock upon exercise of such options for up to 140,000 shares. All options are granted at or above market price, 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, 2007, there were 58,500 shares available for grant under the Plan. The per share weighted-average fair value of the stock options granted on May 15, 2006 was \$31.276 per option using the Black-Scholes pricing model with the following assumptions: expected dividend yield of 0.64%, risk-free interest rate of 5.08%, expected volatility of 21.1%, and expected life of 7 years. The per share weighted-average fair value of the stock options granted on July 17, 2006 was \$33.045 per option using the Black-Scholes pricing model with the following assumptions: expected dividend yield of 0.61%, risk-free interest rate of 5.04%, expected volatility of 21.2%, and expected life of 7 years.

The following summarizes activity in the stock option plans for the years ended March 31, 2007, 2006 and 2005:

	Number of shares	Weighted Average Exercise Price
Balance at April 1, 2004	54,500	\$70.004
Granted	7,500	76.000
Exercised	-	-
Canceled	(13,500)	79.870
Balance at March 31, 2005	48,500	68.186
Granted	-	-
Exercised	(3,200)	65.000
Canceled	-	-
Balance at March 31, 2006	45,300	68.411
Granted	57,500	94.136
Exercised	(25,800)	69.568
Canceled	(24,500)	89.482
Balance at March 31, 2007	52,500	\$86.184

At March 31, 2007, the range of exercise prices and weighted-average remaining contractual life of outstanding options was \$65.00 to \$98.44 and 7.78 years, respectively. The total intrinsic value of options exercised during the year ended March 31, 2007 was \$571,565, with the exercise prices ranging from \$65.00 to \$77.00 per share. New shares were issued for the \$1,794,850 cash received from option exercises for the year ended March 31, 2007.

At March 31, 2007, 2006 and 2005, the number of options exercisable was 8,515, 29,500 and 25,650, respectively and the weighted-average exercise price of those options was \$69.15, \$69.01 and \$68.98, 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. Effective April 1, 2007, the vesting period will be three years. During the three years ended March 31, 2007, the Company made contributions to the ESOP, which were charged against net investment income, of \$84,488 in 2007, \$99,167 in 2006 and \$93,588 in 2005.

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, 2007.

The following tables set forth the qualified plan's benefit obligations and fair value of plan assets at March 31, 2007, 2006 and 2005:

	Years Ended March 31		
	2007	2006	2005
Change in benefit obligation			
Benefit obligation at beginning of year.....	\$ 4,004,017	\$ 3,833,411	\$ 3,799,113
Service cost.....	103,342	95,590	92,434
Interest cost.....	230,711	223,374	214,076
Actuarial loss.....	68,854	228,122	94,812
Benefits paid.....	(386,982)	(376,480)	(367,024)
Plan change.....	(54,842)	-	-
Benefit obligation at end of year	<u>\$ 3,965,100</u>	<u>\$ 4,004,017</u>	<u>\$ 3,833,411</u>
Change in plan assets			
Fair value of plan assets at beginning of year.....	\$11,640,693	\$ 9,326,254	\$10,030,763
Actual return on plan assets.....	1,719,581	2,690,919	(337,485)
Benefits paid.....	(386,982)	(376,480)	(367,024)
Fair value of plan assets at end of year.....	<u>\$12,973,292</u>	<u>\$11,640,693</u>	<u>\$ 9,326,254</u>

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

	March 31	
	2007	2006
Actuarial present value of benefit obligations:		
Accumulated benefit obligation.....	<u>\$(3,435,396)</u>	<u>\$(3,475,899)</u>
Projected benefit obligation for service rendered to date.....	<u>\$(3,965,100)</u>	<u>\$(4,004,017)</u>
Plan assets at fair value*.....	<u>12,973,292</u>	<u>11,640,693</u>
Funded status.....	<u>9,008,192</u>	<u>7,636,676</u>
Unrecognized net (gain)loss from past experience different from that assumed and effects of changes in assumptions.....	<u>(1,761,054)</u>	<u>(670,478)</u>
Unrecognized prior service costs.....	<u>132,904</u>	<u>195,281</u>
Additional asset, FAS 158.....	<u>1,628,150</u>	<u>-</u>
Prepaid pension cost included in other assets	<u>\$ 9,008,192</u>	<u>\$ 7,161,479</u>

\*Primarily equities and bonds including approximately 25,000 shares of common stock of the Company.

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

	Years Ended March 31		
	2007	2006	2005
Service cost - benefits earned during the year.....	\$103,342	\$ 95,590	\$ 92,434
Interest cost on projected benefit obligation.....	230,711	223,374	214,076
Expected return on assets.....	(580,104)	(551,026)	(564,627)
Net amortization.....	27,487	38,897	(66,280)
Net pension benefit from qualified plan	<u>\$(218,564)</u>	<u>\$(193,165)</u>	<u>\$(324,397)</u>

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, 2007, 2006 and 2005:

	Years Ended March 31		
	2007	2006	2005
Change in benefit obligation			
Benefit obligation at beginning of year.....	\$1,280,542	\$1,302,368	\$1,414,091
Service cost.....	20,245	19,094	10,380
Interest cost.....	68,937	72,886	74,711
Actuarial (gain) loss.....	(36,529)	40,867	(32,685)
Benefits paid.....	(144,170)	(154,673)	(164,129)
Plan change.....	(10,134)	-	-
Benefit obligation at end of year	<u>\$1,178,891</u>	<u>\$1,280,542</u>	<u>\$1,302,368</u>

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	
	2007	2006
Projected benefit obligation.....	\$(1,178,891)	\$(1,280,542)
Unrecognized net loss from past experience different from that assumed and effects of changes in assumptions	56,523	93,049
Unrecognized prior service costs.....	(234,144)	(239,573)
Additional asset, FAS 158.....	177,621	-
Accrued pension cost included in other liabilities.....	<u>\$(1,178,891)</u>	<u>\$(1,427,066)</u>

The Retirement Restoration Plan expenses recognized during the years ended March 31, 2007, 2006 and 2005 of \$73,619, \$76,417 and \$69,528, 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		
	2007	2006	2005
Discount rate.....	6.0%	5.75%	5.75%
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		
	2007	2006	2005
Discount rate.....	5.75%	5.75%	5.75%
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:

Asset Category	Percentage of plan assets at March 31	
	2007	2006
Equity securities.....	79.1%	83.6%
Debt securities.....	11.4%	12.9%
Cash .....	9.5%	3.5%
	<u>100.0%</u>	<u>100.0%</u>

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 18% 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 2013-2017:

(In Thousands)	Years Ended March 31					2013- 2017
	2008	2009	2010	2011	2012	
	\$357	\$337	\$316	\$294	\$281	\$1,136

Incremental effect of applying FASB Statement No. 158 on individual line items in the Statement of Financial Condition:

	March 31, 2007		
	Before Application Of Statement 158	Adjustments	After application of Statement 158
	Other assets.....	\$ 7,542,035	\$1,628,150
Other liabilities.....	1,635,468	(177,621)	1,457,847
Deferred income taxes.....	212,842,660	632,020	213,474,680
Additional capital.....	10,047,850	1,173,751	11,221,601
Net assets at market or fair value	513,169,761	1,173,751	514,343,512

#### 8. Commitments

The Company has agreed, subject to certain conditions, to invest up to \$9,891,281 in three portfolio companies.

The Company leases office space under an operating lease which requires base annual rentals of approximately \$80,000 through February, 2008. For the three years ended March 31, total rental expense charged to investment income was \$79,979 in 2007, \$76,877 in 2006 and \$75,248 in 2005.

#### 9. Sources of Income

Income was derived from the following sources:

Years Ended March 31	Investment Income			Realized Gain (Loss) on Investments Before Income Taxes
	Interest	Dividends	Other Income	
2007				
Companies more than 25% owned.....	\$ -	\$3,449,558	\$659,500	\$31,070,149
Companies 5% to 25% owned.....	125,733	171,578	20,000	-
Companies less than 5% owned.....	938,761	333,739	29,400	(5,023,154)
Other sources, including temporary investments.....	1,244,166	-	-	-
	<u>\$2,308,660</u>	<u>\$3,954,875</u>	<u>\$708,900</u>	<u>\$26,046,995</u>
2006				
Companies more than 25% owned.....	\$ -	\$2,926,964	\$642,500	\$ -
Companies 5% to 25% owned.....	(55,236)	188,233	10,000	-
Companies less than 5% owned.....	302,622	370,233	195,570	20,278,566
Other sources, including temporary investments.....	258,150	-	-	-
	<u>\$505,536</u>	<u>\$3,485,430</u>	<u>\$848,070</u>	<u>\$20,278,566</u>

2005				
-----				
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)
	=====	=====	=====	=====

Selected Per Share Data and Ratios

Per Share Data	Years Ended March				
	2007	2006	2005	2004	2003
Investment income.....	\$ 1.79	\$ 1.25	\$ 1.26	\$ 1.22	\$ 1.06
Operating expenses.....	(.57)	(.51)	(.51)	(.39)	(.30)
Interest expense.....	(.12)	(.11)	(.11)	(.14)	(.12)
Income taxes.....	(.01)	(.01)	(.02)	(.02)	(.04)
	-----	-----	-----	-----	-----
Net investment income.....	1.09	.62	.62	.67	.60
Distributions from undistributed net investment income.....	(.60)	(.60)	(.60)	(.60)	(.60)
Net realized gain (loss) on investments.....	4.20	3.40	(1.57)	2.13	.35
Net increase (decrease) in unrealized appreciation of investments after deferred taxes.....	24.80	20.90	4.64	19.37	(11.85)
Exercise of employee stock options*.....	(.21)	(.02)	--	(.14)	--
Stock option expense.....	.04	--	--	--	--
Adjustment to initially apply FASB No. 158, net of tax.....	.30	--	--	--	--
	-----	-----	-----	-----	-----
Increase (decrease) in net asset value.....	29.62	24.30	3.09	21.43	(11.50)
Net asset value					
Beginning of year.....	102.74	78.44	75.35	53.92	65.42
End of year.....	\$ 132.36	\$ 102.74	\$ 78.44	\$ 75.35	\$ 53.92
	=====	=====	=====	=====	=====
Increase (decrease) in deferred taxes on unrealized appreciation .....	\$ 12.93	\$ 11.29	\$ 2.57	\$ 10.09	\$ (6.35)
Deferred taxes on unrealized appreciation:					
Beginning of year.....	41.65	30.36	27.79	17.70	24.05
End of year.....	\$ 54.58	\$ 41.65	\$ 30.36	\$ 27.79	\$ 17.70
	=====	=====	=====	=====	=====
Ratios and Supplemental Data					
Ratio of operating expenses to average net assets.....	.50%	.58%	.67%	.63%	.52%
Ratio of operating expenses to average net assets plus average deferred taxes on unrealized appreciation .....	.36%	.42%	.49%	.47%	.39%
Ratio of net investment income to average net assets.....	.96%	.71%	.83%	1.09%	1.04%
Portfolio turnover rate.....	0.13%	2.36%	.56%	3.74%	1.53%
Net asset value total return.....	32.41%	33.69%	4.90%	41.16%	(16.75)%
Shares outstanding at end of period (000s omitted).....	3,886	3,860	3,857	3,857	3,829

\* 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, 2007. 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, 2007, the Company's internal control over financial reporting was 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 25, 2007

/s/ William R. Thomas  
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

Board of Directors and Shareholders  
Capital Southwest Corporation

We have audited management's assessment, included in Management's Report on Internal Control Over Financial Reporting, that Capital Southwest Corporation and subsidiaries (the "Company") maintained effective internal control over financial reporting as of March 31, 2007, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). 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). 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 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, 2007, is fairly stated, in all material respects, based on criteria established in Internal Control-Integrated Framework issued by 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, 2007, based on criteria established in Internal Control-Integrated Framework issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial condition of Capital Southwest Corporation and subsidiaries as of March 31, 2007 and 2006, including the portfolio of investments as of March 31, 2007, and the related consolidated statements of operations, changes in net assets, cash flows, and the selected per share data and ratios for each of the three years in the period ended March 31, 2007, and our report dated May 25, 2007 expressed an unqualified opinion on those financial statements and per share data and ratios.

/s/Grant Thornton LLP

Dallas, Texas  
May 25, 2007

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders  
Capital Southwest Corporation

We have audited the accompanying consolidated statements of financial condition of Capital Southwest Corporation (a Texas Corporation) and subsidiaries (the "Company") as of March 31, 2007 and 2006, including the portfolio of investments as of March 31, 2007, and the related consolidated statements of operations, changes in net assets, cash flows, and the selected per share data and ratios for each of the three years in the period ended March 31, 2007. These financial statements and per share data and ratios are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and per share data and ratios based on our audits. The selected per share data and ratios for the year ended March 31, 2004, were audited by other independent certified public accountants whose report dated May 12, 2004, expressed an unqualified opinion. The selected per share data and ratios for the year ended March 31, 2003, were audited by other independent certified public accountants whose report dated April 25, 2003, expressed an unqualified opinion.

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. Our procedures included verification by examination of securities held by the custodian as of March 31, 2007 and 2006, 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 audits provide 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 as of March 31, 2007 and 2006, and the consolidated results of operations, changes in net assets, cash flows, and the selected per share data and ratios for each of the three years in the period ended March 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 5 to the consolidated financial statements, the Company adopted the provisions of Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment, effective April 1, 2006. As described in Note 7 to the consolidated financial statements, the Company also adopted the provisions of FASB Statement of Financial Accounting Standards No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans: An Amendment of FASB Statements No. 87, 88, 106, and 132(R), effective March 31, 2007.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Company's internal control over financial reporting as of March 31, 2007, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated May 25, 2007, expressed an unqualified opinion on management's assessment that the Company's internal control over financial reporting as of March 31, 2007, was effective and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of March 31, 2007.

/S/GRANT THORNTON LLP

Dallas, Texas  
May 25, 2007

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

Results of Operations

The composite measure of the Company's financial performance in the Consolidated Statements of Operations is captioned "Increase 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 or benefit. The third element is the "Net increase 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 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 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 \$1,187,676 in 2007, \$257,374 in 2006 and \$35,048 in 2005. The Company also receives management fees primarily from its wholly-owned portfolio companies which aggregated \$626,400 in 2007, \$792,570 in 2006 and \$597,000 in 2005. During the three years ended March 31, 2007, the Company recorded dividend income from the following sources:

	Years Ended March 31		
	2007	2006	2005
Alamo Group Inc. ....	\$ 677,112	\$ 677,112	\$ 677,112
Balco, Inc. ....	-	252,960	252,960
Dennis Tool Company.....	62,499	49,999	25,000
Kimberly-Clark Corporation.....	154,360	142,011	127,347
Lifemark Group.....	600,000	600,000	600,000
PalletOne, Inc.....	89,842	179,685	80,858
The RectorSeal Corporation.....	1,869,947	1,106,893	960,000
Sprint Nextel Corporation.....	9,000	18,000	45,000
TCI Holdings, Inc.....	81,270	81,270	81,270
The Whitmore Manufacturing Company..	240,000	240,000	846,273
Other.....	170,845	137,500	82,370
	-----	-----	-----
	\$3,954,875	\$3,485,430	\$3,778,190
	=====	=====	=====

Total operating expenses, excluding interest expense, increased by \$270,833 or 13.9% during the year ended March 31, 2007. 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.

Net Realized Gain (Loss) on Investments

Net realized gain on investments was \$16,334,000 (after income tax expense of \$9,712,995) during the year ended March 31, 2007, compared with a gain of \$13,115,874 (after income tax expense of \$7,162,692) during 2006 and a loss of \$6,065,814 (after income tax benefit of \$4,046,206) during 2005. 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 in Unrealized Appreciation of Investments

For the three years ended March 31, the Company recorded an increase in unrealized appreciation of investments before income taxes of \$147,681,609, \$124,355,303 and \$27,809,654 in 2007, 2006 and 2005, 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		
	2007	2006	2005
Alamo Group Inc. ....	\$ 2,821,000	\$ (5,642,000)	\$19,749,000
Encore Wire Corporation.....	(12,260,000)	49,041,000	(27,245,000)
Heelys, Inc.....	170,040,908	27,000,000	1,400,000
Hologic, Inc.....	715,086	12,472,883	1,836,760
Media Recovery, Inc.....	3,000,000	15,744,000	9,256,000
Palm Harbor Homes, Inc.....	(27,493,000)	27,493,000	(15,710,000)
The RectorSeal Corporation....	10,500,000	15,000,000	12,500,000

On December 8, 2006, the Company realized a significant gain on the sale of a small fraction of its Heelys investment, and during the year ended March 31, 2007, the value of our remaining Heelys stock increased from the March 31, 2006 value by \$170,040,908. This was attributable to the increases in Heelys sales and earnings during 2006 and the market interest in the initial public offering of Heelys common stock on December 8, 2006. The offering totaled 7,393,750 shares at \$21.00 per share. A total of 4,268,750 shares were sold by selling stockholders including 1,591,790 shares sold by our Company.

Offsetting part of the major increase in Heelys' value during the year ended March 31, 2007 was a decrease of \$27,493,000 in the value of the restricted stock of Palm Harbor Homes, Inc., which experienced an earnings decline in the face of unfavorable industry conditions.

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, 2007."

#### 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, 2007 consolidated deferred Federal income taxes of \$212,102,000 were provided on net unrealized appreciation of investments of \$609,512,736 compared with deferred taxes of \$160,764,000 on net unrealized appreciation of \$461,831,127 at March 31, 2006. Deferred income taxes at March 31, 2007 and 2006 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, 2007, the Company invested \$803,269 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 2006 and 2005 fiscal years, the Company invested a total of \$15,054,741 and \$2,280,690, respectively.

#### Financial Liquidity and Capital Resources

At March 31, 2007, the Company had cash and cash equivalents of approximately \$38.8 million. Pursuant to Small Business Administration (SBA) regulations, cash and cash equivalents of \$3.1 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 \$16.4 million. The Company also has an unsecured \$25.0 million revolving line of credit from a commercial bank, of which \$25.0 million was available at March 31, 2007. 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 39 years. Retention of future gains is viewed as an important source of funds to sustain the Company's investment activity. Approximately \$61.9 million of the Company's investment portfolio is represented by unrestricted publicly-traded securities 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 Lifemark Group, The RectorSeal Corporation and The Whitmore Manufacturing Company, wholly-owned portfolio companies of the Company, to the extent of their available cash reserves and borrowing capacities.

Management believes that the Company's cash and cash equivalents and cash available from other sources described above are adequate to meet its expected

requirements. Consistent with the long-term strategy of the Company, the disposition of investments from time to time may also be an important source of funds for future investment activities.

#### Contractual Obligations

As shown below, the Company had the following contractual obligations as of March 31, 2007. For further information see Note 4 and Note 8 of the Consolidated Financial Statements.

Contractual Obligations	Payments Due By Period (\$ in Thousands)				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Long-term debt obligations	\$ --	--	\$ --	--	--
Capital lease obligations	--	--	--	--	--
Operating lease obligations	80	--	80	--	--
Purchase obligations	--	--	--	--	--
Other long-term liabilities reflected on the Company's balance sheet under GAAP	--	--	--	--	--
<b>Total</b>	<b>\$ 80</b>	<b>--</b>	<b>\$ 80</b>	<b>--</b>	<b>--</b>

#### 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.

##### 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)

	1997	1998	1999	2000	2001	2002	2003	2004
<b>Financial Position (as of March 31)</b>								
Investments at cost.....	\$ 59,908	\$ 61,154	\$ 73,580	\$ 85,002	\$ 87,602	\$ 82,194	\$ 91,462	\$ 97,283
Unrealized appreciation.....	233,383	340,132	276,698	238,627	228,316	265,287	195,598	309,666
Investments at market or fair value.....	293,291	401,286	350,278	323,629	315,918	347,481	287,060	406,949
Total assets.....	310,760	522,324	360,786	392,586	322,668	357,183	298,490	423,979
Notes payable *.....	5,000	5,000	5,000	10,000	16,000	14,000	23,000	20,500
Deferred taxes on unrealized appreciation...	81,313	118,674	96,473	83,151	79,310	92,107	67,790	107,169
Net assets.....	218,972	296,023	256,232	236,876	226,609	250,491	206,467	290,623
Shares outstanding.....	3,767	3,788	3,815	3,815	3,815	3,829	3,829	3,857
<b>Changes in Net Assets (years ended March 31)</b>								
Net investment income.....	\$ 2,574	\$ 2,726	\$ 1,762	\$ 1,663	\$ 1,723	\$ 2,042	\$ 2,299	\$ 2,587
Net realized gain (loss) on investments.....	6,806	6,485	995	6,020	(3,231)	(538)	1,346	8,192
Net increase (decrease) in unrealized appreciation before distributions.....	22,804	69,388	(41,233)	(24,750)	(6,470)	24,174	(45,372)	74,689
Increase (decrease) in net assets from operations before distributions.....	32,184	78,599	(38,476)	(17,067)	(7,978)	25,678	(41,727)	85,468
Cash dividends paid.....	(2,260)	(2,268)	(2,280)	(2,289)	(2,289)	(2,295)	(2,297)	(2,309)
Employee stock options exercised.....	-	720	965	-	-	499	-	997
Stock option expense.....	-	-	-	-	-	-	-	-
Adjustment to initially apply FASB Statement No. 158, net of tax	-	-	-	-	-	-	-	-
Increase (decrease) in net assets	29,924	77,051	(39,791)	(19,356)	(10,267)	23,882	(44,024)	84,156
<b>Per Share Data (as of March 31)</b>								
Deferred taxes on unrealized appreciation...	\$ 21.59	\$ 31.33	\$ 25.29	\$ 21.80	\$ 20.79	\$ 24.05	\$ 17.70	\$ 27.79
Net assets.....	58.13	78.15	67.16	62.09	59.40	65.42	53.92	75.35
Closing market price.....	67.875	94.00	73.00	54.75	65.00	68.75	48.15	75.47
Cash dividends paid.....	.60	.60	.60	.60	.60	.60	.60	.60

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

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

	2005	2006	2007
<hr/>			
Financial Position (as of March 31)			
Investments at cost.....	\$ 84,546	\$ 88,597	\$ 71,642
Unrealized appreciation.....	337,476	461,831	609,513
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Investments at market or fair value.....	422,022	550,428	681,155
Total assets.....	434,384	569,368	729,507
Notes payable *.....	13,000	8,000	-
Deferred taxes on unrealized appreciation...	117,094	160,764	212,102
Net assets.....	302,534	396,618	514,344
Shares outstanding.....	3,857	3,860	3,886
<hr/>			
Changes in Net Assets (years ended March 31)			
Net investment income.....	\$ 2,406	\$ 2,389	\$ 4,233
Net realized gain (loss) on investments.....	(6,066)	13,116	16,334
Net increase (decrease) in unrealized appreciation before distributions.....	17,885	80,685	96,344
<hr/>			
Increase (decrease) in net assets from operations before distributions.....	14,225	96,190	116,911
Cash dividends paid.....	(2,314)	(2,314)	(2,323)
Employee stock options exercised.....	-	208	1,795
Stock option expense.....	-	-	169
Adjustment to initially apply FASB Statement No. 158, net of tax	-	-	1,173
<hr/>			
Increase (decrease) in net assets	11,911	94,084	117,725
<hr/>			
Per Share Data (as of March 31)			
Deferred taxes on unrealized appreciation...	\$ 30.36	\$ 41.65	\$ 54.58
Net assets.....	78.44	102.74	132.36
Closing market price.....	79.10	95.50	153.67
Cash dividends paid.....	.60	.60	.60

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

## 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, 2007. This total does not include an estimated 4,000 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 Global 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, 2005.....	\$89.68	\$74.98
September 30, 2005.....	95.18	81.84
December 31, 2005.....	92.71	82.10
March 31, 2006.....	99.01	89.24

Quarter Ended	High	Low
June 30, 2006.....	\$104.45	\$ 90.65
September 30, 2006.....	121.00	96.47
December 31, 2006.....	154.36	115.33
March 31, 2007.....	155.99	122.05

### Dividends

The payment dates and amounts of cash dividends per share since April 1, 2005 are as follows:

Payment Date	Cash Dividend
May 31, 2005.....	\$0.20
November 30, 2005.....	0.40
May 31, 2006.....	0.20
November 30, 2006.....	0.40
May 31, 2007.....	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 16, 2007, at 10:00 a.m. in the North Dallas Bank Tower Meeting Room (second floor), 12900 Preston Road, Dallas, Texas.



CAPITAL SOUTHWEST CORPORATION

List of Subsidiaries

Name of Subsidiary	State of Incorporation
Balco, Inc.	Delaware
Humac Company	Texas
Media Recovery, Inc.	Nevada
The RectorSeal Corporation	Delaware
Lifemark Group (formerly Skylawn Corporation)	Nevada
The Whitmore Manufacturing Company	Delaware

Consent of Registered Independent Public Accounting Firm

We have issued our reports dated May 25, 2007, accompanying the consolidated financial statements and management's assessment of the effectiveness of internal control over financial reporting included in the Annual Report of Capital Southwest Corporation and subsidiaries on Form 10-K for the year ended March 31, 2007 which are incorporated by reference in the March 31, 2007 Annual Report on Form 10-K of this Registration Statement. We consent to the incorporation by reference of the aforementioned reports in the Registration Statement of Capital Southwest Corporation and subsidiaries on Form S-8 (File No. 33-43881).

/s/ GRANT THORNTON LLP

May 25, 2007  
Dallas, Texas

## 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 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 25, 2007  
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By: /s/ William R. Thomas  
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William R. Thomas, President  
and Chairman of the Board

## 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 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 25, 2007  
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By: /s/ Susan K. Hodgson  
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Susan K. Hodgson, Secretary-Treasurer

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 25, 2007 ("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 25, 2007  
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By: /s/ William R. Thomas  
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William R. Thomas, President  
and Chairman of the Board

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 25, 2007 ("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 25, 2007  
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/s/ Susan K. Hodgson  
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Susan K. Hodgson, Secretary-Treasurer