

**CAPITAL SOUTHWEST CORPORATION LAUNCHES
DISCOVERY ALLIANCE, LLC**

DALLAS – September 16, 2008 – Capital Southwest Corporation (Nasdaq: CSWC), a provider of long-term equity capital since 1961, announced the formation of and initial investment in Discovery Alliance, LLC. Discovery Alliance, based in Austin, Texas, will focus its efforts on intellectual property investing. Managing President John Lynn, a former CEO and seasoned patent attorney, brings extensive experience in intellectual property acquisition endeavors to the company.

“Capital Southwest’s unlimited-life corporate structure, coupled with its receptive audience of portfolio companies, is a compelling platform upon which to launch this initiative,” said John Lynn. “After considering other similar opportunities, I chose Capital Southwest because I am very comfortable with their operating principles, which I experienced in previous business dealings with them. Additionally, their well-known approach to patient investing is best suited for this innovative business model.”

Capital Southwest President Gary Martin commented that “Our success over the years has resulted from investing in superior management, and John Lynn is a skilled professional with the perfect background to execute our vision for Discovery Alliance.”

About Discovery Alliance, LLC

Discovery Alliance, LLC, based in Austin, Texas, will identify and invest in intellectual property for the purpose of commercializing the technology. Discovery will initially focus on acquisitions suitable for the six controlled affiliate corporations of Capital Southwest then address a much wider scope of investment opportunities.

About Capital Southwest Corporation

Capital Southwest is a Dallas-based investment company that provides patient equity capital to exceptional businesses. As a public company (Nasdaq: CSWC), Capital Southwest has the flexibility to hold investments indefinitely, which has provided its managers a stable ownership platform since its founding in 1961. For more information about Capital Southwest, visit the company’s website at www.capitalsouthwest.com.

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