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Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Company's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. Included among our procedures were the following tests performed as of October 29, 2004, and with respect to agreement of security purchases and sales, for the period from March 31, 2004 (the date of the last examination) through October 29, 2004:

- o Count and inspection of all securities located in the vault of Bank One Safekeeping Department in Oklahoma City, Oklahoma,
- o Confirmation of all securities held by Smith Barney,
- o Reconciliation of all such securities to the books and records of the Company, and
- o Agreement of fourteen security purchases and ten security sales or maturities since the date of the last examination from the books and records of the Company to the Company's bank statements.

We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Company's compliance with specified requirements.

In our opinion, management's assertion that Capital Southwest Corporation and subsidiary complied with the requirements of subsections (b) and (c) of rule 17f-2 of the Act as of October 29, 2004, with respect to securities reflected in the investment account of the Company is fairly stated, in all material respects.

This report is intended solely for the information and use of management and the Board of Directors of Capital Southwest Corporation and subsidiary and the Securities and Exchange Commission and is not intended to be and should not be used by anyone other than these specified parties.

/s/ Grant Thornton LLP

Dallas, Texas  
November 18, 2004

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Management Statement Regarding Compliance  
With Certain Provisions of the Investment Company Act of 1940

We, as members of management of Capital Southwest Corporation and subsidiary (the "Company"), are responsible for complying with the requirements of subsections (b) and (c) of rule 17f-2, "Custody of Investments by Registered Management Investment Companies," of the Investment Company Act of 1940. We are also responsible for establishing and maintaining effective internal controls over compliance with those requirements. We have performed an evaluation of the Company's compliance with the requirements of subsections (b) and (c) of rule 17f-2 as of October 29, 2004, and from March 31, 2004 through October 29, 2004.

Based on this evaluation, we assert that the Company was in compliance with the requirements of subsections (b) and (c) of rule 17f-2 of the Investment Company Act of 1940 as of October 29, 2004, and from March 31, 2004 through October 29, 2004, with respect to securities reflected in the investment account of the Company.

Capital Southwest Corporation  
[Name of Company]

/s/ Susan K. Hodgson  
[Name]

Secretary-Treasurer  
[Title]

November 18, 2004  
[Date]