

Capital Southwest Corporation For Shareholders of Record on December 31, 2015

We met the applicable requirements of the Internal Revenue Code for federal income tax treatment as a regulated investment company for tax year ended December 31, 2015.

Tax information regarding the distribution of CSW Industrials, Inc. (CSWI) in tax year ended December 31, 2015

Please [click here](#) for tax information regarding the distribution of CSW Industrials, Inc. (CSWI). The tax basis allocation adjustments resulting from the distribution are explained and illustrated in Form 8937. Please consult your tax advisor if you have any additional questions.

For Shareholders on December 31, 2015

We met the applicable requirements of the Internal Revenue Code for federal income tax treatment as a regulated investment company. Shareholders should consider the following when preparing 2015 tax returns:

Cash Dividends: IRS Form 1099 reflects the \$0.10 per share semi-annual dividends paid on May 29, 2015. This dividend is classified as long term capital gain dividend.

Tax Benefit: During the year ended December 31, 2015, CSWC realized undistributed taxable long-term capital gains of \$8,422,697 (\$0.5356 per share) and paid federal income taxes of 35%, equivalent to \$2,947,944 (\$0.1874 per share). CSWC elected to retain these gains and, as a regulated investment company, has designated them to shareholders of record on December 31, 2015. The tax effect is the same as if the capital gains had been distributed to CSWC shareholders, who then elected to reinvest 65% of the amount received. The 35% capital gains tax paid by CSWC is considered to have been paid on behalf of the shareholders.

Your share of the undistributed long-term capital gains (\$0.5356 per share) must be included on your 2015 federal income tax return, and you are entitled to a tax credit (\$0.1874 per share) for the tax paid on your behalf by CSWC. This will result in a net federal income tax credit (or refund) to most individual shareholders because the maximum federal capital gains tax rate for individuals in 2015 was less than the corporate capital gains tax of 35%, the rate at which the tax credit to shareholders is computed. Since you are considered to have reinvested the net after-tax proceeds (\$0.3482 per share) in the Company, the tax basis of your CSWC common stock is increased by that amount.