

CAPITAL SOUTHWEST ANNOUNCES NET ASSET VALUE

Dallas, TX, October 23, 2007 - Capital Southwest Corporation (NASDAQ - CSWC) today reported net assets at September 30, 2007 of \$437,546,529, equivalent to \$112.50 per share after deducting an allowance of \$43.66 per share for deferred taxes on net unrealized appreciation of investments. Comparative annual data is summarized below:

	<u>September 30, 2006</u>	<u>September 30, 2007</u>
Net assets	\$399,788,343	\$437,546,529
Shares outstanding	3,875,751	3,889,151
Net assets per share	\$103.15	\$112.50

Assuming reinvestment of all dividends and tax credits on retained long-term capital gains, the September 30, 2007 net asset value (after deferred taxes) was 12.0% above the September 30, 2006 net asset value of \$103.15 per share, but 14.9% below the March 31, 2007 net asset value of \$132.36 per share. Before deferred taxes on net unrealized appreciation of investments, the September 30, 2007 net asset value of \$156.16 was 8.6% above the \$143.85 reported a year ago, but 16.5% below the \$186.94 on March 31, 2007.

The entire decline in net asset value during the six months ended September 30, 2007 was attributable to a major decrease in the value placed on our investment in 9,317,310 shares of Heelys, Inc. (Nasdaq: HLYS), which dropped from \$21.00 to \$6.00 per share - a total of \$139,760,000, equivalent to \$23.35 per Capital Southwest share after deduction of deferred taxes.

Capital Southwest Corporation, founded in 1961, is a venture capital business development investment company headquartered in Dallas, Texas.

Contact: Gary L. Martin or Tracy L. Morris
972-233-8242

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