

CODE OF CONDUCT AND ETHICS

Adopted October 2003

1. Complying With Law

All employees, officers and directors of Capital Southwest Corporation, Capital Southwest Venture Corporation or Capital Southwest Management Corporation (collectively, "CSW" or the "Company") shall respect and comply with all of the laws, rules and regulations of the United States and the states, counties, cities and other jurisdictions in which the Company conducts its business which are applicable to the Company.

Such legal compliance shall include, without limitation, compliance with the "insider trading" prohibitions applicable to the Company and its employees, officers and directors. Generally, employees, officers and directors who have access to or knowledge of confidential or material non-public information from or about the Company are not permitted to buy, sell or otherwise trade in the Company's securities, whether or not they are using or relying upon that information. This restriction extends to sharing or tipping others about such information, especially because the individuals receiving such information may utilize such information to trade in the Company's securities. In addition, the Company has implemented trading restrictions to reduce the possibility, or appearance, of insider trading. Company employees, officers and directors are directed to our Secretary-Treasurer or President if there are questions regarding insider trading prohibitions or questions on trading policy, pre-clearance of trades, and related policies.

This Code of Conduct and Ethics does not summarize all laws, rules and regulations applicable to the Company and its employees, officers and directors. Please consult any applicable guidelines that the Company has prepared on specific laws, rules and regulations. The provisions of the following documents, which are incorporated by reference in this Code of Conduct and Ethics, are applicable to all employees, officers and directors of the Company:

Code of Ethics adopted May 1, 1981 and revised on January 16, 1995, which prescribes standards of conduct and reporting procedures for persons who have access to information regarding the purchase or sale of portfolio securities by the Company. This document was issued in compliance with Section 17(j) of the Investment Company Act of 1940.

Policy Regarding Securities Trades by Directors, Executive Officers and Designated Employees dated July 15, 2002 (Administrative Regulation 3.0).

2. Conflicts Of Interest

All employees, officers and directors of the Company should be scrupulous in avoiding a conflict of interest with regard to the Company's interests. A "conflict of interest" exists whenever an individual's private interests interfere or conflict in any way (or even appear to interfere or conflict) with the interests of the Company. A conflict situation can arise when an employee, officer or director takes actions or has interests that may make it difficult to perform his or her Company work or responsibilities objectively and effectively. Conflicts of interest may also arise when an employee, officer or director, or members of his or her family, receives improper personal benefits as a result of his or her position in the Company, whether received from the Company or a third party. Loans to, or guarantees of obligations of, employees, officers and directors and their respective family members may create conflicts of interest. Federal law prohibits loans to directors and executive officers.

Conflicts of interest are prohibited as a matter of Company policy, except under guidelines approved by the Board of Directors. Waivers of the policy may only be granted by a majority of the directors who do not have the conflict of interest in question. Conflicts of interest may not always be clear-cut, so if you have a question, you should consult with the President of the Company. Any employee,

officer or director who becomes aware of a conflict or potential conflict should bring it to the attention of the President or Secretary-Treasurer or consult the procedures described in this Code.

3. Company Opportunity

Except as may be permitted by the Board of Directors or committees of the Board (as approved by a majority of the directors who do not have the conflict of interest in question), employees, officers and directors are prohibited from (a) taking for themselves personally opportunities that properly belong to the Company or are discovered through the use of Company property, information or position; (b) using Company property, information or position for personal gain; and (c) competing with the Company. Employees, officers and directors owe a duty to the Company to advance its legitimate interests when the opportunity to do so arises.

4. Confidentiality

Employees, officers and directors of the Company must maintain the confidentiality of confidential information (including business plans, financial information and personnel and salary information) entrusted to them by the Company or its portfolio companies, except when disclosure is required by law, regulation or legal proceeding. Disclosure of confidential information outside the Company could be harmful to CSW. Consequently, confidential information should be maintained in secure files or storage areas and properly disposed of in accordance with CSW's records retention policy. Also, care should be exercised when discussing confidential information in public (in elevators, airplanes, restaurants, when using cell phones, or even at work in the presence of employees not authorized to have access to such information). Permitting unauthorized access to Company facilities by non-CSW personnel is also a breach of confidentiality. Confidential information includes all non-public information that might be of use to competitors of the Company, or harmful to the Company or its portfolio companies if disclosed. Whenever feasible, employees, officers and directors should consult the President of the Company if they believe they have a legal obligation to disclose confidential information.

5. Fair Dealing

Each employee, officer and director should endeavor to deal fairly with the Company's portfolio companies, officers and employees. None should take unfair advantage of anyone through manipulation, concealment or abuse of privileged information, misrepresentation of material facts or any other unfair dealing practice.

6. Protection And Proper Use of Company Assets

All employees, officers and directors should protect the Company's assets and ensure their efficient use. All assets owned by the Company are for conducting CSW's business and are not for personal use or consumption. Incidental personal use of telephones, Company cars, computers, e-mail and the Internet is permitted as long as it does not distract from the employee's job responsibilities and is in compliance with relevant law and CSW's ethical standards, policies and procedures. Theft, carelessness and waste have a direct impact on the Company's profitability.

Each employee and officer is responsible for protecting the assets under his/her direct control. He/she also has the responsibility to be attentive to security procedures and to be alert for situations that may lead to loss, theft or misuse of assets. You are encouraged to report any such situations to the Secretary-Treasurer.

7. Accounting Complaints

The Company's policy is to comply with all applicable financial reporting and accounting regulations applicable to the Company. If any employee, officer or director of the Company has concerns or complaints regarding questionable accounting, internal accounting controls or auditing matters of the Company, he or she is encouraged to submit those concerns or complaints (anonymously, confidentially or otherwise) to the Audit Committee of the Board of Directors (which will, subject to its duties arising under applicable laws, regulations and legal proceedings, treat such submissions confidentially). Such submissions should be directed to John H. Wilson, Audit Committee member, in writing at 1500 Three Lincoln Centre, 5430 LBJ Freeway, Dallas, TX 75240.

8. Financial Books, Records and Reports

All financial reports and records, including check requests, expense reports, income statements, etc., must be accurate, timely submitted and prepared in accordance with law and the Company's internal controls. No false or misleading entry should be made in any books or records of the Company for any reason whatsoever. Unrecorded or "off the books" funds or assets of the Company shall not be maintained. All errors and adjustments in the books and records should be promptly corrected and recorded when discovered. All of us must honestly and fairly record information within our job responsibilities. Never falsify any document or distort the true nature of a transaction. All estimates and accruals must be supported by appropriate documentation and be based on good faith judgment. Officers and employees should report any violation of this Section 8 as provided for in Section 7 above.

9. Proprietary Information

The Company seeks to outperform its competition fairly and honestly. The Company seeks competitive advantages through superior performance, never through unethical or illegal business practices. Stealing proprietary information, possessing trade secret information that was obtained without the owner's consent, or inducing disclosure of trade secret information by past or present employees of other companies is prohibited.

10. Business Entertainment and Gifts

The purpose of business entertainment and gifts in a commercial setting is to create goodwill and sound working relationships, not to gain unfair advantage. No gifts, services, discounts on purchases or entertainment should be offered, given, provided or accepted by any Company employee, officer or director or any family member of an employee, officer or director unless it: (a) is not a cash gift, (b) is consistent with customary business practices, (c) is not excessive in value, (d) cannot be construed as a bribe or payoff, (e) will not make you feel obligated to repay the donor with corporate business, and (f) does not violate any law or regulation. If you have questions about whether a gift or other benefit satisfies these requirements, please call the Secretary-Treasurer.

11. Record Retention

Records should always be retained or destroyed according to the Company's record retention policies. If an employee, officer or director is aware of an imminent or ongoing investigation, audit or examination initiated by the Company, by the Company's auditors or by any governmental agency, that employee should retain all documents (including computer records) in his/her custody or control relating to the matter under review. The destruction or falsification of a document in order to impede a governmental investigation, audit or examination may lead to prosecution for obstruction of justice. If an employee is not sure if a document can be destroyed, or if that employee has any questions on the retention of records, please contact the Secretary-Treasurer.

12. Outside Directorships

No employee or officer of the Company may serve as a director (including an advisory board position) or officer (paid or otherwise) of any business, other than with CSW or one of its portfolio companies, without the prior written approval of the President of CSW. This rule does not apply to charitable, civic, religious, public, political or social organizations whose activities do not conflict with the interests of CSW and do not impose excessive demands on an employee's or officer's time.

13. Public Company Reporting

As a public company, it is of critical importance that the Company's filings with the Securities and Exchange Commission and reports distributed to shareholders be accurate and timely. An employee, officer or director may be called upon to provide necessary information to ensure that the Company's public reports are complete, fair and understandable. The Company expects employees, officers and directors to take this responsibility seriously and to provide prompt and accurate answers to inquiries to the Company's public disclosure requirements. The harm done to the Company's reputation and to its investors by fraudulent or misleading reporting can be severe. Dishonest financial reporting can also result in civil or criminal penalties to the individuals involved and to CSW. Consequently, the reporting of any false or misleading information in internal or external financial reports is strictly prohibited.

The Company's accounting department bears a special responsibility for promoting integrity throughout the organization, with responsibilities to shareholders both inside and outside CSW. The President, the Secretary-Treasurer and accounting department personnel have a special role both to adhere to these principles themselves and also to ensure that a culture exists throughout CSW as a whole that ensures the fair and timely reporting of CSW's financial results and condition.

14. Political Participation

CSW will make no illegal political contributions or payments to political parties or candidates. Officers and employees should feel free to participate in the political process on their own time. Employees and officers may likewise make political contributions on a personal or individual basis and may participate in political action committees on a voluntary basis. When an employee expresses views on public or political issues at civic meetings, they should make it clear that they are speaking as individuals and avoid giving any appearance that they are speaking as CSW's representatives unless they have been authorized to speak for the Company.

15. Reporting Any Illegal Or Unethical Behavior

Employees, officers and directors who are concerned that violations of this Code of Conduct and Ethics or that other illegal or unethical conduct by employees, officers or directors of the Company have occurred or may occur should contact the President of the Company. If they do not believe it appropriate or are not comfortable approaching the President of the Company about their concerns or complaints, then they may contact its Secretary-Treasurer, the Company's outside legal counsel or the representative of the Audit Committee identified in paragraph 7 above. If their concerns or complaints require confidentiality, including keeping their identity anonymous, then this confidentiality will be protected, subject to applicable law, regulation or legal proceeding. The Company will not permit retaliation of any kind by or on behalf of the Company and its employees, officers and directors against good faith reports or complaints of violations of this Code of Conduct and Ethics or other illegal or unethical conduct.

16. Discipline for Violation

Each employee, officer and director is responsible for his or her own compliance with the Code. Questions of interpretation should be directed as otherwise provided in this Code or to the Secretary-Treasurer. Failure to comply with this Code will subject an employee, officer or director, no matter

how senior, to discipline that may include counseling, suspension and/or termination. Disciplinary measures will depend on the circumstances of the violation and will be applied after consultation with the Company's outside legal counsel. Consideration will be given to whether or not a violation is intentional, as well as to the level of good faith shown by an employee in reporting the violation or in cooperating with any resulting investigation or corrective action.

17. Amendment, Modification and Waiver

This Code may be amended, modified or waived with respect to officers and directors by the Board of Directors (excluding any interested director). Waivers for employees (other than officers) may only be granted by the President of CSW.