



Since 1961

Capital Southwest

Patient Capital For Exceptional Businesses®

Investor Presentation

November 2011

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Dallas, Texas 75230
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Forward-Looking Statements

This document contains historical information and forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995 with respect to the business, financial condition and results of operations of the Company. The words "believe," "expect," "intend," "plan," "should" and similar expressions are intended to identify forward-looking statements. Such statements reflect the current views, assumptions and expectations of the Company with respect to future events and are subject to risks and uncertainties. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others, changes in the markets in which the Company operates and in general economic and business conditions, competitive pressures, changes in business strategy and various other factors, both referenced and not referenced in this document. Various risks and uncertainties may affect the Company and its results of operations, as described in reports filed by the Company with the Securities and Exchange Commission from time to time. The Company does not assume any obligation to update these forward-looking statements.

Overview

- One of the nation's oldest sources of equity capital
- Net assets of \$502 million at 9/30/11
- 20 active holdings, 34 total holdings in portfolio
- Over 215 companies funded since inception
- Investment capacity to invest opportunistically

History

- In July 1961, we began with net assets of \$14.9 million after our initial (and only) public offering.
- Over the next 50 years ending September 30, 2011, \$205.4 million was disbursed or accrued for:

Cash dividends to shareholders	\$70.8 million
Value of securities distributed to shareholders	11.5 million
Repurchase of our shares	37.5 million
Federal tax payments	<u>85.6 million</u>
Total	\$205.4 million

- Since inception, Capital Southwest has had a capital infusion of \$14.9 million in its business, has distributed \$205.4 million, with a resulting capital balance of \$502 million at September 30, 2011.
- Thus on a cash in/cash out basis, the \$14.9 million invested considering the funds distributed over 50 years through September 30, 2011 net asset value of \$502 million, results in a 12.8% annual net asset return.

Professional Staff and Board of Directors

Professional Staff

Gary Martin, President and Chairman of the Board

Bill Ashbaugh, Senior Vice President

Tracy Morris, Chief Financial Officer

Marquez Bela, Vice President

Glenn Neblett, Vice President

Will Thomas, Vice President

Ray Schwertner, Vice President

Ryan Kelly, Senior Financial Analyst

Board of Directors

Donald W. Burton

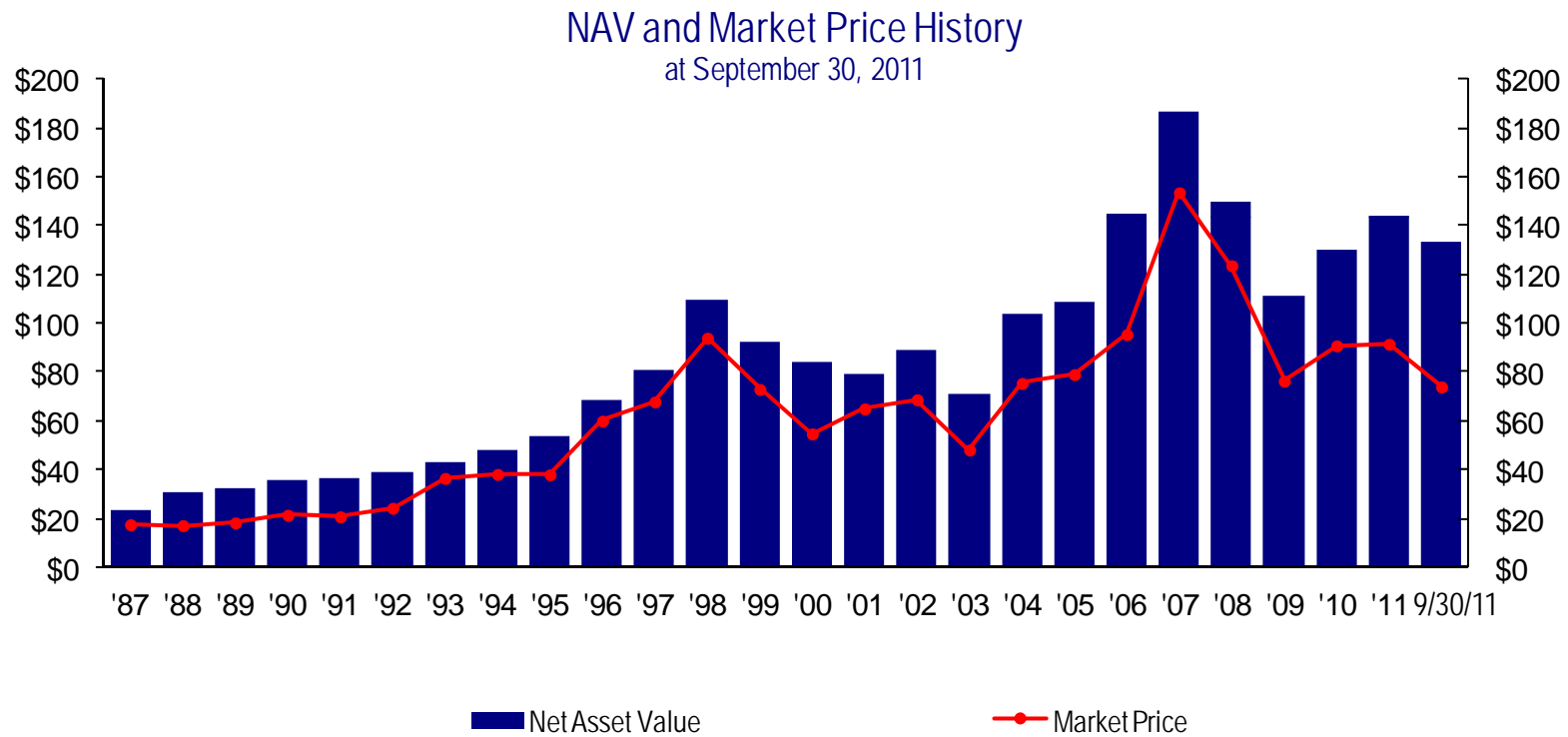
Graeme W. Henderson

Samuel B. Ligon

John H. Wilson

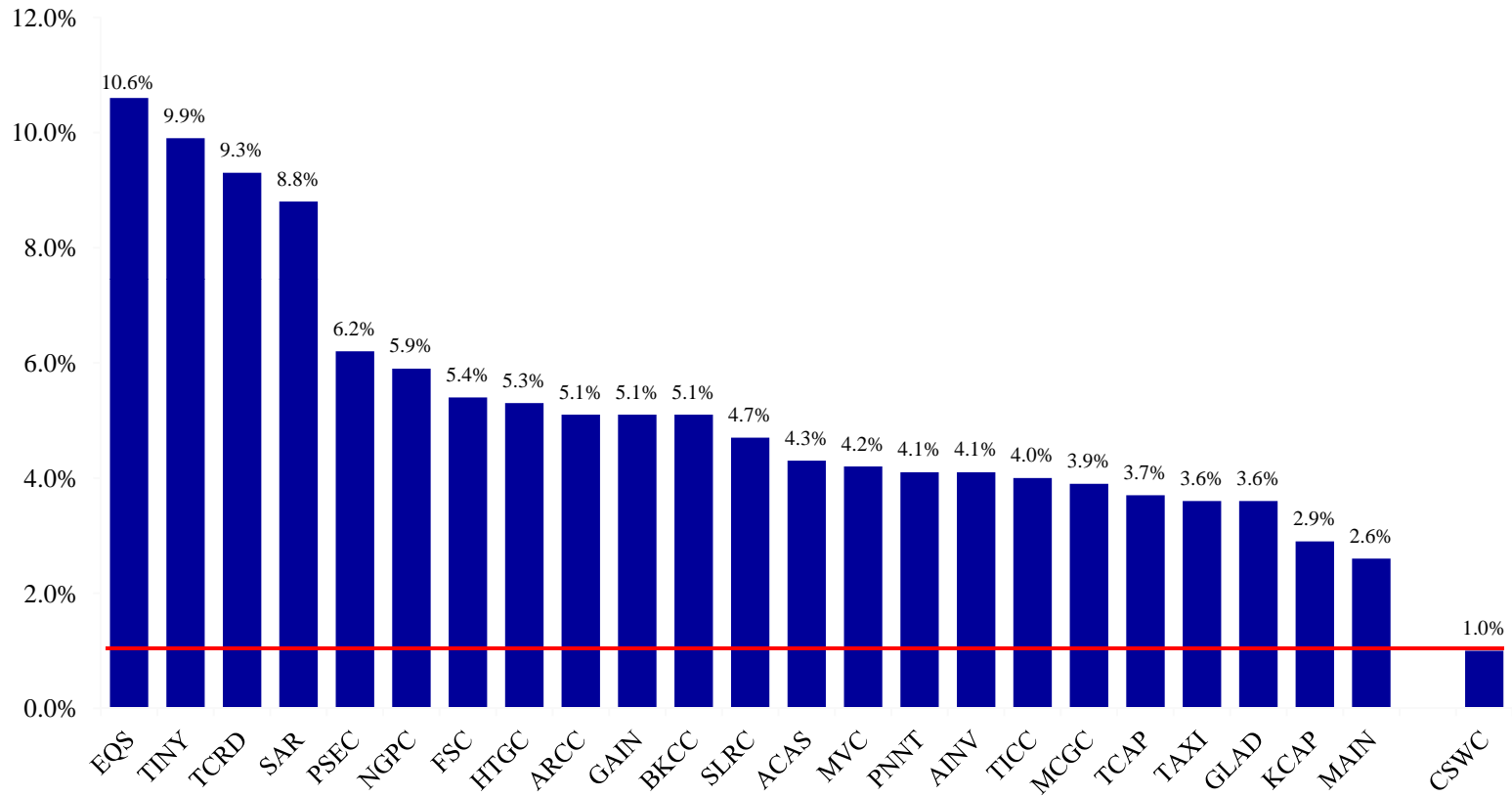
Gary L. Martin, Chairman

Capital Southwest Performance



CSC Cost Structure Compared to Publicly Traded RICs

Expense Ratio Comparison



Source: BB&T Equity Capital Markets. Expense ratio is defined as operating expenses (excluding interest expense) divided by average net asset value over past year.

Capital Southwest Relative Performance

- Capital Southwest has provided favorable returns over an extended period of time.

Period Ended September 30, 2011	Investment Returns based on Market Value	
	Capital Southwest*	S&P 500 Stock Index**
1 year	3.2%	1.1%
5 years	2.0%	-1.2%
10 years	4.4%	2.8%

* Compound annual return for Capital Southwest based on market value per share assuming reinvestment of all dividends and tax credits and no deferred tax liability.

** Compound annual return for the S&P 500 Stock Index assuming reinvestment of all dividends.

Components of Value

- **Restricted Securities**
 - Fair value expected to be received if sold on the valuation date – determined in good faith by the Board of Directors
 - As of 9/30/11 restricted securities comprised approximately 95.3% of the investment portfolio

- **Freely Marketable Securities**
 - Valued at closing market price on the valuation date
 - Freely marketable securities comprised approximately 4.7% of the investment portfolio at 9/30/11

Classification	Cost	9/30/11 Value	%
Restricted Majority-Owned Investments	\$11,396,139	\$226,212,593	51.0
Restricted Public Securities	19,025,382	139,984,772	31.5
Restricted Private-Company Investments	67,451,852	56,916,325	12.8
Freely Marketable Securities	3,770,006	20,813,832	4.7
Total	\$101,643,379	\$443,927,522	100.0

securities information and chart as of 9/30/11

Ten Largest Investments

Company	Year of Initial Investment	% of Total Investments	Cost	Value at 9/30/11	Fully diluted ownership
*The RectorSeal Corporation ¹	1967	31.8%	\$52,600	\$141,300,000	100.0%
Encore Wire Corporation	1989	17.0%	\$5,800,000	\$75,604,875	16.9%
*The Whitmore Manufacturing Company ¹	1979	13.4%	\$1,600,000	\$59,600,000	80.0%
Alamo Group Inc.	1969	10.7%	\$2,190,937	\$47,441,025	22.0%
Heelys, Inc.	2000	3.8%	\$102,490	\$16,938,870	31.1%
*Media Recovery, Inc.	1997	3.7%	\$5,415,000	\$16,400,000	97.9%
Texas Capital Bancshares, Inc.	2000	2.5%	\$3,550,006	\$11,188,640	1.3%
Extreme International, Inc.	1996	2.4%	\$3,325,875	\$10,748,000	53.6%
Cinatra Clean Technologies, Inc.	2008	2.4%	\$13,182,892	\$10,589,189	73.4%
Hologic, Inc.	1999	2.2%	\$220,000	\$9,625,192	<1%
Total		90.0%	\$35,439,800	\$399,405,791	
*Controlled Affiliates (>80% CSC Voting Ownership)		% of Total Investments	Cost	Value	Value as % of NAV
Sum of Controlled Affiliates ²		51.0%	\$11,396,139	\$226,212,593	45.0%

Note:

- 1 The Whitmore Manufacturing Company is 80% owned by Capital Southwest and 20% owned by Capital Southwest's subsidiary, The RectorSeal Corporation
- 2 Balco, Inc., CapStar Holdings Corporation and Humac Company are controlled affiliates and included in this sum, but are not valued high enough to be included in the ten largest investments

Differentiated Investment Approach

- As a publicly-traded Business Development Company, we have a compelling long-term investment platform that cannot be replicated at a traditional time-restricted venture partnership.
- Central to our differentiated investment philosophy is that we:
 - Provide patient capital
 - As of 9/30/11, six investments held over 30 years
 - Will invest in non-control equity positions, as well as in control positions
- In addition to capital, we provide many services to ensure success:
 - Active board representation that focuses on enduring growth
 - Transitional leadership
 - Executive recruiting
 - Corporate finance strategy and modeling
 - Acquisition sourcing, due diligence, negotiation and advisory services
- For management teams that believe in the long term opportunity of their businesses, finding a suitable investment partner can be challenging. We have a time-tested model with countless case studies to support our efforts.

Types of Financings

- Expansion financings
 - Equity for companies whose growth is capital constrained
 - Where bank financing is inadequate and an IPO is premature
 - Capital to fund acquisitions
- Management buyouts
 - Stand-alone companies or divisions/subs of larger companies
 - Sales of \$10 to \$100 million with a history of profitability
- Recapitalizations
 - Partial liquidity for owners who do not desire to sell their companies
- Early stage financings
 - For companies with innovative products or services and high growth potential
 - Confirmed customer demand and imminent profitability

Key Sector Focus

- **Energy Services and Technology**
 - Providers of services or products to the oil and gas industry, including upstream (drilling and production), midstream (transportation) and downstream (refining) sectors.
- **Reliability and Specialty Filtration Systems**
 - Companies that address the maximization and efficient use of resources and equipment , primarily in a manufacturing environment.
- **Specialty Products – Chemical and Manufacturing**
 - Manufacturers of a finished product for sale to a specialty application market, typically not considered to be a commodity product.
- **Water Management**
 - Companies providing products, services or software that enhance water resource management, improve utilization, and address reclamation and reuse.

Recent Investment: Instawares Holding Company, LLC

\$5,000,000 on 5/20/11

- Instawares Holding Company, based in West Point, Georgia, provides innovative solutions to restaurant operators to address multiple pain points via its five business units:
 - Supplies on the Fly, LLC: equipment and supplies exclusively for Sysco customers through its web portal
 - Instawares, LLC: equipment and supplies online store for retail customers
 - eCompanystore, LLC: promotional items and uniforms
 - SimpleOffers, LLC: highly targeted promotional advertising using customer purchase history
 - HotSchedules, Inc.: labor management and scheduling platform
- Instawares Holding Company maintains an exclusive partnership with Sysco, providing reach to Sysco's 400,000 customers, leveraging its 8,000 sales representatives.
- The Supplies on the Fly and Instawares online stores boast 200,000 SKUs from 300 different suppliers.



Recent Investment: Airtec Products Corporation

\$20,600,000 add-on acquisition by RectorSeal on 8/8/11

- Airtec Products Corporation, based in Fall River, Massachusetts, is a leading manufacturer of HVAC specialty products for mini-split and central air conditioning systems.
- The Company's full product line now numbers 600 SKUs and includes air diffusers, condensate traps and switches, equipment mounting, lineset coverings, security refrigerant caps and condensate pumps.
- Airtec's products are currently sold to professional wholesale distributors and OEMs and there are expansion opportunities into the do-it-yourself (DIY) market.
- Below is a sample of the Company's product lines:

Air Diffusers



Lineset Coverings



Condensate Traps
and Switches



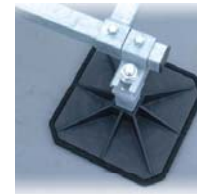
Aspen Pumps



Novent Caps



Equipment Mounting

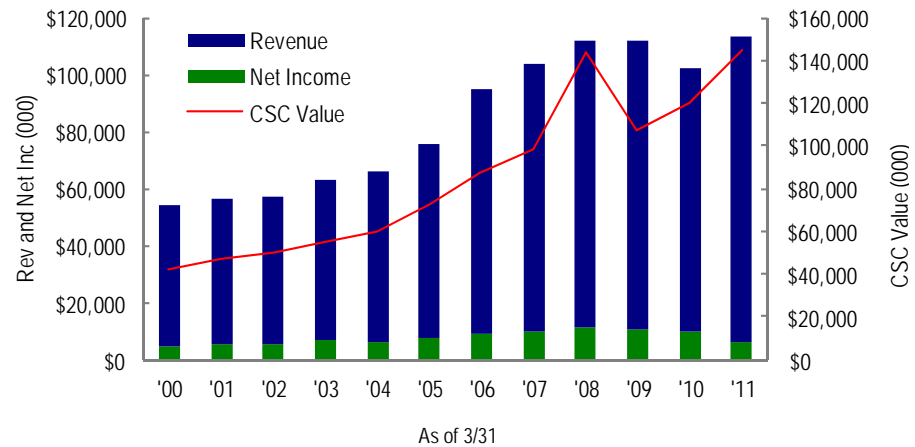




RectorSeal

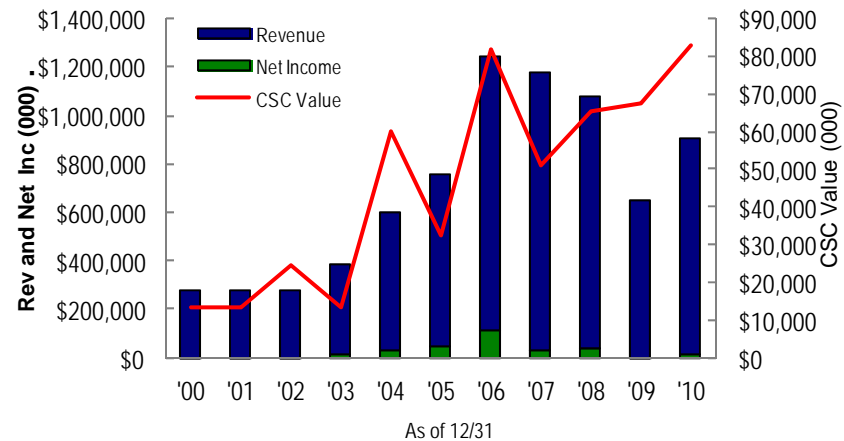
- The RectorSeal Corporation, Houston, Texas, with domestic facilities in Texas, New York and Idaho and foreign operations in England and Canada, manufactures specialty chemical products including pipe thread sealants, firestop sealants, plastic cements and other formulations for plumbing, HVAC, electrical and industrial applications. The company also makes special tools for plumbers and systems for containing smoke from building fires. RectorSeal's largest subsidiary, Jet-Lube, Inc., with plants in Texas, England and Canada, produces anti-seize compounds, specialty lubricants and other products used in industrial and oil field applications. Another subsidiary produces and sells automotive chemical products. RectorSeal also owns a 20% equity interest in The Whitmore Manufacturing Company ("Whitmore").
- During the year ended March 31, 2010, RectorSeal earned \$9,751,000 on revenues of \$102,075,000, compared with earnings of \$10,170,000 on revenues of \$111,792,000 in the previous year. RectorSeal's earnings do not reflect its 20% equity in The Whitmore Manufacturing Company.

Year of Initial Investment:	1967	9/30/11 Cost:	\$52,600
% of Our Total Investment Value:	31.8%	9/30/11 Value:	\$141,300,000
Fully-Diluted CSC Ownership %:	100.0%		



- Encore Wire Corporation, McKinney, Texas, manufactures a broad line of copper electrical building wire and cable including non-metallic sheathed, underground feeder and THHN wire and cable and also armored cable for residential, commercial and industrial construction. Encore's products are sold through large-volume distributors and building materials retailers.
- For the year ended December 31, 2009, Encore reported net income of \$3,636,000 (\$0.16 per share) on net sales of \$649,613,000 compared with net income of \$39,771,000 (\$1.70 per share) on net sales of \$1,081,132 in the previous year. The March 31, 2010 closing Nasdaq market price of Encore's common stock was \$20.80 per share.

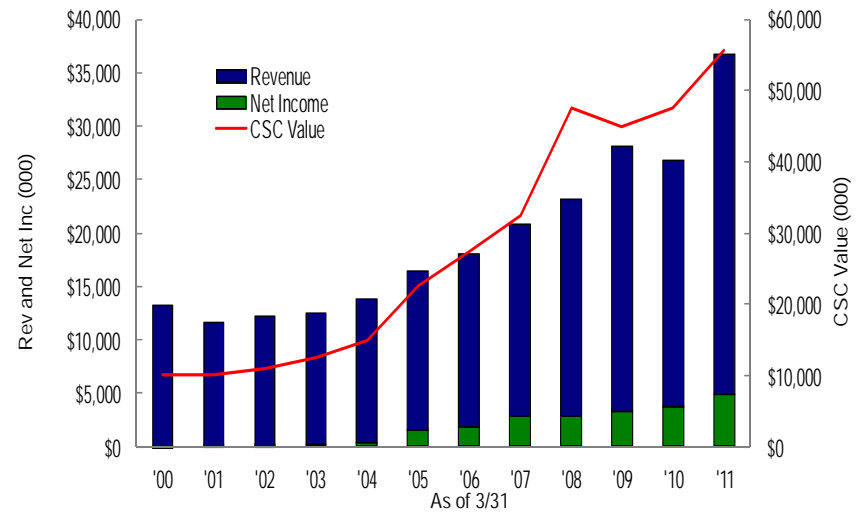
Year of Initial Investment:	1989	9/30/11 Cost:	\$5,800,000
% of Our Total Investment Value:	17.0%	9/30/11 Value:	\$75,604,875
Fully-Diluted CSC Ownership %:	16.9%		



The Whitmore Manufacturing Company

- The Whitmore Manufacturing Company, Rockwall, Texas, manufactures specialty lubricants for heavy equipment used in surface mining, railroads and other industries, and produces water-based coatings for the automotive and primary metals industries. Whitmore's Air Sentry division manufactures fluid contamination control devices. The company's assets also include several commercial real estate tracts.
- During the year ended March 31, 2010, Whitmore reported net income of \$3,661,000 on net sales of \$26,956,000, compared with net income of \$3,209,000 on net sales of \$ 28,163,000 in the previous year. The company is owned 80% by Capital Southwest and 20% by Capital Southwest's subsidiary, The RectorSeal Corporation.

Year of Initial Investment:	1979	9/30/11 Cost:	\$1,600,000
% of Our Total Investment Value:	13.4%	9/30/11 Value:	\$59,600,000
Fully-Diluted CSC Ownership %:	80.0%		



Note: CSC Value is its 80% ownership of Whitmore

Active Investments



Alamo Group - Manufacturer of tractor-mounted mowing and vegetation equipment, street-sweeping equipment and excavators.



Atlantic Capital Bancshares, Inc. - Holding company of Atlantic Capital Bank, a full service commercial bank.



Balco - Architectural products used in construction and remodeling of commercial and institutional buildings.



BOXX Technologies - Workstations for computer graphics imaging and design.



Cinatra Clean Technologies, Inc. - Exclusive U.S. provider of patented, automated cleaning and hydrocarbon recovery system for crude oil storage tanks.



Discovery Alliance - Holding company of acquired intellectual property assets.



Encore Wire - Electric wire and cable for residential and commercial use.



Extreme International - Producer of radio and television commercials and corporate communication videos.



Heelys - Heelys stealth skate shoes ("one wheel in the heel") sold through retail stores and over the Internet.



iMemories

iMemories, Inc. - Consumer marketplace for preserving, storing and sharing digitized personal videos and photos.



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Instawares Holding Company, LLC - Restaurant Services company providing equipment, scheduling, and marketing solutions.



KBI Biopharma, Inc. - Biopharmaceutical contract development and manufacturing services.



Media Recovery - Computer and office supplies and services; products used to prevent and detect damage to inventory and equipment.



PalletOne - Wooden pallet manufacturer.



RectorSeal - Specialty chemicals for plumbing, HVAC, electrical, construction, industrial, oil field and automotive applications.



Texas Capital Bancshares, Inc. - Regional bank holding company with banking operations in six Texas cities.



TRAX - Provides freight, audit, invoice payment and logistics information services.



VIA - Distributor of high-quality office seating.



Wellogix - Supply-chain management software for oil and gas companies.



Whitmore's Manufacturing - Specialized mining, industrial and railroad lubricants; automotive transit coatings.

Conclusion

- Access to private equity investments without typical fund constraints
- Diversified portfolio
- 50 year track record of success
- Active investor with board involvement and experience
- Staff and directors are aligned with shareholders, owning over 25% of outstanding shares
- Investment capacity to invest opportunistically



Forward Looking Statements

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