UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended **September 30, 2015**

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: **814-00061**

CAPITAL SOUTHWEST CORPORATION
(Exact name of registrant as specified in its charter)

Texas	**75-1072796**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
5400 Lyndon B Johnson Freeway, Dallas, Texas	**75240**
(Address of principal executive offices)	(Zip Code)

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

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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such filings). Yes ☒ No ☐

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

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☐

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

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.

15,583,332 shares of Common Stock, $0.25 value, as of November 5, 2015.

TABLE OF CONTENTS

PART I	FINANCIAL INFORMATION	Page
Item 1.	Consolidated Financial Statements	3
	Consolidated Statements of Assets and Liabilities September 30, 2015 (Unaudited) and March 31, 2015	3
	Consolidated Statements of Operations (Unaudited) For the three and six months ended September 30, 2015 and September 30, 2014	4
	Consolidated Statements of Changes in Net Assets (Unaudited) For the six months ended September 30, 2015 and September 30, 2014	5
	Consolidated Statements of Cash Flows (Unaudited) For the six months ended September 30, 2015 and September 30, 2014	6
	Consolidated Schedule of Investments September 30, 2015 (Unaudited) and March 31, 2015	7
	Notes to Consolidated Financial Statements	15
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	35
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	40
Item 4.	Controls and Procedures	40
PART II	OTHER INFORMATION	
Item 1.	Legal Proceedings	41
Item 1A.	Risk Factors	41
Item 6.	Exhibits	45
Signatures		46

PART I – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES
(In thousands of dollars, except shares and per share data)

	September 30, 2015	March 31, 2015
Assets	(Unaudited)	
Investments at market or fair value		
Control investments (Cost: September 30, 2015 - $5,415, March 31, 2015 - $12,396)	$ 31,325	$ 489,415
Affiliate investments (Cost: September 30, 2015 - $5,444, March 31, 2015 - $6,944)	5,191	8,345
Non-Control/Non-Affiliate investments (Cost: September 30, 2015 - $62,215, March 31, 2015 - $45,620)	56,823	37,776
Total investments (Cost: September 30, 2015 - $73,074, March 31, 2015 - $64,960)	93,339	535,536
Cash and cash equivalents	184,111	225,797
Receivables		
Dividends and interest	296	77
Other	5,326	4,246
Income tax receivable	308	95
Net pension assets	-	10,294
Deferred tax asset	1,649	-
Other assets	621	827
Total assets	$ 285,650	$ 776,872
Liabilities		
Other liabilities	$ 7,830	$ 4,923
Accrued restoration plan liability	2,229	3,119
Deferred income taxes	-	1,412
Total liabilities	10,059	9,454
Commitments and Contingencies (Note 9)		
Net Assets		
Common stock, $0.25 par value: authorized, 25,000,000 shares; issued, 17,922,844 shares at September 30, 2015 and 17,904,844 shares at March 31, 2015	4,481	4,476
Additional capital	273,171	298,338
Accumulated net investment loss	(18,097)	(4,390)
Accumulated net realized gain	19,708	22,355
Unrealized appreciation of investments	20,265	470,576
Treasury stock - at cost, 2,339,512 shares	(23,937)	(23,937)
Total net assets	275,591	767,418
Total liabilities and net assets	$ 285,650	$ 776,872
Net asset value per share (15,583,332 shares outstanding at September 30, 2015 and 15,565,332 at March 31, 2015)	$ 17.68	$ 49.30

The accompanying Notes are an integral part of these Consolidated Financial Statements.

CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2015	2014	2015	2014
Investment income:				
Interest	$ 945	$ 80	$ 1,404	$ 220
Dividends	-	575	300	1,075
Management fees and other income	133	140	338	280
	1,078	795	2,042	1,575
Operating expenses:				
Compensation expense	3,411	1,095	4,623	2,397
Share-based compensation expense	370	77	729	192
Net pension benefit	(105)	(184)	(175)	(140)
Corporate Professional Fees	402	251	702	641
Spin-off Professional Fees	5,474	-	6,712	-
Other operating expenses	773	506	1,498	985
	10,325	1,745	14,089	4,075
Loss before income taxes	(9,247)	(950)	(12,047)	(2,500)
Income tax expense	88	289	118	222
Net investment loss	$ (9,335)	$ (1,239)	$ (12,165)	$ (2,722)
Proceeds from disposition of investments and return of capital	$ 8,500	$ 50,278	$ 16,393	$ 53,481
Cost of investments sold	(11,896)	(3,885)	(19,041)	(22,801)
Net realized (loss) gain on investments	(3,396)	46,393	(2,648)	30,680
Net increase (decrease) in unrealized appreciation of investments	3,783	(75,744)	5,879	(38,827)
Net realized and unrealized gain (losses) on investments	387	(29,351)	3,231	(8,147)
Decrease in net assets from operations	$ (8,948)	$ (30,590)	$ (8,934)	$ (10,869)

The accompanying Notes are an integral part of these Consolidated Financial Statements.

CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
(Unaudited)
(In thousands)

	Six Months Ended September 30,	
	2015	2014
Operations:		
Net investment loss	$ (12,165)	$ (2,722)
Net realized (loss) gain on investments	(2,648)	30,680
Net increase(decrease) in unrealized appreciation of investments	5,879	(38,827)
Decrease in net assets from operations	(8,934)	(10,869)
Distributions from:		
Undistributed net investment loss	(1,542)	(1,541)
Distributions of CSW Industrials, Inc.		
Decrease in unrealized appreciation related to spin-off investments	(456,189)	-
Distribution from additional capital	(26,278)	-
Capital share transactions:		
Exercise of employee stock options	387	101
Share-based compensation expense	729	192
Decrease in net assets	(491,827)	(12,117)
Net assets, beginning of period	767,418	770,388
Net assets, end of period	$ 275,591	$ 758,271

The accompanying Notes are an integral part of these Consolidated Financial Statements.

CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Six Months Ended September 30, 2015	2014
Cash flows from operating activities		
Decrease in net assets from operations	$ (8,934)	$ (10,869)
Adjustments to reconcile increase in net assets from operations to net cash provided by (used in) operating activities:		
Net proceeds from disposition of investments	15,749	53,405
Return of capital on investments	646	76
Purchases of securities	(34,136)	(76)
Depreciation and amortization	36	9
Net pension benefit	(284)	(290)
Net realized (gain) losses on investments	2,648	(30,680)
Net (increase) decrease in unrealized appreciation of investments	(5,879)	38,827
Share-based compensation expense	729	192
Increase in dividend and interest receivable	(219)	508
Increase in receivables from brokerage firm	-	(13,664)
Increase in other receivables	(1,080)	(663)
Increase in income tax receivable	(212)	(329)
Decrease (Increase) in other assets	167	(203)
Increase (decrease) in other liabilities	2,907	(265)
Decrease in deferred income taxes	331	249
Net cash (used in) provided by operating activities	(27,531)	36,227
Cash flows from financing activities		
Distributions from undistributed net investment income	(1,542)	(1,541)
Proceeds from exercise of employee stock options	387	101
Distribution to CSW Industrials	(13,000)	-
Net cash used in financing activities	(14,155)	(1,440)
Net (decrease) increase in cash and cash equivalents	(41,686)	34,787
Cash and cash equivalents at beginning of period	225,797	88,163
Cash and cash equivalents at end of period	$ 184,111	$ 122,950
Summary of Non-Cash Financing Activities[1]		
Cost of Investments spun-off	$ 6,981	-
Decrease in unrealized appreciation	456,189	-
Net Pension Assets	9,687	-
Decrease in deferred tax liabilities	$ 3,391	-

[1] These non-cash items are related to the spin-off of CSW Industrials Inc. at September 30, 2015.

The accompanying Notes are an integral part of these Consolidated Financial Statements.

CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF INVESTMENTS
(Unaudited)
September 30, 2015

Company (a)	Equity (b)	Investment (c)	Cost	Value (d)
BDF ACQUISITION CORP. **Manchester, Connecticut** Retailer of value-priced furniture and home accents	0.0%	LIBOR plus 8.00% (Floor 1.00%), Current coupon: 9.00%; Senior secured debt, due 2-12-22 (acquired 8-7-15)	4,790,653	4,790,653
CAST AND CREW PAYROLL, LLC **Burbank, California** Provides bundled payroll services and workers' compensation solution to the entertainment and digital media markets	0 0%	LIBOR plus 7.75% (Floor 1.00%), Current coupon: 8.75%; Senior secured debt, due 8-12-23 (acquired 8-27-15)	4,969,011	4,969,011
DEEPWATER CORROSION SERVICES, INC. **Houston, Texas** Full-service corrosion control company providing the oil and gas industry with expertise in cathodic protection and asset integrity management.	41.1%	127,004 shares of Series A convertible preferred stock, convertible into 127,004 shares of common stock at $1.00 per shares (acquired 4-9-13)	8,000,000	4,854,000
FREEDOM TRUCK FINANCE, LLC **Dallas, Texas** Provides sub-prime loans to independent owner operators for commercial, heavy-duty trucks	0.0%	PRIME plus 9.75% (Floor 3.25%), Current coupon: 13.00%; Senior secured debt, due 4-5-16 (acquired 9-22-15)	5,378,239	5,378,239
iMEMORIES, INC. **Scottsdale, Arizona** Enables online video and photo sharing and DVD creation for home movies recorded in analog and new digital format.	24.5%	17,391,304 shares of Series B Convertible Preferred Stock, convertible into 19,891,304 shares of common stock at $0.23 per share (acquired 7-10-09)	4,000,000	–
		4,684,967 shares of Series C Convertible Preferred Stock, convertible into 4,684,967 shares of common stock at $0.23 per share (acquired 7-20-11)	1,078,479	–
		10% convertible notes, $308,000 principal due 7-31-16(acquired 9-7-12)	308,000	–
		10% convertible notes, $880,000 principal due 7-31-16 (acquired 3-15-13)	880,000	–
		18% notes, $148,507 principal due 7-31-16 (acquired 11-3-14)	148,507	171,000
			6,414,986	171,000

¥ Control investment * Affiliated investment ‡Disqualifying Investments

The accompanying Notes are an integral part of these Consolidated Financial Statements.

CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF INVESTMENTS
(Unaudited)
September 30, 2015

***kSEP HOLDINGS, INC.** **Durham, North Carolina** Manufacturer of single-use and scalable bioprocessing systems used in the area of recombinant therapeutics and cell therapy.	17.1%	861,591 shares of common stock (exchanged 03-24-15)	443,518	1,943,000
LTI HOLDINGS, INC. **Modesto, California** Diversified custom components manufacturer that provides highly engineered solutions to OEMs.	0.0%	LIBOR plus 9.25% (Floor 1.00%), Current coupon: 10.25%; Senior secured debt, due 4-17-23 (acquired 4-17-15)	6,830,283	6,830,283
¥MEDIA RECOVERY, INC. **Dallas, Texas** Computer datacenter and office automation supplies and accessories; impact, tilt monitoring and temperature sensing devices to detect mishandling shipments; dunnage for protecting shipments.	97.9%	800,000 shares of Series A Convertible Preferred Stock, convertible into 800,000 shares of common stock at $1.00 per share (acquired 11-4-97)	800,000	5,200,000
		4,000,002 shares of common stock (acquired 11-4-97)	4,615,000	25,900,000
			5,415,000	31,100,000
PREPAID LEGAL SERVICES, INC. **Ada, Oklahoma** Provides subscription-based legal and identity theft plans to the North American market	0.0%	LIBOR plus 9.00% (Floor 1.25%), Current coupon: 10.25%; Senior secured debt, due 7-1-20 (acquired 9-28-15)	3,225,679	3,225,679
RESEARCH NOW GROUP, INC. **Plano, Texas** Provides data collection through online and mobile surveys using proprietary consumer and business panels.	0.0%	LIBOR plus 8.75% (Floor: 1.00%), Current coupon: 9.75%; Senior secured debt, due 3-18-22 (acquired 3-18-15)	6,900,585	6,900,585
ROYAL HOLDINGS, INC. **South Bend, Indiana** Manufactures high-value specialty adhesives and sealants for complex applications.	0.0%	LIBOR plus 7.50% (Floor: 1.00%), Current coupon: 8.50%; Senior secured debt, due 7-7-22 (acquired 7-7-15)	992,654	992,654
TITANLINER, INC. **Midland, Texas** Manufactures, installs and rents spill containment system for oilfield applications.	28.7%	339,277 shares of Series A Convertible Preferred Stock convertible into 339,277 shares of Series A Preferred Stock at $14.76 per share (acquired 6-29-12)	3,204,222	5,820,000
		8.5% senior subordinated secured promissory note, due 6-30-17 (acquired 6-29-12)	2,747,000	2,747,000
			5,951,222	8,567,000
TRAX DATA REFINERY, INC. **Scottsdale, Arizona** Provides a comprehensive set of solutions to improve the transportation validation, accounting, payment and information management process.	2.6%	211,368 shares of common stock (exchanged 3-19-15)	817,781	2,200,000
***WELLOGIX, INC.** **Houston, Texas** Developer and supporter of software used by the oil and gas industry.	18.9%	4,788,371 shares of Series A-1 Convertible Participating Preferred Stock, convertible into 4,788,371 shares of common stock at $1.04 per share (acquired 8-19-05 thru 6-15-08)	5,000,000	3,248,000

¥ Control investment * Affiliated investment ‡Disqualifying Investments
The accompanying Notes are an integral part of these Consolidated Financial Statements.

CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF INVESTMENTS
(Unaudited)
September 30, 2015

WINZER CORPORATION **Plano, Texas** Distributes fasteners, chemicals, tools and a wide variety of other products to customers in the industrial maintenance and repair, and automotive aftermarket sectors	0.0%	11% Secured subordinated debt, due 6-1-21 (acquired 6-1-15)	7,944,389	7,944,389
MISCELLANEOUS	100%	¥ ‡ Humac Company 1,041,000 shares of common stock (acquired 1-31-75 and 12-31-75)	–	225,000
TOTAL INVESTMENTS			$ 73,074,000	$ 93,339,493

¥ Control investment * Affiliated investment ‡Disqualifying Investments

The accompanying Notes are an integral part of these Consolidated Financial Statements.

CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2015

Company (a)	Equity (b)	Investment (c)	Cost	Value (d)
‡ **ATLANTIC CAPITAL BANCSHARES, INC** **Atlanta, Georgia** Holding company of Atlantic Capital Bank, a full service commercial bank.	1.9%	300,000 shares of common stock (acquired 4-10-07)	$ 3,000,000	$ 3,779,000
¥**BALCO, INC.** **Wichita, Kansas** Specialty architectural products used in the construction and remodeling of commercial and institutional buildings.	100.0%	445,000 shares of common stock and 60,920 shares Class B non-voting common stock (acquired 10-25-83 and 5-30-02)	624,920	5,100,000
***BOXX TECHNOLOGIES, INC.** **Austin, Texas** Workstations for computer graphic imaging and design.	14.9%	3,125,354 shares of Series B Convertible Preferred Stock, convertible into 3,125,354 shares of common stock at $0.50 per share (acquired 8-20-99 thru 8-8-01)	1,500,000	2,362,000
¥ **CAPSTAR HOLDINGS CORPORATION** **Dallas, Texas** Acquire, hold and manage real estate for potential development and sale.	100%	500 shares of common stock (acquired 6-10-10) and 1,000,000 shares of preferred stock (acquired 12-17-12)	4,703,619	10,871,000
DEEPWATER CORROSION SERVICES, INC. **Houston, Texas** full-service corrosion control company providing the oil and gas industry with expertise in cathodic protection and asset integrity management.	31.1%	127,004 shares of Series A convertible preferred stock, convertible into 127,004 shares of common stock at $1.00 per shares (acquired 4-9-13)	8,000,000	2,532,000
iMEMORIES, INC. **Scottsdale, Arizona** Enables online video and photo sharing and DVD creation for home movies recorded in analog and new digital format.	24.5%	17,391,304 shares of Series B Convertible Preferred Stock, convertible into 19,891,304 shares of common stock at $0.23 per share (acquired 7-10-09)	4,000,000	–
		4,684,967 shares of Series C Convertible Preferred Stock, convertible into 4,684,967 shares of common stock at $0.23 per share (acquired 7-20-11)	1,078,479	–
		10% convertible notes, $308,000 principal due 7-31-14 (acquired 9-7-12)	308,000	–
		10% convertible notes, $880,000 principal due 7-31-14 (acquired 3-15-13)	880,000	–
		18% notes, $148,507 principal due 7-31-15 (acquired 11-3-14)	148,507	159,000
			6,414,986	159,000
INSTAWARES HOLDING COMPANY, LLC **Atlanta, Georgia** Provides services to the restaurant industry via its five subsidiary companies.	4.2%	3,846,154 Class D Convertible Preferred Stock (acquired 5-20-11)	5,000,000	5,000,000
***kSEP HOLDINGS, INC.** **Durham, North Carolina** Manufacturer of single-use and scalable bioprocessing systems used in the area of recombinant therapeutics and cell therapy.	17.1%	861,591 shares of common stock (exchanged 03-24-15)	443,518	1,863,000

¥ Control investment * Affiliated investment ‡Disqualifying Investments

The accompanying Notes are an integral part of these Consolidated Financial Statements.

CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2015

¥MEDIA RECOVERY, INC. **Dallas, Texas** Computer datacenter and office automation supplies and accessories; impact, tilt monitoring and temperature sensing devices to detect mishandling shipments; dunnage for protecting shipments.	97.9%	800,000 shares of Series A Convertible Preferred Stock, convertible into 800,000 shares of common stock at $1.00 per share (acquired 11-4-97)	800,000	4,300,000
		4,000,002 shares of common stock (acquired 11-4-97)	4,615,000	21,700,000
			5,415,000	26,000,000
¥THE RECTORSEAL CORPORATION **Houston, Texas** Specialty chemicals for plumbing, HVAC, electrical, construction, industrial, oil field and automotive applications; smoke containment systems for building fires; also owns 20% of The Whitmore Manufacturing Company.	100.0%	27,907 shares of common stock (acquired 1-5-73 and 3-31-73)	52,600	358,200,000
RESEARCH NOW GROUP, INC. **Plano, Texas** Provides data collection through online and mobile surveys using proprietary consumer and business panels.	0.0%	LIBOR plus 8.75% (Floor: 1.00%), Current coupon: 9.75%; Senior secured debt, due 3-18-22 (acquired 3-18-15)	6,895,231	6,895,231
TITANLINER, INC. **Midland, Texas** Manufactures, installs and rents spill containment system for oilfield applications.	28.7%	339,277 shares of Series A Convertible Preferred Stock convertible into 339,277 shares of Series A Preferred Stock at $14.76 per share (acquired 6-29-12)	3,204,222	5,939,000
		8.5% senior subordinated secured promissory note, due 6-30-17 (acquired 6-29-12)	2,747,000	2,747,000
			5,951,222	8,686,000
TRAX DATA REFINERY, INC. **Scottsdale, Arizona** Provides a comprehensive set of solutions to improve the transportation validation, accounting, payment and information management process.	2.6%	211,368 shares of common stock (exchanged 3-19-15)	817,781	2,296,000
***WELLOGIX, INC.** **Houston, Texas** Developer and supporter of software used by the oil and gas industry.	18.9%	4,788,371 shares of Series A-1 Convertible Participating Preferred Stock, convertible into 4,788,371 shares of common stock at $1.04 per share (acquired 8-19-05 thru 6-15-08)	5,000,000	4,120,000
¥THE WHITMORE MANUFACTURING COMPANY **Rockwall, Texas** Specialized surface mining, railroad and industrial lubricants; coatings for automobiles and primary metals; fluid contamination control devices.	80.0%	80 shares of common stock (acquired 8-31-79)	1,600,000	89,000,000
MISCELLANEOUS	–	‡Ballast Point Ventures II, L.P. 2.1% limited partnership interest (acquired 8-4-08 thru 11-6-14)	2,634,790	3,288,000
	–	‡BankCap Partners Fund I, L.P. 5.5% limited partnership interest (acquired 7-14-06 thru 11-16-12)	5,071,514	4,771,000

¥ Control investment * Affiliated investment ‡Disqualifying Investments

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Table of Contents

CAPITAL SOUTHWEST CORPORATION AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF INVESTMENTS

March 31, 2015

	–	‡CapitalSouth Partners Fund III, L.P. 1.9% limited partnership interest (acquired 1-22-08 and 11-16-11)	433,403	232,000
	–	‡Diamond State Ventures, L.P. 1.4% limited partnership interest (acquired 10-12-99 thru 8-26-05)	-	16,000
	–	‡First Capital Group of Texas III, L.P. 3.0% limited partnership interest (acquired 12-26-00 thru 8-12-05)	778,895	108,000
	100%	¥ ‡Humac Company 1,041,000 shares of common stock (acquired 1-31-75 and 12-31-75)	–	244,000
	–	‡STARTech Seed Fund II 3.2% limited partnership interest (acquired 4-28-00 thru 2-23-05)	622,783	14,000
TOTAL INVESTMENTS			$ 64,960,262	$ 535,536,231

¥ Control investment * Affiliated investment ‡Disqualifying Investments

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Table of Contents

Notes to Consolidated Schedule of Investments

a) Companies

The description of the companies shown in the Consolidated Schedules of Investments were obtained from published reports and other sources believed to be reliable.

b) Equity

The percentages in the "Equity" column express equity interests held in each issuer collectively by each of Capital Southwest Corporation and its wholly-owned subsidiary, Capital Southwest Venture Corporation (together with Capital Southwest Corporation, the "Company"). Each percentage represents the amount of the issuer's common stock owned by the Company or which the Company has the right to acquire as a percentage of the issuer's total outstanding common stock, on a fully diluted basis. Ownership percentages shown in the Consolidated Schedules of Investments were obtained from published reports and other sources believed to be reliable.

(c) Investments

At September 30, 2015 and March 31, 2015, 100% of the consolidated investment portfolio are level 3 investments.

At September 30, 2015, approximately 33.6% of the Company's investment assets are control investments, 5.5% of the Company's investment assets are affiliate investments and 60.9% of the Company's investment assets are non-control investments. At March 31, 2015, approximately 91.4% of the Company's investment assets are control investments, 1.5% of the Company's investment assets are affiliate investments and 7.1% of the Company's investment assets are non-control investments. 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.

At September 30, 2015, cumulative gross unrealized appreciation for federal income tax purposes is $31.4 million; cumulative gross unrealized depreciation for federal income tax purposes is $11.1 million. Cumulative net unrealized appreciation is $20.3 million, based on a tax cost of $73.1 million. At March 31, 2015, cumulative gross unrealized appreciation for federal income tax purposes is $487.0 million; cumulative gross unrealized depreciation for federal income tax purposes is $13.5 million. Cumulative net unrealized depreciation is $473.5 million, based on a tax cost of $62.0 million.

(d) Value

Our investments are carried at fair value in accordance with the Investment Company Act of 1940 (the "1940 Act") and Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") 820, *Fair Value Measurements and Disclosures*. We determine in good faith the fair value of our Investment portfolio pursuant to a valuation policy in accordance with ASC 820 and a valuation process approved by our Board of Directors.

ASC 820 defines fair value in terms of the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and excludes transaction costs. Under ASC 820, the fair value measurement also assumes that the transaction to sell an asset occurs in the principal market for the asset or, in the absence of a principal market, the most advantageous market for the asset. The principal market is the market in which the reporting entity would sell or transfer the asset with the greatest volume and level of activity for the asset. In determining the principal market for an asset or liability under ASC 820, it is assumed that the reporting entity has access to the market as of the measurement date.

Debt securities are generally valued on the basis of the price the security would command in order to provide a yield-to-maturity equivalent to the present yield of comparable debt instruments of similar quality. For debt securities in which third-party quotes or other independent pricing are not available or appropriate, we generally estimate the fair value based on the assumptions that we believe hypothetical market participants would use to value the investment in a current hypothetical sale using the yield to maturity valuation method. Issuers whose debt securities are rated as poor credit quality and the doubtful collectability may instead be valued by considering other factors including the value attributable to the debt security from the enterprise value of the portfolio company or the proceeds that would most likely be received in a liquidation analysis.

The Board of Directors considers the financial condition and operating results of the portfolio company; the long-term potential of the business of the portfolio company; the market for and recent sales prices of the portfolio companies' securities; the values of similar securities issued by companies in similar businesses; and the proportion of the portfolio companies' securities owned by us. See Note 3 for our investment footnote. Investments in certain securities that calculate net asset value per share (or its equivalent) and for which fair market value is not readily determinable are valued using the net asset value per share (or its equivalent, such as member units or ownership interest in partners' capital to which a proportionate share of net assets is attributed) of the investment.

Equity warrants are valued using the Black-Scholes model which defines the market value of a warrant in relation to the market price of the underlying common stock, share price volatility, and time to maturity.

Notes to Consolidated Financial Statements

1. ORGANIZATION AND BASIS OF PRESENTATION

Organization

Capital Southwest Corporation (“CSWC” or “Capital Southwest”) is a publicly traded investment company. Our investment interests are focused on investments in a broad range of industry segments. We were organized as a Texas corporation on April 19, 1961. Until September 1969, we operated a small business investment company (“SBIC”) licensed under the Small Business Investment Act of 1958. At that time, CSWC transferred to its wholly-owned subsidiary, Capital Southwest Venture Corporation ("CSVC"), certain assets including our license as a “SBIC". CSVC is a closed-end, non-diversified investment company registered under the Investment Company Act of 1940, as amended (the "1940 Act"). Prior to March 30, 1988, CSWC was registered as a closed-end, non-diversified investment company under the 1940 Act. On that date, we elected to be treated as a business development company ("BDC") subject to the provisions of the 1940 Act, as amended by the Small Business Incentive Act of 1980. In order to remain a BDC, we must meet certain specified requirements under the 1940 Act, including investing at least 70% of our assets in eligible portfolio companies and limiting the amount of leverage we incur. We are also a regulated investment company (“RIC”) under Subchapter M of the U.S. Internal Revenue Code of 1986 (the “Code”). As such, we are not required to pay corporate-level income tax on our investment income. We intend to maintain our RIC status, which requires that we qualify annually as a RIC by meeting certain specified requirements. Because CSWC wholly owns CSVC, the portfolios of CSWC and CSVC are referred to collectively as "our," "we" and "us." Capital Southwest Management Company ("CSMC"), a wholly-owned subsidiary of CSWC, is the management company for CSWC and CSVC. CSMC generally incurs all normal operating and administrative expenses, including, but not limited to, salaries and related benefits, rent, office expenses and other administrative costs required for its day-to-day operations.

Our portfolio consists of private companies in which we have controlling interests or non-controlling interests. We make available significant managerial assistance to the companies in which we invest when we believe that providing managerial assistance to such investee companies is critical to their business development activities.

In allocating our future investments, our management team is focused on investing in debt securities in middle market companies, both sponsored and non-sponsored. We will seek investments with hold sizes ranging from $5 million to $20 million generally in companies with EBITDA (earnings before interest, taxes, depreciation and amortization) of at least $3 million. Our investments will typically take the form of either senior secured notes or subordinated notes, and often we will seek to invest in equity alongside our debt. Our directly originated investments are typically in lower middle market companies (EBITDA ranging from $3 million to $15 million). We also consider investments in broadly syndicated first and second lien loans in large middle market companies (EBITDA greater than $50 million).

Basis of Presentation

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP). Under rules and regulations applicable to investment companies, we are generally precluded from consolidating any entity other than another investment company subject to certain exceptions. One of the exceptions to this general principle occurs if the investment company has an investment in an operating company that provides services to the investment company. Accordingly, the consolidated financial statements include CSMC, our management company.

The consolidated financial statements are presented in conformity with U.S. GAAP for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Article 10 of Regulation S-X. Accordingly, certain disclosures accompanying annual financial statements prepared in accordance with U.S. GAAP are omitted. In the opinion of management, the unaudited consolidated financial results included herein contain all adjustments, consisting solely of normal recurring accruals, considered necessary for the fair presentation of financial statements for the interim periods included herein. The results of operations for the three months and six months ended September 30, 2015 and 2014 are not necessarily indicative of the operating results to be expected for the full fiscal year. Also, the unaudited financial statements and notes should be read in conjunction with the audited financial statements and notes thereto for the fiscal year ended March 31, 2015. Financial statements prepared on a U.S. GAAP basis require management to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

Spin-off of CSW Industrials, Inc.

On September 30, 2015, we completed the spin-off (the “Share Distribution”) of CSW Industrials, Inc. (“CSWI”). CSWI is now an independent publicly traded company. CSWI’s common stock trades on the Nasdaq Stock Market under the symbol “CSWI.” The Share Distribution was effected through a tax-free, pro-rata distribution of 100% of CSWI’s common stock to shareholders of the Company. Each shareholder received one share of CSWI common stock for every one share of our common stock held at 5:00 p.m., Eastern time, on the record date, September 18, 2015. Cash was paid in lieu of any fractional shares of CSWI common stock.

CSWI’s assets and businesses consist of our former industrial products, coatings, sealants & adhesives and specialty chemicals businesses and include all the equity interests of The RectorSeal Corporation, The Whitmore Manufacturing Company, Balco, Inc., and CapStar Holdings Corporation. The aforementioned four entities have a combined cost basis of $6,981,139 and an unrealized gain of $456,189,861. In conjunction with the Share Distribution, the Company also contributed $13 million cash and transferred the ownership of CSWC Qualified Pension Plan to CSWI. CSWI also assumed the sponsorship of our Qualified Pension Plan and certain liabilities under the Restoration Plan related their employees, which resulted in a change in net pension assets of $9,687,403 and a change in deferred tax liabilities of $ 3,390,591. These spin-off assets were accounted for in accordance to ASC 505-60 Equity – *Spin offs and Reverse Spinoffs*.

Following the spin-off, we have maintained operations as an internally-managed BDC and pursue a credit-focused investing strategy akin to similarly structured organizations. We will continue to provide capital to middle-market companies and primarily invest in debt securities, including senior “unitranche” debt, second lien and subordinated debt, and may also invest in preferred stock and common stock alongside its debt investments or through warrants.

Following the spin-off, we remain a RIC under Subchapter M of the Code. See Note 4 of this report for a discussion of our’s status as a RIC.

Portfolio Investment Classification

We classify our investments in accordance with the requirements of the 1940 Act. Under the 1940 Act, "Control Investments" are defined as investments in which we own more than 25% of the voting securities or have rights to maintain greater than 50% of the board representation; "Affiliated Investments" are defined as investments in which we own between 5% and 25% of the voting securities; and "Non-Control/Non-Affiliated Investments" are defined as investments that are neither "Control Investments" nor "Affiliated Investments."

Under the 1940 Act, a BDC may not acquire any asset other than assets of the type listed in Section 55(a) of the 1940 Act, which are referred to as qualifying assets, unless, at the time the acquisition is made, qualifying assets represent at least 70% of the company's total assets. The principal categories of qualifying assets relevant to our business are any of the following:

(1) Securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer (subject to certain limited exceptions) is an eligible portfolio company (as defined below), or from any person who is, or has been during the preceding 13 months, an affiliated person of an eligible portfolio company, or from any other person, subject to such rules as may be prescribed by the SEC.

(2) Securities of any eligible portfolio company that we control.

(3) Securities purchased in a private transaction from a U.S. issuer that is not an investment company or from an affiliated person of the issuer, or in transactions incident thereto, if the issuer is in bankruptcy and subject to reorganization or if the issuer, immediately prior to the purchase of its securities was unable to meet its obligations as they came due without material assistance other than conventional lending or financing arrangements.

(4) Securities of an eligible portfolio company purchased from any person in a private transaction if there is no ready market for such securities and we already own 60% of the outstanding equity of the eligible portfolio company.

(5) Securities received in exchange for or distributed on or with respect to securities described in (1) through (4) above, or pursuant to the exercise of warrants or rights relating to such securities.

(6) Cash, cash equivalents, U.S. government securities or high-quality debt securities maturing in one year or less from the time of investment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed by CSWC in the preparation of the consolidated financial statements.

Fair Value Measurements We adopted FASB ASC Topic 820 (the "Statement") on April 1, 2008. The Statement (1) creates a single definition of fair value, (2) establishes a framework for measuring fair value, and (3) expands disclosure requirements about items measured at fair value. The Statement applies to both items recognized and reported at fair value in the financial statements and items disclosed at fair value in the notes to the financial statements.

Fair value is generally determined based on quoted market prices in the active markets for identical assets or liabilities. If quoted market prices are not available, we use valuation techniques that place greater reliance on observable inputs and less reliance on unobservable inputs. Due to the inherent uncertainty in the valuation process, our estimate of fair value may differ materially from the values that would have been used had a readily available market for the securities existed. In addition, changes in the market environment, portfolio company performance and other events may occur over the lives of the investments that may cause the gains or losses ultimately realized on these investments to be materially different than the valuations currently assigned. We determine the fair value of each individual investment and record changes in the fair value as unrealized appreciation or depreciation.

Pursuant to our internal valuation process, each portfolio company is valued on a quarterly basis. In addition to our internal valuation process, our Board of Directors annually retains a nationally recognized firm to provide limited scope third party valuation services on certain portfolio investments. Our Board of Directors retained Duff & Phelps to provide limited scope third party valuation services on three investments comprising 88.4% of our fair value at March 31, 2015.

We believe our investments at September 30, 2015 and March 31, 2015 approximate fair value as of those dates based on the market in which we operate and other conditions in existence at those reporting periods.

Investments Investments are stated at fair value and are reviewed and approved by our Board of Directors as described in the Notes to the Consolidated Schedule of Investments and Note 3 below. The average cost method is used in determining cost of investments sold. Investments are recorded on a trade date basis.

Cash and Cash Equivalents Cash and cash equivalents consist of highly liquid investments with an original maturity of three months or less at the date of purchase. We deposit our cash in financial institutions and, at times, such balances may be in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limits.

Segment Information We operate and manage our business in a singular segment. As an investment company, we invest in portfolio companies in various industries and geographic areas as presented in the Consolidated Schedule of Investments.

Use of Estimates The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Significant estimates include investment valuations, deferred taxes, post-retirement plan assets and liabilities.

Interest and Dividend Income Interest and dividend income is recorded on an accrual basis to the extent amounts are expected to be collected. Dividend income is recognized on the date dividends are declared. Discounts/premiums received to par on loans purchased are capitalized and accreted or amortized into income over the life of the loan. Any remaining discount/premium is accreted or amortized into income upon prepayment of the loan. In accordance with our valuation policy, accrued interest and dividend income is evaluated periodically for collectability. When we do not expect the debtor to be able to service all of its debt or other obligations, we will generally establish a reserve against interest income receivable, thereby placing the loan or debt security on non-accrual status, and cease to recognize interest income on that loan or debt security until the borrower has demonstrated the ability and intent to pay contractual amounts due. If a loan or debt security's status significantly improves regarding ability to service debt or other obligations, it will be restored to accrual basis.

Federal Income Taxes CSWC and CSVC have elected and intend to comply with the requirements of the Internal Revenue Code ("IRC") necessary to qualify as RICs. By meeting these requirements, they will not be subject to corporate federal income taxes on ordinary income distributed to shareholders. In order to comply as a RIC, each company is required to timely distribute to its shareholders at least 90% of investment company taxable income, as defined by the IRC, each year. Investment company taxable income generally differs from net income for financial reporting purposes due to temporary and permanent differences in the recognition of income and expenses. Investment company taxable income excludes net unrealized appreciation or depreciation, as investment gains and losses are not included in investment company taxable income until they are realized.

In addition to the requirement that we must annually distribute at least 90% of our investment company taxable income, we may either distribute or retain our realized net capital gains from investments, but any net capital gains not distributed may be subject to corporate level tax. During the quarter ended September 30, 2015, we did not distribute any capital gain dividends to our shareholders. When we retain the capital gains, they are classified as a "deemed distribution" to our shareholders and are subject to our corporate tax rate of 35%. As an investment company that qualifies as a RIC under the IRC, federal income taxes payable on security gains that we elect to retain are accrued only on the last day of our tax year, December 31. Any capital gains actually distributed to shareholders are generally taxable to the shareholders as long-term capital gains. See Note 4 for further discussion.

CSMC, a wholly owned subsidiary of CSWC, is not a RIC and is required to pay taxes at the current corporate rate of 35%.

We account for interest and penalties as part of operating expenses. There were no interests or penalties incurred during the quarters ended September 30, 2015 and 2014.

Deferred Taxes Effective upon the spin-off of CSWI, CSWI assumed the sponsorship of the Qualified Retirement Plan. Deferred taxes related to the changes in Qualified Defined Pension Plan, Restoration Plan, individual cash incentive award and bonus accruals are recorded on a quarterly basis.

Stock-Based Compensation We account for our stock-based compensation using the fair value method, as prescribed by FASB ASC Topic 718, *Compensation – Stock Compensation*. Accordingly, we recognize stock-based compensation cost on a straight-line basis for all share-based payments awards granted to employees. The fair value of stock options are determined on the date of grant using the Black-Scholes pricing model and are expensed over the requisite service period of the related stock options. For restricted stock awards, we measured the grant date fair value based upon the market price of our common stock on the date of the grant. We utilized Monte Carlo simulation to develop grant date fair value for any restricted awards that are affected by a market condition. For both restricted stock awards and market condition affected restricted awards, we will amortize this fair value to shared-based compensation expense over the vesting term. For individual incentive awards, the option value of the individual cash incentive awards is calculated based on the changes in net asset value of our Company. In connection with the spin-off of CSWI, we entered into an Employee Matters Agreement with CSWI. Under this agreement, the value of such individual incentive cash awards shall be determined based upon the net asset value of Capital Southwest as of the last day of the fiscal quarter ending immediately prior to the Distribution Date. See Note 6 and 7 for further discussion.

Concentration of Risk We place our idle cash in financial institutions and such balances may be in excess of the federally insured limits.

3. INVESTMENTS

We record our investments at fair value as determined in good faith by the Company pursuant to our valuation policy in accordance with the Statement and a valuation process approved by our Board of Directors. When available, we base the fair value of our investments on directly observable market prices or on market data derived from comparable assets. For all other investments, inputs used to measure fair value reflect management's best estimate of assumptions that would be used by market participants in pricing the investments in a hypothetical transaction.

The levels of fair value inputs used to measure our investments are characterized in accordance with the fair value hierarchy established by the Financial Accounting Standards Board Accounting Standards Codification ("ASC"). We use judgment and consider factors specific to the investment in determining the significance of an input to a fair value measurement. While management believes our valuation methodologies are appropriate and consistent with market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. The three levels of the fair value hierarchy and the investments that fall into each of the levels are described below:

- *Level 1:* Investments whose values are based on unadjusted quoted prices in active markets for identical assets or liabilities that we have the ability to access. We use Level 1 inputs for publicly traded unrestricted securities. Such investments are valued at quoted prices from active markets. We did not have any Level 1 investments as of September 30, 2015 and March 31, 2015.

- *Level 2:* Investments whose values are based on observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument in non-active markets, quoted prices for similar instruments in active markets and similar data. We did not value any of our investments using Level 2 inputs as of September 30, 2015 and March 31, 2015.

- *Level 3:* Investments whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions that a market participant would use in pricing the investment. We used Level 3 inputs for measuring the fair value of 100% of our investments as of September 30, 2015 and March 31, 2015. See Note (c) in "Notes to Consolidated Schedule of Investments" for the investment policy used to determine the fair value of these investments.

As required by the statement, when the inputs used to measure fair value fall within different levels of the hierarchy, the level within the fair value measurement is categorized based on the lowest level input that is significant to the fair value measurement which may include inputs that are observable (Levels 1 and 2) and unobservable (Level 3). Therefore, gains and losses for such investments categorized within the Level 3 table may include changes in fair value that are attributable to both observable inputs (Levels 1 and 2) and unobservable inputs (Level 3). We conduct reviews of fair value hierarchy classifications on a quarterly basis. Changes in the observability of valuation inputs may result in a reclassification of certain investments.

Unobservable inputs are those inputs for which little or no market data exists and, therefore, require an entity to develop its own assumptions. The fair value determination of each portfolio company requires one or more of the following unobservable inputs:

- Financial information obtained from each portfolio company, including audited and unaudited statements of operations and balance sheets for the most recent period available as compared to budgeted numbers;
- Current and projected financial condition of the portfolio company;
- Current and projected ability of the portfolio company to service its debt obligations;
- Projected operating results of the portfolio company;
- Current information regarding any offers to purchase the investment or recent private sales transactions;
- Current ability of the portfolio company to raise any additional financing as needed;
- Change in the economic environment which may have a material impact on the operating results of the portfolio company;
- Internal occurrences that may have an impact (both positive and negative) on the operating results of the portfolio company;
- Qualitative assessment of key management;
- Contractual rights, obligations or restrictions associated with the investment; and
- Other factors deemed relevant.

Preferred Stock and Common Stock

The significant unobservable inputs used in the fair value measurement of our equity securities are EBITDA multiples, revenue multiples, net book values, tangible book value multiples, and the weighted average costs of capital (“WACC”). Generally, increases or decreases in EBITDA or revenue multiple inputs result in a higher or lower fair value measurement, respectively. Generally, increases or decreases in WACC result in a lower or higher fair value measurement, respectively. However, due to the nature of certain investments, fair value measurements may be based on other criteria, such as third party appraisals. For recent investments, we generally rely on our cost basis to determine the fair value unless fair value is deemed to have departed significantly from this basis.

Debt Securities

The significant unobservable inputs used in the fair value measurement of our debt securities are risk adjusted discount factors used in the yield valuation technique and probability of principal recovery. A significant increase or decrease in any of these valuation inputs in isolation would result in a significant change in fair value measurement. However, due to the nature of certain investments, fair value measurements may be based on other criteria, such as third party inputs. For recent investments, we generally rely on our cost basis to determine the fair value unless fair value is deemed to have departed significantly from this basis.

Limited Partnership or Limited Liability Company Interests

Limited partnerships are generally valued at our percentage interest of the partnership or company's calculated net asset value, unless there is substantive evidence that the net asset value does not correspond to fair value. As of September 30, 2015, we no longer have any limited partnership interests.

The table below presents the valuation technique and quantitative information about the significant unobservable inputs utilized by the Company to value our Level 3 investments as of September 30, 2015 and March 31, 2015. Unobservable inputs are those inputs for which little or no market data exists and therefore require an entity to develop its own assumptions. The table is not intended to be all inclusive, but instead captures the significant unobservable inputs relevant to our determination of fair value.

Type	Valuation Technique	Fair Value at 9/30/2015 (in millions)	Unobservable Input	Range	Weighted Average
Preferred & Common Equity	Market Approach	$ 41.8	EBITDA Multiple	4.00x – 7.0x	6.23x
	Market Approach	$ 2.2	Revenue Multiple	3.70x – 3.70x	3.70x
	Market Approach	$ 0.2	Cash and Asset Value	NA	NA
	Market Approach	$ 3.2	Liquidation Value	NA	NA
	Market Approach	$ 1.9	Recent Transaction Price	NA	NA
		$ 49.3			
Debt	Face Value	$ 41.1	Cost	NA	NA
	Market Approach	$ 2.7	Face Value	NA	NA
	Liquidation Value	0.2	Cash and Asset Value	NA	NA
		$ 44.0			
	Total	**$ 93.3**			

Type	Valuation Technique	Fair Value at 3/31/2015 (in millions)	Unobservable Input	Range	Weighted Average
Preferred & Common Equity	Market Approach	$ 494.1	EBITDA Multiple	3.00x – 7.75x	7.15x
	Market Approach	$ 4.2	Recent Transaction Price	NA	NA
	Market Approach	$ 15.0	Cash and Asset Value	NA	NA
	Market Approach	$ 3.8	Multiple of Tangible Book Value	1.43x	1.43x
	Market Approach	$ 0.2	Market Value of Held for Securities	NA	NA
		$ 517.3			
Debt	Face Value	$ 6.9	Recent Transaction Price	NA	NA
	Market Approach	$ 2.7	Expected cash flow	NA	NA
	Liquidation Value	0.2			
Partnership or LLC Interests		$ 9.8			
	Net Asset Value	$ 8.4	Fund Value	NA	NA
	Total	**$ 535.5**			

At September 30, 2015 and March 31, 2015, 100% of our portfolio investments were categorized as Level 3.

The following fair value hierarchy tables set forth our investment portfolio by level as of September 30, 2015 and March 31, 2015 (in millions):

		Fair Value Measurements at September 30, 2015 Using		
Asset Category	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt	$ 44.0	$ −	$ −	$ 44.0
Preferred & Common Equity	49.3	−	−	49.3
Total Investments	$ 93.3	$ −	$ −	$ 93.3

		Fair Value Measurements at March 31, 2015 Using		
Asset Category	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt	$ 9.8	$ −	$ −	$ 9.8
Partnership Interests	8.4	−	−	8.4
Preferred & Common Equity	517.3	−	−	517.3
Total Investments	$ 535.5	$ −	$ −	$ 535.5

Changes in Fair Value Levels

We monitor the availability of observable market data to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model based valuation techniques may require the transfer of financial instruments from one fair value level to another. We recognize the transfer of financial instruments between levels at the end of each quarterly reporting period.

The following tables provide a summary of changes in the fair value of investments measured using Level 3 inputs during the quarter ended September 30, 2015 and September 30, 2014 (in millions):

	Fair Value 3/31/15	Net Unrealized Appreciation (Depreciation)	Unrealized Depreciation due to spin-off of CSWI	New Investments	Divestitures	Distributions	Fair Value at 9/30/15
Debt	$ 9.8	$ −		$ 34.2	$ −	$ −	$ 44.0
Partnership Interests	8.4	1.1		−	(8.8)	(0.7)	-
Preferred & Common Equity	517.3	4.8	(456.2)	−	(9.6)	(7.0)*	49.3
Total Investments	$ 535.5	$ 5.9	(456.2)	$ 34.2	$ (18.4)	$ (7.7)	$ 93.3

*Represents the costs basis of the The Rectorseal, Corporation, Whitmore Manufacturing Company, Balco, Inc. and Capstar Holding Company that were spun off to CSW Industrials, Inc. at September 30, 2015.

	Fair Value 3/31/14	Net Unrealized Appreciation (Depreciation)	New Investments	Divestitures	Conversion of Security from Debt to Equity	Fair Value at 9/30/2014
Debt	$ 2.7	$ 0.6	$ −	$ −	$ −	$ 3.3
Partnership Interests	9.5	0.1	−	(1.4)	−	8.2
Warrants	−	1.2	−			1.2
Preferred Equity	47.0	3.0	−	−	−	50.0
Common Equity	398.7	38.2	−	−	−	436.9
Total Investments	$ 457.9	$ 43.1	$ −	$ (1.4)	$ −	$ 499.6

The total unrealized gains included in earnings that related to assets still held at the report date for the six months ended September 30, 2015 and September 30, 2014 were $6,408,000 and $7,478,953, respectively.

4. INCOME TAXES

We have elected to be treated to qualify as a RIC under Subchapter M of the IRC and have a tax year end of December 31. In order to qualify as a RIC, we must annually distribute at least 90% of our investment company taxable income, as defined by the IRC, to our shareholders in a timely manner. Investment company income generally includes net short-term capital gains but excludes net long-term capital gains. A RIC is not subject to federal income tax on the portion of its ordinary income and long-term capital gains that is distributed to its shareholders, including “deemed distributions” discussed below. As permitted by the IRC, a RIC can designate dividends paid in the subsequent tax year as dividends of current year ordinary income and net long-term gains if those dividends are both declared by the extended due date of the RIC’s federal income tax return and paid to shareholders by the last day of the subsequent tax year.

We have distributed or intend to distribute sufficient dividends to eliminate taxable income for our completed tax years. If we fail to satisfy the 90% distribution requirement or otherwise fail to qualify as a RIC in any tax year, we would be subject to tax in such year on all of our taxable income, regardless of whether we made any distributions to our shareholders. During the current tax year, we have declared and paid ordinary dividends of $1,542,237. For the tax year ended December 31, 2014, we declared and paid ordinary dividends in the amounts of $3,082,911.

Additionally, we are subject to a nondeductible federal excise tax of 4% if we do not distribute at least 98% of our investment company ordinary taxable income before the end of our tax year. For the tax year ended December 31, 2014, we distributed 100% of our investment company ordinary taxable income. As a result, we have no tax provision for income taxes on ordinary taxable income for the tax year ended December 31, 2014.

A RIC may elect to retain its long-term capital gains by designating them as a “deemed distribution” to its shareholders and paying a federal tax rate of 35% on the long-term capital gains for the benefit of its shareholders. Shareholders then report their share of the retained capital gains on their income tax returns as if it had been received and report a tax credit for tax paid on their behalf by the RIC. Shareholders then add the amount of the “deemed distribution” net of such tax, to the basis of their shares.

During our tax year ended December 31, 2014, we had long-term capital gains of $155,342,875 for tax purposes, which we elected to retain and treat as deemed distributions to our shareholders.

In order to make the election to retain capital gains, we incurred federal taxes on behalf of our shareholders in the amount of $54,370,006 for the tax year ended December 31, 2014.

For the quarters ended September 30, 2015 and 2014, CSWC and CSVC qualified to be taxed as RICs. We 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 for RICs in future years may not be controllable by such company.

CSMC, a wholly-owned subsidiary of CSWC, is not a RIC and is required to pay taxes at the current corporate rate. CSMC records individual incentive award and bonus accruals on a quarterly basis. Effective with the spin-off of CSW Industrials, Inc. (CSWI), CSWI assumed the sponsorship of the Qualified Retirement Plan. Deferred taxes related to the changes in qualified defined pension plan, Restoration Plan, individual incentive award and bonus accruals are also recorded on a quarterly basis. As of September 30, 2015 and March 31, 2015, CSMC had a deferred tax asset (liability) of $1,648,085 and ($1,411,920), respectively.

5. ACCUMULATED NET REALIZED GAINS (LOSSES) ON INVESTMENTS

Distributions made by RICs often differ from aggregate U.S GAAP-basis undistributed net investment income and accumulated net realized gains (total U.S. GAAP-basis net realized gains). The principal cause is that required minimum fund distributions are based on income and gain amounts determined in accordance with federal income tax regulations, rather than U.S. GAAP. The differences created can be temporary, meaning that they will reverse in the future, or they can be permanent. In subsequent periods, when all or a portion of a temporary difference becomes a permanent difference, the amount of the permanent difference will be reclassified to "additional capital."

We incur federal taxes on behalf of our shareholders as a result of our election to retain long-term capital gains. We had $19,707,522 and $22,355,353 of accumulated long term capital gains, as of September 30, 2015 and March 31, 2015, respectively.

6. EXECUTIVE COMPENSATION PLAN

On August 28, 2014, our Board of Directors adopted an executive compensation plan consisting of grants of nonqualified stock options, restricted stock and cash incentive awards to executive officers of the Company. The plan is intended to align the compensation of the Company's executive officers with the Company's key strategic objective of increasing the market value of the Company's shares through a transformative transaction for the benefit of the Company's shareholders. Under the plan, Joseph B. Armes, Kelly Tacke, and Bowen S. Diehl, will receive an amount equal to six percent of the aggregate appreciation in the Company's share price from August 28, 2014 (using a base price of $36.16 per share) to the Trigger Event Date (December 29, 2015). Effective immediately with the spin-off of CSWI, both Joseph B. Armes and Kelly Tacke became employees of CSWI and Bowen Diehl, our President and Chief Executive Officer, will continue to be an employee of our Company. The value accretion will include the value of any distributions to the Company shareholders, including any capital stock spun-off to the Company shareholders. As to any payout up to $22.5 million, one-third of the payout will be allocated to each such officer, with any payout in excess of $22.5 million to be allocated as follows: Mr. Armes--50%, Ms. Tacke--25% and Mr. Diehl--25%. The initial plan component consists of nonqualified options awarded to purchase 259,000 shares of common stock at an exercise price of $36.60 per share. The second plan component consists of awards of 127,000 shares of restricted stock, which have voting rights but do not have cash dividend rights. The final plan component consists of cash incentive payments awarded to each of Mr. Armes, Ms. Tacke and Mr. Diehl in an amount equal to the excess of each awardee's allocable portion of the Total Payment Amount over the aggregate value as of the Trigger Event Date of the awardee's restricted common stock and nonqualified option awards under the plan. The equity based awards shall vest and be exercisable as follows: (1) 1/3 on the Trigger Event Date; (2) 1/3 on the first anniversary of the Trigger Event Date; and (3) 1/3 on the second anniversary of the Trigger Event Date. Generally, entitlement to such awards is conditioned on the awardee remaining in the employment of the Company or its subsidiaries on the vesting date, or in the event the employment of the awardee is transferred to a Company subsidiary spun-off to the Company's shareholders, continuing employment by such spun-off subsidiary. The Company, however, reserves the right, in its sole discretion, to terminate the cash incentive award or to reduce the amount payable thereunder at any time prior to the Trigger Event Date.

On September 8, 2015, the Board designated the share distribution of CSWI as a transformative transaction for purposes of the executive compensation plan and amended the award agreements granted under the plan to provide for accelerated vesting of the awards held by an executive in the event of a termination of such executive’s service effected by the executive for good reason, by the employer without cause, or as a result of the disability or death of the executive.

On September 30, 2015, we completed the tax-free spin-off of CSWI through a pro-rata share distribution of CSWI's common stock to CSWC shareholders of record as of the close of business on September 18, 2015 (the "Record Date"). CSWC shareholders received one share of CSWI common stock for every one share of CSWC common stock held on the Record Date. The Trigger Event Date will occur on December 29, 2015.

As of September 30, 2015, the cash component of the executive compensation plan is calculated based on the closing price of our stock at September 30, 2015. The estimated liability for these three individuals at September 30, 2015 is estimated to be $669,759 based on a 40 month vesting schedule.

Effective with the spin-off of CSWI, the Company entered into Employee Matters Agreement with CSWI. Under this agreement, the Company will retain the cash incentive awards granted under the Executive Compensation Plan, and all liabilities with respect to such cash incentive awards will remain liabilities of Capital Southwest. Starting October 1, 2015, we will recognize expense under the Executive Compensation Plan only for Bowen S. Diehl.

7. EMPLOYEE STOCK BASED COMPENSATION PLANS

Stock Options

On July 20, 2009, shareholders approved our 2009 Stock Incentive Plan (the “2009 Plan”), which provides for the granting of stock options to employees and officers and authorizes the issuance of common stock upon exercise of such options for up to 560,000 shares. All options are granted at or above market price, generally expire up to 10 years from the date of grant and are generally exercisable on or after the first anniversary of the date of grant in five annual installments.

On August 28, 2014, our Board of Directors amended the 2009 Plan, as permitted pursuant to Section 18 of the 2009 Plan (the “First Amendment to the 2009 Plan”). The First Amendment to the 2009 Plan provides that an award agreement may allow an award to remain outstanding after a spin-off or change in control of one or more wholly-owned subsidiaries of the Company. In addition, on August 28, 2014, options to purchase 259,000 shares at $36.60 per share were granted under the 2009 Plan, as amended. These options will not begin to be exercisable or vest until 90th day following the consummation of the transformative transaction. On September 8, 2015, the Board designated the Share Distribution as a transformative transaction for purposes of the plan and amended the award agreements granted under the plan to provide for accelerated vesting of the awards held by an executive in the event of a termination of such executive’s service effected by the executive for good reason, by the employer without cause, or as a result of the disability or death of the executive.

We previously granted stock options under our 1999 Stock Option Plan (the “1999 Plan”), as approved by shareholders on July 19, 1999. The 1999 Plan expired on April 19, 2009. Options previously granted under our 1999 Plan and outstanding continue in effect and are governed by the provisions of the 1999 Plan. All options granted under the 1999 Plan were granted at market price on the date of grant, generally expire up to 10 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.

In connection with the spin-off of CSWI, we entered into an Employee Matters Agreement with CSWI, which provided that each Capital Southwest Option that is outstanding immediately prior to the Distribution Date, shall be converted as of the Distribution Date into both a Post-Separation Capital Southwest Option and a CSWI Option and shall be subject to substantially the same terms and conditions (including with respect to vesting and expiration) after the Distribution Date. Certain adjustments, using volumetric weighted-average prices for the 10-day period immediately prior to and immediately following the distribution, were made to the exercise price and number of shares of Capital Southwest subject to such awards, with the intention of preserving the economic value of the awards immediately prior to the distribution for all Capital Southwest employees. These adjustments were made pursuant to the anti-dilution provision in the award. The Company compared the value of the awards pre and post-spin, and determined that the distribution-related adjustments did not have a material impact on compensation expense for the six months ended September 30, 2015.

At September 30, 2015, there are options to acquire 368,487 shares of common stock outstanding. The Compensation Committee does not intend to grant additional options under the 2009 Stock Incentive Plan or request shareholders’ approval of additional stock options to be added under the 2009 Stock Incentive Plan.

The following table summarizes activity in the 2009 Plan and the 1999 Plan as of September 30, 2015 as well as adjustments in connection with the spin-off of CSWI:

	Number of Options	Weighted Average Exercise Price
2009 Plan		
Balance at March 31, 2013	170,908	$ 22.37
Granted	85,000	35.25
Exercised	(69,108)	22.27
Canceled/Forfeited	(63,000)	22.08
Balance at March 31, 2014	123,800	31.40
Granted	259,000	36.60
Exercised	(6,800)	23.95
Canceled/Forfeited	(4,000)	23.95
Balance at March 31, 2015	372,000	35.24
Granted	–	–
Exercised	(8,000)	19.18
Canceled/Forfeited	–	–
Spin-off adjustments	(1,487)*	NA
Balance at September 30, 2015	362,513	$ 11.21*
1999 Plan		
Balance at March 31, 2013	246,000	$ 33.00
Granted	–	–
Exercised	(108,000)	30.37
Canceled/Forfeited	(100,000)	38.25
Balance at March 31, 2014	38,000	26.68
Granted	–	–
Exercised	22,000	29.10
Canceled/Forfeited	–	–
Balance at March 31, 2015	16,000	23.37
Granted	–	–
Exercised	(10,000)	23.37
Canceled/Forfeited	–	–
Spin-off adjustments	(26)*	NA
Balance at September 30, 2015	5,974	$ 7.36*
Combined Balance at September 30, 2015	368,487	$ 11.15*

September 30, 2015	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding	2.3 years	$ 2,457,760
Exercisable	1.6 years	$ 387,185

*Certain adjustments were made to the exercise price and number of shares of Capital Southwest awards using volumetric weighted-average prices for the 10-day period immediately prior to and immediately following the distribution with the intention of preserving the economic value of the awards immediately prior to the distribution for all Capital Southwest employees.

We recognize compensation cost using the straight-line method for all share-based payments. The fair value of stock options are determined on the date of grant using the Black-Scholes pricing model and are expensed over the requisite service period of the related stock options. Accordingly, for the three months ended September 30, 2015 and September 30, 2014, we recognized stock option compensation expense of $138,356 and $54,107, respectively. For the six months ended September 30, 2015 and September 30, 2014, we recognized stock option compensation expense of $295,854 and $127,210, respectively.

As of September 30, 2015, the total remaining unrecognized compensation cost related to non-vested stock options was $510,790, which will be amortized over the weighted-average vesting period of approximately 2.3 years. Immediately after the completion of the spin-off of CSWI, we will recognize expense only for the stock-based compensation awards that are held by our employees.

At September 30, 2015, the range of exercise prices was $7.36 to $11.66 and the weighted-average remaining contractual life of outstanding options was 2.3 years. The total number of shares of common stock exercisable under both the 2009 Plan and the 1999 Plan at September 30, 2015 was 42,824 shares with a weighted-average exercise price of $9.53. During the quarters ended September 30, 2015 and September 30, 2014, no options were exercised.

Stock Awards

Pursuant to the Capital Southwest Corporation 2010 Restricted Stock Award Plan ("2010 Plan"), our Board of Directors originally reserved 188,000 shares of restricted stock for issuance to certain our employees. At our annual shareholder meeting in August 2015, our shareholders approved an increase of additional 450,000 shares to our 2010 Restricted Stock Award Plan. A restricted stock award is an award of shares of our common stock, which generally have full voting and dividend rights but are restricted with regard to sale or transfer. Restricted stock awards are independent of stock grants and are generally subject to forfeiture if employment terminates prior to these restrictions lapsing. Unless otherwise specified in the award agreement, these shares vest in equal annual installments over a four to five-year period from the grant date and are expensed over the vesting period starting on the grant date.

On August 28, 2014, our Board of Directors amended the 2010 Plan, as permitted pursuant to Section 14 of the 2010 Plan (the "First Amendment to the 2010 Plan"). The First Amendment to the 2010 Plan provides that an award agreement may allow an award to remain outstanding after a spin-off or change in control of one or more wholly-owned subsidiaries of CSWC. In addition, on August 28, 2014, the Board of Directors granted 127,000 shares of restricted stock under the 2010 Plan, as amended. These restricted stock awards will not begin to until 90th day following the consummation of the transformative transaction as described in Note 6 above. The number of restricted shares held by the awardee are subject to reduction to the extent that the sum of the value of the awardee's stock options (based on the spread) and the value of restricted stock as of the Trigger Event Date exceeds the awardee's allocable portion of the aggregate payout amount. Monte Carlo simulation was utilized to develop the grant date fair value for the restricted stock awards under the 2010 Plan.

On September 30, 2015, the Company completed the spin-off of CSWI. CSWI is now an independent publicly traded company. CSWI's common stock trades on the Nasdaq Stock Market under the symbol "CSWI." The Share Distribution was effected through a tax-free, pro-rata distribution of 100% of CSWI's common stock to shareholders of the Company. Each Company shareholder received one share of CSWI common stock for every one share of Company common stock on the record date, September 18, 2015. Cash was paid in lieu of any fractional shares of CSWI common stock. Each holder of an outstanding Capital Southwest Restricted Stock Award immediately prior to the Distribution Date shall receive, as of the Distribution Date, a CSWI Restricted Stock Award for such number of CSWI Shares as is determined in the same way as if the outstanding Capital Southwest Restricted Stock Award comprised fully vested Capital Southwest Shares as of the Distribution Date.

The following table summarizes the restricted stock available for issuance for the six months ended September 30, 2015:

Restricted stock available for issuance as of March 31, 2015	31,240
Restricted stock granted during the six months ended September 30, 2015	-
Additional restricted stock approved under the plan	450,000
Restricted stock available for issuance as of September 30, 2015	481,240

We expense the cost of the restricted stock awards, which is determined to equal the fair value of the restricted stock award at the date of grant on a straight-line basis over the requisite service period. For these purposes, the fair value of the restricted stock award is determined based upon the closing price of our common stock on the date of the grant. Due to the spin-off transaction, the Company evaluated the value of the Capital Southwest stock awards pre spin-off and the combined value of Capital Southwest stock awards post spin-off and CSW Industrials, Inc. stock awards and recorded additional incremental stock based compensation expenses.

For the six months ended September 30, 2015 and 2014, we recognized total share based compensation expense of $432,655 and $65,211, respectively, related to the restricted stock issued to our employees and officers. For the quarter ended September 30, 2015 and 2014, we recognized total share based compensation expense of $231,621 and $22,421, respectively related to the restricted stock issued to our employees and officers.

As of September 30, 2015, the total remaining unrecognized compensation expense related to non-vested restricted stock awards was $667,025, which will be amortized over the weighted-average vesting period of approximately 2.3 years.

The following table summarizes the restricted stock outstanding as of September 30, 2015:

Restricted Stock Awards	Number of Shares	Weighted Average Fair Value Per Share at grant date	Weighted Average Remaining Vesting Term (in Years)
Unvested at March 31, 2015	142,960	$ 17.07	2.6
Granted	–	–	–
Vested	1,000	–	–
Forfeited	–	–	–
Unvested at September 30, 2015	141,960	16.93	2.3

Individual Incentive Awards

On January 16, 2012, our Board of Directors approved the issuance of 104,000 individual incentive awards with a baseline for measuring increases in net asset value per share of $36.74 (Net Asset Value at December 31, 2011) to provide deferred compensation to certain key employees. On January 22, 2013, the Board of Directors granted 16,200 individual cash incentive awards with a baseline net asset value per share of $41.34 (Net Asset Value at December 31, 2012) to officers of the Company. On July 15, 2013, the Board of Directors granted 24,000 shares of individual cash incentive awards with a baseline net asset value per share of $43.80 (Net Asset Value at June 30, 2013) to a key officer of the Company. Additionally, the Board of Directors granted 38,000 individual cash incentive awards with a baseline net asset value per share of $50.25 (Net Asset Value at December 31, 2013) to several key employees of the Company in January 2014 and March 2014. Under the individual cash incentive award agreements, awards vest on the fifth anniversary of the award date. Upon exercise of an individual cash incentive award, the Company pays the recipient a cash payment in an amount equal to the net asset value per share minus the baseline net asset value per share, adjusted for capital gain dividends declared.

In connection with the spin-off of CSWI, we entered into an Employee Matters Agreement with CSWI. Under this agreement, the individual cash incentive award agreements were amended to provide that the value of each individual cash incentive award will be determined based upon the net asset value of Capital Southwest as of the last day of the fiscal quarter ending immediately prior to the Distribution Date. The remaining terms of each individual incentive award agreement, including the vesting and payment terms, will remain unchanged. After the Distribution Date, Capital Southwest retains all Liabilities associated with all individual cash incentive awards granted by Capital Southwest.

There are currently 82,000 individual cash incentive awards outstanding as of September 30, 2015 and the estimated liability for individual cash incentive awards was $698,819 at September 30, 2015.

There were no individual incentive awards vested or granted during the six months ended September 30, 2015.

Individual Cash Incentive Awards	Number of Awards	Weighted Average Baseline Net Asset Value Per Award	Weighted Average Remaining Vesting Term (in Years)
Unvested at March 31, 2015	82,000	$ 45.40	3.3
Granted	–	–	–
Vested	–	–	–
Forfeited or expired	–	–	–
Unvested at September 30, 2015	82,000	$ 45.40	3.0

8. RETIREMENT PLANS

In connection with the spin-off of CSWI, we entered into Employee Matters Agreement with CSWI on September 8, 2015. The Employee Matters Agreement was amended and restated on September 14, 2015. Under the Employee Matters Agreement, Capital Southwest Corporation and Capital Southwest Management Corporation withdrew as participating Employers in the Plan; and CSWI became the Sponsoring Employer of the Qualified Retirement Plan and assumed all the liabilities, assets, and future funding obligations for providing benefits for the covered Participants under the Qualified Retirement Plan.

Effective September 30, 2015, the benefits accrued under the Restoration Plan on behalf of CSWI employees, including employees who transferred from the Company to CSWI, were transferred to a non-qualified deferred compensation plan established by CSWI. The Company retained all liabilities associated with benefits accrued under the Restoration Plan on behalf of individuals who remain employees of the Company or Capital Southwest Management Corporation following September 30, 2015 or who terminated employment prior to September 30, 2015 with vested benefits under the Restoration Plan.

We historically use March 31 as the measurement date for our Defined Benefit Plan and Restoration Plan. Due to the spin-off transaction, we used September 30 as our measurement date for this reporting period. Material changes in Restoration Plan could occur due to changes in the discount rate, changes in mortality table, and various other factors. At September 30, 2015, a discount rate of 4.75% was utilized to calculate benefit accruals under the Restoration Plan. Effective with the spin-off of CSWI, all future benefits accruals were ceased for current employees at the Company. Unvested accrued benefits under the Restoration Plan were forfeited as of September 30, 2015.

The Capital Southwest pension assets were $18,622,781 at March 31, 2015. As of September 30, 2015, this Qualified Pension Plan was assumed by CSWI, and the Company’s net pension assets were transferred to CSWI.

At September 30, 2015, the table below illustrates the restoration plan benefit obligation:

Projected benefit obligation	(2,831,886)
Fair value of assets	-
Net gain	603,151
Accrued benefit cost	(2,228,735)

The following tables set forth the Qualified Retirement Plan and Restoration Plan's net pension benefit and cost amounts at September 30, 2015:

	Qualified Plan	Restoration Plan
Service Cost	$ 189,886	$ 82,152
Interest Cost	173,120	73,460
Expected Return on Assets	(578,273)	-
Net Prior Service cost/(credit)	4,689	(8,107)
Net Loss/(Gain) Amortization	-	41,402
Net Periodic Pension Cost/(Income)	(210,578)	188,907
Immediate Recognition of Benefit Cost due to Plan Freeze at 9/30/2015	(71,946)	(81,697)
Benefit cost at 9/30/2015	$ (282,524)	$ 107,210

9. COMMITMENTS AND CONTINGENCIES

On September 9, 2015, we entered into an agreement to co-manage I-45 SLF LLC (the "Joint Venture") with Main Street Capital Corporation ("Main Street"). Both companies have equal voting rights on the Joint Venture's Board of Managers. We have committed to provide $68,000,000 of equity to the Joint Venture, with Main Street providing $17,000,000. The Joint Venture is expected to invest primarily in syndicated senior secured loans in the upper middle market. We had not contributed any capital as of September 30, 2015

We also committed $7,500,000 to lead the last-out portion of a unitranche asset-based credit facility for Freedom Truck Finance, LLC ("Freedom Truck Finance"), a Dallas-based secondary truck finance company specializing in the acquisition and management of sub-prime commercial truck loans to independent owner operators. Triumph Commercial Finance, a division of TBK Bank, SSB (member of Triumph Bancorp, Inc. (Nasdaq:TBK) led the first-out tranche of the facility and serves as administrative agent. We had funded $5,378,239 and had $2,121,761 commitment outstanding as of September 30, 2015

As of September 30, 2015, we had $70,121,761 commitments outstanding in Freedom Truck Finance and the joint venture with Main Street.

10. RELATED PARTY TRANSACTION

On September 30, 2015, we completed the spin-off of CSWI. Prior to the completion of the spin-off, we paid certain incorporation expenses and professional fees on behalf of CSWI. We currently have approximately $1.4 million accounts receivable due from CSWI at September 30, 2015.

11. SIGINIFICANT SUBSIDIARY

Media Recovery, Inc. (MRI) is a global leader in creating innovative solutions for safeguarding clients' assets. ShockWatch, a subsidiary of Media Recovery, Inc., provides solutions that currently enable over 3,000 customers and some 200 partners in 62 countries to detect mishandling that causes product damage and spoilage during transport and storage. The ShockWatch product portfolio includes impact, tilt, temperature, vibration, and humidity detection systems and is widely used in the energy, transportation, aerospace, defense, food, pharmaceutical, medical device, consumer goods and manufacturing sectors. MRI completed the divestiture of DataSpan, Inc., a leading data storage, products, and management provider, to DataSpan Holdings in September 2014, and continued to provide post-closing services to DataSpan Holdings under a transition services agreement ("TSA") through June 27, 2015. Our valuation is based primarily on adjusted EBITDA, which reflects certain adjustments to net income (loss), including nonrecurring expenses associated with fulfilling the obligations under the TSA, write off of obsolete inventory, executive severance and recruiting costs.

At September 30, 2015, the value of Media Recovery, Inc. represented 10.9% of our total assets. Below is certain selected key financial data from its Balance Sheet at September 30, 2015 and three months ended and six months ended Income Statement.

	September 30, 2015
Current Assets	$ 11,914,926
Non-Current Assets	16,961,673
Current Liabilities	3,016,976
Non-Current Liabilities	$ 123,870

	3 months ended 9/30/2015	6 months ended 9/30/2015
Revenue	$ 4,861,437	$ 10,166,841
Net Loss	(590,370)	(1,535,755)

12. SUMMARY OF PER SHARE INFORMATION

The following presents a summary of per share data for the three and six months ended September 30, 2015 and 2014.

	Three Months Ended September 30,		Six Months Ended September 30,	
Per Share Data	2015	2014	2015	2014
Investment income	$ .07	$ .05	$ .13	$ .10
Operating expenses	(.66)	(.11)	(.90)	(.27)
Income taxes	(.01)	(.02)	(.01)	(.01)
Net investment loss	(.60)	(.08)	(.78)	(.18)
Distributions from undistributed net investment income	–	–	(.10)	(.10)
Distribution to CSWI	(1.69)		(1.69)	
Decrease in unrealized appreciation due to distributions to CSWI	(29.41)		(29.27)	
Net realized (loss) gain	(.22)	2.99	(.17)	1.97
Net increase (decrease) in unrealized appreciation of investment	.25	(4.87)	.37	(2.50)
Capital Share transactions:				
Exercise of employee stock options	-	(.01)	(.03)	(.01)
Issuance of restricted stock*	-	(.41)	-	(.38)
Share based compensation expense	.02	–	.05	.01
Decrease in net asset value	(31.65)	(2.38)	(31.62)	(1.19)
Net asset value				
Beginning of period	49.33	51.17	49.30	49.98
End of period	$ 17.68	$ 48.79	$ 17.68	$ 48.79

*Reflects impact of the different share amounts as a result of issuance or forfeiture of restricted stock during the period.

Item 2. – Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our financial statements and the notes thereto included elsewhere in our Annual Report on Form 10-K for the fiscal year ended March 31, 2015 (the "Form 10-K").

The information contained herein may contain "forward-looking statements" based on our current expectations, assumptions and estimates about us and our industry. These forward-looking statements involve risks and uncertainties. Words such as "believe," "anticipate," "estimate," "expect," "intend," "plan," "will," "may," "might," "could," "continue" and other similar expressions identify forward-looking statements. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of several factors more fully described in "Risk Factors" and elsewhere, and in our Form 10-K for the year ended March 31, 2015. The forward-looking statements made in this Form 10-Q related only to events as of the date on which the statements are made. You should read the following discussion in conjunction with the consolidated financial statements and related footnotes and other financial information included in our Form 10-K for the year ended March 31, 2015. We undertake no obligation to update publicly any forward-looking statements for any reason, even if new information becomes available or other events occur in the future.

Capital Southwest Corporation Completed Spin-Off of CSW Industrials

On September 30, 2015, Capital Southwest Corporation (the "Company") completed the spin-off (the "Share Distribution") of CSW Industrials, Inc. ("CSWI"). CSWI is now an independent publicly traded company. CSWI's common stock trades on the Nasdaq Stock Market under the symbol "CSWI." The Share Distribution was effected through a tax-free, pro-rata distribution of 100% of CSWI's common stock to shareholders of the Company. Each Company shareholder received one share of CSWI common stock for every one share of Company common stock on the record date, September 18, 2015. Cash was paid in lieu of any fractional shares of CSWI common stock.

CSWI's assets and businesses consist of the Company's former industrial products, coatings, sealants & adhesives and specialty chemicals businesses and include all the equity interests of The RectorSeal Corporation, The Whitmore Manufacturing Company, Balco, Inc., and CapStar Holdings Corporation.

A Registration Statement on Form 10 relating to the Share Distribution was filed by CSWI with the Securities and Exchange Commission and was declared effective on September 14, 2015.

Effective October 1, 2015 with the completion of the Share Distribution, Bowen S. Diehl was appointed President and Chief Executive Officer of our Company, and Michael S. Sarner was appointed Chief Financial Officer, Chief Compliance Officer, Secretary and Treasurer.

Following the spin-off, we have maintained operations as an internally-managed BDC and pursue a credit-focused investing strategy akin to similarly structured organizations. We will continue to provide capital to middle-market companies. We intend to primarily invest in debt securities, including senior "unitranche" debt, second lien and subordinated debt, and may also invest in preferred stock and common stock alongside its debt investments or through warrants.

Formation and Launch of a Senior Loan Fund With Main Street Capital Corporation

On September 9, 2015, Capital Southwest Corporation (the "Company") and Main Street Capital Corporation ("Main Street") entered into an agreement to co-manage I-45 SLF LLC ("I-45"), a senior loan fund to invest primarily in syndicated senior secured loans in the upper middle market. The Company and Main Street have equal representation on I-45's Board of Managers. The Company and Main Street have committed to provide $85 million of equity to I-45, with the Company providing $68 million and Main Street providing $17 million. The Company owns 80% of I-45 and has a profits interest of 75.6%, while Main Street owns 20% of I-45 and has a profits interest of 24.4%.

Results of Operations

The composite measure of our 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/loss," which is the difference between income from interest, dividends and fees and our 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 the disposition of portfolio securities and their stated cost, net of applicable income tax expense based on our tax year. The third element is the "Net increase in unrealized appreciation of investments," which is the net change in the market or fair value of our investment portfolio, compared with stated cost. It should be noted that the "Net realized gain 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.

Investment Income

For the six months ended September 30, 2015, total investment income was $2,041,781, a $466,362, or 29.6%, increase from total investment income of $1,575,419 for the six months ended September 30, 2014. The increase was primarily attributable to $1.1 million of interest income generated from syndicated and direct credit investments that we closed since 4th quarter of last year. This increase was offset by a decrease of $0.8 million of dividend income from portfolio companies that were spun off at the end of the quarter and certain divestitures of our non-core legacy equity assets.

For the six months ended September 30, 2014, total investment income was $1,575,419, a $456,238, or 22.5%, decrease from total investment income of $2,031,657 for the six months ended September 30, 2013.

For the three months ended September 30, 2015, Capital Southwest reported investment income of $1,078,127, a $282,987, or 35.6%, increase as compared to the quarter ended September 30, 2014. The increase was primarily attributable to $0.8 million of interest income generated from syndicated and direct credit investments that we closed since 4th quarter of last year. This increase was offset by a decrease of $0.6 million dividend income from portfolio companies that were spun off at the end of the quarter and certain divestitures of our non-core legacy equity assets.

For the three months ended September 30, 2014, total investment income was $795,140, a $181,571, or 18.6%, decrease from total investment income of $976,711 for the three months ended September 30, 2013.

Operating Expenses

Due to the nature of our business, the majority of our operating expenses are related to employees' and directors' compensation, office expenses, legal, professional and accounting fees.

For the six months ended September 30, 2015, our total operating expenses totaled $14,088,723, an increase of $10,013,513, or 246%, as compared to our total operating expenses of $4,075,210 for the six months ended September 30, 2014. The increase is primarily due to the spin-off transaction. The spin-off related expenses included $6.7 million professional service fees incurred to effectuate the spin-off and obtain tax-free opinion. Total compensation expenses of $4.6 million include $1.6 million compensation expenses for employees who transferred to CSW industrials, Inc. following the spin-off transaction and $0.9 million related to the spin-off transaction bonuses. Share-based compensation expenses of $0.7 million include $0.6 million stock based compensation expenses related to the equity awards for the executive compensation plan as well as modification of equity based compensation expenses due to the spin-off transaction. Excluding these one-time spin-off expenses, our total operating expenses for the six months ended September 30, 2015 would be approximately $4.3 million.

For the six months ended September 30, 2014, total operating expenses totaled
$4,075,210, a decrease of $431,497, or 9.6%, as compares to the total operating expenses of $4,506,708 for the six months ended September 30, 2013.

For the three months ended September 30, 2015, our total operating expenses totaled $ 10,324,752, an increase of $8,579,133, or 491%, as compared to the total operating expenses of $ 1,745,619. The spin-off related expenses included $5.5 million professional service fees incurred to effectuate the spin-off. Compensation expenses of $3.4 million include $1.2 million compensation expenses for employees who transferred to CSW Industrials, Inc. following the spin-off transaction and $0.9 million related to the spin-off transaction bonuses. Share-based compensation expenses of $0.4 million include $0.3 million stock based compensation expenses related to the equity awards for the executive compensation plan as well as modification of equity based compensation expenses due to the spin-off transaction. Excluding these one-time spin-off expenses, our total operating expenses would be approximately $2.4 million for the three months ended September 30, 2015.

For the three months ended September 30, 2014, total operating expenses totaled $1,745,619, a decrease of $455,930, or 20.7%, as compares to the total operating expenses of $2,201,548 for the three months ended September 30, 2013.

Net Investment Income

For the three months ended September 30, 2015, Net investment loss totaled $9,334,930. Excluding aforementioned one-time spin-off expenses, our total net investment loss would be approximately $1.4 million. For the three months ended September 30, 2014, net investment loss totaled $1,239,019.

For the six months ended September 30, 2015, net investment loss totaled $12,164,505. Excluding aforementioned one-time spin-off expenses, our total net investment loss would be approximately $2.4 million. For the six months ended September 30, 2014, net investment loss totaled $2,721,676.

Table of Contents

Net Realized Gain (Loss) on Investments

During the six months ended September 30, 2015, we recognized a net realized loss of $2,647,830 from the following sources:

	Proceeds	Cost	Realized gain (loss)
Alamo Group, Inc.	$ 36,872	$ -	$ 36,872
Atlantic Capital Bancshares, Inc.	3,956,401	3,000,000	956,401
Ballast Point Ventures II, L.P.	3,507,598	2,634,790	872,808
BankCap Partners, L.P.	1,596,999	5,071,514	(3,474,515)
Boxx Technologies, Inc.	2,184,184	1,500,000	684,184
Capital South Partners Fund II, L.P.	50,000	433,403	(383,403)
Diamond State Ventures, L.P.	27,500	-	27,500
First Capital Group of Texas	20,000	778,894	(758,894)
Instawares Holding Company, LLC	5,000,000	5,000,000	-
StarTech Seed Fund II	14,000	622,783	(608,783)
Total realized loss			$ (2,647,830)

During the six months ended September 30, 2014, we recognized a net realized gain of $30,679,890 from the following sources:

	Proceeds	Cost	Realized gain (loss)
Alamo Group, Inc.	$ 33,854,271	$ 183,674	$ 33,670,597
Capitala Finance Corporation	2,019,661	1,363,799	655,862
Cinatra Clean Technologies, Inc.	2,458,706	17,288,383	(14,829,677)
Discovery Alliance, LLC	139,713	1,315,000	(1,175,287)
Encore Wire Corporation	13,637,413	1,409,051	12,228,362
North American Energy Partners	588,577	236,986	351,591
StarTech Seed Fund II	75,706	75,706	-
Tristate Capital Holdings, Inc.	706,928	928,486	(221,558)
Total realized gain			$ 30,679,890

Management does not attempt to maintain a consistent level of realized gains from year to year, but instead attempts to maximize total investment portfolio appreciation. This strategy often dictates the long-term holding of portfolio securities in pursuit of increased values and increased unrealized appreciation, but may at opportune times dictate realizing gains or losses through the disposition of certain portfolio investments.

Net Increase(Decrease) in Unrealized Appreciation of Investments

For the six months ended September 30, 2015, we recognized an increase of $5,879,386 in unrealized appreciation of investments, of which $528,614 of the unrealized depreciation were related to assets that were sold during the past six months. Excluding unrealized appreciation related to assets that were sold during the past six months, our unrealized appreciation would have increased by $6,408,000, which is principally attributable to Media Recovery, Inc. due to an increase in our multiple as a result of the new management team and improved outlook for the Business.

For the six months ended September 30, 2014, we recognized a decrease of $38,826,965 in net change in unrealized appreciation of investments. This decrease in unrealized appreciation is primarily attributable to Alamo Group, Inc. and Encore Wire Corporation; Alamo Group, Inc. decreased by $72,367,129 due to a decline in its stock price at September 30, 2014, as well as our recent disposition of 849,690 shares, which generated a net realized gain of $33,670,597; Encore Wire Corporation decreased by $26,692,007, due to a decrease in its stock price at September 30, 2014 and our sale of 355,650 shares, which generated a net realized gain of $12,228,362. These decreases are offset by The Rectorseal Corporation, Titanliner, Inc., and Media Recovery, Inc., which increased by $35,600,000, $5,636,999, and $2,000,000, respectively, due to increases in each entity’s earnings; In addition, Wellogix, Inc. increased by $1,875,000 due to the utilization of a market valuation approach during the quarter ended September 30, 2014.

Set forth in the following table are the significant increases and decreases in unrealized appreciation by our current portfolio companies:

	Six Months Ended September 30,	
	2015	2014
Media Recovery, Inc.	5,100,000	2,000,000
Deepwater Corrosion Services, Inc.	2,322,000	32,000
TitanLiner, Inc.	(119,000)	5,636,999
Trax Data Refinery, Inc.	(96,000)	NA
Wellogix, Inc.	(872,000)	1,875,000

A description of the investments listed above and other material components of the investment portfolio are included elsewhere in this report under the caption "Consolidated Schedule of Investments – September 30, 2015 and March 31, 2015."

Financial Condition, Liquidity and Capital Resources

At September 30, 2015, the Company had cash and cash equivalents of approximately $184.1 million.

Management believes that the Company's cash and cash equivalents on hand and cash available from investments are adequate to meet its needs for the next twelve months. 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.

Application of Critical Accounting Policies and Accounting Estimates

There have been no changes during the six months ended September 30, 2015 to the critical accounting policies or the area that involves the use of significant judgments or estimates as described in our Annual Report on Form 10-K for the fiscal year ended March 31, 2015.

Item 3. 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 $10,862,389 at September 30, 2015, equivalent to 11.6% 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 traded 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.

Item 4. Controls and Procedures

As of the end of the period covered by this report, an evaluation was performed under the supervision and with the participation of our management, including the President and Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15 of the Securities Exchange Act of 1934). Based upon this evaluation, management, including our President and Chief Executive Officer and our Chief Financial Officer, have concluded that our current disclosure controls and procedures are effective as of September 30, 2015.

During the three months ended September 30, 2015, there have been no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

PART II. – OTHER INFORMATION

Item 1. Legal Proceedings

We may, from time to time, be involved in litigation arising out of our operations in the normal course of business or otherwise. Furthermore, third parties may try to seek to impose liability on us in connection with the activities of our portfolio companies. We have no currently pending material legal proceedings to which we are party or to which any of our assets is subject.

Item 1A. Risk Factors

Investing in our common stock involves a number of significant risks. There are no material changes to the risk factors previously disclosed in our Annual Report on Form 10-K for the fiscal year ended March 31, 2015, with the exception of the additional risk factors discussed below. The risks and uncertainties described below could adversely affect the material risks we face. 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.

The capital markets may experience periods of disruption and instability. Such market conditions may materially and adversely affect debt and equity capital markets in the United States, which may have a negative impact on our business and operations.

The U.S. capital markets experienced extreme volatility and disruption over the past several years, leading to recessionary conditions and depressed levels of consumer and commercial spending. Disruptions in the capital markets increased the spread between the yields realized on risk-free and higher risk securities, resulting in illiquidity in parts of the capital markets. While recent indicators suggest improvement in the capital markets, we cannot provide any assurance that these conditions will not worsen. If these conditions continue or worsen, the prolonged period of market illiquidity may have an adverse effect on our business, financial condition, and results of operations. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could limit our investment originations, limit our ability to grow and negatively impact our operating results.

In addition, significant changes or volatility in the capital markets may also have a negative effect on the valuations of our investments. While most of our investments are not publicly traded, applicable accounting standards require us to assume as part of our valuation process that our investments are sold in a principal market to market participants (even if we plan on holding an investment through its maturity). Significant changes in the capital markets may also affect the pace of our investment activity and the potential for liquidity events involving our investments. Thus, the illiquidity of our investments may make it difficult for us to sell such investments to access capital if required, and as a result, we could realize significantly less than the value at which we have recorded our investments if we were required to sell them for liquidity purposes. An inability to raise or access capital could have a material adverse effect on our business, financial condition or results of operations.

If we do not invest a sufficient portion of our assets in qualifying assets, we could fail to qualify as a business development company or be precluded from investing according to our current business strategy.

As a BDC, we may not acquire any assets other than "qualifying assets" unless, at the time of and after giving effect to such acquisition, at least 70.0% of our total assets are qualifying assets.

We currently have more than 70.0% of qualifying assets. However, we may be precluded from investing in what we believe are attractive investments if such investments are not qualifying assets for purposes of the 1940 Act. If we do not invest a sufficient portion of our assets in qualifying assets, we could lose our status as a BDC, which would have a material adverse effect on our business, financial condition and results of operations. Similarly, these rules could prevent us from making follow-on investments in existing portfolio companies (which could result in the dilution of our position).

A failure on our part to maintain our status as a BDC would significantly reduce our operating flexibility.

If we fail to maintain our status as a BDC, we might be regulated as a closed-end investment company that is required to register under the Investment Company Act, which would subject us to additional regulatory restrictions and significantly decrease our operating flexibility. In addition, any such failure could cause an event of default under our outstanding indebtedness, which could have a material adverse effect on our business, financial condition or results of operations.

Investing in our securities may involve an above average degree of risk.

The investments we make in accordance with our investment objective may result in a higher amount of risk than alternative investment options and a higher risk of volatility or loss of principal. Our investments in portfolio companies may be highly speculative, and therefore, an investment in our shares may not be suitable for someone with lower risk tolerance.

The lack of liquidity in our investments may adversely affect our business.

We invest in companies whose securities are not publicly traded, and whose securities are subject to legal and other restrictions on resale or are otherwise less liquid than publicly traded securities. The illiquidity of these investments may make it difficult for us to sell these investments when desired. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we had previously recorded these investments. As a result, we do not expect to achieve liquidity in our investments in the near-term. Our investments are usually subject to contractual or legal restrictions on resale or are otherwise illiquid because there is usually no established trading market for such investments. The illiquidity of most of our investments may make it difficult for us to dispose of them at a favorable price, and, as a result, we may suffer losses.

Changes in interest rates may affect our cost of capital and net investment income.

Some of our debt investments will bear interest at variable rates and the interest income from these investments could be negatively affected by decreases in market interest rates. In addition, an increase in interest rates would make it more expensive for us to use debt to finance our investments. As a result, a significant increase in market interest rates could increase our cost of capital, which would reduce our net investment income. Also, an increase in interest rates available to investors could make an investment in our securities less attractive than alternative investments, a situation which could reduce the value of our securities. Conversely, a decrease in interest rates may have an adverse impact on our returns by requiring us to seek lower yields on our debt investments and by increasing the risk that our portfolio companies will prepay our debt investments, resulting in the need to redeploy capital at potentially lower rates. A decrease in market interest rates may also adversely impact our returns on idle funds, which would reduce our net investment income.

There may be circumstances where our debt investments could be subordinated to claims of other creditors or we could be subject to lender liability claims.

Even though we may have structured certain of our investments as secured loans, if one of our portfolio companies were to go bankrupt, depending on the facts and circumstances, and based upon principles of equitable subordination as defined by existing case law, a bankruptcy court could subordinate all or a portion of our claim to that of other creditors and transfer any lien securing such subordinated claim to the bankruptcy estate. The principles of equitable subordination defined by case law have generally indicated that a claim may be subordinated only if its holder is guilty of misconduct or where the senior loan is re-characterized as an equity investment and the senior lender has actually provided significant managerial assistance to the bankrupt debtor. We may also be subject to lender liability claims for actions taken by us with respect to a borrower's business or instances where we exercise control over the borrower. It is possible that we could become subject to a lender's liability claim, including as a result of actions taken in rendering significant managerial assistance or actions to compel and collect payments from the borrower outside the ordinary course of business.

Prepayments of our debt investments by our portfolio companies could adversely impact our results of operations and reduce our return on equity.

We are subject to the risk that the investments we make in our portfolio companies may be repaid prior to maturity. When this occurs, we will generally reinvest these proceeds in temporary investments, pending their future investment in new portfolio companies. These temporary investments will typically have substantially lower yields than the debt being prepaid and we could experience significant delays in reinvesting these amounts. Any future investment in a new portfolio company may also be at lower yields than the debt that was repaid. As a result, our results of operations could be materially adversely affected if one or more of our portfolio companies elect to prepay amounts owed to us. Additionally, prepayments could negatively impact our return on equity, which could result in a decline in the market price of our securities.

Second priority liens on collateral securing loans that we make to our portfolio companies may be subject to control by senior creditors with first priority liens. If there is a default, the value of the collateral may not be sufficient to repay in full both the first priority creditors and us.

Certain loans that we make are secured by a second priority security interest in the same collateral pledged by a portfolio company to secure senior debt owed by the portfolio company to commercial banks or other traditional lenders. Often the senior lender has procured covenants from the portfolio company prohibiting the incurrence of additional secured debt without the senior lender's consent. Prior to and as a condition of permitting the portfolio company to borrow money from us secured by the same collateral pledged to the senior lender, the senior lender will require assurances that it will control the disposition of any collateral in the event of bankruptcy or other default. In many such cases, the senior lender will require us to enter into an "intercreditor agreement" prior to permitting the portfolio company to borrow from us. Typically the intercreditor agreements we are requested to execute expressly subordinate our debt instruments to those held by the senior lender and further provide that the senior lender shall control: (1) the commencement of foreclosure or other proceedings to liquidate and collect on the collateral; (2) the nature, timing and conduct of foreclosure or other collection proceedings; (3) the amendment of any collateral document; (4) the release of the security interests in respect of any collateral; and (5) the waiver of defaults under any security agreement. Because of the control we may cede to senior lenders under intercreditor agreements we may enter, we may be unable to realize the proceeds of any collateral securing some of our loans.

Our portfolio companies may incur debt that ranks equally with, or senior to, our investments in such companies.

We invest primarily in the secured term debt of LMM and Middle Market companies and equity issued by LMM companies. Our portfolio companies may have, or may be permitted to incur, other debt that ranks equally with, or senior to, the debt in which we invest. By their terms, such debt instruments may entitle the holders to receive payment of interest or principal on or before the dates on which we are entitled to receive payments with respect to the debt instruments in which we invest. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of debt instruments ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any distribution. After repaying such senior creditors, such portfolio company may not have any remaining assets to use for repaying its obligation to us. In the case of debt ranking equally with debt instruments in which we invest, we would have to share on an equal basis any distributions with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

Item 6. Exhibits

Exhibit No.	Description
2.1	Distribution Agreement by and between Capital Southwest Corporation and CSW Industrials, Inc. dated as of September 8, 2015 (filed as Exhibit 2.1 to Form 8-K dated September 14, 2015).
10.1	Tax Matters Agreement by and between Capital Southwest Corporation and CSW Industrials, Inc. dated as of September 8, 2015 (filed as Exhibit 10.1 to Form 8-K dated September 14, 2015).
10.2	Amended and Restated Employee Matters Agreement by and between Capital Southwest Corporation and CSW Industrials, Inc. dated as of September 14, 2015 (filed as Exhibit 10.2 to Form 8-K dated September 14, 2015).
10.3	Form of Amended and Restated Non-Qualified Stock Option Agreement (CSWC Employee Form), filed herewith.
10.4	Form of Amended and Restated Non-Qualified Stock Option Agreement (CSWI Employee Form), filed herewith.
10.5	Form of Amended and Restated Incentive Stock Option Agreement (CSWC Employee Form), filed herewith.
10.6	Form of Amended and Restated Incentive Stock Option Agreement (CSWI Employee Form), filed herewith.
10.7	Form of Amended and Restated Non-Qualified Stock Option Agreement (Executive Compensation Plan – CSWC Employee Form), filed herewith.
10.8	Form of Amended and Restated Non-Qualified Stock Option Agreement (Executive Compensation Plan – CSWI Employee Form), filed herewith.
10.9	Form of Restricted Stock Agreement (CSWC Employee Form), filed herewith.
10.10	Form of Amended and Restated Restricted Stock Agreement (CSWI Employee Form), filed herewith.
10.11	Form of Amended and Restated Restricted Stock Award (Executive Compensation Plan – CSWC Employee Form), filed herewith.
10.12	Form of Amended and Restated Restricted Stock Award (Executive Compensation Plan – CSWI Employee Form), filed herewith.
10.13	Form of Amended and Restated Cash Incentive Award Agreement (Executive Compensation Plan), filed herewith.
10.14	I-45 SLF LLC Agreement dated September 9, 2015, filed herewith.
31.1	Certification of President and Chief Executive Officer required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), filed herewith.
31.2	Certification of Chief Financial Officer required by Rule 13a-14(a) of the Exchange Act, filed herewith.
32.1	Certification of President and Chief Executive Officer required by Rule 13a-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 Chief Financial Officer required by Rule 13a-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code, furnished herewith.

SIGNATURES

Pursuant to the requirements 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

November 9, 2015	By:	/s/ Bowen S. Diehl
Date		Bowen S. Diehl President and Chief Executive Officer
November 9, 2015	By:	/s/ Michael S. Sarner
Date		Michael S. Sarner Chief Financial Officer

Exhibit 10.3

CAPITAL SOUTHWEST CORPORATION

Amended and Restated Non-Qualified Stock Option Agreement

WHEREAS, the Capital Southwest Corporation (the "Company") and __________ (the "Optionee") currently are parties to a Non-Qualified Stock Option Agreement, dated __________, (the "Prior Agreement"), whereby the Company granted a non-qualified option to purchase shares of common stock of the Company (the "Option") to the Optionee under the Capital Southwest Corporation 2009 Stock Incentive Plan (the "Plan");

WHEREAS, pursuant to Section 16 of the Plan the Company has reserved the authority to amend and restate the Prior Agreement in the event of any change in the outstanding common stock of the Company by reason of any stock dividend, split, spin-off, recapitalization, merger, consolidation, combination, extraordinary dividend, exchange of shares or other change affecting the outstanding common stock of the Company;

WHEREAS, effective as of 11:59 p.m. Central Time on September 30, 2015 (the "Effective Time"), the Company separated its industrial products, coatings, sealants, and adhesives and specialty chemicals businesses from its other businesses through a spin-off of those businesses to its stockholders, which resulted in the distribution of 100% of the outstanding stock in CSW Industrials, Inc. ("CSWI") to the holders of common stock of the Company (the "Share Distribution");

WHEREAS, the Board of Directors of the Company has approved the adjustment of all equity compensation awards granted under the Plan in connection with the Share Distribution;

WHEREAS, the Company now desires to amend and restate the Prior Agreement to adjust the Option, to be effective as of the Effective Time; and

WHEREAS, this Amended and Restated Agreement Non-Qualified Stock Option Agreement (this "Agreement") shall amend, restate, supersede and completely replace the Prior Agreement as of the Effective Time.

NOW, THEREFORE, the Company has amended and restated the Prior Agreement as follows:

Date of Grant: ____________

Name of Optionee: ____________

Number of Shares: ____________

Exercise Price: $ ____________

Expiration Date: ____________

Vesting Schedule: ____________

The Company hereby awards to the Optionee an Option to purchase from the Company, for the Exercise Price set forth above, the number of Shares set forth above pursuant to the Plan. This Option is not intended by the parties hereto to be, and shall not be treated as, an "incentive stock option" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

The terms and conditions of the Option granted hereby, to the extent not controlled by the terms and conditions contained in the Plan, are as follows:

1. No Right to Continued Employee Status

Nothing contained in this Agreement shall confer upon Optionee the right to the continuation of his or her Employee status, or to interfere with the right of the Company or other member of the Company Group, as applicable, to terminate such relationship.

2. Vesting of the Option

(a) The Option shall vest in accordance with the Vesting Schedule set forth above.

(b) Notwithstanding anything in this Award or the Plan to the contrary, employment with CSWI or one of its subsidiaries after the Share Distribution will be deemed to be employment with the Company under the Plan, and a Termination of Service from CSWI and all of its subsidiaries after the Share Distribution will be deemed to be a Termination of Service from the Company under the Plan, notwithstanding that CSWI ceases to be an affiliate of the Company.

3. Exercise; Transferability

(a) Exercise Method. This Option shall be exercised by delivery to the Company of (i) written notice of exercise stating the number of Shares being purchased (in whole shares only) and such other information set forth on the form of Notice of Exercise attached to this Agreement as Exhibit A and (ii) a check or cash in the amount of the Exercise Price of the Shares covered by the notice (or such other consideration as has been approved by the Board of Directors consistent with the Plan), plus any applicable withholding taxes unless the Optionee exercises this Option through a cashless exercise in accordance with the Plan and the Company's rules and procedures governing cashless exercises. Any cashless exercise permitted hereunder will be subject to any applicable limitations or restrictions imposed under the Sarbanes-Oxley Act of 2002.

(b) Transferability. Unless otherwise required by law, this Option shall not be assignable or transferable other than by will, by the laws of descent and distribution, or by a qualified domestic relations order, and may be exercised during the lifetime of the Optionee only by the Optionee (or the Optionee's guardian or legal representative) or an alternate payee under a qualified domestic relations order.

4. Taxation Upon Exercise of Option

Optionee understands that, upon exercise of this Option, Optionee will recognize income, for Federal and state income tax purposes, in an amount equal to the amount by which the Fair Market Value of the Shares, determined as of the date of exercise, exceeds the Exercise Price. The acceptance of the Shares by the Optionee shall constitute an agreement by Optionee to report such income in accordance with then applicable law and to cooperate with the Company and its subsidiaries in establishing the amount of such income and corresponding deduction to the Company and/or its subsidiaries for its income tax purposes. Withholding for Federal or state income and employment tax purposes shall be made, if and as required by law, from the Optionee's then current compensation, or, if such current compensation is insufficient to satisfy withholding tax liability, the Company may require the Optionee to make a cash payment to cover the liability as a condition of the exercise of this Option; however, in the case of a cashless exercise, the Optionee may use Shares that are the subject of such exercise to pay for any or all such tax liability, all in accordance with the Company's rules and procedures governing such process. Any use of Shares to pay for any tax liability will be subject to any applicable limitations or restrictions imposed under the Sarbanes-Oxley Act of 2002.

5. Modification, Extension and Renewal of Option

The Board or Committee, as described in the Plan, may modify, extend or renew this Option or accept its surrender (to the extent not yet exercised) and authorize the granting of a new option in substitution for it (to the extent not yet exercised), subject at all times to the Plan, the Code, and the applicable laws of the State of Texas. Notwithstanding the foregoing provisions of this Section 5, no modification shall, without the consent of the Optionee, alter to the Optionee's detriment or impair any rights of Optionee under this Agreement except to the extent permitted under the Plan.

6. Notices

Any notice required to be given pursuant to this Agreement or the Plan shall be in writing and shall be deemed to be delivered upon receipt or, in the case of notices by the Company, five (5) days after deposit in the U.S. mail, postage prepaid, addressed to Optionee at the address last provided by Optionee for his or her employee records.

7. Agreement Subject to Plan; Applicable Law

This Agreement is made pursuant to the Plan and shall be interpreted to comply therewith. Any provision of this Agreement inconsistent with the Plan shall be considered void and replaced with the applicable provision of the Plan. For the avoidance of doubt, in the event Section 2 of this Agreement is inconsistent with the Plan, the terms of Section 2 of this Agreement shall govern. This Agreement shall be governed by the laws of the State of Texas and subject to the exclusive jurisdiction of the courts therein. Unless otherwise provided herein, capitalized terms used herein that are defined in the Plan and not defined herein shall have the meanings set forth in the Plan.

EXHIBIT A

Capital Southwest Corporation

NON-QUALIFIED STOCK OPTION EXERCISE FORM

Date: ______________________________

Attention: ______________________________

The undersigned hereby elects to exercise all or a portion of the Option issued to him/her by Capital Southwest Corporation (the "Company") and dated September 30, 2015 (the "Option Agreement") and to purchase _____________ shares of common stock of the Company (the "Shares") at an exercise price of _______ Dollars ($___) per Share or an aggregate purchase price of _________________________ Dollars ($_______) (the "Exercise Price"). Pursuant to the terms of the Option Agreement, the undersigned has delivered the Exercise Price herewith in full in cash or ______________.

Please issue a certificate or certificates representing said Shares in the name of the undersigned.

By: ____________________________________

Typed Name: ____________________________________

Address:

Exhibit 10.4

CAPITAL SOUTHWEST CORPORATION

Amended and Restated Non-Qualified Stock Option Agreement

WHEREAS, the Capital Southwest Corporation (the "Company") and __________ (the "Optionee") currently are parties to a Non-Qualified Stock Option Agreement, dated __________, (the "Prior Agreement"), whereby the Company granted a non-qualified option to purchase shares of common stock of the Company (the "Option") to the Optionee under the Capital Southwest Corporation 2009 Stock Incentive Plan (the "Plan");

WHEREAS, pursuant to Section 16 of the Plan the Company has reserved the authority to amend and restate the Prior Agreement in the event of any change in the outstanding common stock of the Company by reason of any stock dividend, split, spin-off, recapitalization, merger, consolidation, combination, extraordinary dividend, exchange of shares or other change affecting the outstanding common stock of the Company;

WHEREAS, effective as of 11:59 p.m. Central Time on September 30, 2015 (the "Effective Time"), the Company separated its industrial products, coatings, sealants, and adhesives and specialty chemicals businesses from its other businesses through a spin-off of those businesses to its stockholders, which resulted in the distribution of 100% of the outstanding stock in CSW Industrials, Inc. ("CSWI") to the holders of common stock of the Company (the "Share Distribution");

WHEREAS, the Board of Directors of the Company has approved the adjustment of all equity compensation awards granted under the Plan in connection with the Share Distribution;

WHEREAS, the Company now desires to amend and restate the Prior Agreement to adjust the Option, to be effective as of the Effective Time; and

WHEREAS, this Amended and Restated Agreement Non-Qualified Stock Option Agreement (this "Agreement") shall amend, restate, supersede and completely replace the Prior Agreement as of the Effective Time.

NOW, THEREFORE, the Company has amended and restated the Prior Agreement as follows:

Date of Grant:	________
Name of Optionee:	________
Number of Shares:	________
Exercise Price:	$ ________
Expiration Date:	________
Vesting Schedule:	________

The Company hereby awards to the Optionee the Option to purchase from the Company, for the Exercise Price set forth above, the number of Shares set forth above pursuant to the Plan. This Option is not intended by the parties hereto to be, and shall not be treated as, an "incentive stock option" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

The terms and conditions of the Option granted hereby, to the extent not controlled by the terms and conditions contained in the Plan, are as follows:

1. No Right to Continued Employee Status

Nothing contained in this Agreement shall confer upon Optionee the right to the continuation of his or her Employee status, or to interfere with the right of CSWI or its subsidiaries, as applicable, to terminate such relationship.

2. Vesting of the Option

(a) The Option shall vest in accordance with the Vesting Schedule set forth above.

(b) Notwithstanding anything in this Agreement or the Plan to the contrary, employment with CSWI or one of its subsidiaries after the Share Distribution will be deemed to be employment with the Company under the Plan, and a Termination of Service from CSWI and all of its subsidiaries after the Share Distribution will be deemed to be a Termination of Service from the Company under the Plan, notwithstanding that CSWI ceases to be an affiliate of the Company.

3. Change in Control

(a) Notwithstanding anything in this Agreement or the Plan to the contrary, for purposes of this Agreement a CSWI Change in Control shall be treated as a Change in Control.

(b) For purposes of this Agreement, a "CSWI Change in Control" means any of the following events:

(i) any one person, or more than one “person” acting as a group, acquires (or has acquired during the twelve-month period ending on the date of the most recent acquisition by such person(s)) ownership of the common stock of CSWI possessing fifty-one percent (51%) or more of the total voting power of the common stock of CSWI;

(ii) individuals who at any time during the term of this Agreement constitute the board of directors of CSWI (the “CSWI Incumbent Board”) cease for any reason to constitute at least a majority thereof, provided that any person becoming a director subsequent to the date hereof whose election or nomination for election was approved by a vote of at least seventy-five (75%) of the directors comprising the CSWI Incumbent Board (either by a specific vote or by approval of the proxy statement of CSWI in which such person is named as a nominee for director, without objection to such nomination) shall be, for purposes of this clause (ii) considered as though such person were a member of the CSWI Incumbent Board;

(iii) any consolidation or merger to which CSWI is a party, if following such consolidation or merger, stockholders of CSWI immediately prior to such consolidation or merger shall not beneficially own securities representing at least thirty-three and one third percent (33 1/3%) of the combined voting power of the outstanding voting securities of the surviving or continuing corporation; or

(iv) any sale, lease, exchange or other transfer (in one transaction or in a series of related transactions) of all, or substantially all, of the assets of CSWI, other than to an entity (or entities) of which CSWI or the stockholders of CSWI immediately prior to such transaction beneficially own securities representing at least fifty-one percent (51%) of the combined voting power of the outstanding voting securities.

4. Exercise; Transferability

(a) Exercise Method. This Option shall be exercised by delivery to the Company of (i) written notice of exercise stating the number of Shares being purchased (in whole shares only) and such other information set forth on the form of Notice of Exercise attached to this Agreement as Exhibit A and (ii) a check or cash in the amount of the Exercise Price of the Shares covered by the notice (or such other consideration as has been approved by the Board of Directors consistent with the Plan), plus any applicable withholding taxes unless the Optionee exercises this Option through a cashless exercise in accordance with the Plan and the Company’s rules and procedures governing cashless exercises. Any cashless exercise permitted hereunder will be subject to any applicable limitations or restrictions imposed under the Sarbanes-Oxley Act of 2002.

(b) Transferability. Unless otherwise required by law, this Option shall not be assignable or transferable other than by will, by the laws of descent and distribution, or by a qualified domestic relations order, and may be exercised during the lifetime of the Optionee only by the Optionee (or the Optionee's guardian or legal representative) or an alternate payee under a qualified domestic relations order.

5. Taxation Upon Exercise of Option

Optionee understands that, upon exercise of this Option, Optionee will recognize income, for Federal and state income tax purposes, in an amount equal to the amount by which the Fair Market Value of the Shares, determined as of the date of exercise, exceeds the Exercise Price. The acceptance of the Shares by the Optionee shall constitute an agreement by Optionee to report such income in accordance with then applicable law. Withholding for Federal or state income and employment tax purposes shall be made, if and as required by law, from the Optionee's then current compensation, or, if such current compensation is insufficient to satisfy withholding tax liability, the Company may require the Optionee to make a cash payment to cover the liability as a condition of the exercise of this Option; however, in the case of a cashless exercise, the Optionee may use Shares that are the subject of such exercise to pay for any or all such tax liability, all in accordance with the Company's rules and procedures governing such process. Any use of Shares to pay for any tax liability will be subject to any applicable limitations or restrictions imposed under the Sarbanes-Oxley Act of 2002.

6. Modification, Extension and Renewal of Option

The Board or Committee, as described in the Plan, may modify, extend or renew this Option or accept its surrender (to the extent not yet exercised) and authorize the granting of a new option in substitution for it (to the extent not yet exercised), subject at all times to the Plan, the Code, and the applicable laws of the State of Texas. Notwithstanding the foregoing provisions of this Section 6, no modification shall, without the consent of the Optionee, alter to the Optionee's detriment or impair any rights of Optionee under this Agreement except to the extent permitted under the Plan.

7. Notices

Any notice required to be given pursuant to this Agreement or the Plan shall be in writing and shall be deemed to be delivered upon receipt or, in the case of notices by the Company, five (5) days after deposit in the U.S. mail, postage prepaid, addressed to Optionee at the address last provided by Optionee for his or her employee records.

8. Agreement Subject to Plan; Applicable Law

This Agreement is made pursuant to the Plan and shall be interpreted to comply therewith. Any provision of this Agreement inconsistent with the Plan shall be considered void and replaced with the applicable provision of the Plan. For the avoidance of doubt, in the event Section 2 or Section 3 of this Agreement are inconsistent with the Plan, the terms of Section 2 and Section 3 of this Agreement shall govern. This Agreement shall be governed by the laws of the State of Texas and subject to the exclusive jurisdiction of the courts therein. Unless otherwise provided herein, capitalized terms used herein that are defined in the Plan and not defined herein shall have the meanings set forth in the Plan.

Exhibit 10.4

EXHIBIT A

Capital Southwest Corporation

NON-QUALIFIED STOCK OPTION EXERCISE FORM

Date: ______________________________

Attention: ______________________________

The undersigned hereby elects to exercise all or a portion of the Option issued to him/her by Capital Southwest Corporation (the "Company") and dated September 30, 2015 (the "Option Agreement") and to purchase _____________ shares of common stock of the Company (the "Shares") at an exercise price of _______ Dollars ($___) per Share or an aggregate purchase price of _________________________ Dollars ($_______) (the "Exercise Price"). Pursuant to the terms of the Option Agreement, the undersigned has delivered the Exercise Price herewith in full in cash or _______________.

Please issue a certificate or certificates representing said Shares in the name of the undersigned.

By: ______________________________

Typed Name: ______________________________

Address:

Exhibit 10.5

CAPITAL SOUTHWEST CORPORATION

Amended and Restated Incentive Stock Option Agreement

WHEREAS, the Capital Southwest Corporation (the "Company") and __________ (the "Optionee") currently are parties to an Incentive Stock Option Agreement, dated __________, (the "Prior Agreement"), whereby the Company granted an incentive option to purchase shares of common stock of the Company (the "Option") to the Optionee under the Capital Southwest Corporation 2009 Stock Incentive Plan (the "Plan");

WHEREAS, pursuant to Section 16 of the Plan the Company has reserved the authority to amend and restate the Prior Agreement in the event of any change in the outstanding common stock of the Company by reason of any stock dividend, split, spin-off, recapitalization, merger, consolidation, combination, extraordinary dividend, exchange of shares or other change affecting the outstanding common stock of the Company;

WHEREAS, effective as of 11:59 p.m. Central Time on September 30, 2015 (the "Effective Time"), the Company separated its industrial products, coatings, sealants, and adhesives and specialty chemicals businesses from its other businesses through a spin-off of those businesses to its stockholders, which resulted in the distribution of 100% of the outstanding stock in CSW Industrials, Inc. ("CSWI") to the holders of common stock of the Company (the "Share Distribution");

WHEREAS, the Board of Directors of the Company has approved the adjustment of all equity compensation awards granted under the Plan in connection with the Share Distribution;

WHEREAS, the Company now desires to amend and restate the Prior Agreement to adjust the Option, to be effective as of the Effective Time; and

WHEREAS, this Amended and Restated Agreement Incentive Stock Option Agreement (this "Agreement") shall amend, restate, supersede and completely replace the Prior Agreement as of the Effective Time.

NOW, THEREFORE, the Company has amended and restated the Prior Agreement as follows:

Date of Grant:	____________
Name of Optionee:	____________
Number of Shares:	____________
Exercise Price:	$ ___________
Expiration Date:	____________
Vesting Schedule:	Exercisable beginning _________ __, _____ in five (5) annual cumulative installments of __________ Shares.

The Company hereby awards to the Optionee the Option to purchase from the Company, for the Exercise Price set forth above, the number of Shares set forth above pursuant to the Plan. This Option is intended by the parties hereto to be, and shall be treated as, an "incentive stock option" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

The terms and conditions of the Option granted hereby, to the extent not controlled by the terms and conditions contained in the Plan, are as follows:

1. No Right to Continued Employee Status

Nothing contained in this Agreement shall confer upon Optionee the right to the continuation of his or her Employee status, or to interfere with the right of the Company or other member of the Company Group, as applicable, to terminate such relationship.

2. Vesting of the Option

(a) The Option shall vest in accordance with the Vesting Schedule set forth above.

(b) Notwithstanding anything in this Agreement or the Plan to the contrary, employment with CSWI or one of its subsidiaries after the Share Distribution will be deemed to be employment with the Company under the Plan, and Termination of Service from CSWI and all of its subsidiaries after the Share Distribution will be deemed to be a Termination of Service from the Company under the Plan, notwithstanding that CSWI ceases to be an affiliate of the Company.

3. Exercise; Transferability

(a) Exercise Method. This Option shall be exercised by delivery to the Company of (i) written notice of exercise stating the number of Shares being purchased (in whole shares only) and such other information set forth on the form of Notice of Exercise attached to this Agreement as Exhibit A and (ii) a check or cash in the amount of the Exercise Price of the Shares covered by the notice (or such other consideration as has been approved by the Board of Directors consistent with the Plan). Optionee may also exercise this Option through a cashless exercise in accordance with the Plan and the Company's rules and procedures governing cashless exercises. Any cashless exercise permitted hereunder will be subject to any applicable limitations or restrictions imposed under the Sarbanes-Oxley Act of 2002.

(b) Transferability. Unless otherwise required by law, this Option shall not be assignable or transferable other than by will, by the laws of descent and distribution, or by a qualified domestic relations order, and may be exercised during the lifetime of the Optionee only by the Optionee (or the Optionee's guardian or legal representative) or an alternate payee under a qualified domestic relations order.

4. Modification, Extension and Renewal of Option

The Board or Committee, as described in the Plan, may modify, extend or renew this Option or accept its surrender (to the extent not yet exercised) and authorize the granting of a new option in substitution for it (to the extent not yet exercised), subject at all times to the Plan, the Code, and the applicable laws of the State of Texas. Notwithstanding the foregoing provisions of this Section 4, no modification shall, without the consent of the Optionee, alter to the Optionee's detriment or impair any rights of Optionee under this Agreement except to the extent permitted under the Plan.

5. Notices

Any notice required to be given pursuant to this Agreement or the Plan shall be in writing and shall be deemed to be delivered upon receipt or, in the case of notices by the Company, five (5) days after deposit in the U.S. mail, postage prepaid, addressed to Optionee at the address last provided by Optionee for his or her employee records.

6. Agreement Subject to Plan; Applicable Law

This Agreement is made pursuant to the Plan and shall be interpreted to comply therewith. Any provision of this Agreement inconsistent with the Plan shall be considered void and replaced with the applicable provision of the Plan. For the avoidance of doubt, in the event Section 2 of this Agreement is inconsistent with the Plan, the terms of Section 2 of this Agreement shall govern. This Agreement shall be governed by the laws of the State of Texas and subject to the exclusive jurisdiction of the courts therein. Unless otherwise provided herein, capitalized terms used herein that are defined in the Plan and not defined herein shall have the meanings set forth in the Plan.

EXHIBIT A

Capital Southwest Corporation

INCENTIVE STOCK OPTION EXERCISE FORM

Date: ______________________________

Attention: ______________________________

The undersigned hereby elects to exercise all or a portion of the Option issued to him/her by Capital Southwest Corporation (the "Company") and dated September 30, 2015 (the "Option Agreement") and to purchase _____________ shares of common stock of the Company (the "Shares") at an exercise price of _______ Dollars ($___) per Share or an aggregate purchase price of __________________________ Dollars ($_______) (the "Exercise Price"). Pursuant to the terms of the Option Agreement, the undersigned has delivered the Exercise Price herewith in full in cash or ______________.

Please issue a certificate or certificates representing said Shares in the name of the undersigned.

By: ____________________________________

Typed Name: ____________________________________

Address:

Exhibit 10.6

CAPITAL SOUTHWEST CORPORATION

Amended and Restated Incentive Stock Option Agreement

WHEREAS, the Capital Southwest Corporation (the "Company") and __________ (the "Optionee") currently are parties to an Incentive Stock Option Agreement, dated __________, (the "Prior Agreement"), whereby the Company granted an incentive option to purchase shares of common stock of the Company (the "Option") to the Optionee under the Capital Southwest Corporation 2009 Stock Incentive Plan (the "Plan");

WHEREAS, pursuant to Section 16 of the Plan the Company has reserved the authority to amend and restate the Prior Agreement in the event of any change in the outstanding common stock of the Company by reason of any stock dividend, split, spin-off, recapitalization, merger, consolidation, combination, extraordinary dividend, exchange of shares or other change affecting the outstanding common stock of the Company;

WHEREAS, effective as of 11:59 p.m. Central Time on September 30, 2015 (the "Effective Time"), the Company separated its industrial products, coatings, sealants, and adhesives and specialty chemicals businesses from its other businesses through a spin-off of those businesses to its stockholders, which resulted in the distribution of 100% of the outstanding stock in CSW Industrials, Inc. ("CSWI") to the holders of common stock of the Company (the "Share Distribution");

WHEREAS, the Board of Directors of the Company has approved the adjustment of all equity compensation awards granted under the Plan in connection with the Share Distribution;

WHEREAS, the Company now desires to amend and restate the Prior Agreement to adjust the Option, to be effective as of the Effective Time; and

WHEREAS, this Amended and Restated Agreement Incentive Stock Option Agreement (this "Agreement") shall amend, restate, supersede and completely replace the Prior Agreement as of the Effective Time.

NOW, THEREFORE, the Company has amended and restated the Prior Agreement as follows:

Date of Grant:	___________
Name of Optionee:	___________
Number of Shares:	___________
Exercise Price:	$ ___________
Expiration Date:	___________
Vesting Schedule:	Exercisable beginning _________ __, _____ in five (5) annual cumulative installments of __________ Shares.

The Company hereby awards to the Optionee the Option to purchase from the Company, for the price per share set forth above, the number of Shares set forth above pursuant to the Plan. This Option is intended by the parties hereto to be, and shall be treated as, an "incentive stock option" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"); provided, however, the Option will only qualify as an "incentive option" with respect to the portion which is vested and exercised on or before December 30, 2015. Any portion of the Option that is exercised after December 30, 2015 will not meet the requirements to qualify as an "incentive option" under Section 422 of the Code and will be treated as a non-qualified stock option.

The terms and conditions of the Option granted hereby, to the extent not controlled by the terms and conditions contained in the Plan, are as follows:

1. No Right to Continued Employee Status

Nothing contained in this Agreement shall confer upon Optionee the right to the continuation of his or her Employee status, or to interfere with the right of CSWI or its subsidiaries, as applicable, to terminate such relationship.

2. Vesting of the Option

(a) The Option shall vest in accordance with the Vesting Schedule set forth above.

(b) Notwithstanding anything in this Agreement or the Plan to the contrary, employment with CSWI or one of its subsidiaries after the Share Distribution will be deemed to be employment with the Company under the Plan, and a Termination of Service from CSWI and all of its subsidiaries after the Share Distribution will be deemed to be a Termination of Service from the Company under the Plan, notwithstanding that CSWI ceases to be an affiliate of the Company.

3. Change in Control

(a) Notwithstanding anything in this Agreement or the Plan to the contrary, for purposes of this Agreement a CSWI Change in Control shall be treated as a Change in Control.

(b) For purposes of this Agreement, a "CSWI Change in Control" means any of the following events:

(i) any one person, or more than one "person" acting as a group, acquires (or has acquired during the twelve-month period ending on the date of the most recent acquisition by such person(s)) ownership of the common stock of CSWI possessing fifty-one percent (51%) or more of the total voting power of the common stock of CSWI;

(ii) individuals who at any time during the term of this Agreement constitute the board of directors of CSWI (the "CSWI Incumbent Board") cease for any reason to constitute at least a majority thereof, provided that any person becoming a director subsequent to the date hereof whose election or nomination for election was approved by a vote of at least seventy-five percent (75%) of the directors comprising the CSWI Incumbent Board (either by a specific vote or by approval of the proxy statement of CSWI in which such person is named as a nominee for director, without objection to such nomination) shall be, for purposes of this clause (ii) considered as though such person were a member of the CSWI Incumbent Board;

(iii) any consolidation or merger to which CSWI is a party, if following such consolidation or merger, stockholders of CSWI immediately prior to such consolidation or merger shall not beneficially own securities representing at least thirty-three and one third percent (33 1/3%) of the combined voting power of the outstanding voting securities of the surviving or continuing corporation; or

(iv) any sale, lease, exchange or other transfer (in one transaction or in a series of related transactions) of all, or substantially all, of the assets of CSWI, other than to an entity (or entities) of which CSWI or the stockholders of CSWI immediately prior to such transaction beneficially own securities representing at least fifty-one percent (51%) of the combined voting power of the outstanding voting securities.

4. Exercise; Transferability

(a) Exercise Method. This Option shall be exercised by delivery to the Company of (i) written notice of exercise stating the number of Shares being purchased (in whole shares only) and such other information set forth on the form of Notice of Exercise attached to this Agreement as Exhibit A and (ii) a check or cash in the amount of the Exercise Price of the Shares covered by the notice (or such other consideration as has been approved by the Board of Directors consistent with the Plan), plus any applicable withholding taxes unless the Optionee exercises this Option through a cashless exercise in accordance with the Plan and the Company's rules and procedures governing cashless exercises. Any cashless exercise permitted hereunder will be subject to any applicable limitations or restrictions imposed under the Sarbanes-Oxley Act of 2002.

(b) Transferability. Unless otherwise required by law, this Option shall not be assignable or transferable other than by will, by the laws of descent and distribution, or by a qualified domestic relations order, and may be exercised during the lifetime of the Optionee only by the Optionee (or the Optionee's guardian or legal representative) or an alternate payee under a qualified domestic relations order.

5. Taxation Upon Exercise of Option

Optionee understands that, upon exercise of any portion of this Option after December 30, 2015, Optionee will recognize income, for Federal and state income tax purposes, in an amount equal to the amount by which the Fair Market Value of the Shares, determined as of the date of exercise, exceeds the Exercise Price. The acceptance of the Shares by the Optionee shall constitute an agreement by Optionee to report such income in accordance with then applicable law. Withholding for Federal or state income and employment tax purposes shall be made, if and as required by law, from the Optionee's then current compensation, or, if such current compensation is insufficient to satisfy withholding tax liability, the Company may require the Optionee to make a cash payment to cover the liability as a condition of the exercise of this Option; however, in the case of a cashless exercise, the Optionee may use Shares that are the subject of such exercise to pay for any or all such tax liability, all in accordance with the Company's rules and procedures governing such process. Any use of Shares to pay for any tax liability will be subject to any applicable limitations or restrictions imposed under the Sarbanes-Oxley Act of 2002.

6. Modification, Extension and Renewal of Option

The Board or Committee, as described in the Plan, may modify, extend or renew this Option or accept its surrender (to the extent not yet exercised) and authorize the granting of a new option in substitution for it (to the extent not yet exercised), subject at all times to the Plan, the Code, and the applicable laws of the State of Texas. Notwithstanding the foregoing provisions of this Section 6, no modification shall, without the consent of the Optionee, alter to the Optionee's detriment or impair any rights of Optionee under this Agreement except to the extent permitted under the Plan.

7. Notices

Any notice required to be given pursuant to this Agreement or the Plan shall be in writing and shall be deemed to be delivered upon receipt or, in the case of notices by the Company, five (5) days after deposit in the U.S. mail, postage prepaid, addressed to Optionee at the address last provided by Optionee for his or her employee records.

8. Agreement Subject to Plan; Applicable Law

This Agreement is made pursuant to the Plan and shall be interpreted to comply therewith. Any provision of this Agreement inconsistent with the Plan shall be considered void and replaced with the applicable provision of the Plan. For the avoidance of doubt, in the event Section 2 or Section 3 of this Agreement are inconsistent with the Plan, the terms of Section 2 and Section 3 of this Agreement shall govern. This Agreement shall be governed by the laws of the State of Texas and subject to the exclusive jurisdiction of the courts therein. Unless otherwise provided herein, capitalized terms used herein that are defined in the Plan and not defined herein shall have the meanings set forth in the Plan.

EXHIBIT A

Capital Southwest Corporation

INCENTIVE STOCK OPTION EXERCISE FORM

Date: ______________________________

Attention: ______________________________

The undersigned hereby elects to exercise all or a portion of the Option issued to him/her by Capital Southwest Corporation (the "Company") and dated September 30, 2015 (the "Option Agreement") and to purchase _____________ shares of common stock of the Company (the "Shares") at an exercise price of _______ Dollars ($___) per Share or an aggregate purchase price of __________________________ Dollars ($_______) (the "Exercise Price"). Pursuant to the terms of the Option Agreement, the undersigned has delivered the Exercise Price herewith in full in cash or _______________.

Please issue a certificate or certificates representing said Shares in the name of the undersigned.

By: ____________________________________

Typed Name: ____________________________________

Address:

Exhibit 10.7

CAPITAL SOUTHWEST CORPORATION

Amended and Restated Non-Qualified Stock Option Agreement

WHEREAS, the Capital Southwest Corporation (the "Company") and ___________ (the "Optionee") currently are parties to a Non-Qualified Stock Option Agreement, dated dated August 28, 2014, which was amended and restated on September 9, 2015, (the "Prior Agreement"), whereby the Company granted a non-qualified option to purchase shares of common stock of the Company (the "Option") to the Optionee under the Capital Southwest Corporation 2009 Stock Incentive Plan (the "Plan");

WHEREAS, pursuant to Section 16 of the Plan the Company has reserved the authority to amend and restate the Prior Agreement in the event of any change in the outstanding common stock of the Company by reason of any stock dividend, split, spin-off, recapitalization, merger, consolidation, combination, extraordinary dividend, exchange of shares or other change affecting the outstanding common stock of the Company;

WHEREAS, effective as of 11:59 p.m. Central Time on September 30, 2015 (the "Effective Time"), the Company separated its industrial products, coatings, sealants, and adhesives and specialty chemicals businesses from its other businesses through a spin-off of those businesses to its stockholders, which resulted in the distribution of 100% of the outstanding stock in CSW Industrials, Inc. ("CSWI") to the holders of common stock of the Company (the "Share Distribution");

WHEREAS, the Board of Directors of the Company has approved the adjustment of all equity compensation awards granted under the Plan in connection with the Share Distribution;

WHEREAS, the Company now desires to amend and restate the Prior Agreement to adjust the Option, to be effective as of the Effective Time; and

WHEREAS, this Amended and Restated Agreement Non-Qualified Stock Option Agreement (this "Agreement") shall amend, restate, supersede and completely replace the Prior Agreement as of the Effective Time.

NOW, THEREFORE, the Company has amended and restated the Prior Agreement as follows:

Date of Grant:	August 28, 2014
Name of Optionee:	____________
Number of Shares:	____________
Exercise Price:	$ ___________
Expiration Date:	August 28, 2024
Vesting Schedule:	The Option will vest and become exercisable with respect to 1/3 of the Shares on the Trigger Event Date; with respect to 1/3 of the Shares on the first anniversary of the Trigger Event Date; and with respect to the final 1/3 of the Shares on the second anniversary of the Trigger Event Date

The Company hereby awards to the Optionee the Option to purchase from the Company, for the exercise price per share set forth above, the number of Shares set forth above pursuant to the Plan. This Option is not intended by the parties hereto to be, and shall not be treated as, an "incentive stock option" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"). The terms and conditions of the Option granted hereby, to the extent not controlled by the terms and conditions contained in the Plan, are as follows:

1. No Right to Continued Employee Status

Nothing contained in this Agreement shall confer upon Optionee the right to the continuation of his or her Employee status, or to interfere with the right of the Company or other member of the Company Group, as applicable, to terminate such relationship.

2. Vesting of the Option

(a) Subject to the other provisions of this Agreement, the Option shall vest in accordance with the Vesting Schedule set forth above.

(b) Notwithstanding anything to the contrary, all unvested Options shall automatically vest in full and become exercisable upon the occurrence of any of the following events following the Trigger Event Date: (i) a Change in Control; (ii) a Termination of Service by the Optionee for Good Reason; (iii) a Termination of Service by the Company Group member employing the Optionee without Cause, (iv) a Termination of Service due to the Optionee's Disability; or (v) a Termination of Service due to the Optionee's death. Notwithstanding anything to the contrary, in the event a Change in Control or a Termination of Service for one of the reasons described in this Section 2(b) occurs on or before the Trigger Event Date, the Option shall vest in full and become exercisable on the Trigger Event Date. For purposes hereof,

(i) "Good Reason" means the occurrence of any of the following: (A) a material breach of the Optionee's employment agreement by the Company or other member of the Company Group; (B) a reduction in the Optionee's title or a material reduction in the Optionee's duties, authorities, and/or responsibilities; (C) a material reduction in the Optionee's compensation or benefits; or (D) a requirement by the Company or other member of the Company Group without the Optionee's consent, that the Optionee relocate to a location greater than thirty-five (35) miles from the Optionee's place of residence; provided, however, such events will not constitute "Good Reason" unless (1) the Optionee gives the Company or other member of the Company Group employing the Optionee notice of the existence of an event described above within ninety (90) days following the initial occurrence thereof, (2) the Company or other member of the Company Group employing the Optionee does not remedy such event within thirty (30) days of receiving the notice described in the preceding clause (1) and (3) the Optionee terminates employment within twelve (12) months of the end of the cure period described in the preceding clause (2);

(ii) "Trigger Event" means the Share Distribution; and

(iii) "Trigger Event Date" means the ninetieth (90th) day following the consummation of the Trigger Event, unless the Trigger Event is a going private transaction, in which case the Trigger Event Date shall be the closing date of such transaction.

(c) Except with respect to the Optionee's Termination of Service for one of the reasons described in Section 2(b), all unvested Options as of the Optionee's Termination of Service shall expire and be forfeited immediately upon such Termination of Service.

(d) In the case of a Termination of Service, vested Options (including Options vesting pursuant to Section 2(b)) shall be exercisable during the six (6) months following the later of the date of termination and the Trigger Event Date, subject in the case of a termination for Cause, to the provisions of Section 7(e) of the Plan.

3. Exercise; Transferability

(a) Exercise Method. This Option shall be exercised by delivery to the Company of (i) written notice of exercise stating the number of Shares being purchased (in whole shares only) and such other information set forth on the form of Notice of Exercise attached to this Agreement as Exhibit A and (ii) a check or cash in the amount of the Exercise Price of the Shares covered by the notice (or such other consideration as has been approved by the Board of Directors consistent with the Plan), plus any applicable withholding taxes unless the Optionee exercises this Option through a cashless exercise in accordance with the Plan and the Company's rules and procedures governing cashless exercises. Any cashless exercise permitted hereunder will be subject to any applicable limitations or restrictions imposed under the Sarbanes-Oxley Act of 2002.

(b) Transferability. Unless otherwise required by law, this Option shall not be assignable or transferable other than by will, by the laws of descent and distribution, or by a qualified domestic relations order, and may be exercised during the lifetime of the Optionee only by the Optionee (or the Optionee's guardian or legal representative) or an alternate payee under a qualified domestic relations order.

4. Certain Adjustments

Adjustments to this Option shall be effected in accordance with Section 16(a) of the Plan.

5. Termination of Service

The transfer of Optionee's employment to CSWI or one of its subsidiaries will not constitute a Termination of Service under this Agreement and the Optionee will be considered, for purposes of this Agreement, to be an Employee of the Company Group for so long as Optionee's employment with CSWI or one of its subsidiaries continues, notwithstanding that CSWI ceases to be a subsidiary of the Company.

6. Notices

Any notice required to be given pursuant to this Agreement or the Plan shall be in writing and shall be deemed to be delivered upon receipt or, in the case of notices by the Company, five (5) days after deposit in the U.S. mail, postage prepaid, addressed to Optionee at the address last provided by Optionee for his or her employee records.

7. Taxation Upon Exercise of Option

Optionee understands that, upon exercise of this Option, Optionee will recognize income, for Federal and state income tax purposes, in an amount equal to the amount by which the Fair Market Value of the Shares, determined as of the date of exercise, exceeds the Exercise Price. The acceptance of the Shares by the Optionee shall constitute an agreement by Optionee to report such income in accordance with then applicable law and to cooperate with the Company and its subsidiaries in establishing the amount of such income and corresponding deduction to the Company and/or its subsidiaries for its income tax purposes. Withholding for Federal or state income and employment tax purposes shall be made, if and as required by law, from the Optionee's then current compensation, or, if such current compensation is insufficient to satisfy withholding tax liability, the Company may require the Optionee to make a cash payment to cover the liability as a condition of the exercise of this Option; however, in the case of a cashless exercise, the Optionee may use Shares that are the subject of such exercise to pay for any or all such tax liability, all in accordance with the Company's rules and procedures governing such process. Any use of Shares to pay for any tax liability will be subject to any applicable limitations or restrictions imposed under the Sarbanes-Oxley Act of 2002.

8. Modification, Extension and Renewal of Option

The Board or Committee, as described in the Plan, may modify, extend or renew the Option or accept its surrender (to the extent not yet exercised) and authorize the granting of a new option in substitution for it (to the extent not yet exercised), subject at all times to the Plan, the Code, and the applicable laws of the State of Texas. Notwithstanding the foregoing provisions of this Section 8, no modification shall, without the consent of the Optionee, alter to the Optionee's detriment or impair any rights of the Optionee under this Agreement except to the extent permitted under the Plan.

9. Agreement Subject to Plan; Applicable Law

This Agreement is made pursuant to the Plan and shall be interpreted to comply therewith. Any provision of this Agreement inconsistent with the Plan shall be considered void and replaced with the applicable provision of the Plan. For the avoidance of doubt, in the event Section 2 or Section 5 of this Agreement are inconsistent with the Plan, the terms of Section 2 and Section 5 of this Agreement shall govern. This Agreement shall be governed by the laws of the State of Texas and subject to the exclusive jurisdiction of the courts therein. Unless otherwise provided herein, capitalized terms used herein that are defined in the Plan and not defined herein shall have the meanings set forth in the Plan.

EXHIBIT A

Capital Southwest Corporation

NON-QUALIFIED STOCK OPTION EXERCISE FORM

Date: ______________________________

Attention: ______________________________

The undersigned hereby elects to exercise all or a portion of the Option issued to him/her by Capital Southwest Corporation (the "Company") and dated _____________ (the "Option Agreement") and to purchase _____________ shares of common stock of the Company (the "Shares") at an exercise price of _______ Dollars ($___) per Share or an aggregate purchase price of __________________________ Dollars ($_______) (the "Exercise Price"). Pursuant to the terms of the Option Agreement, the undersigned has delivered the Exercise Price herewith in full in cash or _______________.

Please issue a certificate or certificates representing said Shares in the name of the undersigned.

By: ____________________________________

Typed Name: ____________________________________

Address:

Exhibit 10.8

CAPITAL SOUTHWEST CORPORATION

Amended and Restated Non-Qualified Stock Option Agreement

WHEREAS, the Capital Southwest Corporation (the "Company") and __________ (the "Optionee") currently are parties to a Non-Qualified Stock Option Agreement, dated August 28, 2014, which was amended and restated on September 9, 2015 (the "Prior Agreement"), whereby the Company granted a non-qualified option to purchase shares of common stock of the Company (the "Option") to the Optionee under the Capital Southwest Corporation 2009 Stock Incentive Plan (the "Plan");

WHEREAS, pursuant to Section 16 of the Plan the Company has reserved the authority to amend and restate the Prior Agreement in the event of any change in the outstanding common stock of the Company by reason of any stock dividend, split, spin-off, recapitalization, merger, consolidation, combination, extraordinary dividend, exchange of shares or other change affecting the outstanding common stock of the Company;

WHEREAS, effective as of 11:59 p.m. Central Time on September 30, 2015 (the "Effective Time"), the Company separated its industrial products, coatings, sealants, and adhesives and specialty chemicals businesses from its other businesses through a spin-off of those businesses to its stockholders, which resulted in the distribution of 100% of the outstanding stock in CSW Industrials, Inc. ("CSWI") to the holders of common stock of the Company (the "Share Distribution");

WHEREAS, the Board of Directors of the Company has approved the adjustment of all equity compensation awards granted under the Plan in connection with the Share Distribution;

WHEREAS, the Company now desires to amend and restate the Prior Agreement to adjust the Option, to be effective as of the Effective Time; and

WHEREAS, this Amended and Restated Agreement Non-Qualified Stock Option Agreement (this "Agreement") shall amend, restate, supersede and completely replace the Prior Agreement as of the Effective Time.

NOW, THEREFORE, the Company has amended and restated the Prior Agreement as follows:

Date of Grant:	August 28, 2014
Name of Optionee:	____________
Number of Shares:	____________
Exercise Price:	$ ____________
Expiration Date:	August 28, 2024
Vesting Schedule:	1/3 of the Option will vest and become exercisable on the Trigger Event Date; an additional 1/3 of the Option shall vest and become exercisable on the first anniversary of the Trigger Event Date; and the final 1/3 of the Option shall vest and become exercisable on the second anniversary of the Trigger Event Date

The Company hereby awards to the Optionee the Option to purchase from the Company, for the Exercise Price set forth above, the number of Shares set forth above pursuant to the Plan. This Option is not intended by the parties hereto to be, and shall not be treated as, an "incentive stock option" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

The terms and conditions of the Option granted hereby, to the extent not controlled by the terms and conditions contained in the Plan, are as follows:

1. No Right to Continued Employee Status

Nothing contained in this Agreement shall confer upon Optionee the right to the continuation of his or her Employee status, or to interfere with the right of CSWI or its subsidiaries, as applicable, to terminate such relationship.

2. Vesting of the Option

(a) Subject to the other provisions of this Agreement, the Option shall vest in accordance with the Vesting Schedule set forth above.

(b) Notwithstanding anything to the contrary, all unvested Options shall automatically vest in full and become exercisable upon the occurrence of any of the following events following the Trigger Event Date: (i) a Change in Control; (ii) a Termination of Service by the Optionee for Good Reason; (iii) a Termination of Service by CSWI and all of its subsidiaries without Cause, (iv) a Termination of Service due to the Optionee's Disability; or (v) a Termination of Service due to the Optionee's death. Notwithstanding anything to the contrary, in the event of a Change in Control or a Termination of Service for one of the reasons described in this Section 2(b) occurs on or before the Trigger Event Date, the Option shall vest in full and become exercisable on the Trigger Event Date. For purposes hereof,

(i) "Good Reason" means the occurrence of any of the following: (A) a material breach of the Optionee's employment agreement by CSWI or any of its subsidiaries; (B) a reduction in the Optionee's title or a material reduction in the Optionee's duties, authorities, and/or responsibilities; (C) a material reduction in the Optionee's compensation or benefits; or (D) a requirement by CSWI or any of its subsidiaries without the Optionee's consent, that the Optionee relocate to a location greater than thirty-five (35) miles from the Optionee's place of residence; provided, however, such events will not constitute "Good Reason" unless (1) the Optionee gives CSWI or one of its subsidiaries employing the Optionee notice of the existence of an event described above within ninety (90) days following the initial occurrence thereof, (2) CSWI or one of its subsidiaries employing the Optionee does not remedy such event within thirty (30) days of receiving the notice described in the preceding clause (1) and (3) the Optionee terminates employment within twelve (12) months of the end of the cure period described in the preceding clause (2);

(ii) "Trigger Event" means the Share Distribution; and

(iii) "Trigger Event Date" means the ninetieth (90th) day following the consummation of the Trigger Event, unless the Trigger Event is a going private transaction, in which case the Trigger Event Date shall be the closing date of such transaction.

(c) Notwithstanding anything in this Agreement or the Plan to the contrary, for purposes of this Agreement a CSWI Change in Control shall be treated as a Change in Control.

(d) For purposes of this Agreement, a "CSWI Change in Control" means any of the following events:

(i) any one person, or more than one "person" acting as a group, acquires (or has acquired during the twelve-month period ending on the date of the most recent acquisition by such person(s)) ownership of the common stock of CSWI possessing fifty-one percent (51%) or more of the total voting power of the common stock of CSWI;

(ii) individuals who at any time during the term of this Agreement constitute the board of directors of CSWI (the "CSWI Incumbent Board") cease for any reason to constitute at least a majority thereof, provided that any person becoming a director subsequent to the date hereof whose election or nomination for election was approved by a vote of at least seventy-five percent (75%) of the directors comprising the CSWI Incumbent Board (either by a specific vote or by approval of the proxy statement of CSWI in which such person is named as a nominee for director, without objection to such nomination) shall be, for purposes of this clause (ii) considered as though such person were a member of the CSWI Incumbent Board;

(iii) any consolidation or merger to which CSWI is a party, if following such consolidation or merger, stockholders of CSWI immediately prior to such consolidation or merger shall not beneficially own securities representing at least thirty-three and one-third percent (33 1/3%) of the combined voting power of the outstanding voting securities of the surviving or continuing corporation; or

(iv) any sale, lease, exchange or other transfer (in one transaction or in a series of related transactions) of all, or substantially all, of the assets of CSWI, other than to an entity (or entities) of which CSWI or the stockholders of CSWI immediately prior to such transaction beneficially own securities representing at least fifty-one percent (51%) of the combined voting power of the outstanding voting securities.

(e) Except with respect to the Optionee's Termination of Service for one of the reasons described in Section 2(b), all unvested Options as of the Optionee's Termination of Service shall expire and be forfeited immediately upon such Termination of Service.

(f) In the case of a Termination of Service, vested Options (including Options vesting pursuant to Section 2(b)) shall be exercisable during the six (6) months following the later of the date of termination and the Trigger Event Date, subject in the case of a termination for Cause, to the provisions of Section 7(e) of the Plan.

3. Exercise; Transferability

(a) Exercise Method. This Option shall be exercised by delivery to the Company of (i) written notice of exercise stating the number of Shares being purchased (in whole shares only) and such other information set forth on the form of Notice of Exercise attached to this Agreement as Exhibit A and (ii)) a check or cash in the amount of the Exercise Price of the Shares covered by the notice (or such other consideration as has been approved by the Board of Directors consistent with the Plan), plus any applicable withholding taxes unless the Optionee exercises this Option through a cashless exercise in accordance with the Plan and the Company's rules and procedures governing cashless exercises. Any cashless exercise permitted hereunder will be subject to any applicable limitations or restrictions imposed under the Sarbanes-Oxley Act of 2002.

(b) Transferability. Unless otherwise required by law, this Option shall not be assignable or transferable other than by will, by the laws of descent and distribution, or by a qualified domestic relations order, and may be exercised during the lifetime of the Optionee only by the Optionee (or the Optionee's guardian or legal representative) or an alternate payee under a qualified domestic relations order.

4. Certain Adjustments

Adjustments to this Option shall be effected in accordance with Section 16(a) of the Plan.

5. Termination of Service

Notwithstanding anything in this Agreement or the Plan to the contrary, employment with CSWI or one of its subsidiaries after the Share Distribution will be deemed to be employment with the Company under the Plan, and the Optionee's Termination of Service from CSWI and all of its subsidiaries after the Share Distribution will be deemed to be a Termination of Service from the Company under the Plan, notwithstanding that CSWI ceases to be an affiliate of the Company.

6. Notices

Any notice required to be given pursuant to this Agreement or the Plan shall be in writing and shall be deemed to be delivered upon receipt or, in the case of notices by the Company, five (5) days after deposit in the U.S. mail, postage prepaid, addressed to Optionee at the address last provided by Optionee for his or her employee records.

7. Taxation Upon Exercise of Option

Optionee understands that, upon exercise of this Option, Optionee will recognize income, for Federal and state income tax purposes, in an amount equal to the amount by which the Fair Market Value of the Shares, determined as of the date of exercise, exceeds the Exercise Price. The acceptance of the Shares by the Optionee shall constitute an agreement by Optionee to report such income in accordance with then applicable law and to cooperate with the Company and its subsidiaries in establishing the amount of such income and corresponding deduction to the Company and/or its subsidiaries for its income tax purposes. Withholding for Federal or state income and employment tax purposes shall be made, if and as required by law, from the Optionee's then current compensation, or, if such current compensation is insufficient to satisfy withholding tax liability, the Company may require the Optionee to make a cash payment to cover the liability as a condition of the exercise of this Option; however, in the case of a cashless exercise, the Optionee may use Shares that are the subject of such exercise to pay for any or all such tax liability, all in accordance with the Company's rules and procedures governing such process. Any use of Shares to pay for any tax liability will be subject to any applicable limitations or restrictions imposed under the Sarbanes-Oxley Act of 2002.

8. Modification, Extension and Renewal of Option

The Board or Committee, as described in the Plan, may modify, extend or renew the Option or accept its surrender (to the extent not yet exercised) and authorize the granting of a new option in substitution for it (to the extent not yet exercised), subject at all times to the Plan, the Code, and the applicable laws of the State of Texas. Notwithstanding the foregoing provisions of this Section 8, no modification shall, without the consent of the Optionee, alter to the Optionee's detriment or impair any rights of the Optionee under this Agreement except to the extent permitted under the Plan.

9. Agreement Subject to Plan; Applicable Law

This Agreement is made pursuant to the Plan and shall be interpreted to comply therewith. Any provision of this Agreement inconsistent with the Plan shall be considered void and replaced with the applicable provision of the Plan. For the avoidance of doubt, in the event Section 2 or Section 5 of this Agreement are inconsistent with the Plan, the terms of Section 2 and Section 5 of this Agreement shall govern. This Agreement shall be governed by the laws of the State of Texas and subject to the exclusive jurisdiction of the courts therein. Unless otherwise provided herein, capitalized terms used herein that are defined in the Plan and not defined herein shall have the meanings set forth in the Plan.

EXHIBIT A

Capital Southwest Corporation

NON-QUALIFIED STOCK OPTION EXERCISE FORM

Date: ______________________________

Attention: ______________________________

The undersigned hereby elects to exercise all or a portion of the Option issued to him/her by Capital Southwest Corporation (the "Company") and dated September 30, 2015 (the "Option Agreement") and to purchase _____________ shares of common stock of the Company (the "Shares") at an exercise price of _______ Dollars ($___) per Share or an aggregate purchase price of _________________________ Dollars ($_______) (the "Exercise Price"). Pursuant to the terms of the Option Agreement, the undersigned has delivered the Exercise Price herewith in full in cash or _______________.

Please issue a certificate or certificates representing said Shares in the name of the undersigned.

By: ______________________________

Typed Name: ______________________________

Address:

Exhibit 10.9

CAPITAL SOUTHWEST CORPORATION

Restricted Stock Award Agreement

Date of Grant:	________
Name of Optionee:	________
Number of Shares:	________ Shares of Common Stock
Price Per Share:	$ _______ per Share
Vesting Schedule:	________

Capital Southwest Corporation (the "Company") hereby awards to the Holder (the "Holder") the number of shares of the presently authorized but unissued Common Stock, $ _____ par value per share, of the Company (the "Restricted Stock") set forth above pursuant to Capital Southwest Corporation 2010 Restricted Stock Award Plan (the "Plan").

To the extent not controlled by the terms and conditions contained in the Plan , the terms and conditions of the Restricted Stock granted hereby shall be governed by this Restricted Stock Agreement (the "Agreement") as follows:

1. No Right to Continued Employee Status

Nothing contained in this Agreement shall confer upon Holder the right to the continuation of his or her Employee status, or interfere with the right of the Company, a member of the Company Group, or its shareholders, as applicable, to terminate such relationship.

2. Vesting of Restricted Stock

The Restricted Stock shall vest in accordance with the Vesting Schedule set forth above if the Holder remains an Employee of the Company or a member of the Company Group on each vesting date.

In the event that the Holder has become obligated to return all or a portion of his or her shares of Restricted Stock to the Company due to a forfeiture of such shares pursuant to this Agreement, and the Holder shall fail to deliver the certificates representing such shares in accordance with the terms of this Agreement, the Company may, at its option, in addition to all other remedies it may have, upon written notice to the Holder cancel on its books the certificates representing the shares to be returned to the Company and thereupon all of the rights of the Holder in and to said shares shall terminate. The Company shall not be obligated to give notice to any holder of shares of Restricted Stock if such holder does not appear on the stock transfer ledger of the Company as the registered holder of such shares.

3. Retention of Certificates

The certificate(s) representing the shares of Restricted Stock granted hereby will be stamped or otherwise imprinted with the legend required by the Plan with respect to any applicable restrictions on the sale or transfer of such shares, and the stock transfer records of the Company will reflect stop transfer instructions with respect to such shares. At the election of the Company, the Company may retain the certificate(s) representing the shares of Restricted Stock granted to the Holder pursuant to this Agreement until such time as the vesting restrictions have lapsed and the restrictions on the transfer of such Restricted Stock have terminated or are removed by the Board of Directors. Within a reasonable time thereafter, the Company will deliver to the Holder a new certificate representing such shares, free of the legend referred to herein. The issuance of such certificate shall not affect any restrictions upon the transferability of such shares pursuant to applicable law or otherwise.

4. Tax Election

Within 30 days after the date of this Agreement, the Holder may make an election with the Internal Revenue Service under Section 83(b) of the Internal Revenue Code and the regulations promulgated thereunder. The parties agree that for such purposes the fair market value of the Restricted Stock on the Grant Date is that amount per share set forth above.

5. Restrictions on Transfer

Any shares of Restricted Stock granted hereunder, whether vested or unvested, shall not be sold, assigned, transferred, pledged or otherwise encumbered until such shares are fully vested. The spouse of the Holder shall execute a signature page to this Agreement as of the date hereof and agree to be bound in all respects by the terms hereof to the same extent as the Holder. The spouse further agrees that should he/she predecease the Holder or become divorced from the Holder, any of the shares of Restricted Stock which such spouse may own or in which he/she may have an interest shall remain subject to this Agreement.

6. Dividends and Other Distributions

The Holder shall be entitled to receive cash dividends or distributions declared and paid with respect to shares of Restricted Stock. The Holder shall also have the right to receive stock dividends or distributions with respect to the Restricted Stock. With respect to any unvested shares of Restricted Stock, the stock dividends or distributions shall likewise be restricted and shall vest on the same schedule as the Restricted Stock as to which the dividend or distribution relates. Any such dividends or distributions shall be paid within 30 days after the corresponding dividends or distributions are paid to shareholders.

7. Voting of Restricted Stock

The Holder shall be entitled to vote shares of Restricted Stock subject to the rules and procedures adopted by the Committee for this purpose.

8. Notices

Any notice required to be given pursuant to this Agreement or the Plan shall be in writing and shall be deemed to be delivered upon receipt or, in the case of notices by the Company, five (5) days after deposit in the U.S. mail, postage prepaid, addressed to the Holder at the address last provided for his or her employee records.

9. Agreement Subject to Plan; Applicable Law

This Agreement is made pursuant to the Plan and shall be interpreted to comply therewith. A copy of the Plan is attached hereto. Any provision of this Agreement inconsistent with the Plan shall be considered void and replaced with the applicable provision of the Plan. This Agreement shall be governed by the laws of the State of Texas and subject to the exclusive jurisdiction of the courts therein. Unless otherwise provided herein, capitalized terms used herein that are defined in the Plan and not defined herein shall have the meanings set forth in the Plan.

Exhibit 10.10

CAPITAL SOUTHWEST CORPORATION

Amended and Restated Restricted Stock Agreement

WHEREAS, the Capital Southwest Corporation (the "Company") and ___________ (the "Holder") currently are parties to a Restricted Stock Agreement, dated ___________ (the "Prior Agreement"), whereby the Company granted restricted stock to the Holder under the Capital Southwest Corporation 2010 Restricted Stock Award Plan (the "Plan");

WHEREAS, pursuant to Section 12 of the Plan the Company has reserved the authority to amend and restate the Prior Agreement in the event of any change in the outstanding common stock of the Company by reason of any stock dividend, split, spin-off, recapitalization, merger, consolidation, combination, extraordinary dividend, exchange of shares or other change affecting the outstanding common stock of the Company;

WHEREAS, effective as of 11:59 p.m. Central Time on September 30, 2015 (the "Effective Time"), the Company separated its industrial products, coatings, sealants, and adhesives and specialty chemicals businesses from its other businesses through a spin-off of those businesses to its stockholders, which resulted in the distribution of 100% of the outstanding stock in CSW Industrials, Inc. ("CSWI") to the holders of common stock of the Company (the "Share Distribution");

WHEREAS, the Board of Directors of the Company has approved the adjustment of all equity compensation awards granted under the Plan in connection with the Share Distribution;

WHEREAS, the Company now desires to amend and restate the Prior Agreement, to be effective as of the Effective Time; and

WHEREAS, this Amended and Restated Agreement Restricted Stock Agreement (this "Agreement") shall amend, restate, supersede and completely replace the Prior Agreement as of the Effective Time.

NOW, THEREFORE, the Company has amended and restated the Prior Agreement as follows:

Date of Grant: ____________

Name of Holder: ____________

Number of Shares: ____________

Vesting Schedule: _______ Equal Annual Installments Beginning ______ __, 2016

The Company hereby awards to the Holder the number of shares of the presently authorized but unissued Common Stock, $1.00 par value per share, of the Company (the "Restricted Stock") set forth above pursuant to the Plan.

To the extent not controlled by the terms and conditions contained in the Plan, the terms and conditions of the Restricted Stock granted hereby shall be governed by this Agreement as follows:

1. No Right to Continued Employee Status

Nothing contained in this Agreement shall confer upon the Holder the right to the continuation of his or her Employee status, or to interfere with the right of CSWI or its subsidiaries, as applicable, to terminate such relationship.

2. Vesting of Restricted Stock

(a) The Restricted Stock shall vest in accordance with the Vesting Schedule set forth above if the Holder remains an Employee of the Company or a member of the Company Group on each vesting date.

(b) Notwithstanding anything in this Agreement or the Plan to the contrary, employment with CSWI or one of its subsidiaries after the Share Distribution will be deemed to be employment with the Company under the Plan, and a Termination of Service from CSWI and all of its subsidiaries after the Share Distribution will be deemed to be a Termination of Service from the Company under the Plan, notwithstanding that CSWI ceases to be an affiliate of the Company.

(c) In the event that the Holder has become obligated to return all or a portion of his or her shares of Restricted Stock to the Company due to a forfeiture of such shares pursuant to this Agreement, and the Holder shall fail to deliver the certificates representing such shares in accordance with the terms of this Agreement, the Company may, at its option, in addition to all other remedies it may have, upon written notice to the Holder cancel on its books the certificates representing the shares to be returned to the Company and thereupon all of the rights of the Holder in and to said shares shall terminate. The Company shall not be obligated to give notice to any holder of shares of Restricted Stock if such holder does not appear on the stock transfer ledger of the Company as the registered holder of such shares.

3. Change in Control

(a) Notwithstanding anything in this Agreement or the Plan to the contrary, for purposes of this Agreement a CSWI Change in Control shall also be treated as a Change in Control.

(b) For purposes of this Agreement, a "CSWI Change in Control" means any of the following events:

(i) any one person, or more than one "person" acting as a group, acquires (or has acquired during the twelve-month period ending on the date of the most recent acquisition by such person(s)) ownership of the common stock of CSWI possessing fifty-one percent (51%) or more of the total voting power of the common stock of CSWI;

(ii) individuals who at any time during the term of this Agreement constitute the board of directors of CSWI (the "CSWI Incumbent Board") cease for any reason to constitute at least a majority thereof, provided that any person becoming a director subsequent to the date hereof whose election or nomination for election was approved by a vote of at least seventy-five percent (75%) of the directors comprising the CSWI Incumbent Board (either by a specific vote or by approval of the proxy statement of CSWI in which such person is named as a nominee for director, without objection to such nomination) shall be, for purposes of this clause (ii) considered as though such person were a member of the CSWI Incumbent Board;

(iii) any consolidation or merger to which CSWI is a party, if following such consolidation or merger, stockholders of CSWI immediately prior to such consolidation or merger shall not beneficially own securities representing at least thirty-three and one third percent (33 1/3%) of the combined voting power of the outstanding voting securities of the surviving or continuing corporation; or

(iv) any sale, lease, exchange or other transfer (in one transaction or in a series of related transactions) of all, or substantially all, of the assets of CSWI, other than to an entity (or entities) of which CSWI or the stockholders of CSWI immediately prior to such transaction beneficially own securities representing at least fifty-one percent (51%) of the combined voting power of the outstanding voting securities.

4. Retention of Certificates

The certificate(s) representing the shares of Restricted Stock granted hereby will be stamped or otherwise imprinted with the legend required by the Plan with respect to any applicable restrictions on the sale or transfer of such shares, and the stock transfer records of the Company will reflect stop transfer instructions with respect to such shares. At the election of the Company, the Company may retain the certificate(s) representing the shares of Restricted Stock granted to the Holder pursuant to this Agreement until such time as the vesting restrictions have lapsed and the restrictions on the transfer of such Restricted Stock have terminated or are removed by the Board of Directors. Within a reasonable time thereafter, the Company will deliver to the Holder a new certificate representing such shares, free of the legend referred to herein. The issuance of such certificate shall not affect any restrictions upon the transferability of such shares pursuant to applicable law or otherwise.

5. Restrictions on Transfer

Any shares of Restricted Stock granted hereunder shall not be sold, assigned, transferred, pledged or otherwise encumbered until such shares are fully vested. The spouse of the Holder shall execute a signature page to this Agreement as of the date hereof and agree to be bound in all respects by the terms hereof to the same extent as the Holder. The spouse further agrees that should he/she predecease the Holder or become divorced from the Holder, any of the shares of Restricted Stock which such spouse may own or in which he/she may have an interest shall remain subject to this Agreement.

6. Dividends and Other Distributions

The Holder shall be entitled to receive cash dividends or cash distributions declared and paid with respect to shares of Restricted Stock. Any such cash dividends or cash distributions shall be paid within thirty (30) days after the corresponding cash dividends or cash distributions are paid to the shareholders. The Holder shall also have the right to receive stock dividends or stock distributions with respect to shares of Restricted Stock. With respect to any unvested shares of Restricted Stock, the stock dividends or stock distributions shall likewise be restricted and shall vest on the same schedule as the Restricted Stock as to which such stock dividend or stock distribution relates.

7. Voting of Restricted Stock

The Holder shall be entitled to vote shares of Restricted Stock subject to the rules and procedures adopted by the Committee for this purpose.

8. Notices

Any notice required to be given pursuant to this Agreement or the Plan shall be in writing and shall be deemed to be delivered upon receipt or, in the case of notices by the Company, five (5) days after deposit in the U.S. mail, postage prepaid, addressed to the Holder at the address last provided for his or her employee records.

9. Agreement Subject to Plan; Applicable Law

This Agreement is made pursuant to the Plan and shall be interpreted to comply therewith. Any provision of this Agreement inconsistent with the Plan shall be considered void and replaced with the applicable provision of the Plan. For the avoidance of doubt, in the event Section 2 or Section 3 of this Agreement are inconsistent with the Plan, the terms of Section 2 and Section 3 of this Agreement shall govern. This Agreement shall be governed by the laws of the State of Texas and subject to the exclusive jurisdiction of the courts therein. Unless otherwise provided herein, capitalized terms used herein that are defined in the Plan and not defined herein shall have the meanings set forth in the Plan.

Exhibit 10.11

CAPITAL SOUTHWEST CORPORATION

Amended and Restated Restricted Stock Award Agreement

WHEREAS, the Capital Southwest Corporation (the "Company") and __________ (the "Holder") currently are parties to a Restricted Stock Award Agreement, dated August 28, 2014, which was amended and restated on September 9, 2015 (the "Prior Agreement"), whereby the Company granted restricted stock to the Holder under the Capital Southwest Corporation 2010 Restricted Stock Award Plan (the "Plan");

WHEREAS, pursuant to Section 12 of the Plan the Company has reserved the authority to amend and restate the Prior Agreement in the event of any change in the outstanding common stock of the Company by reason of any stock dividend, split, spin-off, recapitalization, merger, consolidation, combination, extraordinary dividend, exchange of shares or other change affecting the outstanding common stock of the Company;

WHEREAS, effective as of 11:59 p.m. Central Time on September 30, 2015 (the "Effective Time"), the Company separated its industrial products, coatings, sealants, and adhesives and specialty chemicals businesses from its other businesses through a spin-off of those businesses to its stockholders, which resulted in the distribution of 100% of the outstanding stock in CSW Industrials, Inc. ("CSWI") to the holders of common stock of the Company (the "Share Distribution");

WHEREAS, the Board of Directors of the Company has approved the adjustment of all equity compensation awards granted under the Plan in connection with the Share Distribution;

WHEREAS, the Company now desires to amend and restate the Prior Agreement, to be effective as of the Effective Time; and

WHEREAS, this Amended and Restated Agreement Restricted Stock Agreement (this "Agreement") shall amend, restate, supersede and completely replace the Prior Agreement as of the Effective Time.

NOW, THEREFORE, the Company has amended and restated the Prior Agreement as follows:

Date of Grant:	August 28, 2014
Name of Holder:	____________
Number of Shares	________ Shares of Common Stock, subject to reduction pursuant to Section 3 below
Vesting Schedule:	1/3 on the Trigger Event Date; an additional 1/3 on the first anniversary of the Trigger Event Date; and the final 1/3 on the second anniversary of the Trigger Event Date

The Company hereby awards to the Holder the number of shares of the presently authorized but unissued Common Stock of the Company (the "Restricted Stock") set forth above pursuant to the Plan. This Restricted Stock award is not intended to be a Qualified Performance-Based Award under the Plan. To the extent not controlled by the terms and conditions in the Plan, the terms and conditions of the Restricted Stock granted hereby shall be governed by this Agreement as follows:

1. No Right to Continued Employee Status

Nothing contained in this Agreement shall confer upon the Holder the right to the continuation of his or her Employee status, or interfere with the right of the Company or other member of the Company Group, as applicable, to terminate such relationship.

2. Vesting of Restricted Stock

(a) Subject to the other provisions of this Agreement, the Restricted Stock shall vest in accordance with the Vesting Schedule set forth above.

(b) Notwithstanding anything to the contrary, all unvested Restricted Stock shall automatically vest in full, subject to reduction as provided in Section 3 below, upon the occurrence of any of the following events following the Trigger Event Date: (1) a Change in Control; (2) a Termination of Service by the Holder for Good Reason; (3) a Termination of Service of the Holder by the Company without Cause; (4) a Termination of Service due to the Holder's Disability; or (5) a Termination of Service due to the Holder's death. Notwithstanding anything to the contrary, in the event a Change of Control or a Termination of Service for one of the reasons described in this Section 2(b) occurs on or before the Trigger Event Date, the Restricted Stock shall vest in full, subject to reduction as provided in Section 3 below, on the Trigger Event Date. For purposes hereof,

(i) "Good Reason" means the occurrence of any of the following: (A) a material breach of the Holder's employment agreement by the employer; (B) a reduction in the Holder's title or a material reduction in the Holder's duties, authorities, and/or responsibilities; (C) a material reduction in the Holder's compensation or benefits; or (D) a requirement by the employer, without the Holder's consent, that the Holder relocate to a location greater than thirty-five (35) miles from the Holder's place of residence; provided, however, such events will not constitute "Good Reason" unless (1) the Holder gives the employer notice of the existence of an event described above within ninety (90) days following the initial occurrence thereof, (2) the employer does not remedy such event within thirty (30) days of receiving the notice described in the preceding clause (1) and (3) the Holder incurs a Termination of Service within twelve (12) months of the end of the cure period described in the preceding clause (2);

(ii) "Trigger Event" means the Share Distribution; and

(iii) "Trigger Event Date" means the 90th day following the consummation of the Trigger Event.

(c) Except with respect to the Holder's Termination of Service for one of the reasons described in Section 2(b), all unvested Restricted Stock as of the Holder's Termination of Service shall expire and be forfeited immediately upon such Termination of Service.

(d) Notwithstanding anything in this Agreement or the Plan to the contrary, employment with CSWI or one of its subsidiaries after the Share Distribution will be deemed to be employment with the Company under the Plan, and a Termination of Service from CSWI and all of its subsidiaries after the Share Distribution will be deemed to be a Termination of Service under the Plan, notwithstanding that CSWI ceases to be an affiliate of the Company.

3. Reduction of Restricted Stock Awarded

The number of shares of Restricted Stock subject to this Agreement, together with the number of shares of restricted stock of CSWI subject to the restricted share award granted to the Holder by CSWI in connection with the Share Distribution and this Agreement (the "CSWI Restricted Share Award") shall, if necessary, be reduced, in the aggregate, by such number of shares, if any, as is necessary to cause the Equity Award Value to not exceed the Total Payout Amount. In the event such reduction is necessary, the number of shares of restricted stock of CSWI subject to the CSWI Restricted Share Award shall be reduced (to zero, if necessary) prior to any such reduction of the number of shares of Restricted Stock subject to this Agreement. The number of shares of Restricted Stock subject to this Agreement, as so adjusted, shall vest in accordance with the Vesting Schedule and Section 2 above. For purposes hereof,

(a) "Aggregate Base Value" means $557,353,318.

(b) "Aggregate Trigger Event Value" means the sum of (i) the product of (A) the VWAP of one share of Common Stock of the Company over the 20 consecutive trading days immediately preceding the Trigger Event Date and (B) the Fully Diluted Shares of the Company outstanding as of the Trigger Event Date, plus, except in the case of the Share Distribution, the aggregate value of all dividends and distributions paid on Common Stock of the Company from the Date of Grant through the Trigger Event Date and (ii) the product of (A) the VWAP of one share of CSWI common stock over the 20 consecutive trading days immediately preceding the Trigger Event Date and (B) the Fully Diluted Shares of CSWI outstanding as of the Trigger Event Date.

(c) “Equity Award Value” means the sum of (i) the Restricted Stock Value and (ii) the Option Award Value.

(d) “Fully Diluted Shares” means, at any time of determination, the number of shares of common stock of the applicable entity outstanding at such time, plus the number of shares of issuable upon exercise or conversion or otherwise pursuant to any in-the-money common stock equivalents of such entity outstanding at such time.

(e) “Option Award Value” means the positive difference, if any, between (i) the sum of (A) the product of (I) the number of shares of Common Stock of the Company underlying the non-qualified option awarded to the Holder under the grant of even date herewith (the “Capital Southwest Option”) and (II) the VWAP of one share of Common Stock of the Company over the 20 consecutive trading days immediately preceding the Trigger Event Date and (B) the product of (I) the number of shares of CSWI common stock that would be distributed upon exercise of the non-qualified stock option right granted to the Holder in connection with the adjustment of the Capital Southwest Option and (II) the VWAP of one share of CSWI common stock over the 20 consecutive trading days immediately preceding the Trigger Event Date minus (ii) the aggregate exercise price payable under such nonqualified option grants.

(f) “Restricted Stock Value” means (i) the product of (A) the aggregate number of shares of Restricted Stock granted hereunder and (B) the VWAP of one share of Common Stock of the Company over the 20 consecutive trading days immediately preceding the Trigger Event Date plus, except in the case of the Share Distribution, the aggregate value of all dividends and distributions, if any, paid on the Restricted Stock awarded hereunder from the Grant Date through the Trigger Event Date and (ii) the product of (A) the number of shares of restricted stock of CSWI subject to the CSWI Restricted Share Award and (B) the VWAP of one share of CSWI common stock over the 20 consecutive trading days immediately preceding the Trigger Event Date.

(g) “Total Payout Amount” means (i) two percent (2%) of the positive difference, if any, of the Aggregate Trigger Event Value less the Aggregate Base Value (such difference, the “Equity Value Accretion”), but only taking into account for purposes of this clause (i) Equity Value Accretion up to and including $375,000,000, plus (ii) ___ percent (___%) of the amount, if any, by which the Equity Value Accretion exceeds $375,000,000.

(h) "VWAP" means, for the relevant security, the per share volume-weighted average price as displayed under the heading "Bloomberg VWAP" on the Bloomberg AQR page for the relevant security (or its equivalent successor if such page is not available) in respect of the period from the scheduled open of trading until the scheduled close of trading of the primary trading session over the relevant determination period (or if such volume-weighted average price is unavailable, the market value of one share on each trading day during the relevant determination period, determined, using a volume-weighted average method, by a nationally recognized independent investment banking firm retained for this purpose by the Company). The VWAP will be determined without regard to after hours trading or any other trading outside of the regular trading session trading hours.

4. Retention of Certificates

The certificate(s) representing the shares of Restricted Stock granted hereby will be stamped or otherwise imprinted with the legend required by the Plan with respect to any applicable restrictions on the sale or transfer of such shares, and the stock transfer records of the Company will reflect stop transfer instructions with respect to such shares. At the election of the Company, the Company may retain the certificate(s) representing the shares of Restricted Stock granted to the Holder pursuant to this Agreement until such time as the vesting restrictions have lapsed and the restrictions on the transfer of such Restricted Stock have terminated or are removed by the Board of Directors. Within a reasonable time thereafter, the Company will deliver to the Holder a new certificate representing such shares, free of the legend referred to herein. The issuance of such certificate shall not affect any restrictions upon the transferability of such shares pursuant to applicable law or otherwise.

5. Restrictions on Transfer

Any shares of Restricted Stock granted hereunder shall not be sold, assigned, transferred, pledged or otherwise encumbered until such shares are fully vested. The spouse of the Holder shall execute a signature page to this Agreement as of the date hereof and agree to be bound in all respects by the terms hereof to the same extent as the Holder. The spouse further agrees that should he/she predecease the Holder or become divorced from the Holder, any of the shares of Restricted Stock which such spouse may own or in which he/she may have an interest shall remain subject to this Agreement.

6. Dividends and Other Distributions

No cash dividends shall be paid with respect to unvested Restricted Stock. The Holder, however, shall have the right to receive any stock and other noncash dividends and distributions made with respect to the Restricted Stock, subject to the vesting of such Restricted Stock. With respect to any unvested shares of Restricted Stock, such dividends or distributions shall likewise be restricted and shall vest on the same schedule as the Restricted Stock as to which the dividends or distributions relate. Any such dividends or distributions shall be retained by the Company and paid to the Holder promptly following vesting of the Restricted Stock to which such dividends or distributions pertain. Upon forfeiture of any shares of Restricted Stock, the dividends and distributions related thereto shall also be forfeited.

7. Voting of Restricted Stock

The Holder shall be entitled to vote shares of Restricted Stock subject to the rules and procedures adopted by the Committee for this purpose.

10. Notices

Any notice required to be given pursuant to this Agreement or the Plan shall be in writing and shall be deemed to be delivered upon receipt or, in the case of notices by the Company, five (5) days after deposit in the U.S. mail, postage prepaid, addressed to the Holder at the address last provided for his or her employee records.

11. Agreement Subject to Plan; Applicable Law

This Agreement is made pursuant to the Plan and shall be interpreted to comply therewith. Any provision of this Agreement inconsistent with the Plan shall be considered void and replaced with the applicable provision of the Plan. For the avoidance of doubt, in the event Section 2 or Section 3 of this Agreement is inconsistent with the Plan, the terms of Section 2 or Section 3 of this Agreement shall govern. This Agreement shall be governed by the laws of the State of Texas and subject to the exclusive jurisdiction of the courts therein. Unless otherwise provided herein, capitalized terms used herein that are defined in the Plan and not defined herein shall have the meanings set forth in the Plan.

Exhibit 10.12

CAPITAL SOUTHWEST CORPORATION

Amended and Restated Restricted Stock Award Agreement

WHEREAS, the Capital Southwest Corporation (the "Company") and __________ (the "Holder") currently are parties to a Restricted Stock Award Agreement, dated August 28, 2014, which was amended and restated on September 9, 2015 (the "Prior Agreement"), whereby the Company granted restricted stock to the Holder under the Capital Southwest Corporation 2010 Restricted Stock Award Plan (the "Plan");

WHEREAS, pursuant to Section 12 of the Plan the Company has reserved the authority to amend and restate the Prior Agreement in the event of any change in the outstanding common stock of the Company by reason of any stock dividend, split, spin-off, recapitalization, merger, consolidation, combination, extraordinary dividend, exchange of shares or other change affecting the outstanding common stock of the Company;

WHEREAS, effective as of 11:59 p.m. Central Time on September 30, 2015 (the "Effective Time"), the Company separated its industrial products, coatings, sealants, and adhesives and specialty chemicals businesses from its other businesses through a spin-off of those businesses to its stockholders, which resulted in the distribution of 100% of the outstanding stock in CSW Industrials, Inc. ("CSWI") to the holders of common stock of the Company (the "Share Distribution");

WHEREAS, the Board of Directors of the Company has approved the adjustment of all equity compensation awards granted under the Plan in connection with the Share Distribution;

WHEREAS, the Company now desires to amend and restate the Prior Agreement, to be effective as of the Effective Time; and

WHEREAS, this Amended and Restated Agreement Restricted Stock Agreement (this "Agreement") shall amend, restate, supersede and completely replace the Prior Agreement as of the Effective Time.

NOW, THEREFORE, the Company has amended and restated the Prior Agreement as follows:

Date of Grant:	August 28, 2014
Name of Holder:	______________
Number of Shares	________ Shares of Common Stock, subject to reduction pursuant to Section 3 below
Vesting Schedule:	1/3 on the Trigger Event Date; an additional 1/3 on the first anniversary of the Trigger Event Date; and the final 1/3 on the second anniversary of the Trigger Event Date

The Company hereby awards to the Holder the number of shares of the presently authorized but unissued Common Stock of the Company (the "Restricted Stock") set forth above pursuant to the Plan. This Restricted Stock award is not intended to be a Qualified Performance-Based Award under the Plan. To the extent not controlled by the terms and conditions in the Plan, the terms and conditions of the Restricted Stock granted hereby shall be governed by this Agreement as follows:

1. No Right to Continued Employee Status

Nothing contained in this Agreement shall confer upon the Holder the right to the continuation of his or her employment status, or interfere with the right of CSWI or its subsidiaries, as applicable, to terminate such relationship.

2. Vesting of Restricted Stock

(a) Subject to the other provisions of this Agreement, the Restricted Stock shall vest in accordance with the Vesting Schedule set forth above.

(b) Notwithstanding anything to the contrary, all unvested Restricted Stock shall automatically vest in full, subject to reduction as provided in Section 3 below, upon the occurrence of any of the following events following the Trigger Event Date: (1) a Change in Control; (2) a Termination of Service by the Holder for Good Reason; (3) a Termination of Service of the Holder by CSWI and all of its subsidiaries, as applicable, without Cause; (4) a Termination of Service due to the Holder's Disability; or (5) a Termination of Service due to the Holder's death. Notwithstanding anything to the contrary, in the event a Change of Control or a Termination of Service for one of the reasons described in this Section 2(b) occurs on or before the Trigger Event Date, the Restricted Stock shall vest in full, subject to reduction as provided in Section 3 below, on the Trigger Event Date. For purposes hereof,

(i) "Good Reason" means the occurrence of any of the following: (A) a material breach of the Holder's employment agreement by CSWI or one of its subsidiaries; (B) a reduction in the Holder's title or a material reduction in the Holder's duties, authorities, and/or responsibilities; (C) a material reduction in the Holder's compensation or benefits; or (D) a requirement by CSWI or one of its subsidiaries without the Holder's consent, that the Holder relocate to a location greater than thirty-five (35) miles from the Holder's place of residence; provided, however, such events will not constitute "Good Reason" unless (1) the Holder gives CSWI or one of its subsidiaries employing the Holder notice of the existence of an event described above within ninety (90) days following the initial occurrence thereof, (2) CSWI or one of its subsidiaries employing the Holder does not remedy such event within thirty (30) days of receiving the notice described in the preceding clause (1) and (3) the Holder incurs a Termination of Service within twelve (12) months of the end of the cure period described in the preceding clause (2);

(ii) "Trigger Event" means the Share Distribution; and

(iii) "Trigger Event Date" means the 90th day following the consummation of the Trigger Event.

(c) Except with respect to the Holder's Termination of Service for one of the reasons described in Section 2(b), all unvested Restricted Stock as of the Holder's Termination of Service shall expire and be forfeited immediately upon such Termination of Service.

(d) Notwithstanding anything in this Agreement or the Plan to the contrary, employment with CSWI or one of its subsidiaries after the Share Distribution will be deemed to be employment with the Company under the Plan, and a Termination of Service from CSWI and all of its subsidiaries after the Share Distribution will be deemed to be a Termination of Service under the Plan, notwithstanding that CSWI ceases to be an affiliate of the Company.

(e) Notwithstanding anything in this Agreement or the Plan to the contrary, for purposes of this Agreement a CSWI Change in Control shall also be treated as a Change in Control.

(f) For purposes of this Agreement, a "CSWI Change in Control" means any of the following events:

(i) any one person, or more than one "person" acting as a group, acquires (or has acquired during the twelve-month period ending on the date of the most recent acquisition by such person(s)) ownership of the common stock of CSWI possessing 51% or more of the total voting power of the common stock of CSWI;

(ii) individuals who at any time during the term of this Agreement constitute the board of directors of CSWI (the "CSWI Incumbent Board") cease for any reason to constitute at least a majority thereof, provided that any person becoming a director subsequent to the date hereof whose election or nomination for election was approved by a vote of at least 75% of the directors comprising the CSWI Incumbent Board (either by a specific vote or by approval of the proxy statement of CSWI in which such person is named as a nominee for director, without objection to such nomination) shall be, for purposes of this clause (ii) considered as though such person were a member of the CSWI Incumbent Board;

(iii) any consolidation or merger to which CSWI is a party, if following such consolidation or merger, stockholders of CSWI immediately prior to such consolidation or merger shall not beneficially own securities representing at least 33 1/3% of the combined voting power of the outstanding voting securities of the surviving or continuing corporation; or

(iv) any sale, lease, exchange or other transfer (in one transaction or in a series of related transactions) of all, or substantially all, of the assets of CSWI, other than to an entity (or entities) of which CSWI or the stockholders of CSWI immediately prior to such transaction beneficially own securities representing at least 51% of the combined voting power of the outstanding voting securities.

3. Reduction of Restricted Stock Awarded

The number of shares of Restricted Stock subject to this Agreement, together with the number of shares of restricted stock of CSWI subject to the restricted share award granted to the Holder by CSWI in connection with the Share Distribution and this Agreement (the "CSWI Restricted Share Award") shall, if necessary, be reduced, in the aggregate, by such number of shares, if any, as is necessary to cause the Equity Award Value to not exceed the Total Payout Amount. In the event such reduction is necessary, the number of shares of Restricted Stock subject to this Agreement shall be reduced (to zero, if necessary) prior to any such reduction of the number of shares of restricted stock of CSWI subject to the CSWI Restricted Share Award. The number of shares of Restricted Stock subject to this Agreement, as so adjusted, shall vest in accordance with the Vesting Schedule and Section 2 above. For purposes hereof,

(a) "Aggregate Base Value" means $557,353,318.

(b) "Aggregate Trigger Event Value" means the sum of (i) the product of (A) the VWAP of one share of Common Stock of the Company over the twenty (20) consecutive trading days immediately preceding the Trigger Event Date and (B) the Fully Diluted Shares of the Company outstanding as of the Trigger Event Date, plus, except in the case of the Share Distribution, the aggregate value of all dividends and distributions paid on the Common Stock of the Company from the Date of Grant through the Trigger Event Date and (ii) the product of (A) the VWAP of one share of CSWI common stock over the twenty (20) consecutive trading days immediately preceding the Trigger Event Date and (B) the Fully Diluted Shares of CSWI outstanding as of the Trigger Event Date.

(c) "Equity Award Value" means the sum of (i) the Restricted Stock Value and (ii) the Option Award Value.

(d) "Fully Diluted Shares" means, at any time of determination, the number of shares of common stock of the applicable entity outstanding at such time, plus the number of shares of issuable upon exercise or conversion or otherwise pursuant to any in-the-money common stock equivalents of such entity outstanding at such time.

(e) "Option Award Value" means the positive difference, if any, between (i) the sum of (A) the product of (I) the number of shares of Common Stock of the Company underlying the non-qualified option awarded to the Holder on the Date of Grant, as adjusted in connection with the Share Distribution, (the "Capital Southwest Option") and (II) the VWAP of one share of Common Stock of the Company over the twenty (20) consecutive trading days immediately preceding the Trigger Event Date and (B) the product of (I) the number of shares of CSWI common stock that would be distributed upon exercise of the non-qualified stock option right granted to the Holder by CSWI in connection with the adjustment of the Capital Southwest Option and (II) the VWAP of one share of CSWI common stock over the twenty (20) consecutive trading days immediately preceding the Trigger Event Date minus (ii) the aggregate exercise price payable under such nonqualified option grants.

(f) "Restricted Stock Value" means (i) the product of (A) the aggregate number of shares of Restricted Stock granted hereunder and (B) the VWAP of one share of Common Stock of the Company over the twenty (20) consecutive trading days immediately preceding the Trigger Event Date plus, except in the case of the Share Distribution, the aggregate value of all dividends and distributions, if any, paid on the Restricted Stock awarded hereunder from the Date of Grant through the Trigger Event Date and (ii) the product of (A) the number of shares of restricted stock of CSWI subject to the CSWI Restricted Share Award and (B) the VWAP of one share of CSWI common stock over the twenty (20) consecutive trading days immediately preceding the Trigger Event Date.

(g) "Total Payout Amount" means (i) two percent (2%) of the positive difference, if any, of the Aggregate Trigger Event Value less the Aggregate Base Value (such difference, the "Equity Value Accretion"), but only taking into account for purposes of this clause (i) Equity Value Accretion up to and including $375,000,000, plus (ii) ___ percent (___%) of the amount, if any, by which the Equity Value Accretion exceeds $375,000,000.

(h) "VWAP" means, for the relevant security, the per share volume-weighted average price as displayed under the heading "Bloomberg VWAP" on the Bloomberg AQR page for the relevant security (or its equivalent successor if such page is not available) in respect of the period from the scheduled open of trading until the scheduled close of trading of the primary trading session over the relevant determination period (or if such volume-weighted average price is unavailable, the market value of one share on each trading day during the relevant determination period, determined, using a volume-weighted average method, by a nationally recognized independent investment banking firm retained for this purpose by the Company). The VWAP will be determined without regard to after hours trading or any other trading outside of the regular trading session trading hours.

4. Retention of Certificates

The certificate(s) representing the shares of Restricted Stock granted hereby will be stamped or otherwise imprinted with the legend required by the Plan with respect to any applicable restrictions on the sale or transfer of such shares, and the stock transfer records of the Company will reflect stop transfer instructions with respect to such shares. At the election of the Company, the Company may retain the certificate(s) representing the shares of Restricted Stock granted to the Holder pursuant to this Agreement until such time as the vesting restrictions have lapsed and the restrictions on the transfer of such Restricted Stock have terminated or are removed by the Board of Directors. Within a reasonable time thereafter, the Company will deliver to the Holder a new certificate representing such shares, free of the legend referred to herein. The issuance of such certificate shall not affect any restrictions upon the transferability of such shares pursuant to applicable law or otherwise.

5. Restrictions on Transfer

Any shares of Restricted Stock granted hereunder shall not be sold, assigned, transferred, pledged or otherwise encumbered until such shares are fully vested. The spouse of the Holder shall execute a signature page to this Agreement as of the date hereof and agree to be bound in all respects by the terms hereof to the same extent as the Holder. The spouse further agrees that should he/she predecease the Holder or become divorced from the Holder, any of the shares of Restricted Stock which such spouse may own or in which he/she may have an interest shall remain subject to this Agreement.

6. Dividends and Other Distributions

No cash dividends shall be paid with respect to unvested Restricted Stock. The Holder, however, shall have the right to receive any stock and other noncash dividends and distributions made with respect to the Restricted Stock, subject to the vesting of such Restricted Stock. With respect to any unvested shares of Restricted Stock, such dividends or distributions shall likewise be restricted and shall vest on the same schedule as the Restricted Stock as to which the dividends or distributions relate. Any such dividends or distributions shall be retained by the Company and paid to the Holder promptly following vesting of the Restricted Stock to which such dividends or distributions pertain. Upon forfeiture of any shares of Restricted Stock, the dividends and distributions related thereto shall also be forfeited.

7. Voting of Restricted Stock

The Holder shall be entitled to vote shares of Restricted Stock subject to the rules and procedures adopted by the Committee for this purpose.

10. Notices

Any notice required to be given pursuant to this Agreement or the Plan shall be in writing and shall be deemed to be delivered upon receipt or, in the case of notices by the Company, five (5) days after deposit in the U.S. mail, postage prepaid, addressed to the Holder at the address last provided for his or her employee records.

11. Agreement Subject to Plan; Applicable Law

This Agreement is made pursuant to the Plan and shall be interpreted to comply therewith. Any provision of this Agreement inconsistent with the Plan shall be considered void and replaced with the applicable provision of the Plan. For the avoidance of doubt, in the event Section 2 or Section 3 of this Agreement is inconsistent with the Plan, the terms of Section 2 or Section 3 of this Agreement shall govern. This Agreement shall be governed by the laws of the State of Texas and subject to the exclusive jurisdiction of the courts therein. Unless otherwise provided herein, capitalized terms used herein that are defined in the Plan and not defined herein shall have the meanings set forth in the Plan.

Exhibit 10.13

CAPITAL SOUTHWEST CORPORATION

Amended and Restated Cash Incentive Award Agreement

This Amended and Restated Cash Incentive Award Agreement (this "Agreement") is entered into as of _______, 2015 (the "Effective Date"), between Capital Southwest Corporation (the "Company"), and ____________________ (the "Executive").

WHEREAS, the Company and Executive currently are parties to a Cash Incentive Award Agreement, dated August 28, 2014 (the "Prior Agreement"), and the Company and the Executive desire to amend and restate the Prior Agreement; and

WHEREAS, this Agreement shall supersede and completely replace the Prior Agreement as of the Effective Date.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Grant of Cash Incentive Award. Subject to the terms of this Agreement, effective as of the Grant Date, the Executive is hereby granted a cash incentive award (the "Cash Incentive Award") in an amount equal to the Excess Award Value. The Cash Incentive Award shall become earned and vested as described in Section 3 and the Earned Cash Incentive Award (as defined in Section 3) shall be paid in accordance with Section 4. The purpose of the Cash Incentive Award is to align the compensation of the Executive with the Company's key strategic objective of increasing the market value of the Company's shares through a transformative transaction for the benefit of the Company's shareholders.

2. Defined Terms. For purposes of this Agreement,

(a) "Aggregate Base Value" means the product of (i) $36.16 and (ii) the Fully Diluted Shares of the Company outstanding as of the Grant Date, i.e., $557,353,318.

(b) "Aggregate Trigger Event Value" means the sum of (i) the product of (A) the VWAP of one share of Common Stock of the Company over the 20 consecutive trading days immediately preceding the Trigger Event Date and (B) the Fully Diluted Shares of the Company outstanding as of the Trigger Event Date, plus, except as specified in clause (ii), the aggregate value of all dividends and distributions paid on Common Stock of the Company from the Grant Date through the Trigger Event Date, and (ii) if the Trigger Event results in a distribution of shares of a newly formed entity to the Company stockholders ("Spinco"), the product of (A) the VWAP of one share of Spinco common stock over the 20 consecutive trading days immediately preceding the Trigger Event Date and (B) the Fully Diluted Shares of Spinco outstanding as of the Trigger Event Date, provided that if the Trigger Event is a going private transaction, the Aggregate Trigger Event Value shall be the Sale Consideration Value.

(c) "Common Stock" means the common stock, par value $.25 per share, of the Company.

(d) "Equity Award Value" means the sum of (i) the Restricted Stock Value and (ii) the Option Award Value.

(e) "Excess Award Value" means the positive difference, if any, between (i) the Total Payout Amount minus (ii) the Equity Award Value.

(f) "Fully Diluted Shares" means, at any time of determination, the number of shares of common stock of the applicable entity outstanding at such time, plus the number of shares of common stock of such entity issuable upon exercise or conversion or otherwise pursuant to any in-the-money common stock equivalents of such entity outstanding at such time.

(g) "Grant Date" means August 28, 2014.

(h) "Option Award Value" means the positive difference, if any, between (i) the sum of (A) the product of (I) the number of shares of Common Stock of the Company underlying the options awarded to the Executive under the nonqualified option grant of even date herewith and (II) the VWAP of one share of Common Stock of the Company over the 20 consecutive trading days immediately preceding the Trigger Event Date and (B) if the Trigger Event results in a distribution of shares of Spinco to the Company shareholders, the product of (I) the number of shares of Spinco common stock that would be distributed upon exercise of such nonqualified option grant and (II) the VWAP of one share of Spinco common stock over the 20 consecutive trading days immediately preceding the Trigger Event Date minus (ii) the aggregate exercise price payable under such nonqualified option grant, provided that if the Trigger Event is a going private transaction, the Option Award Value shall be the Sale Consideration Value payable in respect of the options awarded to the Executive under the nonqualified option grant of even date herewith.

(i) "Restricted Stock Value" means (i) the product of (A) the aggregate number of shares of restricted Common Stock of the Company granted to the Executive under the restricted stock award agreement of even date herewith and (B) the VWAP of one share of Common Stock of the Company over the 20 consecutive trading days immediately preceding the Trigger Event Date, plus, except as specified in clause (ii), the aggregate value of all dividends and distributions, if any, paid on the restricted Common Stock of the Company granted to the Executive under the restricted stock award agreement of even date herewith from the Grant Date through the Trigger Event Date and (ii) if the Trigger Event results in a distribution of shares of Spinco to the Company shareholders, the product of (A) the number of shares of Spinco common stock distributed in respect of the restricted Common Stock awarded under the restricted stock award agreement of even date herewith and (B) the VWAP of one share of Spinco common stock over the 20 consecutive trading days immediately preceding the Trigger Event Date, provided that if the Trigger Event is a going private transaction, the Restricted Stock Value shall be the Sale Consideration Value payable in respect of the restricted Common Stock awarded under the Executive's restricted stock award agreement of even date therewith.

(j) "Sale Consideration Value" means, in the event the Trigger Event is a going private transaction, the fair market value as of the Trigger Event Date of the aggregate consideration received by the holders of Common Stock and common stock equivalents of the Company in such transaction, as determined in good faith by the board of directors of the Company.

(k) "Total Payout Amount" means (i) two percent (2%) of the positive difference, if any, of (A) the Aggregate Trigger Event Value less (B) the Aggregate Base Value (such difference, the "Equity Value Accretion"), up to $7.5 million, plus (ii) ___ percent (___%)for any excess Equity Value Accretion over $7.5 million.

(l) "Trigger Event Date" means the 90th day following the consummation of the Trigger Event, unless the Trigger Event is a going private transaction, in which case the Trigger Event Date shall be the closing date of such transaction.

(m) "Trigger Event" means a transformative transaction intended to increase the market value of the Company equity for the benefit of its shareholders, which may involve, for example, a spinoff of one or more wholly-owned subsidiaries of the Company (collectively, "Spinco"), a going private transaction, a leveraged recapitalization, or termination of the Company's regulated investment company status.

(n) "VWAP" means, for the relevant security, the per share volume-weighted average price as displayed under the heading "Bloomberg VWAP" on the Bloomberg AQR page for the relevant security (or its equivalent successor if such page is not available) in respect of the period from the scheduled open of trading until the scheduled close of trading of the primary trading session over the relevant determination period (or if such volume-weighted average price is unavailable, the market value of one share on each trading day during the relevant determination period, determined, using a volume-weighted average method, by a nationally recognized independent investment banking firm retained for this purpose by the Company). The VWAP will be determined without regard to after hours trading or any other trading outside of the regular trading session trading hours.

3. Award Vesting.

(a) The Cash Incentive Award shall be unearned and unvested unless and until it becomes earned and vested and nonforfeitable in accordance with this Section 3. The Cash Incentive Award shall vest and be earned and payable as follows: (i) 1/3 on the Trigger Event Date; (ii) an additional 1/3 on the first anniversary of the Trigger Event Date; and (iii) the final 1/3 on the second anniversary of the Trigger Event Date. Any portion of the Cash Incentive Award granted pursuant to this Agreement that becomes earned in accordance with this Agreement shall be referred to herein as "Earned Cash Incentive Award."

(b) Notwithstanding the foregoing, the Cash Incentive Award shall automatically become earned and vested in full upon a Termination of Service following the Trigger Event Date under any of the following circumstances: (i) by the Executive for Good Reason; (ii) by the Company Group member employing the Executive without Cause; (iii) due to the Executive's Disability; or (iv) due to the Executive's death. In the event a Termination of Service occurs on or before the Trigger Event Date for one of the reasons described in this Section 3(b), the Cash Incentive Award shall become earned and vested in full upon the Trigger Event Date. For purposes hereof,

(i) "Cause" means, with respect to the Executive, (A) commission of any act or acts of personal dishonesty intended to result in substantial personal enrichment to the Executive to the detriment of the applicable Company Group member, (B) conviction of, or entering into a plea of nolo contendere to, a felony, (C) the Executive's repeated failure to perform his or her responsibilities that are demonstrably willful and deliberate, provided that such failures have continued for more than 30 days following written notice from the employer of its intent to terminate his employment based on such failures, (D) intentional, repeated or continuing violation of any of the applicable Company Group member's policies or procedures that occurs or continues after notice to the Executive that he or she has violated such policy or procedure or (E) any material breach of a written covenant or agreement with the applicable Company Group member or material breach of fiduciary duty to the applicable Company Group member, provided that such breach is not corrected, to the extent correctible, within 30 days following written notice from the employer of its intent to terminate his employment based on such breach;

(ii) "Disability" shall have the meaning set forth in Section 22(e)(3) of the Internal Revenue Code of 1986, as amended;

(iii) "Good Reason" means the occurrence of any of the following: (A) a material breach of the Executive's employment agreement by the employer; (B) a reduction in the Executive's title or a material reduction in the Executive's duties, authorities, and/or responsibilities; (C) a material reduction in the Executive's compensation or benefits; or (D) a requirement by the employer, without the Executive's consent, that Executive relocate to a location greater than thirty-five (35) miles from the Executive's place of residence; provided, however, such events will not constitute "Good Reason" unless (1) the Executive gives the employer notice of the existence of an event described above within ninety (90) days following the initial occurrence thereof, (2) the employer does not remedy such event within thirty (30) days of receiving the notice described in the preceding clause (1) and (3) the Executive terminates employment within twelve (12) months of the end of the cure period described in the preceding clause (2); and

(iv) "Termination of Service" means the termination of employment of the Executive by the Company and all subsidiaries of the Company, including Spinco (the "Company Group"). For purposes of this Agreement, the transfer of the Executive's employment to Spinco will not constitute a Termination of Service and the Executive will be considered, for purposes of this Agreement, to be a continuing employee of the Company Group for so long as the Executive's employment with Spinco continues, notwithstanding that Spinco ceases to be a subsidiary of the Company. The Executive's service shall not be deemed to have terminated because of a change in the entity for which the Executive renders such service, provided that there is no material interruption or termination of the Executive's service. Furthermore, the Executive's service with the Company Group shall not be deemed to have terminated if the Executive takes any military leave, sick leave, or other bona fide leave of absence approved by the Company or Spinco, as applicable.

(c) Except with respect to a Termination of Service for one of the reasons described in Section 3(b), any portion of the Cash Incentive Award that remains unvested and unearned as of the Termination of Service of the Executive shall expire and be forfeited immediately upon such Termination of Service and the Executive shall have no further rights with respect to any remaining portion of the Cash Incentive Award.

4. Settlement and Payment. The Earned Cash Incentive Award shall be paid as promptly as practicable following the date such amount becomes vested and earned, and in any event not later than 60 days following such date.

5. Withholding. All payments under this Agreement are subject to withholding of all applicable taxes.

6. Transferability. The Cash Incentive Award is not transferable except as designated by the Executive by will or by the laws of descent and distribution.

7. Heirs and Successors. If any benefits deliverable to the Executive under this Agreement have not been delivered at the time of the Executive's death, such rights shall be delivered to the Executive's estate.

8. Administration. The authority to administer and interpret this Agreement shall be vested in the compensation committee of the board of directors of the Company. Any interpretation of the Agreement by the committee and any decision made by it with respect to the Agreement is final and binding on all persons. Notwithstanding anything herein to the contrary, the Company reserves the right, in its sole discretion, to terminate the Cash Incentive Award or to reduce the Total Payout Amount at any time prior to the occurrence of a Trigger Event.

9. Notices. Any notice required or permitted under this Agreement shall be deemed given when delivered personally, or when deposited in a United States Post Office, postage prepaid, addressed, as appropriate, to Company at its principal offices, to the Executive at the Executive's address set forth below or, in either case, such other address as one party may designate in writing to the other.

10. Governing Law. The validity, construction and effect of this Agreement shall be determined in accordance with the laws of the State of Texas and applicable federal law.

11. Amendments. This Agreement may not be amended or modified other than by a writing executed by both parties.

12. Award Not Contract of Employment. The award granted hereunder does not constitute a contract of employment or continued service, and the grant of the award will not give the Executive the right to be retained in the employ or service of the Company or other member of the Company Group, unless such right or claim has specifically accrued under the terms of this Agreement.

13. Severability. If a provision of this Agreement is held invalid by a court of competent jurisdiction, the remaining provisions will nonetheless be enforceable according to their terms. Further, if any provision is held to be overbroad as written, that provision shall be amended to narrow its application to the extent necessary to make the provision enforceable according to applicable law and enforced as amended.

14. Section 409A Rules. To the fullest extent possible, amounts and other benefits payable under this Agreement are intended to comply with or be exempt from the provisions of section 409A of the Internal Revenue Code of 1986, as amended. This Agreement will be interpreted and administered to the extent possible in a manner consistent with the foregoing statement of intent; provided, however, that the Company does not guarantee the tax treatment of the award granted hereunder.

Exhibit 10.14

LIMITED LIABILITY COMPANY OPERATING AGREEMENT
OF
I-45 SLF LLC

A Delaware Limited Liability Company

Dated as of September 9, 2015

THE SECURITIES REPRESENTED BY THIS LIMITED LIABILITY COMPANY OPERATING AGREEMENT HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR REGISTERED OR QUALIFIED UNDER ANY STATE SECURITIES LAWS AND, AS SUCH, THEY MAY NOT BE OFFERED FOR SALE, SOLD, DELIVERED AFTER SALE, TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS THE SECURITIES HAVE BEEN QUALIFIED AND REGISTERED UNDER APPLICABLE STATE AND FEDERAL SECURITIES LAWS OR UNLESS SUCH QUALIFICATION AND REGISTRATION IS NOT LEGALLY REQUIRED. TRANSFERS OF THE SECURITIES REPRESENTED BY THIS LIMITED LIABILITY COMPANY OPERATING AGREEMENT ARE FURTHER SUBJECT TO THE RESTRICTIONS, TERMS AND CONDITIONS SET FORTH HEREIN.

TABLE OF CONTENTS

		Page
ARTICLE I		
	DEFINITIONS	1
1.1	Construction	1
1.2	Certain Definitions	1
ARTICLE II		
	ORGANIZATION	6
2.1	Formation; Effective Date	6
2.2	Name	7
2.3	Registered Agent; Offices	7
2.4	Merger and Consolidation; Sale of Assets	7
2.5	Purpose	7
2.6	Foreign Qualification	7
ARTICLE III		
	CAPITAL COMMITMENT	7
3.1	Members	7
3.2	Liability to Third Parties	8
3.3	Lack of Authority	8
3.4	Withdrawal	8
ARTICLE IV		
	CAPITAL CONTRIBUTIONS	8
4.1	Contributions	8
4.2	Capital Commitment	8
4.3	Advance of Capital	9
4.4	Defaulting Members	9
4.5	No Deficit Restoration Obligation	10
ARTICLE V		
	MEMBER RIGHTS	10
5.1	Transfer Restrictions	10
5.2	Confidentiality	11
ARTICLE VI		
	ALLOCATIONS AND DISTRIBUTIONS	12
6.1	Allocations	12
6.2	Distributions	13
6.3	Withholding Tax	13
ARTICLE VII		
	MANAGEMENT	13
7.1	Board of Managers	13
7.2	Meetings of the Board of Managers	14
7.3	Quorum; Acts of the Board of Managers	14
7.4	Remote Participation	15
7.5	Compensation of Managers; Expenses	15
7.6	Removal and Resignation of Managers; Vacancies	15
7.7	Managers as Agents	15
7.8	Duties of Board of Managers	15
7.9	Reliance by Third Parties	15

ARTICLE VIII		
	TAXES	16
8.1	Tax Matters Member; Member Information	16
8.2	Tax Reports	16
8.3	Partnership for U.S. Federal Tax Purposes	16
ARTICLE IX		
	EXCULPATION AND INDEMNIFICATION; CORPORATE OPPORTUNITY	16
9.1	Right to Indemnification	16
9.2	Procedure for Determining Permissibility	17
9.3	Contractual Obligation	17
9.4	Indemnification Not Exclusive; Inuring of Benefit; Savings Clause	17
9.5	Exculpation	17
9.6	Insurance and Other Indemnification	18
9.7	Corporate Opportunities	18
ARTICLE X		
	BOOKS, RECORDS, VALUATIONS, REPORTS, AND BANK ACCOUNTS	18
10.1	Books	18
10.2	Company Funds	18
10.3	Valuation	19
10.4	Financial Statements and Information	19
ARTICLE XI		
	DISSOLUTION, LIQUIDATION, AND TERMINATION	19
11.1	Dissolution	19
11.2	Winding Up	20
11.3	Certificate of Cancellation	21
ARTICLE XII		
	GENERAL PROVISIONS	21
12.1	Expenses	21
12.2	Notices	21
12.3	Entire Agreement	21
12.4	Effect of Waiver or Consent	21
12.5	Amendment	22
12.6	Binding Act	22
12.7	Governing Law	22
12.8	Consent to Exclusive Jurisdiction	22
12.9	Severability	22
12.10	Further Assurances	22
12.11	Representations and Warranties	23
12.12	No Third Party Benefit	23
12.13	Counterparts	23

LIMITED LIABILITY COMPANY OPERATING AGREEMENT

OF
I-45 SLF LLC

A Delaware Limited Liability Company

THIS LIMITED LIABILITY COMPANY OPERATING AGREEMENT of I-45 SLF LLC (the "Company") dated as of September 9, 2015 is entered into by and among the Persons executing this Agreement and those other Persons who become Members of the Company from time to time, as hereinafter provided.

ARTICLE I
DEFINITIONS

1.1 *Construction.*

Whenever the context requires, the gender of all words used in this Agreement includes the masculine, feminine and neuter. The words "hereof", "herein" and "hereunder" and words of like import used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. Any singular term in this Agreement shall be deemed to include the plural, and any plural term shall be deemed to include the singular. Whenever the words "include", "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." All references to Articles and Sections refer to Articles and Sections of this Agreement. This Agreement and any provision of it shall not be construed against the party that drafted the Agreement or such provision.

1.2 *Certain Definitions.*

(a) "Act" means the Delaware Limited Liability Company Act (6 Del. C. § 18-101 et. seq.), and any successor statute, as amended from time to time.

(b) "Adjusted Asset Value" with respect to any asset shall be the asset's adjusted basis for federal income tax purposes, except as follows:

(i) The initial Adjusted Asset Value of any asset contributed by a Member to the Company shall be the gross fair market value of such asset at the time of contribution, as determined by the contributing Member and the Company.

(ii) The Adjusted Asset Values of all Company assets shall be adjusted to equal their respective gross fair market values, as determined by the Board of Managers, and the resulting unrecognized profit or loss allocated to the Capital Accounts of the Members pursuant to Article 6, as of the following times: (A) the grant of an additional interest in the Company to any new or existing Member; (B) the distribution by the Company to a Member of more than a de minimis amount of Company assets (including cash) in liquidation of, or in redemption of, such Member's interest in the Company; (C) the distribution by the Company to a Member of Company assets (other than cash); or (D) the liquidation of the Company within the meaning of Treasury Regulation §1.704-1(b)(2)(ii)(g).

(iii) The Adjusted Asset Values of the Company assets shall be increased (or decreased) to reflect any adjustments to the adjusted basis of such assets pursuant to Code Section 734(b) or Code Section 743(b), but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(m).

(c) "Adjusted Capital Account", with respect to any Member, shall mean the Member's Capital Account as adjusted by the items described in Sections 1.704-2(g)(1), 1.704-2(i)(5) and 1.704-1(b)(2)(ii)(d)(4), (5) and (6) of the Treasury Regulations.

(d) “Administrative Agent” means a third party administrative services agent to be chosen and engaged by the Board of Managers to perform administrative services for the Company.

(e) “Advance of Capital” has the meaning set forth in Section 4.3.

(f) “Advance Rate” means the rate equal to 15% per annum.

(g) “Affiliate” means, with respect to any Person, any other Person directly or indirectly controlling, controlled by or under common control with such Person; provided that no securityholder of the Company shall be deemed an Affiliate of any other securityholder solely by reason of an investment in the Company. For the purpose of this definition, the term “control” (including with correlative meanings, the terms “controlling,” “controlled by” and “under common control with”), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

(h) “Agreement” means this Limited Liability Company Operating Agreement of the Company, dated as of the date hereof, as may be amended from time to time in accordance with the terms herein.

(i) “Available Funds” means cash or other assets legally available for distribution (other than Current Distributable Cash) that the Board of Managers unanimously determines is available for distribution by the Company after paying or providing for (1) all current obligations of the Company, (2) all amounts held by the Company pending investment or reinvestment, and (3) amounts to be set aside for reasonable reserves for anticipated taxes, expenses or liabilities.

(j) “Board of Managers” means the Board of Managers of the Company.

(k) “Call Option” has the meaning set forth in Section 11.2(e).

(l) “Call Option Period” has the meaning set forth in Section 11.2(e).

(m) “Capital Account” means, with respect to any Member, the Capital Account maintained in accordance with the following provisions:

(i) To each Member’s Capital Account there shall be credited such Member’s Capital Contributions, such Member’s distributive share of Profits and any items in the nature of income or gain which are specially allocated to such Member, and the amount of any Company liabilities assumed by such Member or which are secured by any property distributed to such Member;

(ii) To each Member’s Capital Account there shall be debited the amount of cash and the Value of any property distributed to such Member pursuant to any provision of this Agreement, such Member’s distributive share of Losses and any items in the nature of expenses or losses which are specially allocated to such Member, and the amount of any liabilities of such Member assumed by the Company or which are secured by any property contributed by such Member to the Company; and

(iii) In determining the amount of any liability for purposes of Sections 1.2(m)(i) and 1.2(m)(ii), there shall be taken into account Section 752(c) of the Code and any other applicable provisions of the Code and Regulations thereunder.

The foregoing provisions and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Regulations Section 1.704-1(b) and shall be interpreted and applied in a manner consistent with such Regulations. The Members shall modify the manner in which the Capital Accounts, or any debits or credits thereto (including, without limitation, debits or credits relating to liabilities which are secured by contributed or distributed property or which are assumed by the Company or the Members) are computed to the extent any such modifications (a) are necessary or appropriate to maintain equality between the Capital Accounts of the Members and the amount of Company capital reflected on the Company’s balance sheet, as computed for book purposes in accordance with Regulations Section 1.704-1(b)(2)(iv)(*g*), and (b) any such modifications are required to comply with the Regulations, whether on account of an unanticipated event or otherwise; provided that no such modification will be made if such modification is reasonably likely to have a material adverse effect on any Member.

(n) "Capital Commitment" means, as to each Member, the total amount set forth in Exhibit A, attached hereto, and which is agreed to be contributed to the Company by such Member as a Capital Contribution in accordance with the terms of this Agreement.

(o) "Capital Contribution" has the meaning set forth in Section 4.1.

(p) "Certificate" has the meaning set forth in Section 2.1.

(q) "Code" means the Internal Revenue Code of 1986, as amended, and any successor statute.

(r) "Company" has the meaning set forth in the recitals.

(s) "Confidential Information" has the meaning set forth in Section 5.2.

(t) "Contribution Notice" has the meaning set forth in Section 4.2(a).

(u) "Corporate Opportunity" has the meaning set forth in Section 9.7(a).

(v) "CSWC" means Capital Southwest Corporation or any successor to its business or assets.

(w) "Current Distributable Cash" shall mean cash or other assets legally available for distribution received by the Company as interest, fees, or other current cash income that is included or includable in the Company's Net Investment Income, reduced by (i) all current expenses of the Company included in the calculation of the Company's Net Investment Income, (ii) reserves for loan losses determined in good faith by Prior Manager Approval, and (iii) any other reserves agreed to by Prior Manager Approval.

(x) "Default Date" has the meaning set forth in Section 4.4(a).

(y) "Defaulting Member" has the meaning set forth in Section 4.4(a).

(z) "Depreciation" means, for any taxable year or other period, an amount equal to the depreciation or other cost recovery deduction allowable with respect to an asset for such taxable year or other period, except that (A) with respect to any asset the Adjusted Asset Value of which differs from its adjusted tax basis for federal income tax purposes and which difference is being eliminated by use of the "remedial method" defined by Treasury Regulation § 1.704-3(d), Depreciation for such taxable year or other period shall be the amount of book basis recovered for such taxable year or other period under the rules prescribed by Treasury Regulation § 1.704-3(d)(2), and (B) with respect to any other asset the Adjusted Asset Value of which differs from its adjusted tax basis at the beginning of such taxable year or other period, Depreciation shall be an amount which bears the same ratio to such beginning Adjusted Asset Value as the federal income tax depreciation, amortization, or other cost recovery deduction for such taxable year or other period bears to such beginning adjusted tax basis; provided, however, that if the adjusted tax basis of any asset at the beginning of such taxable year or other period is zero, Depreciation with respect to such asset shall be determined with reference to such beginning Adjusted Asset Value using any reasonable method selected by the Board of Managers.

(aa) "Drawdown" has the meaning set forth in Section 4.2(a).

(bb) "Due Date" has the meaning set forth in Section 4.2(b)(ii).

(cc) "ERISA" means the U.S. Employee Retirement Income Security Act of 1974, as amended.

(dd) "Exercising Member " means either (i) in the case of an event described in Section 11.1(c), the Member that may elect a dissolution and winding up of the Company or (ii) in the case of an event described in Section 11.1(e), the Member that did not elect a dissolution and winding up of the Company.

(ee) "Fiscal Year" means the fiscal year of the Company, which shall end on March 31 of each calendar year except as otherwise decided by the Members or as required by the Code and Regulations. For purposes of this Agreement, the term "Fiscal Year" shall also include any applicable fiscal period shorter than one year as the context requires.

(ff) "Full Commitment Date" has the meaning set forth in Section 5.1(a).

(gg) "Indemnification Losses" has the meaning set forth in Section 9.1(a).

(hh) "Indemnified Party" has the meaning set forth in Section 9.1(a).

(ii) "Investment" means an investment in a portfolio company held by the Company or any wholly-owned Subsidiary.

(jj) "Investment Company Act" means the Investment Company Act of 1940, as amended from time to time and the rules, regulations and interpretations thereof.

(kk) "Laws" means any law or regulation to which the Company, a Member, or such Member's investment in the Company may be subject from time to time.

(ll) "Manager" means each Person elected, designated or appointed to serve as a member of the Board of Managers.

(mm) "Main Street" means Main Street Capital Corporation or any successor to its business or assets.

(nn) "Member" means any Person which is admitted to the Company as a member, from time to time, as provided in this Agreement, but shall not include any Person who has ceased to be a member in the Company.

(oo) "Membership Interest" means a Member's entire limited liability company interest in the Company, including the right of such Member to any and all of the benefits to which the Member may be entitled as provided in this Agreement.

(pp) "Net Investment Income" means, as of any given date, shall the Company's net investment income determined in accordance with generally accepted accounting principles.

(qq) "Officer" means any officer of the Company, including but not limited to, a Chief Executive Officer, President, Chief Financial Officer, Chief Compliance Officer, Vice President and Secretary, as may be appointed by the Board of Managers as set forth in Section 7.1(e).

(rr) "Permitted Transferee" shall mean, with respect to any Member, an Affiliate of such Member; provided that, a Permitted Transferee shall not include, unless waived in writing by the other Members (which each other Member may refuse to do in its absolute discretion), any Affiliate that:

(i) if such Affiliate were a Member, would cause the Company to cease to be entitled to the exemption from the definition of an "investment company" pursuant to Section 3(c)(7) of the Investment Company Act;

(ii) if such Affiliate were a Member, would result in the termination of the Company as a partnership under the Code, in the Company being classified as a "publicly traded partnership" under the Code or cause the Company to have more than 80 Members;

(iii) is a "plan" as defined in Section 3(3) of ERISA that is subject to the fiduciary responsibility provisions of ERISA, a "plan" that is subject to the prohibited transaction provisions of Section 4975 of the Code, an entity whose underlying assets are treated as "plan assets" under Section 3(42) of ERISA and any regulations promulgated thereunder and/or an employee benefit plan subject to any provisions of any federal, state, local, non-U.S. or other laws or regulations that are similar to Section 406 of ERISA or Section 4975 of the Code; or

(iv) if such Affiliate were a Member, would cause the Company or the other Member to be in violation of applicable Laws.

(ss) "Person" shall mean an individual, a corporation, partnership, trust, limited liability company, organization, association, government or any department or agency thereof, or any other individual or entity.

(tt) "Prior Manager Approval" means, as to any matter requiring Prior Manager Approval hereunder, the prior approval of the Board of Managers as described in Section 7.3.

(uu) "Profit" or "Loss" shall be an amount computed for each taxable year or other period as of the last day thereof that is equal to the Company's taxable income or loss for such taxable year or other period, determined in accordance with Section 703(a) of the Code (for this purpose, all items of income, gain, loss, or deduction required to be stated separately pursuant to Code Section 703(a)(1) shall be included in taxable income or loss), with the following adjustments:

(i) Any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Profit or Loss pursuant to this paragraph shall be added to such taxable income or loss;

(ii) Any expenditures of the Company described in Code Section 705(a)(2)(B) or treated as Code Section 705(a)(2)(B) expenditures pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(i) and not otherwise taken into account in computing Profit or Loss pursuant to this paragraph shall be subtracted from such taxable income or loss;

(iii) If the Adjusted Asset Value of any Company asset is adjusted in accordance with the definition of Adjusted Asset Value, any increase or decrease in the Adjusted Asset Value shall be treated as gain or loss from the sale of such asset for purposes of calculating Profit or Loss;

(iv) In lieu of the depreciation, amortization and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such taxable year or other period;

(v) Gain or loss resulting from any disposition of any Company asset with respect to which gain or loss is recognized for federal income tax purposes shall be computed by reference to the Adjusted Asset Value of such asset; and

(vi) Notwithstanding any other provision of this definition, any items that are specially allocated pursuant to Section 6.1(ii) shall not be taken into account in computing Profit or Loss.

If the Profit or Loss for such taxable year or other period, as adjusted in the manner provided herein, is a positive amount, such amount will be the Profit for such taxable year or other period; and if negative, such amount shall be the Loss for such taxable year or other period.

(vv) "Profit Percentage" for CSWC shall be an amount equal to 94.5% times CSWC's Residual Percentage. Main Street's Profit Percentage shall be 100% minus CSWC's Profit Percentage. The initial Profit Percentages shall be 75.6% and 24.4% for each of CSWC and Main Street, respectively.

(ww) "Regulations" means the United States Treasury Regulations promulgated under the Code, as in effect from time to time.

(xx) "Residual Percentage" shall initially mean 20% to Main Street and 80% CSWC. Residual Percentage shall be adjusted accordingly if and when additional Capital Commitments are made to the Company, over and above the initial Capital Commitments set forth in Exhibit A.

(yy) "ROFR Acceptance Period" has the meaning set forth in Section 5.1(b)(ii).

(zz) "ROFR Notice" has the meaning set forth in Section 5.1(b)(i).

(aaa) "ROFR Sale" has the meaning set forth in Section 5.1(b)(i).

(bbb) "Sale Period" has the meaning set forth in Section 5.1(b)(iii).

(ccc) "Securities Act" means the Securities Act of 1933, as amended from time to time.

(ddd) "Subsidiary" means, with respect to the Company, any entity of which securities or other ownership interests having sufficient ordinary voting power to elect a majority of the board of directors or other Persons performing similar functions are at the time directly or indirectly owned by the Company.

(eee) "Tax" means all federal, state, local or foreign taxes of any kind, including all interest, penalties and additions to tax imposed thereon.

(fff) "Tax Matters Member" has the meaning set forth in Section 8.1.

(ggg) "Transfer" or "transfer" means, with respect to any Membership Interest, the direct or indirect sale, assignment, transfer, withdrawal, exchange or other disposition of any part or all of such interest, whether or not for value and whether such disposition is voluntary, involuntary, by operation of law or otherwise, and a "transferee" or "transferor" means a Person that receives or makes a transfer. For the avoidance of doubt, the pledge or hypothecation of a Membership Interest by a Member under a credit facility or other similar financing arrangement shall not be deemed to be a "Transfer" or "transfer" for purposes hereof.

(hhh) "Treasury Regulations" shall mean the Income Tax Regulations promulgated under the Code, as such Regulations may be amended from time to time (including corresponding provisions of succeeding Regulations).

(iii) "Undistributed Net Investment Income" means the Net Investment Income of the Company for the current and all prior periods, reduced by all amounts previously distributed to the Members in accordance with Section 6.2(b)(ii).

(jjj) "Value" means, as of the date of computation, with respect to some or all of the assets of the Company or any Subsidiary or any assets acquired by the Company or any Subsidiary, the value of such assets determined in accordance with Section 10.3.

ARTICLE II
ORGANIZATION

2.1 *Formation; Effective Date.*

The Company was organized as a Delaware limited liability company on September 3, 2015 by the filing of a certificate of formation (the "Certificate") with the Office of the Secretary of State of the State of Delaware under and pursuant to the Act. This Agreement shall be effective as of the date hereof. To the extent that the rights or obligations of any Member differ by reason of any provision of this Agreement than they would be in the absence of such provisions, this Agreement shall, to the extent permitted by the Act, control. All of the actions of [•] taken in her/his capacity as an authorized person of the Company are hereby ratified, approved and confirmed in all respects.

2.2 ***Name.***

The name of the Company is "I-45 SLF LLC" or such other name as the Members may designate from time to time.

2.3 ***Registered Agent; Offices.***

The registered agent and office of the Company required by the Act to be maintained in the State of Delaware shall be The Corporation Trust Company, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801, or such other agent or office (which need not be a place of business of the Company) as the Members may designate from time to time in the manner provided by applicable law. The principal office of the Company shall be located at such place within or without the State of Delaware, and the Company shall maintain such records, as the Members shall determine from time to time.

2.4 ***Merger and Consolidation; Sale of Assets.***

Subject to the terms of this Agreement, the Company may merge or consolidate with or into one or more limited liability companies or one or more other business entities (as defined in the Act), and the Company may sell, lease or exchange all or substantially all of its property.

2.5 ***Purpose.***

(a) The purpose and business of the Company shall be (i) to carry on any lawful business, purpose or activity permitted to be carried on by limited liability companies under the Act, (ii) to exercise all rights and powers granted to the Company under this Agreement and any other agreements contemplated hereby, as the same may be amended from time to time and (iii) to engage in any other lawful acts or activities incidental or ancillary thereto as the Members deems necessary or advisable for which limited liability companies may be organized under the Act.

(b) Subject to the provisions of this Agreement, the Company shall have the power and authority to take any and all actions necessary, appropriate, proper, advisable, convenient or incidental to, or for the furtherance of, the purposes set forth in Section 2.5(a).

2.6 ***Foreign Qualification.***

The Administrative Agent shall cause the Company to comply with all requirements necessary to qualify the Company as a foreign limited liability company in any jurisdiction where the nature of its business makes such qualification necessary or desirable. Subject to the preceding sentence, at the request of the Administrative Agent, each Member shall execute, acknowledge and deliver all certificates and other instruments conforming with this Agreement that are necessary or appropriate to qualify, continue or terminate the Company as a foreign limited liability company in all such jurisdictions in which the Company may conduct business.

ARTICLE III
CAPITAL COMMITMENT

3.1 ***Members.***

(a) The name and address of each Member as well as the Capital Commitment and Capital Contributions of each Member shall be maintained by the Administrative Agent.

(b) The Company, with Prior Manager Approval, shall have the right to admit new Members in connection with a Capital Contribution by such Person or with respect to Membership Interests that have been transferred pursuant to ARTICLE V; provided that such new Member shall have delivered to the Company a written undertaking and/or subscription agreement in a form acceptable to the Company to be bound by the terms and conditions of this Agreement and shall have delivered such other documents and instruments as the Company may reasonably determine to be necessary or appropriate in connection with the acquisition of Membership Interests by such Person. Upon the delivery of such documents and instruments, such Person shall be admitted as a Member and deemed listed as such on the books and records of the Company.

(c) The Company, with Prior Manager Approval, shall have the right to permit existing Members to make additional Capital Commitments and Capital Contributions to the Company.

3.2 ***Liability to Third Parties.***

Except as to any obligation it may have under the Act to repay funds that may have been wrongfully distributed to it, no Member shall be liable for the debts, obligations or liabilities of the Company, including under a judgment, decree or order of a court.

3.3 ***Lack of Authority.***

No Member shall have the authority or power in his, her or its capacity as a Member, without more, to act for or on behalf of the Company, to do any act that would be binding on the Company or to incur any expenditure on behalf of the Company.

3.4 ***Withdrawal.***

Except as otherwise specifically provided herein, a Member does not have the right to withdraw from the Company as a Member without Prior Manager Approval (except in connection with a transfer of its Membership Interests in accordance with this Agreement), and any attempt to violate the provisions hereof shall be legally ineffective.

ARTICLE IV
CAPITAL CONTRIBUTIONS

4.1 ***Contributions.***

Each Member shall make, shall have made or shall be required to make any Capital Contribution as provided for in this ARTICLE IV. A Member shall not be entitled to the return of any part of its Capital Contributions or to be paid interest in respect of its Capital Contributions. A Capital Contribution is not a liability of the Company or of any Member. As used herein, "Capital Contribution" means any contribution by a Member to the capital of the Company, whether in cash or in kind.

4.2 ***Capital Commitment.***

(a) Subject to Prior Manager Approval, the Company shall cause the Administrative Agent to deliver to each Member that has any obligation in respect of a Capital Commitment, a notice (a "Contribution Notice") that a Capital Contribution is to be made to the Company (the aggregate amount of such Capital Contribution on any applicable date, a "Drawdown"), which Contribution Notice shall comply with Section 4.2(b) and be provided at least three business days prior to the Due Date (as defined below).

(b) All Contribution Notices shall specify:

(i) the U.S. Dollar amount of such Member's share of the relevant Drawdown, which shall be determined as described in Section 4.2(c);

(ii) the due date of such Drawdown (the "Due Date"); and

(iii) the bank account of the Company to which such Drawdown is to be paid.

(c) Each Member's required Capital Contribution in respect of a Drawdown shall be pro rata based on the Members' relative Capital Commitments.

(d) Each Member shall contribute to the Company either (i) by wire transfer of immediately available funds the U.S. Dollar amount specified for such Member in such Contribution Notice or (ii) with Prior Manager Approval, other property.

(e) Any Capital Contributions that have been drawn down from the Members but have not been used by the Company either for investment purposes or the payment of Company expenses within 90 days of the corresponding Due Date will be distributed to the Members in the same proportions in which such Capital Contributions were funded by the Members. The amount of any such returned Capital Contributions will be added back to each Member's Capital Commitment balance and shall be available for further Drawdown in accordance with the terms of this Agreement.

4.3 ***Advance of Capital.***

A Member may, with Prior Manager Approval and in its discretion, make loans of cash or other property (each, an "Advance of Capital") to temporarily fund the Company until Capital Contributions are made by the other Member as set forth in Section 4.2; provided that such Member has made all Capital Contributions required to be made by such Member pursuant to Contribution Notices issued prior to the date of the applicable Advance of Capital. Such Advance of Capital plus interest at the Advance Rate shall be repaid from the other Members' Capital Contributions under Section 4.1, with any unreturned Advance of Capital plus interest at the Advance Rate paid as set forth in Section 6.2; provided that an Advance of Capital outstanding for less than three business days shall not bear interest.

4.4 ***Defaulting Members.***

(a) Upon the failure of any Member (a "Defaulting Member") to pay in full any portion of the Drawdown within the 10 business days after the Due Date (the "Default Date"), the other Member, in its sole discretion, shall have the right to pursue one or more of the following remedies on behalf of the Company:

(i) cause the Defaulting Member to (A) not share in any Profits or related net proceeds realized by the Company on any disposition of an Investment occurring after the Default Date (regardless of when the Investment was made) and (B) continue to share in any Losses realized by the Company on any disposition of an Investment in which the Defaulting Member participated, in each case until such time as the Defaulting Member funds the unpaid portion of the Drawdown;

(ii) collect such unpaid portion of the Drawdown (and all attorneys' fees and other costs incident thereto) by exercising and/or pursuing any legal remedy the Company may have;

(iii) cause the Defaulting Member to sell of its Membership Interests as set forth in Section 5.1(b); and

(iv) upon 30 days' written notice (which period shall commence on the Due Date) and provided that the overdue Drawdown payment has not been made and no legal action for collection is pending, dissolve and wind down the Company in accordance with the terms of this Agreement.

(b) Notwithstanding any provision of this Agreement to the contrary, a Defaulting Member shall not be entitled to distributions made after the Default Date until the default is cured, except that any distributions to which a Member otherwise would be entitled shall be applied to cure any such default.

4.5 ***No Deficit Restoration Obligation.***

Notwithstanding anything herein to the contrary in this Agreement, this Agreement shall not be construed as creating a deficit restoration obligation or otherwise personally obligate any Member to make a Capital Contribution in excess of the such Member's Capital Commitment.

ARTICLE V
MEMBER RIGHTS

5.1 ***Transfer Restrictions.***

(a) None of the Members shall sell, Transfer or otherwise dispose of its Membership Interest, except to a Permitted Transferee, without Prior Manager Approval, which consent shall not be unreasonably withheld; provided, that the transferee Member shall be required to deliver a written undertaking, subscription agreement and/or other documents reasonably determined by the Company to be necessary pursuant to Section 3.1. Except for a Transfer to a Permitted Transferee, each Member agrees and acknowledges that it will not Transfer its Membership Interest until the earlier of (i) the first date when at least 90% of (A) the total amount of the Members' Capital Commitment as of the date of this agreement and (B) the total amount available for borrowing under any committed debt and/or credit facility of the Company entered into prior to March 8, 2017, have been invested or reserved or committed for expenditure and (ii) March 8, 2017 (the "Full Commitment Date"). Each Member further agrees and acknowledges that the Membership Interests have not been registered under the Securities Act or applicable state securities laws, and that the Membership Interests may not be transferred except in a transaction exempt from, or not subject to, the registration requirements of the Securities Act or applicable state securities laws. A transferor Member shall be responsible for all costs and expenses incurred by the Company, including reasonable legal fees and expenses, in connection with any Transfer.

(b) Except for a Transfer to a Permitted Transferee, each Member hereby unconditionally and irrevocably grants to the other Member or its designee a right of first refusal to purchase or designate a third party to purchase all, but not less than all, of any interest in the Company that such other Member may propose to Transfer to another Person at the most recent valuation under Section 10.3. If a Member intends to Transfer all or a portion of any interest in the Company, except to a Permitted Transferee, then the Member intending to make such Transfer shall promptly send written notice thereof to the other Members.

(i) The Member proposing to make a Transfer that would be subject to this Section 5.1(b) (a "ROFR Sale") must deliver written notice of such ROFR Sale (the "ROFR Notice") to the other Member not later than 60 business days prior to the proposed closing date of such ROFR Sale. Such ROFR Notice shall contain the material terms and conditions of the proposed ROFR Sale and shall identify the proposed transferee of such interest, if known.

(ii) The Member receiving the ROFR Notice shall have the right, for a period of 30 business days from the date of receipt of the ROFR Notice (the "ROFR Acceptance Period"), to elect or to designate a third-party purchaser to purchase all of the Membership Interest to be transferred in the ROFR Sale at the most recent valuation under Section 10.3 and on the other terms stated in the ROFR Notice. Such acceptance shall be made by delivering a written notice to the selling Member and the Company within the ROFR Acceptance Period stating that it elects to exercise its right of first refusal and, if applicable, providing the identity of any Person that the non-transferring Member designates as the purchaser and the amount of the Membership Interest it or its designee will purchase or acquire.

(iii) Following expiration of the ROFR Acceptance Period and provided that the Member receiving the ROFR Notice has not elected or designated a third-party purchaser to purchase all of the Membership Interest to be transferred in the ROFR Sale at the most recent valuation under Section 10.3 and on the other terms stated in the ROFR Notice, the selling Member shall be free to sell its interest in the Company on terms and conditions the selling Member deems acceptable (but at a price not less than the price and on terms not more favorable to the transferee than the price and terms stated in the ROFR Notice); provided that (A) such transferee, notwithstanding that such transferee is not an Affiliate of the transferring Member, otherwise qualifies as a Permitted Transferee pursuant to Section 1.2(qq), (B) such sale takes place within 90 business days after the expiration of the ROFR Acceptance Period (the "Sale Period") and (C) such transferee complies with the requirements of Section 3.1(b). To the extent the selling Member transfers its interest in the Company during the Sale Period, the selling Member shall promptly notify the other Member, as to the terms of such Transfer. If no such sale occurs during the Sale Period, any attempted Transfer of such interest shall again be subject to the right of first refusal set forth in this Section 5.1(b) and the procedures of this Section 5.1(b) shall be repeated de novo.

(c) Any purported Transfer in violation of the provisions of this Agreement shall be void *ab initio*.

5.2 ***Confidentiality.***

(a) Without Prior Manager Approval, no Member may disclose, or cause its directors, agents, advisors, officers, employees, attorneys, accountants, stockholders or interest-holders, authorized representatives or Affiliates to disclose, at any time, any information provided to such Member in its capacity as a Member, including information regarding business and activities of the other Member, the Company, any service provider to the Company or any Subsidiary, any entity in which the Company or any Subsidiary is invested, any entity in which the Company may invest or any of their respective Affiliates (collectively, the "Confidential Information"); provided that for purposes of this Agreement, the following shall not be considered Confidential Information: (i) information generally known to the public; (ii) information obtained by a Member from a third party who is not prohibited from disclosing the information; (iii) information in the possession of a Member prior to its disclosure to such Member in its capacity as a Member; (iv) information which a Member can show by written documentation was developed independently of disclosure received in its capacity as a Member; or (v) with respect to a Member, information prepared by or in the possession of such Member or any of its Affiliates prior to disclosure to any other Member.

(b) Notwithstanding the foregoing, the following disclosure shall be permitted:

(i) Each Member shall be permitted to disclose (1) any such information, including information relating to the Company's results of operations, financial condition and other financial information, as may be required by law in connection with its filings with the Securities and Exchange Commission or reasonably determined by the Member to be appropriate either for inclusion in such filings or for disclosure on earnings calls or other similar meetings with investors and (2) the names of entities in which the Company and any Subsidiary are invested and summaries of the associated investments made by the Company in any marketing materials (including tombstone ads) of the Member and its Affiliates; and

(ii) Any Member may provide and/or disclose financial statements, Tax returns and other information contained therein: (1) to such Member's accountants, internal and external auditors, legal counsel, financial advisors, other fiduciaries and representatives (who may be Affiliates of such Member), investors, potential investors, lenders to such Member and potential lenders to such Member as long as such Member instructs such Persons to maintain the confidentiality thereof and not to disclose to any other Person any information contained therein; (2) to bona fide potential transferees of such Member's Membership Interest that agree in writing, for the benefit of the Company, to maintain the confidentiality thereof, but only after reasonable advance notice to the Company and the other Member; (3) if and to the extent required by law (including judicial or administrative order); provided that, to the extent legally permissible, the Company is given prior notice to enable it to seek a protective order or similar relief; (4) to representatives of any governmental regulatory agency or authority with jurisdiction over such Member, or as otherwise may be necessary to comply with regulatory requirements applicable to such Member; (5) in order to enforce rights under this Agreement; and (6) in filings with the Securities and Exchange Commission to the extent required by law or reasonably determined by the Member to be appropriate either for inclusion in such filings or for disclosure on earnings calls or similar meetings with investors.

(c) The Members: (i) acknowledge that each Member, the Administrative Agent, their Affiliates, and their respective direct or indirect members, managers, officers, directors and employees are expected to acquire confidential third-party information that, pursuant to fiduciary, contractual, legal or similar obligations, cannot be disclosed to certain of the Members; and (ii) agree that none of such Persons shall be in breach of any duty under this Agreement or the Act as a result of acquiring, holding or failing to disclose such information to any Member.

ARTICLE VI
ALLOCATIONS AND DISTRIBUTIONS

6.1 *Allocations.*

(a) General Allocations.

(i) Subject to the special allocations set forth in Section 6.1(a)(ii), the Profits or Losses (or items of income, gain, loss, or deduction, as may be necessary) for any taxable year or other period shall be allocated among the Members in such a manner that, as of the end of such taxable year or period and to the extent possible with respect to each Member, such Member's Adjusted Capital Account shall be equal to the amount that would be distributed to such Member under this Agreement if the Company were to, (A) liquidate the assets of the Company for an amount equal to the Adjusted Asset Value of such assets as of the end of such taxable year or other period, (B) satisfy all liabilities of the Company (limited in the case of any nonrecourse loan to an amount equal to the Adjusted Asset Value of any asset securing loan), and (C) distribute the remaining cash in liquidation in accordance with paragraph 11.2 of this Agreement.

(ii) Regulatory Allocations. Notwithstanding the allocations set forth in paragraph 6.1(a), Profits, Losses and items thereof shall be allocated to the Members in the manner and to the extent required by the Treasury Regulations under Section 704 of the Code, including without limitation, the provisions thereof dealing with minimum gain chargebacks, partner minimum gain chargebacks, qualified income offsets, partnership nonrecourse deductions, partner nonrecourse deductions, the provisions dealing with deficit capital accounts in Sections 1.704-2(g)(1), 1.704-2(i)(5), and 1.704-1(b)(2)(ii)(d), and any provisions dealing with allocations related to the forfeiture of a Membership Interest. The Board of Managers shall apply such provisions in its good faith discretion based on advice from the Company's tax advisors.

(b) Loss Limitation. Losses allocated pursuant to Section 6.1(a) shall not exceed the maximum amount of Losses that can be allocated without causing any Member to have a negative Capital Account balance at the end of any taxable year or other period (after taking into account the adjustments, allocations and distributions described in Regulations Sections 1.704-1(b)(2)(ii)(*d*)(*4*), (*5*) and (*6*)). In the event some but not all of the Members would have negative Capital Account balances as a consequence of an allocation of Losses pursuant to Section 6.1(a), the limitation set forth in this Section 6.1(b) shall be applied on a Member by Member basis and Losses not allocable to any Member as a result of such limitation shall be allocated to other Members in accordance with the positive balances in such Member's Capital Accounts so as to allocate the maximum permissible Losses to such Member under Regulations Section 1.704-1(b)(2)(ii)(*d*).

(c) Transfers of Membership Interests. All items of Profit and Loss allocable to any Membership Interest that may have been transferred or otherwise disposed of shall be allocated between the transferor and the transferee based on an interim closing of the books, as determined in good faith with Prior Manager Approval; provided, however, that this allocation must be made in accordance with a method permissible under Section 706 of the Code and the Regulations thereunder.

(d) Tax Allocations; Section 704(c) of the Code. For each taxable year or other period, items of income, deduction, gain, loss or credit that are recognized for federal income Tax purposes shall be allocated among the Members pursuant to Regulations Section 1.704-1(b) in such manner as to reflect equitably amounts credited to or debited from each Member's Capital Account for the current and prior taxable year or periods. Such allocations shall take into account any variation between the adjusted Tax basis of property of the Company and its Agreed Asset Value, in accordance with the principles of Section 704(c) of the Code and the Regulations thereunder. Any elections or other decisions relating to such allocations shall be made by the Board of Managers. The Company may aggregate realized gains and losses in any manner permitted by Regulations Section 1.704-3. Allocations pursuant to this Section 6.1(d) are solely for purposes of federal, state and local Taxes and shall not affect, or in any way be taken into account in computing, any Member's share of Profits, Losses, distributions or other items pursuant to any other provision of this Agreement.

6.2 ***Distributions.***

(a) Subject to the provisions of this Agreement, the Company (i) shall distribute its Current Distributable Cash to the Members no less frequently than quarterly, and (ii) may distribute Available Funds to the Members at such times and in such amounts as may be determined with the unanimous consent of the Board of the Managers. For the avoidance of doubt, distributions may be made in cash or in-kind; provided that, in the case of all in-kind distributions, the Company will be treated as realizing an amount equal to the Adjusted Asset Value of any assets distributed.

(b) All distributions described in Section 6.2(a) shall be distributed among the Members as follows:

(i) First, to pay any outstanding Advances of Capital and any interest accrued thereon;

(ii) Second, to the Members, pro rata in accordance with their Profit Percentages, in amount equal to the Undistributed Net Investment Income; and

(iii) Thereafter, to the Members pro rata in accordance with their Residual Percentages.

Notwithstanding anything to the contrary in this Section 6.2, (A) the Company may make distributions to the Members on a non-pro rata basis if the Board of Managers unanimously determines that such distribution is necessary to allow for the withdrawal or removal of a Member; provided, that no such distribution shall exceed the balance of such Member's Capital Account at the time of such distribution, and (B) no Defaulting Member shall be entitled to any distributions under this Section 6.2 until any default pursuant to Section 4.4 is cured, except that any distributions to which a Member otherwise would be entitled shall be applied to cure any such default.

6.3 ***Withholding Tax.***

Notwithstanding anything herein to the contrary, if the Company incurs a withholding Tax or other Tax obligation with respect to any Member as a result of any amounts distributable to such Member, the allocation of any income to such Member, or otherwise, such amount shall be treated as having been distributed to such Member for all purposes of this Agreement and shall reduce or offset any amounts otherwise distributable to such Member in accordance with this Agreement. In lieu of treating any amount withheld with respect to a Member as a distribution to such Member, the Board of Managers may treat such amount as a recourse loan from the Company to such Member repayable on demand and such loan shall bear interest at the rate (not to exceed the Advance Rate) determined by the Board of Managers.

ARTICLE VII
MANAGEMENT

7.1 ***Board of Managers.***

(a) The initial number of Managers shall be four. Each of CSWC and Main Street shall elect, designate or appoint two (2) Managers. Each Manager elected, designated or appointed by a Member shall hold office until a successor is elected and qualified by such Member or until such Manager's earlier death, resignation, expulsion or removal. The number of Managers that shall constitute the Board of Managers may be changed from time to time by Prior Manager Approval. A Manager need not be a Member.

(b) The Board of Managers shall manage and control the business and affairs of the Company and shall possess all rights and powers as provided in the Act and otherwise by applicable law including the right to act on behalf of, and serve as an authorized signatory of, the Company. Except as otherwise expressly provided for herein, the Members hereby consent to the exercise by the Board of Managers of all such powers and rights conferred on it by this Agreement, the Act or otherwise by applicable law with respect to the management and control of the Company. Except as otherwise expressly provided for herein or as required by the Act, no other Member shall have any power to act for, sign for or do any act that would bind the Company without the authorization of the Board of Managers.

(c) Except as otherwise provided in this Agreement, the Board of Managers shall have the power and authority to delegate to one or more other Persons its rights and powers to manage and control the business and affairs of the Company, including delegating such rights and powers to the Affiliates or agents of the Company or the Members. The Board of Managers may authorize any Persons (including any Member or Affiliate of a Member) to enter into any document on behalf of the Company, perform the obligations of the Company thereunder, and perform any action on behalf of the Company. Notwithstanding the foregoing, the Board of Managers shall not have the power and authority to delegate any rights or powers (i) requiring Prior Manager Approval or otherwise requiring the approval of the Members or (ii) customarily requiring the approval of the managing member of a Delaware limited liability company.

(d) The Managers shall, in the performance of their duties, be protected fully in relying in good faith upon the records of the Company and upon such information, opinions, reports or statements presented to the Company by any Person as to matters any Manager reasonably believes is within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Company.

(e) Except as otherwise provided in this Agreement, the Board of Managers shall have the power and authority to appoint such Officers that the Board of Managers deems appropriate, and to grant to such Officers its rights and powers to manage and control the business and affairs of the Company, including delegating such rights and powers to the Officers. The Board of Managers may authorize any Officer to enter into any document on behalf of the Company, perform the obligations of the Company thereunder, and perform any action on behalf of the Company. Notwithstanding the foregoing, the Board of Managers shall not have the power and authority to delegate any rights or powers (i) requiring Prior Manager Approval or otherwise requiring the approval of the Members or (ii) customarily requiring the approval of the managing member of a Delaware limited liability company.

7.2 *Meetings of the Board of Managers.*

The Board of Managers may hold meetings, both regular and special, within or outside the State of Delaware. Meetings of the Board of Managers may be called by any Manager on not less than 24 hours' notice to each Manager by telephone, facsimile, mail, e-mail or any other similar means of communication, with such notice stating the place, date and hour of the meeting (and the means by which each Manager may participate by telephone conference or similar communications equipment in accordance with Section 7.4) and the purpose or purposes for which such meeting is called. Special meetings shall be called by a Manager in like manner and with like notice upon the written request of any one or more of the Managers. Attendance of a Manager at any meeting shall constitute a waiver of notice of such meeting, except where a Manager attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

7.3 *Quorum; Acts of the Board of Managers.*

(a) For so long as the Board of Managers is comprised of four Managers, at all meetings of the Board of Managers the presence of at least one Manager appointed by each of CSWC and Main Street shall constitute a quorum for the transaction of business. If a quorum shall not be present at any meeting of the Board of Managers, the Managers present at such meeting may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present. In the event that the number of Managers that shall comprise the Board of Managers is increased or decreased in accordance with the terms of this Agreement, the Members shall at that time amend this Section 7.3(a), in the manner set forth in Section 12.5, in order delineate the number and other characteristics of Managers that shall constitute a quorum for the transaction of business by the Board of Managers.

(b) Every act or decision done or made by the Board of Managers shall require the unanimous approval of all Managers constituting a quorum under Section 7.3(a) present at a meeting duly held at which a quorum is present. Each member of the Board of Managers shall have one vote on each matter that is brought before the Board of Managers. Any action required or permitted to be taken at any meeting of the Board of Managers may be taken without a meeting, without notice and without a vote if all members of the Board of Managers unanimously consent thereto in writing (including by e-mail), and the writing or writings are filed with the minutes of proceedings of the Board of Managers.

7.4 *Remote Participation.*

Members of the Board of Managers may participate in meetings of the Board of Managers by means of telephone conference or similar communications equipment that allows all persons participating in the meeting to hear each other, and such participation in a meeting shall constitute presence in person at the meeting. If all the participants are participating by telephone conference or similar communications equipment, the meeting shall be deemed to be held at the principal place of business of the Company.

7.5 *Compensation of Managers; Expenses.*

The Managers will not receive any compensation. However, the Managers shall be reimbursed for their reasonable out-of-pocket expenses, if any, of attendance at meetings of the Board of Managers. No such payment shall preclude any Manager from serving the Company in any other capacity.

7.6 *Removal and Resignation of Managers; Vacancies.*

Unless otherwise restricted by law, any Manager may be removed or expelled, with or without cause, at any time solely by the Member that elected, designated or appointed such Manager. Any Manager may resign at any time by giving written notice to the Board of Managers. Such resignation shall take effect at the time specified therein and, unless tendered to take effect upon acceptance thereof, the acceptance of such resignation shall not be necessary to make it effective. Any vacancy on the Board of Managers shall be filled solely by the action of the Member who previously elected, designated or appointed such Manager in order to fulfill the Board of Managers composition requirements of Section 7.1(a). In the case that a vacancy on the Board of Managers results in a Member having no Managers, such Member shall elect, designate or appoint at least one Manager within two business days and, prior to such designation or appointment, the Board of Managers shall be prohibited from taking any action at a meeting or in writing.

7.7 *Managers as Agents.*

To the extent of their powers set forth in this Agreement, the Managers are agents of the Company for the purpose of the Company's business, and the actions of the Managers taken in accordance with such powers set forth in this Agreement shall bind the Company. Notwithstanding the last sentence of Section 18-402 of the Act, except as provided in this Agreement or in a resolution of the Board of Managers expressly authorizing such action duly adopted pursuant to the terms of this Agreement, a Manager may not bind the Company.

7.8 *Duties of Board of Managers.*

Managers will be entitled to act in their own interests and will not, by virtue of such position, be deemed to have fiduciary or other duties to the Company or the Members. To the extent that, at law or in equity, a Manager of the Company has duties (including fiduciary duties) and liabilities relating thereto to the Company or to any Member, such individual acting in good faith pursuant to the terms of this Agreement shall not be liable to the Company or to any Member for its good faith reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent that they restrict the duties and liabilities of such individual otherwise existing at law or in equity, are agreed by the parties hereto to replace such other duties and liabilities of such individual. No Manager shall be liable to the Company for any act or omission by such Manager in connection with the conduct of business of the Company unless such act or omission constitutes fraud, gross negligence, willful misconduct or the knowing violation of applicable Law or an intentional breach of this Agreement by the Manager.

7.9 *Reliance by Third Parties.*

Notwithstanding any other provision of this Agreement, any contract, instrument or act on behalf of the Company by a Member, a Manager, an Officer or any other Person delegated by Prior Manager Approval, as applicable, shall be conclusive evidence in favor of any third party dealing with the Company that such Person has the authority, power and right to execute and deliver such contract or instrument and to take such act on behalf of the Company. This Section 7.9 shall not be deemed to limit the liabilities and obligations of such Person to seek Prior Manager Approval as set forth in this Agreement.

ARTICLE VIII
TAXES

8.1 ***Tax Matters Member; Member Information.***

CSWC is hereby designated, and shall serve as, the "tax matters partner" (as defined in Section 6231 of the Code) (the "Tax Matters Member"). Subject to Prior Manager Approval, where applicable, the Tax Matters Member shall be authorized and required to represent the Company (at the Company's expense) in connection with all examinations of the Company's affairs by tax authorities, including resulting administrative and judicial proceedings and to expend Company funds for professional services and costs associated therewith. Each Member shall furnish to the Company all pertinent information (including without limitation an Internal Revenue Service Form W-9 or appropriate Form W-8, as applicable) as may be reasonably required for the Company to comply with any Tax accounting, withholding and reporting obligations.

8.2 ***Tax Reports.***

The Company shall furnish, as soon as they are available, but in no event later than 90 days, after the end of each taxable year, to each Member an Internal Revenue Service Schedule K-1, which form shall duly reflect the allocation of income, gain, loss and deduction set forth in ARTICLE VI. Upon the written request of any such Member and at the expense of such Member, the Company shall use reasonable efforts to deliver or cause to be delivered any additional information necessary for the preparation of any federal, state, local and foreign income Tax return which must be filed by such Member. Any deficiency for Taxes imposed on any Member (including penalties, additions to Tax or interest imposed with respect to such Taxes) shall be paid by such Member, and if paid by the Company, shall be recoverable from such Member (including by offset against distributions otherwise payable to such Member).

8.3 ***Partnership for U.S. Federal Tax Purposes.***

As long as the Company remains a Delaware limited liability company with at least two (2) members, the Members agree to treat the Company as a partnership and to treat all Membership Interests as interests in such partnership for U.S. federal income tax purposes and no Member shall take any position inconsistent with this characterization in any tax return or otherwise to the extent consistent with applicable law.

ARTICLE IX
EXCULPATION AND INDEMNIFICATION; CORPORATE OPPORTUNITY

9.1 ***Right to Indemnification.***

(a) To the fullest extent permitted by applicable law, (i) any Member (in its, his or her capacity as a Member) or any of its Affiliates, (ii) the Managers or (iii) any Persons authorized by the Managers (each individually, an "Indemnified Party") shall be entitled to indemnification from the Company for any and all losses, liabilities, damages, assessments, fines, judgments, costs and expenses, including reasonable attorney's fees (collectively, "Indemnification Losses") incurred by such Indemnified Party by reason of any act or omission of such Indemnified Party arising from the performance of such Indemnified Party's obligations or duties under this Agreement, including in connection with any civil, criminal, administrative, investigative or other action, suit or proceeding to which any such Indemnified Party may hereafter be made party by reason of being or having been a Member, Manager, or Person authorized by the Managers in such capacity, provided, however, that, if any Indemnification Loss arises out of any action or inaction of an Indemnified Person, indemnification under this Section 9.1 will be available only if the action or inaction did not constitute fraud, gross negligence, willful misconduct or knowing violation of applicable Law or an intentional breach of this Agreement by the Indemnified Party.

(b) Expenses incurred by any Person entitled to indemnification pursuant to this Section 9.1 in defending a proceeding shall be paid by the Company in advance of the final disposition of such proceeding subject to the provisions of any applicable law; provided such expenses shall be required to be repaid to the Company in the event the aforementioned losses are determined by a court of competent jurisdiction to have resulted from actions or omissions for which the Company is not required to indemnify such Person pursuant to this Section 9.1.

9.2 ***Procedure for Determining Permissibility.***

To determine whether any indemnification or advance of expenses under this ARTICLE IX is permissible, the Members, by Prior Manager Approval, shall be required to, determine in each case whether the applicable standards in any applicable statute have been met. Each of the persons entitled to be indemnified for expenses and liabilities as contemplated above may, in the performance of his, her or its duties, consult with legal counsel and accountants, and any act or omission by such person on the Company's behalf in furtherance of the Company's interests in good faith in reliance upon, and in accordance with, the advice of such legal counsel or accountants will be full justification for any such act or omission, and such person will be fully protected for such acts and omissions, so long as such legal counsel or accountants were selected with reasonable care by or on the Company's behalf. The reasonable expenses of any Person entitled to indemnification pursuant to Section 9.1 in prosecuting a successful claim for indemnification, and the fees and expenses of any special legal counsel engaged by the Company to determine permissibility of indemnification or advance of expenses, shall be borne by the Company.

9.3 ***Contractual Obligation.***

The obligations of the Company to indemnify an Indemnified Party under this ARTICLE IX, including the duty to advance expenses, shall be considered a contract between the Company and such Person, and no modification or repeal of any provision of this ARTICLE IX shall affect, to the detriment of such Person, such obligations of the Company in connection with a claim based on any act or failure to act occurring before such modification or repeal.

9.4 ***Indemnification Not Exclusive; Inuring of Benefit; Savings Clause.***

The indemnification and advance of expenses provided by this ARTICLE IX shall not be deemed exclusive of any other right to which an indemnified Person may be entitled under any statute, provision of the Certificate, this Agreement, Prior Manager Approval or otherwise and shall inure to the benefit of the heirs, executors and administrators of any such Person. If this ARTICLE IX or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Company shall nevertheless indemnify and hold harmless each Person entitled to be indemnified pursuant to this ARTICLE IX as to reasonable Indemnification Losses paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative to the full extent permitted by any applicable portion of this ARTICLE IX that shall not have been invalidated and to the fullest extent permitted by applicable Law.

9.5 ***Exculpation.***

Except as otherwise provided in this ARTICLE IX or as may be agreed between the Members upon Prior Manager Approval, no Indemnified Party shall be liable, responsible or accountable for damages or otherwise, to any other Member, their Affiliates or the Company for any Indemnification Loss that arises out of any act performed or omitted to be performed by it, him or her pursuant to the authority granted by this Agreement or otherwise by the Board of Managers, unless a judgment or other final adjudication adverse to it, him or her establishes that the action or inaction constituted fraud, gross negligence, willful misconduct or knowing violation of applicable Law or an intentional breach of this Agreement by the Indemnified Party. Each Member may (on its own behalf or on behalf of any member of the Board of Managers designated by such Member, any Affiliates of such Member or their respective partners, shareholders, directors, officers, employees or agents) consult with counsel, accountants and other experts in respect of the Company's affairs and such Member will be fully protected and justified in any action or inaction which is taken in accordance with the advice or opinion of such counsel, accountants or other experts; provided, however, that such counsel, accountant or other experts shall have been selected with reasonable care. Notwithstanding any of the foregoing to the contrary, the provisions of this Section 9.5 shall not be construed so as to relieve (or attempt to relieve) an Indemnified Party of any liability, to the extent (but only to the extent) that such liability may not be waived, modified or limited under applicable Law but shall be construed so as to effectuate the exculpation of the Indemnified Party to the fullest extent permitted by applicable Law.

9.6 ***Insurance and Other Indemnification.***

The Company shall have the power to (a) purchase and maintain, at the Company's expense, insurance on behalf of the Company and on behalf of others to the extent that power to do so has not been prohibited by statute, (b) create any fund of any nature, whether or not under the control of a trustee, or otherwise secure any of its indemnification obligations and (c) give other indemnification to the extent permitted by statute.

9.7 ***Corporate Opportunities.***

(a) No Member or any of its Affiliates, including any Affiliate providing services to the Company, shall have any duty to communicate or present an investment or business opportunity or prospective economic advantage to the Company in which the Company may, but for the provisions of this Section 9.7(a), have an interest or expectancy (a "Corporate Opportunity"), and no Member or any of its Affiliates (even if such Person is also a Manager or otherwise providing services to the Company) shall be deemed to have breached any fiduciary or other duty or obligation to the Company by reason of the fact that any such Person pursues or acquires a Corporate Opportunity for itself or its Affiliates or directs, sells, assigns or transfers such Corporate Opportunity to another Person or does not communicate information regarding such Corporate Opportunity to the Company. The Company renounces any interest in a Corporate Opportunity and any expectancy that a Corporate Opportunity will be offered to the Company. Notwithstanding the foregoing, each Member acknowledges the Company's desire to ramp-up its investment activities so that it is fully invested as soon as prudently possible. Each Member will work in good faith to make the Company aware of any broadly syndicated first lien or second lien loan that such Member, or any of its Affiliates, in its own good faith judgment, believes is consistent with the Company's investment strategy.

(b) The Members and their respective Affiliates may, without limitation, form additional investment funds, enter into investment advisory relationships or engage in other business activities, even if such activities may be in competition with the Company and/or may involve substantial time and resources of such Member or its respective Affiliates.

(c) The Members and their respective Affiliates shall not be obligated to offer the Company the ability to invest in a particular opportunity even if such opportunity is of a character which is suitable for the Company.

ARTICLE X
BOOKS, RECORDS, VALUATIONS, REPORTS, AND BANK ACCOUNTS

10.1 ***Books.***

The Administrative Agent shall maintain complete and accurate books of account of the Company, which books shall be open to inspection by any Member (or its authorized representative) to the extent required by the Act.

10.2 ***Company Funds.***

Except as specifically provided in this Agreement or with Prior Manager Approval, the Company shall not pay to, or use for, the benefit of any Member, Company funds, assets, credit, or other resources of any kind or description; provided that the foregoing shall not limit the power of the Board of Managers to authorize expense reimbursements from the Company's funds. Funds of the Company shall (a) be deposited only in the accounts of the Company in the Company's name, (b) not be commingled with funds of any Member and (c) be withdrawn only upon such signature or signatures as may be designated in writing from time to time by the Board of Managers.

10.3 *Valuation.*

(a) Valuations of the Company's assets shall be made quarterly and at such other times as required hereunder by Prior Manager Approval in good faith pursuant to a valuation policy in accordance with Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures* and a valuation process approved by Prior Manager Approval and in accordance with the Investment Company Act.

(b) The valuation of a Membership Interest for purposes of this Agreement shall not take into account discounts for lack of marketability, lack of control or any other similar or standard discount on valuation of a membership interest.

(c) All valuations made in accordance with this Section 10.3 shall be final and binding on all Members, absent actual and apparent error. Valuations of the Company's assets by independent valuation consultants in connection with the valuations described in Section 10.3(a) shall be at the Company's expense.

10.4 *Financial Statements and Information.*

The Company shall deliver to each Member:

(a) as soon as practicable, but in any event within 45 days after the end of each of the first three quarters in each Fiscal Year, unaudited financial information as of the end of and for such calendar quarter, consisting of a balance sheet, income statement, statement of cash flows and statement of Members' equity, each prepared in accordance with U.S. generally accepted accounting principles; and

(b) as soon as practicable, but in any event within 90 days after the end of each Fiscal Year of the Company, audited financial information as of the end of and for such Fiscal Year, consisting of a balance sheet, income statement, statement of cash flows and statement of Members' equity, each prepared in accordance with U.S. generally accepted accounting principles.

ARTICLE XI
DISSOLUTION, LIQUIDATION, AND TERMINATION

11.1 *Dissolution.*

The Company shall dissolve and its affairs shall be wound up on the first to occur of the following:

(a) the adoption of a resolution by the Board of Managers approving the dissolution and liquidation of the Company;

(b) entry of a decree of judicial dissolution of the Company under Section 18-802 of the Act;

(c) (i) a bankruptcy, insolvency, dissolution or liquidation of a Member, (ii) the making of an assignment for the benefit of creditors by a Member or the foreclosure by the creditors of a Member on collateral constituting all or substantially all of the Member's assets, or (iii) notice delivered pursuant to Section 4.4(a)(iv), in either case at the election of the other Member by providing written notice of such election;

(d) the termination of the legal existence of the last remaining Member or the occurrence of any other event that terminates the continued membership of the last remaining Member, unless the Company is continued without dissolution in a manner provided under this Agreement or the Act;

(e) a written notice by a Member to the other Member on or after the Full Commitment Date to dissolve the Company, which notice shall become effective as stated therein but no less than ninety days after delivery (unless the other Member waives such notification requirement); provided, however, that the Member not requesting the dissolution of the Company shall have the right to purchase the Membership Interests of the Member that requested such dissolution, at Value, and the Company will not be required to dissolve as a result thereof subsequent to such purchase; and

(f) the liquidation of the Company's final Investment and the concurrent distribution of all assets of the Company to the Members.

The Company shall not be dissolved by the admission of Members in accordance with the terms of this Agreement.

11.2 *Winding Up.*

(a) On dissolution of the Company, the Board of Managers, in the same manner provided by ARTICLE VII with respect to the operation of the Company, shall act as liquidator. The Board of Managers shall wind up the affairs of the Company as provided in the Act and shall have all the powers set forth in the Act. The costs of liquidation shall be a Company expense.

(b) From and after the date on which an event set forth in Section 11.1 becomes effective, the Company shall cease to make Investments after that date, except for Investments which the Company was committed to make in whole or in part (as evidenced by a commitment letter, term sheet or letter of intent, or definitive legal documents under which less than all advances have been made) on or before such effective date.

(c) A Member shall remain a Member until all Investments in which the Company participates are repaid or otherwise disposed of, the Member's allocable share of all expenses and all other obligations (including without limitation contingent obligations) of the Company are paid, and all distributions are made hereunder, at which time the Member shall have no further rights under this Agreement.

(d) Upon satisfaction (whether by payment or by the making of reasonable provision for payment) of the Company's liabilities, the Company's property and assets or the proceeds from the liquidation thereof shall be applied and distributed in accordance with the distribution priorities (and subject to the limitations) established in Section 6.2, to the extent not previously satisfied. For the avoidance of doubt, subject to the previous sentence, the Members intend that any Current Distributable Cash collected during the winding down of the Company shall be distributed to the Members no less frequently than quarterly in accordance with Section 6.2. Unless waived by Prior Manager Approval, the Company shall withhold 10 percent (10%) of any distributions during any Fiscal Year during the winding down of the Company plus an amount equal to loan losses not otherwise reserved for, which withheld amounts shall be distributed within 60 days after the completion of the annual audit covering such Fiscal Year to the extent not used or set aside to satisfy Company liabilities.

(e) Notwithstanding the foregoing, upon the occurrence of an event described in Section 11.1(c) or Section 11.1(e), the Exercising Member may elect alternatively by written notice to the other Member, for a period of either (i) 30 business days in the case of an event described in Section 11.1(c) or Section 11.1(e) (such period, the "Call Option Period") following the occurrence of such event, to purchase (or cause its designee to purchase) the other Member's Membership Interest or designate a third party to effect such purchase (such election, the "Call Option"). The purchase price for such Membership Interest shall be payable in cash within 60 business days after the Call Option is delivered to the other Member, and shall be equal to the Capital Account of the other Member adjusted to reflect the Value of the Company as determined as of the date of the Call Option based on market quotes for the Investments obtained from MarkIt Ltd. (or other comparable service) or, in the absence thereof, by Prior Manager Approval in accordance with Section 10.3. Each Member hereby agrees to sell its Membership Interest to the Exercising Member or the third party designated by the Exercising Member at such price if the Call Option is timely exercised by the Exercising Member. If the Exercising Member does not exercise the Call Option within the Call Option Period or if the Exercising Member or its third-party designee does not purchase the other Member's Entire Interest within 60 business days after the Call Option is delivered to the other Member, then the Call Option shall terminate and (i) in the case of the occurrence of an event described Section 11.1(c), the Exercising Member shall retain the option to elect the dissolution of the Company pursuant to Section 11.1(c) or (ii) in the case of the occurrence of an event described Section 11.1(e), the non-Exercising Member shall retain the option to elect the dissolution of the Company pursuant to Section 11.1(e). After any purchase pursuant to a Call Option, the other Member shall no longer be a member of the Company, and the Exercising Member, or third party designee of the Exercising Member that has consummated the purchase, may dissolve or continue the Company as it may determine.

(f) A full accounting of the assets and liabilities of the Company shall be taken and a statement thereof shall be furnished to each Member within 30 days after the distribution of all of the assets of the Company. Such accounting and statements shall be prepared under the direction of the liquidator.

11.3 ***Certificate of Cancellation.***

On the completion of the winding up of the Company following its dissolution, the Company is terminated, and the liquidator (or such other Person or Persons as the Act may require or permit) shall file a Certificate of Cancellation with the Office of the Secretary of State of the State of Delaware and cancel any other filings made pursuant to Section 2.6.

ARTICLE XII
GENERAL PROVISIONS

12.1 ***Expenses.***

By virtue of its Membership Interest, each Member shall indirectly bear an allocable share of expenses and other obligations of the Company other than as provided for in Section 10.3(c) or set forth in this Section 12.1. Such expenses, without limitation, will include expenses for legal (including all costs associated with the formation of the Company and the fees and expenses of Sutherland Asbill & Brennan LLP in connection with its preparation of this Agreement and other related agreements and documents), tax, appraisal, investment diligence, incurrence of indebtedness and any other expenses associated with investing in or valuing the Investments. Each Member shall directly bear all of its own fees and expenses associated with the preparation, negotiation, execution and delivery of this Agreement and the other documents contemplated hereby.

12.2 ***Notices.***

Except as expressly set forth to the contrary in this Agreement, all notices, requests or consents provided for or permitted to be sent under this Agreement must be in writing and must be sent by registered mail, addressed to the recipient, postage paid or by delivering that writing to the recipient in person, by internationally recognized express courier, or by e-mail; and a notice, request or consent sent under this Agreement is effective on receipt by the Person to receive it. A notice, request or consent shall be deemed received when delivered if personally delivered, or otherwise on the date of receipt by the recipient thereof. All notices, requests and consents to be sent to a Member must be sent to or made at the address ascribed to that Member on the books of the Company or such other address as that Member may specify by notice to the Company and the other Members. Any notice, request or consent to the Company must be sent to the Company at its principal office. Whenever any notice is required to be sent by law, the Certificate or this Agreement, a written waiver thereof, signed by the Person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

12.3 ***Entire Agreement.***

This Agreement constitutes the entire agreement among the parties on the date hereof with respect to the subject matter hereof and supersedes all prior understandings, contracts or agreements among the parties with respect to the subject matter hereof, whether oral or written.

12.4 ***Effect of Waiver or Consent.***

The failure of a Member to insist on the strict performance of any covenant or duty required by the Agreement, or to pursue any remedy under the Agreement, shall not constitute a waiver of the breach or the remedy.

12.5 *Amendment.*

This Agreement may be amended or modified, or any provision hereof may be waived; provided that such amendment, modification or waiver is set forth in a writing executed by each Member.

12.6 *Binding Act.*

Subject to the restrictions on transfer set forth in this Agreement, this Agreement is binding on and inures to the benefit of the Members and their respective heirs, legal representatives, successors and assigns.

12.7 *Governing Law.*

All issues and questions concerning the application, construction, validity, interpretation and enforcement of this Agreement shall be governed by and construed in accordance with the laws of the State of Delaware.

12.8 *Consent to Exclusive Jurisdiction.*

Each of the parties hereto agrees that in connection with any dispute with respect to this Agreement or any matters arising out of or in connection with this Agreement or any agreement, certificate or other instrument entered into in contemplation of the transactions contemplated by this Agreement it shall first make a good faith attempt to resolve such dispute by negotiation. If, after such attempt, a party believes a negotiated resolution cannot be reached, the dispute shall be resolved only by arbitration pursuant to the then applicable Commercial Arbitration Rules of the American Arbitration Association ("*AAA*"). For avoidance of doubt, all disputes not resolved through negotiation shall be resolved through arbitration. The arbitration process may be initiated by either party after good faith negotiation with the other party by providing a written demand for arbitration, setting forth the basis for the dispute. A qualified neutral arbitrator shall be selected by mutual agreement of the Members within thirty (30) days after the written demand for arbitration by either party. If the parties have not agreed within such thirty (30) day period, either party may submit a request (which shall be binding on the other party) that the AAA immediately appoint a qualified neutral arbitrator in accordance with AAA Rules without reference to nominations by either party. The arbitration proceeding shall be conducted in Dallas, Texas. The arbitration decision in any such dispute shall be rendered in accordance with Delaware law and not more than 180 days after the selection of the arbitrator, and such decision shall be final and binding on the parties. An arbitration award under this Agreement may be enforced in any court of competent jurisdiction. Each party shall bear its own costs (including attorneys' fees) of the arbitration. The costs of the arbitrator and the conduct of the arbitration proceeding shall be borne equally by the parties.

12.9 *Severability.*

Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein. The Members shall negotiate in good faith to replace any provision so held to be invalid or unenforceable so as to implement most effectively the transactions contemplated by such provision in accordance with the original intent of the Members signatory hereto.

12.10 *Further Assurances.*

In connection with this Agreement and the transactions contemplated hereby, at the expense of the Company each Member shall execute and deliver any additional documents and instruments and perform any additional reasonable acts (so long as such documents, instruments and/or acts do not alter or amend, and which are consistent with, this Agreement) that may be necessary or appropriate to effectuate and perform the provisions of this Agreement and those transactions.

12.11 ***Representations and Warranties.***

Each Member hereby represents and warrants to the Company and each other Member as of the date of such Member's admittance to the Company that: (a) it is duly formed, validly existing and in good standing under the laws of the jurisdiction of its formation, and if required by law is duly qualified to conduct business and is in good standing in the jurisdiction of its principal place of business (if not formed in such jurisdiction); (b) it has full corporate, limited liability company, partnership, trust or other applicable power and authority to execute and deliver this Agreement and to perform its obligations hereunder and all necessary actions by its board of directors, shareholders, managers, members, partners, trustees, beneficiaries or other persons necessary for the due authorization, execution, delivery and performance of this Agreement by that Member have been duly taken; (c) it has duly executed and delivered this Agreement, and this Agreement is enforceable against such Member in accordance with its terms, subject to bankruptcy, moratorium, insolvency and other laws generally affecting creditors' rights and general principles of equity (whether applied in a proceeding in a court of law or equity); (d) its authorization, execution, delivery, and performance of this Agreement does not breach or conflict with or constitute a default under (i) such Member's charter or other governing documents or (ii) any material obligation under any other material agreement or arrangement to which that Member is a party or by which it is bound; and (e) it (i) has been furnished with such information about the Company and the Membership Interest as that Member has requested, (ii) has made its own independent inquiry and investigation into, and based thereon has formed an independent judgment concerning, the Company and such Member's Membership Interest herein, (iii) has adequate means of providing for its current needs and possible contingencies, is able to bear the economic risks of this investment and has a sufficient net worth to sustain a loss of its entire investment in the Company in the event such loss should occur, (iv) has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the Company, (v) is a "qualified purchaser" within the meaning of Section 2(a)(51)(A)(iv) of the Investment Company Act, and an "accredited investor" within the meaning of Regulation D under the Securities Act, (vi) understands and agrees that its Membership Interest shall not be sold, or otherwise transferred except in accordance with the terms of this Agreement.

12.12 ***No Third Party Benefit.***

Except for any Indemnified Party (with respect to ARTICLE IX), the Indemnified Parties each being an intended beneficiary of this Agreement, the provisions hereof are solely for the benefit of the Company and its Members and are not intended to, and shall not be construed to, confer a right or benefit on any creditor of the Company or any other Person. Covenants and other provisions of this Agreement created in favor of any Person specifically identified herein are solely for the benefit of such Person and are not intended to, and shall not be construed to, confer a right or benefit on any other Person, including, without limitation, any other Member, unless expressly so stated herein.

12.13 ***Counterparts.***

This Agreement may be executed in any number of counterparts with the same effect as if all signing parties had signed the same document. All counterparts shall be construed together and constitute the same instrument.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, the undersigned has executed this Agreement as of the date first set forth above.

CAPITAL SOUTHWEST CORPORATION

By: Bowen S. Diehl

Name: Bowen S. Diehl

Title: Senior Vice President and Chief Investment Officer

MAIN STREET CAPITAL CORPORATION

By: /s/ Nick Meserve

Name: Nick Meserve

Title: Managing Director

EXHIBIT A

Member and Address	Capital Commitment
Capital Southwest Corporation 5400 Lyndon B Johnson Freeway Dallas, Texas 75240	$70 million
Main Street Capital Corporation 1300 Post Oak Boulevard, Suite 800 Houston, Texas 77056	$17.5 million

Exhibit 31.1

CERTIFICATIONS

I, Bowen S. Diehl, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: November 9, 2015

By: /s/ Bowen S. Diehl
Bowen S. Diehl
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Michael S. Sarner, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: November 9, 2015

By: /s/ Michael S. Sarner
Michael S. Sarner
Chief Financial Officer

Exhibit 32.1

Certification of the President and Chief Executive Officer
Pursuant to 18 U.S.C. Section, as adopted pursuant to Section 906 of the
Sarbanes-Oxley Act of 2002

I, Bowen S. Diehl, President and Chief Executive Officer of Capital Southwest Corporation, certify that, to my knowledge:

1. The Form 10-Q for the quarter ended September 30, 2015, filed with the Securities and Exchange Commission on November 9, 2015 (“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: November 9, 2015

By: /s/ Bowen S. Diehl
Bowen S. Diehl
President and Chief Executive Officer

Exhibit 32.2

Certification of the Chief Financial Officer
Pursuant to 18 U.S.C. Section, as adopted pursuant to Section 906 of the
Sarbanes-Oxley Act of 2002

I, Michael S. Sarner, Chief Financial Officer of Capital Southwest Corporation, certify that, to my knowledge:

1. The Form 10-Q for the quarter ended September 30, 2015, filed with the Securities and Exchange Commission on November 9, 2015 (“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: November 9, 2015

By: /s/ Michael S. Sarner
Michael S. Sarner
Chief Financial Officer