

Capital Southwest Corporation
For Shareholders of Record on December 31, 2019

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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 2019 tax returns:

Tax Benefit: During the year ended December 31, 2019, CSWC retained undistributed taxable long-term capital gains of \$16,483,197 (\$0.9031 per share) and paid federal income taxes of 21%, equivalent to \$3,461,471 (\$0.1897 per share). CSWC elected to retain these gains and, as a regulated investment company, has designated them to shareholders of record on December 31, 2019. The tax effect is the same as if the capital gains had been distributed to CSWC shareholders, who then elected to reinvest 79% of the amount received. The 21% 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 (\$0.9031 per share) must be included on your 2019 federal income tax return, and you are entitled to a tax credit (\$0.1897 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 2019 was less than the corporate capital gains tax of 21%, the rate at which the tax credit to shareholders is computed. Since you are considered to have reinvested the net after-tax proceeds (\$0.7134 per share) in the Company, the tax basis of your CSWC common stock is increased by that amount.

This tax status notice is not intended to constitute tax, legal, investment, or other professional advice. This is general information and should not be relied upon for tax purposes. Shareholders should consult their tax advisor for tax guidance pertinent to specific facts and circumstances.