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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

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**FORM 8-K**

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**CURRENT REPORT  
Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934**

**Date of report (Date of earliest event reported): December 9, 2016**

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**CSW INDUSTRIALS, INC.**  
(Exact Name Of Registrant As Specified In Charter)

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**Delaware**  
(State or Other Jurisdiction  
of Incorporation)

**001-37454**  
(Commission  
File Number)

**47-2266942**  
(IRS Employer  
Identification No.)

**5420 Lyndon B. Johnson Freeway, Suite 500  
Dallas, Texas 75240**  
(Address of Principal Executive Offices) (Zip Code)

**Registrant's telephone number, including area code: (972) 233-8242**

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions ( see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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## **Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

### ***Election of Director***

On December 12, 2016, CSW Industrials, Inc. (the “Company”) announced that J. Kent Sweezy has been elected by the Company’s Board of Directors (the “Board”) as a new member of the Board, effective December 9, 2016. Mr. Sweezy, 64, is a founding partner of Turnbridge Capital, LLC, an energy services, equipment and infrastructure-focused private equity firm, which was founded in 2008. He currently serves as a member of boards of directors of Impact Selector, Inc., on which he has served since December 2014, and DeBusk Services Group, on which he has served since June 2016. Prior to co-founding Turnbridge Capital, Mr. Sweezy served as the Managing Partner of Centre Southwest Partners, LLC, a middle-market private equity firm focused primarily on energy services and equipment-related investments.

In connection with his election to the Board, Mr. Sweezy has also been appointed as a member of the Audit, Compensation and Talent Development, and Nominating and Corporate Governance Committees of the Board. Pursuant to Article VII, Section 1 of the Company’s Certificate of Incorporation (the “Charter”), Mr. Sweezy is appointed to the class of directors whose term of office expires at the 2019 annual meeting of shareholders.

The Board has made an affirmative determination that Mr. Sweezy qualifies as an independent director under Nasdaq rules and the Company’s standards for director independence. There is no arrangement or understanding between Mr. Sweezy and any other person pursuant to which he was to be selected as a director. There have been no transactions directly or indirectly involving Mr. Sweezy that would be required to be disclosed pursuant to Item 404(a) of Regulation S-K under the Securities Exchange Act of 1934.

Mr. Sweezy will be compensated for his service on the Board in accordance with the Company’s compensatory and other arrangements for non-employee directors, which are described in detail in the Company’s definitive proxy statement dated July 6, 2016, under the heading “Board of Directors Compensation”.

A copy of the press release issued by the Company announcing the election of Mr. Sweezy is attached as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated into this report by reference.

### ***Adoption of Change in Control and Severance Plan***

Effective December 9, 2016, the Board approved a Change in Control and Severance Benefit Plan (the “CIC/Severance Plan”) applicable to the Company’s executive officers, to provide executives and the Company’s shareholders with certainty and consistency regarding potential payments and other benefits in the event of an executive’s termination of employment without cause or for good reason, in connection with a change in control, or upon death or disability. The CIC/Severance Plan provides two levels of benefits: Level 1, which as of the date hereof is reserved for the Chairman and Chief Executive Officer; and Level 2, which as of the date hereof is reserved for the Company’s other executive officers.

In the event of a termination of employment without “cause” by the Company or for “good reason” by the executive (each as defined in the CIC/Severance Plan), an executive will be entitled to receive a cash payment equal to two times base salary, in the case of a Level 1 executive, or one times base salary, in the case of a Level 2 executive, plus, in each case, an amount equal to the executive’s applicable annual incentive bonus amount (determined as set forth in the CIC/Severance Plan), pro-rated for the number of days completed in the fiscal year (a “pro rata bonus”). Further, all equity-based awards held by an eligible individual which have a vesting date within two years of termination, in the case of a Level 1 executive, or within one year of termination, in the case of a Level 2 executive, shall immediately vest, except in the case of awards that remain subject to objective performance-based determinations with an end date within the aforementioned time frames, which will remain outstanding and vest only to the extent such performance criteria have been satisfied. All other outstanding equity-based awards will be forfeited. Additionally, an executive and his or her eligible dependents will be entitled to receive continued medical and dental insurance coverage until the earlier of (A) acceptance of full-time employment with another entity or (B) the 24-month anniversary of termination, in the case of a Level 1 executive, or 12-month anniversary of termination, in the case of a Level 2 executive.

In the event of a termination of employment without cause by the Company or for good reason by the executive within two years following a “change in control” (as defined in the Company’s 2015 Equity and Incentive Compensation Plan), an executive will be entitled to receive (1) a pro rata bonus plus (2) a lump sum cash payment equal to three times, in the case of a Level 1 executive, or two times, in the case of a Level 2 executive, an amount equal to the sum of (A) 12 months base salary and (B) the executive’s applicable annual incentive program target. Additionally, an executive and his or her eligible dependents will be entitled to receive

continued medical and dental insurance coverage until the earlier of (A) acceptance of full time employment with another entity or (B) the 24 month anniversary of termination. In any case concerning a change in control, no cash payments will be made without a related termination of employment.

In the event of an executive's termination of employment due to death or disability, such executive will be entitled to receive a pro rata bonus. Additionally, an executive and his or her eligible dependents will be entitled to receive continued medical and dental insurance coverage until the 12-month anniversary of termination.

Except to the extent modified by the preceding description, the treatment of equity-based awards upon an executive's termination continue to be determined in accordance with the terms of the applicable award agreements. Additionally, no executive will receive benefits under the CIC/Severance Plan in connection with such executive's termination unless and until the executive (or his or her estate) executes and delivers a release of claims agreement to the Company.

Additionally, the CIC/Severance Plan does not contemplate "gross up" payments. Instead, under a "best of net" provision in the CIC/Severance Plan, if any payments or benefits to which an executive officer is entitled are likely subject to the tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended, the payment will (1) be reduced such that Section 4999 does not apply or (2) be paid in full, whichever produces the better net after tax position, as determined by the Board in good faith.

In connection with the adoption of the CIC/Severance Plan, the Board terminated the existing Without "Cause" Termination Severance Agreements in place with each of Christopher Mudd, President and Chief Operating Officer, and Luke Alverson, Senior Vice President, General Counsel and Secretary, effective December 9, 2016. The terms of Joseph Armes' Employment Agreement dated October 1, 2015, which contains, among other things, severance-related provisions, remain unchanged. The CIC/Severance Plan contains a non-exclusivity clause, providing that if an eligible individual is covered by another agreement providing for payments or benefits upon the occurrence of any one or more scenarios addressed by the CIC/Severance Plan, then the eligible individual is entitled to receive payments under either the CIC/Severance Plan or the alternative agreement.

The foregoing summary of the CIC/Severance Plan is qualified in its entirety by reference to the terms of the Change in Control and Severance Benefit Plan, a copy of which is filed as Exhibit 10.1 to this Current Report on Form 8-K, and is incorporated into this report by reference.

#### ***Amendment to Equity Compensation Plan***

Effective December 9, 2016, and in connection with the adoption of the CIC/Severance Plan, the Board amended the definition of "Change in Control" set forth in Section 12 of the Company's 2015 Equity and Incentive Compensation Plan (the "Equity Plan"). The amendment, among other things: (i) conforms the definitions of "person", "group" and "beneficial ownership" to those contained within the Securities Exchange Act of 1934; (ii) adds a trigger for the acquisition by a person or group of more than 50% of the total fair market value or total voting power of the Company's securities; (iii) modifies the trigger for a consolidation or merger to mean the lack of beneficial ownership representing at least a majority of the outstanding common stock or voting power of the surviving entity, which conforms the ownership standard with the existing sale of assets trigger; and (iv) adds a trigger for a shareholder-approved plan or proposal for liquidation or dissolution of the Company. In addition, the amendment makes other changes to the definition to clarify the existing language and the applicability of existing terms.

The foregoing summary of the changes to Section 12 of the Equity Plan is qualified in its entirety by reference to the terms of the Amended and Restated 2015 Equity and Incentive Compensation Plan, a copy of which is filed as Exhibit 10.2 to this Current Report on Form 8-K, and is incorporated into this report by reference.

#### **Item 8.01 Other Events.**

On December 12, 2016, the Company issued a press release announcing that the Board plans to make certain enhancements to the Company's governance structure through submitting proposed amendments to the Charter to the Company's shareholders for approval at the Company's next annual shareholders' meeting. The proposed Charter amendments address removing the Board's classified structure and transitioning to annual elections as existing director terms of office expire, and implementing a majority voting standard for uncontested director elections.

A copy of the press release issued by the Company announcing the Board's plans to enhance corporate governance is attached as Exhibit 99.2 to this Current Report on Form 8-K and is incorporated herein by reference.

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**Item 9.01 Financial Statements and Exhibits**

(d) Exhibits.

<u>Exhibit Number</u>	<u>Exhibit Description</u>
10.1	CSW Industrials, Inc. Executive Change in Control and Severance Benefit Plan
10.2	Amended and Restated CSW Industrials, Inc. 2015 Equity and Incentive Compensation Plan
99.1	Press release dated December 12, 2016
99.2	Press release dated December 12, 2016

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: December 12, 2016

By: /s/ Luke E. Alverson  
Name: Luke E. Alverson  
Title: Senior Vice President, General Counsel & Secretary

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## EXHIBIT INDEX

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## CSW INDUSTRIALS, INC.

EXECUTIVE CHANGE IN CONTROL  
AND SEVERANCE BENEFIT PLAN

**1. Purpose and Effective Date.** CSW Industrials, Inc. (the “*Company*”) has adopted this Executive Change in Control and Severance Benefit Plan (the “*Plan*”) to provide for the payment of severance and/or change in control benefits to Eligible Individuals. The effective date of the Plan is December 9, 2016 (the “*Effective Date*”).

**2. Definitions.** For purposes of the Plan, the terms listed below will have the meanings specified herein:

(a) “**Accrued Payments**” means (i) any unpaid Base Salary through the Date of Termination (but calculated at the rate then in effect), which shall be paid within 30 days of the Date of Termination, (ii) any unpaid Performance Bonus actually earned for the fiscal year prior to the fiscal year in which the Date of Termination occurs, which shall be paid at the time annual bonuses are normally paid by the Company, (iii) unreimbursed business or other expenses accrued through the Date of Termination that are eligible for reimbursement in accordance with the applicable Company policies (provided that such expenses and any required substantiation and documentation are submitted in accordance with applicable Company policies), and (iv) such employee benefits, if any, as to which an Eligible Individual may be entitled pursuant to the terms governing such benefits.

(b) “**Applicable Performance Bonus**” means the greater of (i) the Eligible Individual’s actual Performance Bonus amount earned for the fiscal year preceding the fiscal year in which the Date of Termination occurs, or (ii) the Eligible Individual’s target Performance Bonus for the fiscal year in which the Date of Termination occurs.

(c) “**Base Salary**” means the amount an Eligible Individual is entitled to receive as wages or salary on an annualized basis, calculated as of the Date of Termination or, if greater, as in effect within the 12 months preceding the Date of Termination.

(d) “**Board**” means the Board of Directors of the Company.

(e) “**Cause**” means the occurrence of any of the following: (i) the Eligible Individual’s commission of any act or acts of personal dishonesty intended to result in substantial personal enrichment of the Eligible Individual to the detriment of the Company, (ii) the Eligible Individual’s conviction of, or entry into a plea of *nolo contendere* to, a misdemeanor involving moral turpitude or a felony, (iii) the Eligible Individual’s failure to perform his or her responsibilities, provided that such failures have continued for more than 30 days following written notice thereof delivered to the Eligible Individual by the Board, in the case of the Company’s Chief Executive Officer, or by the Chief Executive Officer, in the case of any other Eligible Individual, (iv) the Eligible Individual’s violation of any of the Company’s material policies or procedures that occurs or continues beyond 30 days after written notice thereof to the Eligible Individual by the Board, in the case of the Company’s Chief Executive Officer, or by the Chief Executive Officer, in the case of any other Eligible Individual, or (v) any material breach by the Eligible Individual of any material agreement with the Company, provided that such

breach is not corrected, to the extent correctable, within 30 days following written notice thereof to the Eligible Individual by the Board, in the case of the Company's Chief Executive Officer, or by the Chief Executive Officer, in the case of any other Eligible Individual.

(f) "**Change in Control**" shall have the meaning given such term in the Company's 2015 Equity and Incentive Compensation Plan, as amended from time to time.

(g) "**COBRA**" means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

(h) "**Code**" means the Internal Revenue Code of 1986, as amended, and applicable administrative guidance issued thereunder.

(i) "**Date of Termination**" means the date of receipt of the Notice of Termination or any later date specified therein, as the case may be; provided, however, that if an Eligible Individual's employment is terminated by reason of death, the Date of Termination shall be the date of death of the Eligible Individual. For all purposes of the Plan, an Eligible Individual's Date of Termination shall not occur prior to the date the Eligible Individual incurs a "separation from service" within the meaning of Section 409A(a)(2)(A)(i) of the Code.

(j) "**Disability**" means the Eligible Individual's inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve (12) months.

(k) "**Good Reason**" means, without the express written consent of the Eligible Individual, the occurrence of one of the following arising on or after the date such Eligible Individual commences participation in this Plan, as determined in a manner consistent with Treasury Regulation § 1.409A-1(n)(2) (ii): (i) a material reduction in the Eligible Individual's base compensation, (ii) a material diminution in the Eligible Individual's authority, duties or responsibilities, (iii) a permanent relocation in the geographic location at which the Eligible Individual must perform services to a location more than 50 miles from the location at which the Eligible Individual normally performed services immediately before the relocation, (iv) a material reduction in the authority, duties or responsibilities of the person to whom the Eligible Individual reports, or (v) any other action or inaction that constitutes a material breach by the Company of its obligations under this Plan or any other material agreement between the Company and the Eligible Individual. In the case of an Eligible Individual's allegation of Good Reason, (A) the Eligible Individual shall provide notice to the Company of the event alleged to constitute Good Reason within 60 days after the initial occurrence of such event, and (B) the Company shall have the opportunity to remedy the alleged Good Reason event within 30 days from receipt of notice of such allegation. If not remedied within that 30-day period, the Eligible Individual may submit a Notice of Termination, provided that the Notice of Termination must be given no later than 100 days after the expiration of such 30 day period; otherwise, the Eligible Individual will be deemed to have accepted such event, or the Company's remedy of such event, that may have given rise to the existence of Good Reason; provided, however, such acceptance shall be limited to the occurrence of such event and shall not waive the Eligible Individual's right to claim Good Reason with respect to future similar events.



(l) “**Notice of Termination**” means a written notice communicated by the Company or the Eligible Individual, as applicable, that (i) indicates the specific reason for termination of the Eligible Individual’s employment, (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for the termination, and (iii) specifies the Date of Termination.

(m) “**Performance Bonus**” means the annual incentive bonus payment an Eligible Individual is eligible to receive for a given fiscal year pursuant to the Company’s annual incentive program in effect from time to time for its senior executives.

(n) “**Pro-Rata Bonus**” means an amount equal to the Applicable Performance Bonus, multiplied by a fraction, the numerator of which is the number of days during which the Eligible Individual was employed by the Company in the fiscal year of termination, and the denominator of which is 365.

(o) “**Release Conditions**” means the Eligible Individual’s (or his or her estate’s) execution and delivery to the Company on or prior to the 50<sup>th</sup> day following the Date of Termination of a release of claims agreement in the Company’s customary form, which shall exclude (and not release) claims for indemnification, claims for coverage under officer and director policies, and claims as a direct or indirect stockholder of the Company and which may be amended by the Company to reflect changes in applicable laws and regulations and, where applicable, the Eligible Individual’s (or his or her estate’s) non-revocation of such release.

### **3. Administration of the Plan.**

(a) Authority of the Administrator. The Plan will be administered by the Board, or by a person or committee appointed by the Board to administer the Plan (the “**Administrator**”). Subject to the express provisions of the Plan and applicable law, the Administrator will have the authority, in its sole and absolute discretion, to: (i) adopt, amend, and rescind administrative and interpretive rules and regulations related to the Plan, (ii) delegate its authority and duties under the Plan to such agents (including officers or managers of the Company, or committees thereof) as it may appoint from time to time, including the delegation of those administrative functions and ministerial acts and responsibilities as the Administrator deems appropriate, and (iii) make all other determinations, perform all other acts and exercise all other powers and authority necessary or advisable for administering the Plan. The Administrator shall have complete discretion and authority with respect to the Plan and its application except to the extent that discretion is expressly limited by the Plan. The Administrator may correct any defect, supply any omission, or reconcile any inconsistency in the Plan in any manner and to the extent it deems necessary or desirable to carry the Plan into effect, and the Administrator will be the sole and final judge of that necessity or desirability. Any action of, or determination by, the Administrator will be final, conclusive and binding on all persons, including the Company, its owners, each Eligible Individual, or other persons claiming rights from or through an Eligible Individual. The express grant of any specific power to the Administrator, and the taking of any action by the Administrator, will not be construed as limiting any power or authority of the Administrator.

(b) Limitation of Liability. The Administrator will be entitled to, in good faith, rely or act upon any report or other information furnished to the Administrator by any officer or employee of the Company, the Company's legal counsel, independent auditors, consultants or any other agents assisting in the administration of the Plan. The Administrator and any officer or employee of the Company acting at the direction or on behalf of the Administrator will not be personally liable for any action or determination taken or made in good faith with respect to the Plan and will, to the fullest extent permitted by law, be indemnified and held harmless by the Company with respect to any such action or determination.

**4. Eligibility.** The employees of the Company listed on Exhibit A attached hereto, as the same may be updated from time to time by the Board, are eligible ("**Eligible Individuals**") to receive the benefits described in this Plan. Eligible Individuals will be further designated on Exhibit A as either Level One Participants or Level Two Participants for purposes of this Plan.

#### **5. Plan Benefits.**

(a) Termination Due to Death or Disability. In the event an Eligible Individual's employment terminates by reason of his or her death or Disability, the Eligible Individual (or his or her estate) will, contingent upon the Eligible Individual (or his or her estate) satisfying the Release Conditions, be entitled to receive:

(i) the Accrued Payments; plus

(ii) a Pro-Rata Bonus for the fiscal year in which the Date of Termination occurs, payable no later than 60 days after the Date of Termination; plus

(iii) until the 12 month anniversary of the Eligible Individual's Date of Termination, continued medical and dental insurance coverage for the Eligible Individual and his or her eligible dependents under the Company's group health plans in effect on the Date of Termination on the same terms and conditions as active employees of the Company pursuant to an in-kind benefit arrangement that satisfies the requirements of Treas. Reg. §1.409A-3(k)(1)(iv)(A), at a cost to the Eligible Individual that is equal to the cost for an active employee for similar coverage with any Company-borne costs of such continued coverage imputed as income to the Eligible Individual and reported on Form W-2; provided, that in the event the Company determines it is unable to provide the continued coverage under its group health plans or to the extent such continued coverage would subject the Company to negative tax consequences or would be provided during a period when, in the absence of the benefits provided herein, the Eligible Individual and his or her dependents would not be entitled to continuation coverage under COBRA, the Company will reimburse the Eligible Individual for amounts necessary to enable the Eligible Individual to obtain similar benefits, and any such reimbursement will be made in accordance with the provisions of Treas. Reg. §1.409A-3(i)(1)(iv). The health care continuation coverage period under COBRA shall run concurrently with the period during which continued benefits are being provided pursuant hereto; plus

(iv) immediate vesting in full of all unvested equity-based awards held by the Eligible Individual as of the Date of Termination; provided, that, in the case of

awards that remain subject to objective performance-based determinations, such awards shall vest in accordance with the terms provided in the applicable award agreement governing such performance awards; plus

(v) all stock options held by the Eligible Individual as of the Date of Termination will remain exercisable until the earlier to occur of (A) the date that is one year following the Date of Termination or (B) the original expiration date of the option (provided such date is no later than the tenth anniversary of the original date of grant of the option).

(b) *Termination Without Cause or For Good Reason.* In the event an Eligible Individual's employment is terminated by the Company without Cause or by the Eligible Individual for Good Reason, the Eligible Individual will, contingent upon the Eligible Individual satisfying the Release Conditions, be entitled to receive:

(i) the Accrued Payments; plus

(ii) a Pro-Rata Bonus for the fiscal year in which the Date of Termination occurs, payable no later than 60 days after the Date of Termination; provided, that, notwithstanding the foregoing, with respect to any Performance Bonus (or portion thereof) for the fiscal year in which the Date of Termination occurs that is intended to constitute "performance-based compensation" within the meaning of Section 162(m) of the Code (the "**Section 162(m) Bonus**"), the Eligible Individual shall instead be entitled to receive an amount equal to the Section 162(m) Bonus that the Eligible Individual would have been entitled to receive for such fiscal year based on performance actually attained, multiplied by a fraction, the numerator of which is the number of days during which the Eligible Individual was employed by the Company in the fiscal year of termination and the denominator of which is 365, payable as soon as administratively feasible, but in no event later than the 15th day of the third calendar month of the Company's fiscal year following the fiscal year to which such Section 162(m) Bonus relates; plus

(iii) a lump sum payment equal to (1) in the case of a Level One Participant, two times, and (2) in the case of a Level Two Participant, one times, an amount equivalent to 12 months of Base Salary, payable no later than 60 days after the Date of Termination; plus

(iv) until the earlier to occur of (A) the 24 month anniversary of the Eligible Individual's Date of Termination, in the case of a Level One Participant, or the 12 month anniversary of the Eligible Individual's Date of Termination, in the case of a Level Two Participant, and (B) the Eligible Individual's acceptance of full time employment with another entity, continued medical and dental insurance coverage for the Eligible Individual and his or her eligible dependents under the Company's group health plans in effect on the Date of Termination on the same terms and conditions as active employees of the Company pursuant to an in-kind benefit arrangement that satisfies the requirements of Treas. Reg. §1.409A-3(k)(1)(iv)(A), at a cost to the Eligible Individual that is equal to the cost for an active employee for similar coverage with any Company-

borne costs of such continued coverage imputed as income to the Eligible Individual and reported on Form W-2; provided, that in the event the Company determines it is unable to provide the continued coverage under its group health plans or to the extent such continued coverage would subject the Company to negative tax consequences or would be provided during a period when, in the absence of the benefits provided herein, the Eligible Individual and his or her dependents would not be entitled to continuation coverage under COBRA, the Company will reimburse the Eligible Individual for amounts necessary to enable the Eligible Individual to obtain similar benefits, and any such reimbursement will be made in accordance with the provisions of Treas. Reg. §1.409A-3(i)(1)(iv). The health care continuation coverage period under COBRA shall run concurrently with the period during which continued benefits are being provided pursuant hereto; plus

(v) immediate vesting in full of all unvested equity-based awards held by the Eligible Individual as of the Date of Termination which have a vesting date within (1) in the case of a Level One Participant, two years, and (2) in the case of a Level Two Participant, one year, of the Date of Termination, except in the case of awards that remain subject to objective performance-based determinations, in which case such awards with a performance period end date occurring during the applicable time frames described within this paragraph (v) will remain outstanding and will immediately vest upon, and to the extent of, the determination that such performance criteria have been satisfied; plus

(vi) all stock options held by the Eligible Individual as of the Date of Termination will remain exercisable until the earlier to occur of (A) the date that is one year following the Date of Termination or (B) the original expiration date of the option (provided such date is no later than the tenth anniversary of the original date of grant of the option).

(c) *Change in Control.*

(i) Upon the occurrence of a Change in Control, all unvested equity-based awards held by the Eligible Individual as of the date the Change in Control occurs shall immediately vest in full, regardless of any other established vesting schedule, such that all remaining unvested equity awards shall be fully vested on the date of such Change in Control. In the case of awards subject to objective performance-based determinations, such awards shall vest in accordance with the terms provided in the applicable award agreement governing such performance awards.

(ii) In the event an Eligible Individual is terminated by the Company without Cause or an Eligible Individual terminates employment for Good Reason, in each case within two years following a Change in Control, then the Eligible Individual will, contingent upon the Eligible Individual satisfying the Release Conditions, be entitled to receive:

A. the Accrued Payments; plus

B. a Pro-Rata Bonus for the fiscal year in which the Date of Termination occurs, payable no later than 60 days after the Date of Termination; plus

C. a lump sum payment equal to (1) in the case of a Level One Participant, three times, and (2) in the case of a Level Two Participant, two times, the sum of (a) an amount equivalent to 12 months of Base Salary plus (b) the Eligible Individual's Applicable Performance Bonus, payable no later than 60 days after the Date of Termination; plus

D. until the earlier to occur of (A) the 24 month anniversary of the Eligible Individual's Date of Termination, and (B) the Eligible Individual's acceptance of full time employment with another entity, continued medical and dental insurance coverage for the Eligible Individual and his or her eligible dependents under the Company's group health plans in effect on the Date of Termination on the same terms and conditions as active employees of the Company pursuant to an in-kind benefit arrangement that satisfies the requirements of Treas. Reg. §1.409A-3(k)(1)(iv)(A), at a cost to the Eligible Individual that is equal to the cost for an active employee for similar coverage with any Company-borne costs of such continued coverage imputed as income to the Eligible Individual and reported on Form W-2; provided, that in the event the Company determines it is unable to provide the continued coverage under its group health plans or to the extent such continued coverage would subject the Company to negative tax consequences or would be provided during a period when, in the absence of the benefits provided herein, the Eligible Individual and his or her dependents would not be entitled to continuation coverage under COBRA, the Company will reimburse the Eligible Individual for amounts necessary to enable the Eligible Individual to obtain similar benefits, and any such reimbursement will be made in accordance with the provisions of Treas. Reg. §1.409A-3(i)(1)(iv). The health care continuation coverage period under COBRA shall run concurrently with the period during which continued benefits are being provided pursuant hereto.

**6. Certain Excise Taxes.** Notwithstanding anything to the contrary in this Plan, if an Eligible Individual is a "disqualified individual" (as defined in Section 280G(c) of the Code), and the payments and benefits provided for in this Plan, together with any other payments and benefits which such Eligible Individual has the right to receive from the Company or any of its affiliates, would, either separately or in the aggregate, constitute a "parachute payment" (as defined in Section 280G(b)(2) of the Code), then the payments and benefits provided for in this Plan shall be either (a) reduced (but not below zero) so that the present value of such total amounts and benefits received by such Eligible Individual from the Company and its affiliates will be one dollar (\$1.00) less than three times such Eligible Individual's "base amount" (as defined in Section 280G(b)(3) of the Code) and so that no portion of such amounts and benefits received by such Eligible Individual shall be subject to the excise tax imposed by Section 4999 of the Code or (b) paid in full, whichever produces the better net after-tax position to such Eligible Individual (taking into account any applicable excise tax under Section 4999 of the Code and any other applicable taxes). The reduction of payments and benefits hereunder, if

applicable, shall be made by reducing, first, payments or benefits to be paid in cash hereunder in the order in which such payment or benefit would be paid or provided (beginning with such payment or benefit that would be made last in time and continuing, to the extent necessary, through to such payment or benefit that would be made first in time) and, then, reducing any benefit to be provided in kind hereunder in a similar order. The determination as to whether any such reduction in the amount of the payments and benefits provided hereunder is necessary shall be made by the Company in good faith. If a reduced payment or benefit is made or provided and through error or otherwise that payment or benefit, when aggregated with other payments and benefits from the Company (or its affiliates) used in determining if a "parachute payment" exists, exceeds one dollar (\$1.00) less than three times such Eligible Individual's base amount, then such Eligible Individual shall be required to immediately repay such excess to the Company upon notification that an overpayment has been made. Nothing in this Section 6 shall require the Company to be responsible for, or have any liability or obligation with respect to, such Eligible Individuals' excise tax liabilities under Section 4999 of the Code.

## **7. Claims for Benefits.**

(a) *Initial Claim.* In the event that an Eligible Individual or his or her estate claims (a "**claimant**") to be eligible for a payment under the Plan, or claims any other rights under the Plan, such claimant must complete and submit such claim forms and supporting documentation as will be required by the Administrator, in its sole and absolute discretion. In connection with the determination of a claim, or in connection with the review of a denied claim, the claimant may examine the Plan and any other pertinent documents generally available to Eligible Individuals that are specifically related to the claim. A written notice of the disposition of any such claim will be furnished to the claimant within ninety (90) days after the claim is filed with the Administrator. Such notice will refer, if appropriate, to pertinent provisions of the Plan, will set forth in writing the reasons for denial of the claim, if a claim is denied (including references to any pertinent provisions of the Plan), and, where appropriate, will describe any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary. If the claim is denied, in whole or in part, the claimant will also be notified of the Plan's claim review procedure and the time limits applicable to such procedure.

(b) *Request for Review.* Within ninety (90) days after receiving written notice of the Administrator's disposition of the claim, the claimant may file with the Administrator a written request for review of his or her claim. In connection with the request for review, the claimant will be entitled to be represented by counsel and will be given, upon request and free of charge, reasonable access to all pertinent documents for the preparation of his or her claim. If the claimant does not file a written request for review within ninety (90) days after receiving written notice of the Administrator's disposition of the claim, the claimant will be deemed to have accepted the Administrator's written disposition, unless the claimant was physically or mentally incapacitated so as to be unable to request review within the ninety (90) day period.

(c) *Decision on Review.* After receipt by the Administrator of a written application for review of an initial claim determination, the Administrator will review the claim taking into account all comments, documents, records and other information submitted by the claimant regarding the claim without regard to whether such information was considered in the

initial benefit determination. The Administrator will notify the claimant of its decision by delivery via certified or registered mail to the claimant's last known address. A decision on review of the claim will be made by the Administrator within forty-five (45) days of receipt of the written request for review. If special circumstances require an extension of the forty-five (45) day period, the Administrator will so notify the claimant and a decision will be rendered within ninety (90) days of receipt of the request for review. In any event, if a claim is not determined by the Administrator within ninety (90) days of receipt of written submission for review, it will be deemed to be denied. The decision of the Administrator will be provided to the claimant as soon as possible but no later than five (5) days after the benefit determination is made. The decision will be in writing and will include the specific reasons for the decision presented in a manner calculated to be understood by the claimant and will contain references to all relevant Plan provisions on which the decision was based. Such decision will also advise the claimant that he may receive upon request, and free of charge, reasonable access to and copies of all documents, records and other information relevant to his or her claim and will inform the claimant of his or her right to file a civil action under section 502(a) of the Employee Retirement Income Security Act of 1974, as amended ("*ERISA*"), in the case of an adverse decision regarding his or her appeal. The decision of the Administrator will be final and conclusive.

## **8. General Provisions.**

(a) *Taxes.* The Company is authorized to withhold from any payments made hereunder amounts of withholding and other taxes due or potentially payable in connection therewith, and to take such other action as the Company may deem advisable to enable the Company and Eligible Individuals to satisfy obligations for the payment of withholding taxes and other tax obligations relating to any payments made under this Plan.

(b) *Offset.* The Company may set off against, and each Eligible Individual authorizes the Company to deduct from, any payments due to the Eligible Individual, or to his or her estate, heirs, legal representatives, or successors, any amounts which may be due and owing to the Company or an affiliate by the Eligible Individual, whether arising under this Plan or otherwise; provided that no such offset may be made with respect to amounts payable that are subject to the requirements of Section 409A of the Code unless the offset would not result in a violation of the requirements of Section 409A of the Code.

(c) *Term of the Plan; Amendment and Termination.* Prior to a Change in Control, the Plan may be amended or modified in any respect, and may be terminated, in any such case, by resolution adopted by two-thirds (2/3) of the Board; provided, however, that no such amendment, modification or termination that is adopted within one (1) year prior to a Change in Control that would adversely affect the benefits or protections hereunder of any individual who is an Eligible Individual as of the date such amendment, modification or termination is adopted shall be effective as it relates to such individual, except for any amendment or modification to which such Eligible Individual consents in writing; provided, further, however, that the Plan may not be amended, modified or terminated, (i) at the request of a third party who has indicated an intention or taken steps to effect a Change in Control and who effectuates a Change in Control, or (ii) otherwise in connection with, or in anticipation of, a Change in Control that actually occurs, and any such attempted amendment, modification or termination shall be null and void *ab initio*. Any action taken to amend, modify or terminate the

Plan which is taken subsequent to the execution of an agreement providing for a transaction or transactions which, if consummated, would constitute a Change in Control shall conclusively be presumed to have been taken in connection with a Change in Control. For a period of two (2) years following the occurrence of a Change in Control, the Plan may not be amended or modified in any manner that would in any way adversely affect the benefits or protections provided hereunder to any individual who is an Eligible Individual under the Plan on the date the Change in Control occurs.

(d) Successors. The Plan shall bind and inure to the benefit of and be enforceable by the parties hereto and their respective successors, permitted assigns, heirs and personal representatives and estates, as the case may be. Neither the Plan nor any right or obligation hereunder of any party may be assigned or delegated without the prior written consent of the other party hereto; provided, however, that the Company may assign this Plan to any of its affiliates and an Eligible Individual may direct payment of any benefits that will accrue upon death. An Eligible Individual shall not have any right to pledge, hypothecate, anticipate, or in any way create a lien upon any payments or other benefits provided under the Plan; and no benefits payable under the Plan shall be assignable in anticipation of payment either by voluntary or involuntary acts, or by operation of law, except by will or pursuant to the laws of descent and distribution. The Plan shall not confer any rights or remedies upon any person or legal entity other than the parties hereto and their respective successors and permitted assigns.

(e) Unfunded Obligation. All benefits due an Eligible Individual under this Plan are unfunded and unsecured and are payable out of the general funds of the Company.

(f) Limitation on Rights Conferred Under Plan. Neither the Plan nor any action taken hereunder will be construed as (i) giving an Eligible Individual the right to continue in the employ or service of the Company or an affiliate; (ii) interfering in any way with the right of the Company or any affiliate to terminate an Eligible Individual's employment or service at any time; or (iii) giving an Eligible Individual any claim to be treated uniformly with other employees.

(g) Nonexclusivity of the Plan. The adoption of the Plan by the Company will not be construed as creating any limitations on the power of the Company to adopt such other incentive arrangements as it may deem desirable. Except as otherwise expressly provided herein, nothing contained in the Plan will be construed to prevent the Company from taking any action which is deemed by the Company to be appropriate or in its best interest, whether or not such action would have an adverse effect on the Plan or any payments made under the Plan. No employee, beneficiary or other person will have any claim against the Company as a result of any such action. Any action with respect to the Plan taken by the Administrator, the Company, or any designee of the foregoing shall be conclusive upon all Eligible Individuals and beneficiaries entitled to benefits under the Plan. In the event an Eligible Individual is party to or covered by another agreement or arrangement (an "**Alternative Arrangement**") with the Company providing payments or benefits to such Eligible Individual upon the occurrence of one or more of the scenarios or events addressed in Section 5 of this Plan then, if such a scenario or event actually occurs, the Eligible Individual shall be entitled to receive payments and benefits under either the Alternative Arrangement or this Plan, whichever provides the greater aggregate payments and benefits in accordance with the applicable governing terms and conditions.



(h) Severability. If any provision of the Plan is held to be illegal or invalid for any reason, the illegality or invalidity will not affect the remaining provisions of the Plan, but such provision will be fully severable and the Plan will be construed and enforced as if the illegal or invalid provision had never been included herein.

(i) Application of Section 409A. The amounts payable pursuant to Section 5 of this Plan are intended, to the greatest extent possible, to comply with the short-term deferral exception and/or separation pay exception to Section 409A of the Code. To the extent that an Eligible Individual is a “specified employee” within the meaning of the Treasury Regulations issued pursuant to Section 409A of the Code (the “**Section 409A Regulations**”) as of the Eligible Individual’s Date of Termination, no amount that constitutes a deferral of compensation which is payable on account of the Eligible Individual’s separation from service shall be paid to the Eligible Individual before the date (the “**Delayed Payment Date**”) which is first day of the seventh month after the Eligible Individual’s Date of Termination or, if earlier, the date of the Eligible Individual’s death following such Date of Termination. All such amounts that would, but for this Section 9(i), become payable prior to the Delayed Payment Date will be accumulated and paid on the Delayed Payment Date. No interest will be paid by the Company with respect to any such delayed payments. For purposes of Section 409A of the Code, each payment or amount due under this Plan shall be considered a separate payment, and an Eligible Individual’s entitlement to a series of payments under this Plan is to be treated as an entitlement to a series of separate payments. It is intended that this Plan, to the extent practicable, comply and be interpreted in accordance with Section 409A of the Code, and the Company shall, as necessary, adopt such confirming amendments as are necessary to comply with Section 409A of the Code without reducing the benefits payable hereunder to any Eligible Individual without his or her express written consent. The Company does not make any representations with respect to the application of Section 409A of the Code to any tax, economic or legal consequences of any payments payable under this Plan, and an Eligible Individual retains full responsibility for the potential application of Section 409A of the Code to the tax and legal consequences of payments payable to the Eligible Individual hereunder. The Company shall not indemnify or otherwise compensate an Eligible Individual for any violation of Section 409A of the Code that may occur in connection with this Plan.

(j) Governing Law. All questions arising with respect to the provisions of the Plan and payments due hereunder will be determined by application of the laws of the State of Texas, without giving effect to any conflict of law provisions thereof, except to the extent Texas law is preempted by federal law.

(k) Word Usage. Words used in the masculine shall apply to the feminine, where applicable, and wherever the context of the Plan dictates, the plural shall be read as the singular and the singular as the plural.

(l) Status/Named Fiduciary. The Plan is intended to qualify for the exemptions under Title I of ERISA provided for plans that are unfunded and maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees. The Administrator shall be the named fiduciary for purposes of the Plan.

(m) *ERISA Rights*. As a participant in the Plan, Eligible Individuals are entitled to certain rights and protections under ERISA, which provides that all Plan participants shall be entitled to:

(i) Examine without charge, at the Administrator's office and at other specified locations such as worksites, all Plan documents, and copies of all documents filed by the Plan with the U.S. Department of Labor, such as detailed annual reports.

(ii) Obtain copies of all Plan documents and other Plan information upon written request to the Administrator. The Administrator may make a reasonable charge for the copies.

(iii) To the extent applicable, receive a summary of the Plan's annual financial report. The Administrator is required by law to furnish each participant with a copy of this summary annual report.

In addition to creating rights for Plan participants, ERISA imposes obligations upon the people who are responsible for the operation of employee benefit plans. The people who operate the Plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of Eligible Individuals and beneficiaries. No one, including the Company, may fire an Eligible Individual or otherwise discriminate against the Eligible Individual in any way to prevent the Eligible Individual from obtaining benefits or exercising his or her rights under ERISA.

If a claim for a benefit under this Plan is denied in whole or in part, an Eligible Individual has the right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps an Eligible Individual can take to enforce the above rights. For instance, if an Eligible Individual requests materials from the Administrator and does not receive them within 30 days, the Eligible Individual may file suit in a federal court. In such a case, the court may require the Administrator to provide the materials and pay the Eligible Individual up to \$110 a day until the Eligible Individual receives the materials, unless the materials were not sent because of reasons beyond the control of the Administrator. If an Eligible Individual's claim for benefits is denied or ignored, in whole or in part, the Eligible Individual may file suit in a state or federal court. If an Eligible Individual is discriminated against for asserting his or her rights, the Eligible Individual may seek assistance from the U.S. Department of Labor, or file suit in a federal court. The court will decide who should pay court costs and legal fees. If the Eligible Individual is successful, the court may order the person sued by the Eligible Individual to pay the costs and fees. If the Eligible Individual loses, the court may order the Eligible Individual to pay the costs and fees (for example, if it finds that the Eligible Individual's claim is frivolous).

If an Eligible Individual has any questions about this Plan, the Eligible Individual should contact the Administrator. If an Eligible Individual has any questions about this statement or about his or her rights under ERISA, or if an Eligible Individual needs assistance in obtaining documents from the Administrator, he or she should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in the telephone directory or

the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington D.C. 20210. An Eligible Individual may also obtain certain publications about his or her rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

(n) Additional Information.

**Plan Name:** CSW Industrials, Inc.  
Executive Change in Control and  
Severance Benefit Plan

**Fiscal Year of Plan:** April 1 through March 31

**Type of Plan:** Top Hat Pension Plan

**Plan No.:** 510

**Plan Sponsor:** CSW Industrials, Inc.  
5420 Lyndon B. Johnson Freeway, Suite 500  
Dallas, Texas 75240  
Phone: (214) 884-3775  
Employer I.D. Number: 47-2266942

**Plan Administrator:** CSW Industrials, Inc.  
5420 Lyndon B. Johnson Freeway, Suite 500  
Dallas, Texas 75240  
Phone: (214) 884-3775

**Agent for Service  
of Legal Process:** General Counsel of the Company,  
Process shall be served at the address  
specified above.

*[Signature Page Follows]*

EXECUTED this 9th day of December, 2016.

**CSW INDUSTRIALS, INC.**

By: /s/ Luke Alverson

Name: Luke Alverson

Title: Senior Vice President, General Counsel and Secretary

**EXHIBIT A**

**ELIGIBLE INDIVIDUALS**

**LEVEL ONE:**

**Joseph B. Armes**

**LEVEL TWO:**

**Luke E. Alverson  
Greggory C. Branning  
Chris J. Mudd**

**CSW INDUSTRIALS, INC.  
AMENDED AND RESTATED  
2015 EQUITY AND INCENTIVE COMPENSATION PLAN**

**Recitals:**

The CSW Industrials, Inc. 2015 Equity and Incentive Compensation Plan was originally adopted by the Board (as defined herein), and approved by Capital Southwest Corporation (as sole shareholder) in September 2015, prior to the Distribution Date (as defined herein).

On December 9, 2016, the Board of Directors approved amendments to Section 12 of the Plan, and this Amended and Restated 2015 Equity and Incentive Compensation Plan reflects such amendments.

1. **Purpose.** The purpose of this Plan is to attract and retain officers, non-employee Directors, officers and other key employees of the Company and its Subsidiaries and to provide to such persons incentives and rewards for performance. In addition, this Plan permits the issuance of awards in substitution for awards relating to common shares of Capital Southwest immediately prior to the Share Distribution, in accordance with the terms of the Employee Matters Agreement.
2. **Definitions.** As used in this Plan:
  - (a) “Affiliate” means any corporation, partnership, joint venture or other entity, directly or indirectly, through one or more intermediaries, controlling, controlled by, or under common control with the Company as determined by the Committee or the Board, as applicable, in its discretion.
  - (b) “Appreciation Right” means a right granted pursuant to **Section 5** of this Plan, and will include both Free-Standing Appreciation Rights and Tandem Appreciation Rights.
  - (c) “Award Agreement” means an agreement, certificate, resolution or other type or form of writing or other evidence approved by the Committee that sets forth the terms and conditions of the awards granted under this Plan. An Award Agreement may be in an electronic medium, may be limited to notation on the books and records of the Company and, unless otherwise determined by the Committee, need not be signed by a representative of the Company or a Participant. With respect to Replacement Awards, the term also includes any memorandum or summary of terms that may be specified by the Committee, together with any award agreement under any Capital Southwest Plan that may be referred to therein.
  - (d) “Base Price” means the price to be used as the basis for determining the Spread upon the exercise of a Free-Standing Appreciation Right or a Tandem Appreciation Right.
  - (e) “Board” means the Board of Directors of the Company.
  - (f) “Capital Southwest” means Capital Southwest Corporation, a Texas corporation.
  - (g) “Capital Southwest Participant” means a current or former employee, officer or director of Capital Southwest or any of its Subsidiaries or any other person who holds a stock option, incentive award or restricted share award granted and outstanding under a Capital Southwest Plan as of the date immediately prior to the Distribution Date.
  - (h) “Capital Southwest Plan” means the Capital Southwest 2009 Stock Incentive Plan, Capital Southwest 2010 Restricted Stock Award Plan and the Capital Southwest 2014 Executive Compensation Plan, or any similar or predecessor plans or agreements sponsored or entered into by Capital Southwest or any of its Subsidiaries including any phantom equity incentive award agreements, under which any awards remain outstanding as of the date immediately prior to the Distribution Date.
  - (i) “Cash Incentive Award” means a cash award granted pursuant to **Section 8** of this Plan.

- (j) “Change in Control” has the meaning set forth in **Section 12** of this Plan.
- (k) “Code” means the Internal Revenue Code of 1986, as amended from time to time.
- (l) “Committee” means the Compensation Committee of the Board (or its successor(s)), or any other committee of the Board designated by the Board to administer this Plan pursuant to **Section 10** of this Plan consisting solely of no fewer than two Non-Employee Directors; provided, however, that prior to the initial formation of the Compensation Committee of the Board, references in this Plan to the Committee will be deemed to be references to the Board.
- (m) “Common Shares” means the common shares, par value \$.01 per share, of the Company or any security into which such common shares may be changed by reason of any transaction or event of the type referred to in **Section 11** of this Plan.
- (n) “Company” means CSW Industrials, Inc., a Delaware corporation, and its successors.
- (o) “Covered Employee” means a Participant who is, or is determined by the Committee to be likely to become, a “covered employee” within the meaning of Section 162(m) of the Code (or any successor provision).
- (p) “Date of Grant” means the date specified by the Committee on which a grant of Option Rights, Appreciation Rights, Performance Shares, Performance Units, Cash Incentive Awards, or other awards contemplated by **Section 9** of this Plan, or a grant or sale of Restricted Shares, Restricted Stock Units, or other awards contemplated by **Section 9** of this Plan, will become effective (which date will not be earlier than the date on which the Committee (or its authorized delegate) takes action with respect thereto).
- (q) “Distribution Date” means the effective date of the distribution, in connection with the Share Distribution, of the Common Shares to the holders of common shares of Capital Southwest.
- (r) “Director” means a member of the Board.
- (s) “Employee Matters Agreement” means that certain Employee Matters Agreement entered by and between the Company and Capital Southwest in connection with the Share Distribution, dated September 8, 2015.
- (t) “Effective Date” means the Distribution Date.
- (u) “Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder, as such law, rules and regulations may be amended from time to time.
- (v) “Free-Standing Appreciation Right” means an Appreciation Right granted pursuant to **Section 5** of this Plan that is not granted in tandem with an Option Right.
- (w) “Incentive Stock Options” means Option Rights that are intended to qualify as “incentive stock options” under Section 422 of the Code or any successor provision.
- (x) “Management Objectives” means the measurable performance objective or objectives established pursuant to this Plan for Participants who have received grants of Performance Shares, Performance Units or Cash Incentive Awards or, when so determined by the Committee, Option Rights, Appreciation Rights, Restricted Shares, Restricted Stock Units, dividend equivalents or other awards contemplated by **Section 9** of this Plan. Management Objectives may be described in terms of Company-wide objectives or objectives that are related to the performance of the individual Participant or of one or more of the Subsidiaries, divisions, departments, regions, functions or other organizational units within the Company or its Subsidiaries. The Management Objectives may be made relative to the performance of other companies or subsidiaries, divisions, departments, regions, functions or other organizational units within such other companies, and may be made relative to an index or one or more of the performance objectives themselves. The Committee may grant awards subject to Management Objectives that are either Qualified Performance-Based Awards or are not

Qualified Performance-Based Awards. The Management Objectives applicable to any Qualified Performance-Based Award to a Covered Employee will be based on one or more, or a combination, of the following metrics (including relative or growth achievement regarding such metrics):

- (i) **Profits** (e.g., operating income, EBIT, EBT, net income, earnings per share, residual or economic earnings, economic profit – these profitability metrics could be measured before certain specified special items and/or subject to GAAP definition);
- (ii) **Cash Flow** (e.g., EBITDA, free cash flow, free cash flow with or without specific capital expenditure target or range, including or excluding divestments and/or acquisitions, total cash flow, cash flow in excess of cost of capital or residual cash flow or cash flow return on investment);
- (iii) **Returns** (e.g., profits or cash flow returns on assets, invested capital, net capital employed, and equity);
- (iv) **Working Capital** (e.g., working capital divided by sales, days' sales outstanding, days' sales in inventory, and days' sales in payables);
- (v) **Profit Margins** (e.g., profits divided by revenues, gross margins and material margins divided by revenues, and material margin divided by sales pounds);
- (vi) **Liquidity Measures** (e.g., debt-to-capital, debt-to-EBITDA, and total debt ratio);
- (vii) **Sales, Margin, Cost Initiative and Stock Price Metrics** (e.g., revenues, revenue growth, revenue growth outside the United States, gross margin and gross margin growth, material margin and material margin growth, stock price appreciation, total return to stockholders, sales and administrative costs divided by sales, and sales and administrative costs divided by profits); and
- (viii) **Strategic Initiative Key Deliverable Metrics** (e.g., one or more of the following: product development, strategic partnering, research and development, vitality index, market penetration, geographic business expansion goals, cost targets, customer satisfaction, employee satisfaction, management of employment practices and employee benefits, supervision of litigation and information technology, and goals relating to acquisitions or divestitures of subsidiaries, affiliates and joint ventures).

In the case of a Qualified Performance-Based Award, each Management Objective will be objectively determinable to the extent required under Section 162(m) of the Code, and, unless otherwise determined by the Committee and to the extent consistent with Code Section 162(m), will exclude the effects of certain designated items identified at the time of grant. If the Committee determines that a change in the business, operations, corporate structure or capital structure of the Company, or the manner in which it conducts its business, or other events or circumstances render the Management Objectives unsuitable, the Committee may in its discretion modify such Management Objectives or the related minimum acceptable level of achievement, in whole or in part, as the Committee deems appropriate and equitable, except in the case of a Qualified Performance-Based Award (other than in connection with a Change in Control) where such action would result in the loss of the otherwise available exemption of the award under Section 162(m) of the Code. In such case, the Committee will not make any modification of the Management Objectives or minimum acceptable level of achievement with respect to such Covered Employee. Notwithstanding the foregoing, with respect to a Replacement Award, "*Management Objectives*" shall mean any performance objectives defined in the applicable Award Agreement.

- (y) "Market Value per Share" means, as of any particular date, the closing price of a Common Share as reported for that date on the NASDAQ Stock Market, LLC or, if the Common Shares are not then listed on the NASDAQ Stock Market, LLC, on any other national securities exchange on which the Common Shares are listed, or if there are no sales on such date, on the next preceding trading day during which a sale occurred. If there is no regular public trading market for the Common Shares, then the Market Value per Share shall be the fair market value as determined in good faith by the Committee. The Committee is authorized to adopt another fair market value pricing method provided such method is stated in the Award Agreement and is in compliance with the fair market value pricing rules set forth in Section 409A of the Code.



- (z) “Non-Employee Director” means a person who is a “Non-Employee Director” of the Company within the meaning of Rule 16b-3 promulgated under the Exchange Act and an “outside director” within the meaning of Section 162(m) of the Code and the regulations promulgated thereunder by the U.S. Department of the Treasury.
- (aa) “Optionee” means the optionee named in an Award Agreement evidencing an outstanding Option Right.
- (bb) “Option Price” means the purchase price payable on exercise of an Option Right.
- (cc) “Option Right” means the right to purchase Common Shares upon exercise of an option granted pursuant to **Section 4** of this Plan.
- (dd) “Participant” means a person who is selected by the Committee to receive benefits under this Plan and who is at the time (i) an officer or other key employee of the Company or any Subsidiary, (ii) a person who provides services to the Company or a Subsidiary that are equivalent to those typically provided by an employee (provided that such person satisfies the Form S-8 definition of an “employee”), or (iii) a non-employee Director. Notwithstanding any provision of this Plan to the contrary, the term “Participant” shall include a Capital Southwest Participant; provided that, pursuant to **Section 23**, a Capital Southwest Participant who is not otherwise eligible to be a Participant pursuant to the previous sentences of this definition may receive only Replacement Awards.
- (ee) “Performance Period” means, in respect of Performance Shares, Performance Units or Cash Incentive Awards or, when so determined by the Committee, Option Rights, Appreciation Rights, Restricted Shares, dividend equivalents or other awards contemplated by **Section 9** of this Plan, a period of time established by the Committee within which the Management Objectives relating to such Performance Shares, Performance Units or Cash Incentive Awards or, when so determined by the Committee, Option Rights, Appreciation Rights, Restricted Shares, dividend equivalents or other awards contemplated by **Section 9** of this Plan are to be achieved.
- (ff) “Performance Share” means a bookkeeping entry that records the equivalent of one Common Share awarded pursuant to **Section 8** of this Plan.
- (gg) “Performance Unit” means a bookkeeping entry awarded pursuant to **Section 8** of this Plan that records a unit equivalent to \$1.00 or such other value as is determined by the Committee.
- (hh) “Plan” means this 2015 Equity and Incentive Compensation Plan.
- (ii) “Qualified Performance-Based Award” means any Cash Incentive Award or award of Performance Shares, Performance Units, Restricted Shares, Restricted Stock Units or other awards contemplated under **Section 9** of this Plan, or portion of such award, to a Covered Employee that is intended to satisfy the requirements for “qualified performance-based compensation” under Section 162(m) of the Code.
- (jj) “Replacement Award” means an award that is issued under this Plan in accordance with the terms of the Employee Matters Agreement in substitution of, or in accordance with, a stock option, restricted share or incentive award that was granted under a Capital Southwest Plan. Notwithstanding anything in this Plan to the contrary, the Replacement Awards will reflect substantially the original terms of the awards being adjusted, and they need not comply with other specific terms of this Plan.
- (kk) “Restricted Shares” means Common Shares granted or sold pursuant to **Section 6** of this Plan as to which neither the substantial risk of forfeiture nor the prohibition on transfers has expired.

- (ll) “Restriction Period” means the period of time during which Restricted Stock Units are subject to restrictions, as provided in **Section 7** of this Plan.
- (mm) “Restricted Stock Units” means an award made pursuant to **Section 7** of this Plan of the right to receive Common Shares, cash or a combination thereof at the end of a specified period.
- (nn) “Share Distribution” means the spin-off of the Company pursuant to a distribution to the holders of common stock of Capital Southwest of all Common Shares issued and outstanding as of the Distribution Date.
- (oo) “Spread” means the excess of the Market Value per Share on the date when an Appreciation Right is exercised over the Option Price or Base Price provided for in the related Option Right or Free-Standing Appreciation Right, respectively.
- (pp) “Stockholder” means an individual or entity that owns one or more Common Shares.
- (qq) “Subsidiary” means a corporation, company or other entity (i) more than 50% of whose outstanding shares or securities (representing the right to vote for the election of directors or other managing authority) are, or (ii) which does not have outstanding shares or securities (as may be the case in a partnership, joint venture, limited liability company, or unincorporated association), but more than 50% of whose ownership interest representing the right generally to make decisions for such other entity is, now or hereafter, owned or controlled, directly or indirectly, by the Company; provided, however, that for purposes of determining whether any person may be a Participant for purposes of any grant of Incentive Stock Options, “Subsidiary” means any corporation in which at the time the Company owns or controls, directly or indirectly, more than 50% of the total combined Voting Power represented by all classes of stock issued by such corporation.
- (rr) “Tandem Appreciation Right” means an Appreciation Right granted pursuant to **Section 5** of this Plan that is granted in tandem with an Option Right.
- (ss) “Voting Power” means at any time, the combined voting power of the then-outstanding securities entitled to vote generally in the election of Directors in the case of the Company, or members of the board of directors or similar body in the case of another entity.

3. **Shares Available Under the Plan.**

(a) Maximum Shares Available Under Plan.

- (i) Subject to adjustment as provided in **Section 11** of this Plan, the number of Common Shares that may be issued or transferred (A) upon the exercise of Option Rights or Appreciation Rights, (B) as Restricted Shares and released from substantial risks of forfeiture thereof, (C) in payment of Restricted Stock Units, (D) in payment of Performance Shares or Performance Units that have been earned, (E) as awards contemplated by **Section 9** of this Plan, or (F) in payment of dividend equivalents paid with respect to awards made under the Plan will not exceed in the aggregate 1,230,000 Common Shares, plus any Common Shares that become available under this Plan as a result of forfeiture, cancellation, expiration, or cash settlement of awards, as provided in **Section 3(b)** below. Such shares may be shares of original issuance or treasury shares or a combination of the foregoing.
- (ii) The aggregate number of Common Shares available for issuance or transfer under **Section 3(a)(i)** of this Plan will be reduced by one Common Share for every Common Share issued or transferred upon exercise of an Option Right or Appreciation Right granted under this Plan or issued or transferred in connection with an award other than an Option Right or Appreciation Right granted under this Plan. Subject to the provisions of **Section 3(b)** of this Plan, Common Shares covered by an award granted under this Plan will not be counted as used unless and until they are actually issued or transferred.

(b) Share Counting Rules.

- (i) If any Common Shares issued or transferred pursuant to an award granted under this Plan are forfeited, or an award granted under this Plan is cancelled or forfeited, expires or is settled for cash (in whole or in part), the Common Shares issued or transferred pursuant to, or subject to, such award (as applicable) will, to the extent of such cancellation, forfeiture, expiration, or cash settlement, be available for issuance or transfer under **Section 3(a)** above.
  - (ii) Notwithstanding anything to the contrary contained in this **Section 3**, the following Common Shares will not be added to the aggregate number of Common Shares available for issuance or transfer under **Section 3(a)** above: (A) Common Shares tendered or otherwise used in payment of the Option Price of an Option Right; (B) Common Shares withheld or otherwise used by the Company to satisfy a tax withholding obligation; and (C) Common Shares reacquired by the Company on the open market or otherwise using cash proceeds from the exercise of Option Rights. In addition, if, under this Plan, a Participant has elected to give up the right to receive compensation in exchange for Common Shares based on fair market value, such Common Shares will not count against the aggregate plan limit under **Section 3(a)** above.
  - (c) **Limit on Incentive Stock Options.** Notwithstanding anything in this **Section 3**, or elsewhere in this Plan, to the contrary and subject to adjustment as provided in **Section 11** of this Plan, the aggregate number of Common Shares actually issued or transferred by the Company upon the exercise of Incentive Stock Options will not exceed 1,230,000 Common Shares.
  - (d) **Individual Participant Limits.** Notwithstanding anything in this **Section 3**, or elsewhere in this Plan, to the contrary, and subject to adjustment as provided in **Section 11** of this Plan:
    - (i) No Participant will be granted Option Rights and/or Appreciation Rights, in the aggregate, for more than 400,000 Common Shares during any calendar year.
    - (ii) No Participant will be granted Qualified Performance-Based Awards of Restricted Shares, Restricted Stock Units, Performance Shares and/or other awards under **Section 9** of this Plan, in the aggregate, for more than 400,000 Common Shares during any calendar year.
    - (iii) In no event will any Participant in any calendar year receive Qualified Performance-Based Awards of Performance Units and/or other awards payable in cash under **Section 9** of this Plan having an aggregate maximum value as of their respective Dates of Grant in excess of \$5,000,000.
    - (iv) In no event will any Participant in any calendar year receive Qualified Performance-Based Awards that are Cash Incentive Awards having an aggregate maximum value in excess of \$5,000,000.
    - (v) No non-employee Director will be granted, in any period of one calendar, awards under the plan in excess of 40,000 Common Shares.
4. **Option Rights.** The Committee may, from time to time and upon such terms and conditions as it may determine, authorize the granting to Participants of Option Rights. Each such grant may utilize any or all of the authorizations, and will be subject to all of the requirements, contained in the following provisions:
- (a) Each grant will specify the number of Common Shares to which it pertains subject to the limitations set forth in **Section 3** of this Plan.
  - (b) Each grant will specify an Option Price per share, which (except with respect to Replacement Awards or awards under **Section 22** of this Plan) may not be less than the Market Value per Share on the Date of Grant.
  - (c) Each grant will specify whether the Option Price will be payable (i) in cash or by check acceptable to the Company or by wire transfer of immediately available funds, (ii) by the actual or constructive transfer to the Company of Common Shares owned by the Optionee (or other consideration authorized pursuant to **Section 4(d)** of this Plan) having a value at the time of exercise equal to the total Option Price, (iii) subject to

any conditions or limitations established by the Committee, the Company's withholding of Common Shares otherwise issuable upon exercise of an Option Right pursuant to a "net exercise" arrangement (it being understood that, solely for purposes of determining the number of treasury shares held by the Company, the Common Shares so withheld will not be treated as issued and acquired by the Company upon such exercise), (iv) by a combination of such methods of payment, or (v) by such other methods as may be approved by the Committee.

- (d) To the extent permitted by law, any grant may provide for deferred payment of the Option Price from the proceeds of sale through a bank or broker on a date satisfactory to the Company of some or all of the shares to which such exercise relates.
- (e) Successive grants may be made to the same Participant whether or not any Option Rights previously granted to such Participant remain unexercised.
- (f) Each grant may specify the period or periods of continuous service by the Optionee with the Company or any Subsidiary that is necessary before the Option Rights or installments thereof will become exercisable, and any such grant may provide for the earlier exercise of such Option Rights, including in the event of the retirement, death or disability of a Participant or a Change in Control.
- (g) Any grant of Option Rights may specify Management Objectives that must be achieved as a condition to the exercise of such rights.
- (h) Option Rights granted under this Plan may be (i) options, including, without limitation, Incentive Stock Options that are intended to qualify under particular provisions of the Code, (ii) options that are not intended so to qualify, or (iii) combinations of the foregoing. Incentive Stock Options may only be granted to Participants who meet the definition of "employees" under Section 3401(c) of the Code.
- (i) The exercise of an Option Right will result in the cancellation on a share-for-share basis of any Tandem Appreciation Right authorized under **Section 5** of this Plan.
- (j) No Option Right will be exercisable more than 10 years from the Date of Grant.
- (k) Option Rights granted under this Plan may not provide for any dividends or dividend equivalents thereon.
- (l) Each grant of Option Rights will be evidenced by an Award Agreement. Each Award Agreement will be subject to this Plan and will contain such terms and provisions, consistent with this Plan, as the Committee may approve.

5. **Appreciation Rights.**

- (a) The Committee may, from time to time and upon such terms and conditions as it may determine, authorize the granting (i) to any Optionee, of Tandem Appreciation Rights in respect of Option Rights granted hereunder and (ii) to any Participant, of Free-Standing Appreciation Rights. A Tandem Appreciation Right will be a right of the Optionee, exercisable by surrender of the related Option Right, to receive from the Company an amount determined by the Committee, which will be expressed as a percentage of the Spread (not exceeding 100%) at the time of exercise. Tandem Appreciation Rights may be granted at any time prior to the exercise or termination of the related Option Rights; provided, however, that a Tandem Appreciation Right awarded in relation to an Incentive Stock Option must be granted concurrently with such Incentive Stock Option. A Free-Standing Appreciation Right will be a right of the Participant to receive from the Company an amount determined by the Committee, which will be expressed as a percentage of the Spread (not exceeding 100%) at the time of exercise.
- (b) Each grant of Appreciation Rights may utilize any or all of the authorizations, and will be subject to all of the requirements, contained in the following provisions:

- (i) Each grant may specify that the amount payable on exercise of an Appreciation Right will be paid by the Company in cash, Common Shares or any combination thereof.
  - (ii) Any grant may specify that the amount payable on exercise of an Appreciation Right may not exceed a maximum specified by the Committee at the Date of Grant.
  - (iii) Any grant may specify waiting periods before exercise and permissible exercise dates or periods.
  - (iv) Each grant of Appreciation Rights may specify the period or periods of continuous service by the Participant with the Company or any Subsidiary that is necessary before the Appreciation Rights or installments thereof will become exercisable, and any such grant of Appreciation Rights may provide for the earlier exercise of such Appreciation Rights, in the event of the retirement, death or disability of a Participant or a Change in Control.
  - (v) Any grant of Appreciation Rights may specify Management Objectives that must be achieved as a condition of the exercise of such Appreciation Rights.
  - (vi) Each grant of Appreciation Rights will be evidenced by an Award Agreement, which Award Agreement will describe such Appreciation Rights, identify the related Option Rights (if applicable), and contain such other terms and provisions, consistent with this Plan, as the Committee may approve.
- (c) Any grant of Tandem Appreciation Rights will provide that such Tandem Appreciation Rights may be exercised only at a time when the related Option Right is also exercisable and at a time when the Spread is positive, and by surrender of the related Option Right for cancellation. Successive grants of Tandem Appreciation Rights may be made to the same Participant regardless of whether any Tandem Appreciation Rights previously granted to the Participant remain unexercised.
- (d) Appreciation Rights granted under this Plan may not provide for any dividends or dividend equivalents thereon.
- (e) Regarding Free-Standing Appreciation Rights only:
- (i) Each grant will specify in respect of each Free-Standing Appreciation Right a Base Price, which (except with respect to Replacement Awards or awards under Section 22 of this Plan) may not be less than the Market Value per Share on the Date of Grant;
  - (ii) Successive grants may be made to the same Participant regardless of whether any Free-Standing Appreciation Rights previously granted to the Participant remain unexercised; and
  - (iii) No Free-Standing Appreciation Right granted under this Plan may be exercised more than 10 years from the Date of Grant.

6. **Restricted Shares.** The Committee may, from time to time and upon such terms and conditions as it may determine, authorize the grant or sale of Restricted Shares to Participants. Each such grant or sale may utilize any or all of the authorizations, and will be subject to all of the requirements, contained in the following provisions:

- (a) Each such grant or sale will constitute an immediate transfer of the ownership of Common Shares to the Participant in consideration of the performance of services, entitling such Participant to voting, dividend and other ownership rights, but subject to the substantial risk of forfeiture and restrictions on transfer hereinafter referenced.
- (b) Each such grant or sale may be made without additional consideration or in consideration of a payment by such Participant that is less than the Market Value per Share at the Date of Grant.
- (c) Each such grant or sale will provide that the Restricted Shares covered by such grant or sale will be subject to a “substantial risk of forfeiture” within the meaning of Section 83 of the Code for a period to be determined by the Committee at the Date of Grant or until achievement of Management Objectives referred to in subparagraph (e) below.

- (d) Each such grant or sale will provide that during or after the period for which such substantial risk of forfeiture is to continue, the transferability of the Restricted Shares will be prohibited or restricted in the manner and to the extent prescribed by the Committee at the Date of Grant (which restrictions may include, without limitation, rights of repurchase or first refusal in the Company or provisions subjecting the Restricted Shares to a continuing substantial risk of forfeiture in the hands of any transferee).
  - (e) Any grant of Restricted Shares may specify Management Objectives that, if achieved, will result in termination or early termination of the restrictions applicable to such Restricted Shares.
  - (f) Each grant of Restricted Shares may specify the period or periods of continuous service by the Participant with the Company or any Subsidiary that is necessary before the termination of restrictions on such Restricted Shares, and any such grant or sale of Restricted Shares may provide for the earlier termination of restrictions on such Restricted Shares, including in the event of the retirement, death or disability of a Participant or a Change in Control. Notwithstanding any provision of the Plan to the contrary, no award of Restricted Shares intended to be a Qualified Performance-Based Award will provide for such early termination of restrictions (other than in connection with the death or disability of the Participant or a Change in Control) to the extent such provisions would cause such award to fail to be a Qualified Performance-Based Award.
  - (g) Any such grant or sale of Restricted Shares may require that any or all dividends or other distributions paid thereon during the period of such restrictions be automatically deferred and reinvested in additional Restricted Shares, which may be subject to the same restrictions as the underlying award; provided, however, that dividends or other distributions on Restricted Shares with restrictions that lapse as a result of the achievement of Management Objectives will be deferred until and paid contingent upon the achievement of the applicable Management Objectives.
  - (h) Each grant or sale of Restricted Shares will be evidenced by an Award Agreement and will contain such terms and provisions, consistent with this Plan, as the Committee may approve. Unless otherwise directed by the Committee, (i) all certificates representing Restricted Shares will be held in custody by the Company until all restrictions thereon will have lapsed, together with a stock power or powers executed by the Participant in whose name such certificates are registered, endorsed in blank and covering such shares or (ii) all Restricted Shares will be held at the Company's transfer agent in book entry form with appropriate restrictions relating to the transfer of such Restricted Shares.
7. **Restricted Stock Units.** The Committee may, from time to time and upon such terms and conditions as it may determine, authorize the granting or sale of Restricted Stock Units to Participants. Each such grant or sale may utilize any or all of the authorizations, and will be subject to all of the requirements, contained in the following provisions:
- (a) Each such grant or sale will constitute the agreement by the Company to deliver Common Shares or cash, or a combination thereof, to the Participant in the future in consideration of the performance of services, subject to the fulfillment of such conditions (which may include the achievement of Management Objectives) during the Restriction Period as the Committee may specify.
  - (b) Each such grant or sale may be made without additional consideration or in consideration of a payment by such Participant that is less than the Market Value per Share at the Date of Grant.
  - (c) Each grant or sale of Restricted Stock Units may specify the period or periods of continuous service by the Participant with the Company or any Subsidiary that is necessary before the termination of restrictions on such Restricted Stock Units, and any such grant or sale of Restricted Stock Units may provide for the earlier lapse or other modification of the Restriction Period, including in the event of the retirement, death or disability of a Participant or a Change in Control. Notwithstanding any provision of the Plan to the contrary,

no award of Restricted Stock Units intended to be a Qualified Performance-Based Award will provide for such early lapse or modification of the Restriction Period (other than in connection with the death or disability of the Participant or a Change in Control) to the extent such provisions would cause such award to fail to be a Qualified Performance-Based Award.

- (d) During the Restriction Period, the Participant will have no right to transfer any rights under his or her award and will have no rights of ownership in the Common Shares deliverable upon payment of the Restricted Stock Units and will have no right to vote them, but the Committee may, at the Date of Grant, authorize the payment of dividend equivalents on such Restricted Stock Units on either a current or deferred or contingent basis, either in cash or in additional Common Shares; provided, however, that dividend equivalents or other distributions on Common Shares underlying Restricted Stock Units with restrictions that lapse as a result of the achievement of Management Objectives will be deferred until and paid contingent upon the achievement of the applicable Management Objectives.
- (e) Each grant or sale of Restricted Stock Units will specify the time and manner of payment of the Restricted Stock Units that have been earned. Each grant or sale will specify that the amount payable with respect thereto will be paid by the Company in Common Shares or cash, or a combination thereof.
- (f) Each grant or sale of Restricted Stock Units will be evidenced by an Award Agreement and will contain such terms and provisions, consistent with this Plan, as the Committee may approve.

8. **Cash Incentive Awards, Performance Shares and Performance Units.** The Committee may, from time to time and upon such terms and conditions as it may determine, authorize the granting of Cash Incentive Awards, Performance Shares and Performance Units. Each such grant may utilize any or all of the authorizations, and will be subject to all of the requirements, contained in the following provisions:

- (a) Each grant will specify the number or amount of Performance Shares or Performance Units, or amount payable with respect to Cash Incentive Awards, to which it pertains, which number or amount may be subject to adjustment to reflect changes in compensation or other factors; provided, however, that no such adjustment will be made in the case of a Qualified Performance-Based Award (other than in connection with the death or disability of the Participant or a Change in Control) where such action would result in the loss of the otherwise available exemption of the award under Section 162(m) of the Code.
- (b) The Performance Period with respect to each Cash Incentive Award, Performance Share or Performance Unit will be such period of time as will be determined by the Committee at the time of grant, and any such grant of Performance Shares, Performance Units or Cash Incentive Award may provide for the earlier lapse or other modification, of the Performance Period, including in the event of the retirement, death or disability of a Participant or a Change in Control. Notwithstanding any provision of the Plan to the contrary, no such adjustment will be made in the case of a Qualified Performance-Based Award (other than in connection with the death or disability of the Participant or a Change in Control) where such action would result in the loss of the otherwise available exemption of the award under Section 162(m) of the Code.
- (c) Any grant of Cash Incentive Awards, Performance Shares or Performance Units will specify Management Objectives which, if achieved, will result in payment or early payment of the award, and each grant may specify in respect of such specified Management Objectives a minimum acceptable level or levels of achievement and may set forth a formula for determining the number of Performance Shares or Performance Units, or amount payable with respect to Cash Incentive Awards, that will be earned if performance is at or above the minimum or threshold level or levels, or is at or above the target level or levels, but falls short of maximum achievement of the specified Management Objectives.
- (d) Each grant will specify the time and manner of payment of Cash Incentive Awards, Performance Shares or Performance Units that have been earned. Any grant may specify that the amount payable with respect thereto may be paid by the Company in cash, in Common Shares, in Restricted Shares or Restricted Stock Units or in any combination thereof.

- (e) Any grant of Cash Incentive Awards, Performance Shares or Performance Units may specify that the amount payable or the number of Common Shares or Restricted Shares or Restricted Stock Units with respect thereto may not exceed a maximum specified by the Committee at the Date of Grant.
- (f) The Committee may, at the Date of Grant of Performance Shares, provide for the payment of dividend equivalents to the holder thereof either in cash or in additional Common Shares, subject in all cases to deferral and payment on a contingent basis based on the Participant's earning of the Performance Shares with respect to which such dividend equivalents are paid.
- (g) Each grant of Cash Incentive Awards, Performance Shares or Performance Units will be evidenced by an Award Agreement and will contain such other terms and provisions, consistent with this Plan, as the Committee may approve.

9. **Other Awards.**

- (a) Subject to applicable law and the applicable limits set forth in **Section 3** of this Plan, the Committee may grant to any Participant such other awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Common Shares or factors that may influence the value of such shares, including, without limitation, convertible or exchangeable debt securities, other rights convertible or exchangeable into Common Shares, purchase rights for Common Shares, awards with value and payment contingent upon performance of the Company or specified Subsidiaries, affiliates or other business units thereof or any other factors designated by the Committee, and awards valued by reference to the book value of the Common Shares or the value of securities of, or the performance of specified Subsidiaries or affiliates or other business units of the Company. The Committee will determine the terms and conditions of such awards, including any Management Objectives, if applicable. Common Shares delivered pursuant to an award in the nature of a purchase right granted under this **Section 9** will be purchased for such consideration, paid for at such time, by such methods, and in such forms, including, without limitation, Common Shares, other awards, notes or other property, as the Committee determines.
- (b) Cash awards, as an element of or supplement to any other award granted under this Plan, may also be granted pursuant to this **Section 9**.
- (c) The Committee may grant Common Shares as a bonus, or may grant other awards in lieu of obligations of the Company or a Subsidiary to pay cash or deliver other property under this Plan or under other plans or compensatory arrangements, subject to such terms as will be determined by the Committee in a manner that complies with Section 409A of the Code.
- (d) Each grant of an award under this **Section 9** may specify the period or periods of continuous services by the Participant with the Company or any Subsidiary that is necessary before such award is earned, vested, or no longer subject to applicable restrictions, and any grant of an award under this **Section 9** may provide for the earlier earning or vesting of, or elimination of restrictions applicable to, such award, including in the event of the retirement, death or disability of the Participant or a Change in Control. Notwithstanding any provision of this Plan to the contrary, no such adjustment will be made in the case of a Qualified Performance-Based Award (other than in connection with the death or disability of the Participant or a Change in Control) where such action would result in the loss of the otherwise available exemption of the award under Section 162(m) of the Code. In such event, the Award Agreement will specify the time and terms of delivery.

10. **Administration of this Plan.**

- (a) This Plan will be administered by the Committee. The Committee may from time to time delegate all or any part of its authority under this Plan to a subcommittee thereof. To the extent of any such delegation, references in this Plan to the Committee will be deemed to be references to such subcommittee.
- (b) The interpretation and construction by the Committee of any provision of this Plan or of any Award Agreement (or related documents) and any determination by the Committee pursuant to any provision of this



Plan or of any such agreement, notification or document will be final and conclusive. No member of the Committee shall be liable for any such action or determination made in good faith. In addition, the Committee is authorized to take any action it determines in its sole discretion to be appropriate subject only to the express limitations contained in this Plan, and no authorization in any Plan Section or other provision of this Plan is intended or may be deemed to constitute a limitation on the authority of the Committee.

- (c) To the extent permitted by law, the Committee may delegate to one or more of its members or to one or more officers of the Company, or to one or more agents or advisors, such administrative duties or powers as it may deem advisable, and the Committee, the subcommittee, or any person to whom duties or powers have been delegated as aforesaid, may employ one or more persons to render advice with respect to any responsibility the Committee, the subcommittee or such person may have under the Plan. The Committee may, by resolution, authorize one or more officers of the Company to do one or both of the following on the same basis as the Committee: (i) designate employees to be recipients of awards under this Plan; (ii) designate Capital Southwest Participants to be recipients of Replacement Awards and the applicable terms and number of Common Shares subject to such Replacement Awards; and (iii) determine the size of any such awards; provided, however, that (A) the Committee will not delegate such responsibilities to any such officer for awards granted to an employee who is an officer, Director, or more than 10% beneficial owner of any class of the Company's equity securities that is registered pursuant to Section 12 of the Exchange Act, as determined by the Committee in accordance with Section 16 of the Exchange Act, or any Covered Employee; (B) the resolution providing for such authorization sets forth the total number of Common Shares such officer(s) may grant; and (C) the officer(s) will report periodically to the Committee regarding the nature and scope of the awards granted pursuant to the authority delegated.

11. **Adjustments.** The Committee shall make or provide for such adjustments in the numbers of Common Shares covered by outstanding Option Rights, Appreciation Rights, Restricted Shares, Restricted Stock Units, Performance Shares and Performance Units granted hereunder and, if applicable, in the number of Common Shares covered by other awards granted pursuant to **Section 9** hereof, in the Option Price and Base Price provided in outstanding Option Rights and Appreciation Rights, in the kind of shares covered thereby, in Cash Incentive Awards, and in other award terms, as the Committee, in its sole discretion, exercised in good faith, shall determine is equitably required to prevent dilution or enlargement of the rights of Participants or Optionees that otherwise would result from (a) any stock dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, (b) any merger, consolidation, spin-off, split-off, spin-out, split-up, reorganization, partial or complete liquidation or other distribution of assets, issuance of rights or warrants to purchase securities, or (c) any other corporate transaction or event having an effect similar to any of the foregoing. Moreover, in the event of any such transaction or event or in the event of a Change in Control, the Committee shall provide in substitution for any or all outstanding awards under this Plan such alternative consideration (including cash), if any, as it, in good faith, shall determine to be equitable in the circumstances and shall require in connection therewith the surrender of all awards so replaced in a manner that complies with Section 409A of the Code. In addition, for each Option Right or Appreciation Right with an Option Price or Base Price greater than the consideration offered in connection with any such transaction or event or Change in Control, the Committee may in its discretion elect to cancel such Option Right or Appreciation Right without any payment to the person holding such Option Right or Appreciation Right. The Committee shall also make or provide for such adjustments in the numbers of shares specified in **Section 3** of this Plan as the Committee in its sole discretion, exercised in good faith, shall determine is appropriate to reflect any transaction or event described in this **Section 11**; provided, however, that any such adjustment to the number specified in **Section 3(c)** will be made only if and to the extent that such adjustment would not cause any Option Right intended to qualify as an Incentive Stock Option to fail to so qualify.

12. **Change in Control.** For purposes of this Plan, except as may be otherwise prescribed by the Committee in an Award Agreement made under this Plan, a "**Change in Control**" will be deemed to have occurred upon the occurrence (after the Effective Date) of any of the following events:
- (a) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) acquires (or has acquired during the twelve-month period ending on the date of the most recent acquisition by such person(s)) "beneficial ownership" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of 33 1/3% or more of (i) the then outstanding Common Stock of the Company or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally on the election of directors of the Company;

- (b) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) acquires “beneficial ownership” (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company that, together with securities held by such person or group, constitutes more than 50% of the total fair market value or total voting power of the securities of the Company;
- (c) individuals who at any time during the term of this Agreement constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board, provided that any person becoming a director subsequent to the date hereof whose election or nomination for election was approved by a vote of at least 75% of the directors comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination), and whose election or nomination was not in connection with any transaction described in subsections (a), (b), (d), (e) or (f) or in connection with an actual or threatened proxy contest relating to the election of directors of the Company shall be, for purposes of this clause (c), considered as though such person were a member of the Incumbent Board;
- (d) any consolidation or merger to which the Company is a party, if following such consolidation or merger, stockholders of the Company immediately prior to such consolidation or merger shall not beneficially own securities representing at least a majority of (i) the then outstanding common stock and (ii) the combined voting power of the then outstanding voting securities, of the surviving or continuing corporation;
- (e) any sale, lease, exchange or other transfer (in one transaction or in a series of related transactions occurring during the twelve-month period ending on the date of the most recent transaction) of a majority of the assets of the Company, other than to an entity (or entities) of which the Company or the stockholders of the Company immediately following such transaction beneficially own securities representing at least a majority of (i) the then outstanding common equity and (ii) the combined voting power of the then outstanding voting securities;
- (f) the stockholders of the Company approve any plan or proposal for the liquidation or dissolution of the Company; or
- (g) any other event specified by the Board, regardless of whether at the time an Award is granted or thereafter.

For purposes of any award or payment that provides for a deferral of compensation under Section 409A of the Code, to the extent the impact of a Change in Control on such award or payment would subject a Participant to additional taxes under Section 409A, a Change in Control for purposes of such award or payment will mean both a Change in Control (as defined above) and a “change in control event” within the meaning of Treas. Reg. § 1.409A-3(i)(5).

13. **Detrimental Activity and Recapture Provisions.** Any Award Agreement may provide for the cancellation or forfeiture of an award or the forfeiture and repayment to the Company of any gain related to an award, or other provisions intended to have a similar effect, upon such terms and conditions as may be determined by the Committee from time to time, if a Participant, either (a) during employment or other service with the Company or a Subsidiary or (b) within a specified period after termination of such employment or service, shall engage in any detrimental activity. In addition, notwithstanding anything in this Plan to the contrary, any Award Agreement may also provide for the cancellation or forfeiture of an award or the forfeiture and repayment to the Company of any gain related to an award, or other provisions intended to have a similar effect, upon such terms and conditions as may be required by the Committee or under Section 10D of the Exchange Act and any applicable rules or regulations promulgated by the Securities and Exchange Commission or any national securities exchange or national securities association on which the Common Shares may be traded.
14. **Non U.S. Participants.** In order to facilitate the making of any grant or combination of grants under this Plan, the Committee may provide for such special terms for awards to Participants who are foreign nationals or who are

employed by the Company or any Subsidiary outside of the United States of America or who provide services to the Company under an agreement with a foreign nation or agency, as the Committee may consider necessary or appropriate to accommodate differences in local law, tax policy or custom. Moreover, the Committee may approve such supplements to or amendments, restatements or alternative versions of this Plan (including, without limitation, sub-plans) as it may consider necessary or appropriate for such purposes, without thereby affecting the terms of this Plan as in effect for any other purpose, and the Secretary or other appropriate officer of the Company may certify any such document as having been approved and adopted in the same manner as this Plan. No such special terms, supplements, amendments or restatements, however, will include any provisions that are inconsistent with the terms of this Plan as then in effect unless this Plan could have been amended to eliminate such inconsistency without further approval by the Stockholders.

15. **Transferability.**

- (a) Except as otherwise determined by the Committee, no Option Right, Appreciation Right, Restricted Shares, Restricted Stock Unit, Performance Share, Performance Unit, Cash Incentive Award, award contemplated by **Section 9** of this Plan or dividend equivalents paid with respect to awards made under this Plan will be transferable by the Participant except by will or the laws of descent and distribution. In no event will any such award granted under the Plan be transferred for value. Except as otherwise determined by the Committee, Option Rights and Appreciation Rights will be exercisable during the Participant's lifetime only by him or her or, in the event of the Participant's legal incapacity to do so, by his or her guardian or legal representative acting on behalf of the Participant in a fiduciary capacity under state law or court supervision.
- (b) The Committee may specify at the Date of Grant that part or all of the Common Shares that are (i) to be issued or transferred by the Company upon the exercise of Option Rights or Appreciation Rights, upon the termination of the Restriction Period applicable to Restricted Stock Units or upon payment under any grant of Performance Shares or Performance Units or (ii) no longer subject to the substantial risk of forfeiture and restrictions on transfer referred to in **Section 6** of this Plan, will be subject to further restrictions on transfer.

16. **Withholding Taxes.** To the extent that the Company is required to withhold federal, state, local or foreign taxes in connection with any payment made or benefit realized by a Participant or other person under this Plan, and the amounts available to the Company for such withholding are insufficient, it will be a condition to the receipt of such payment or the realization of such benefit that the Participant or such other person make arrangements satisfactory to the Company for payment of the balance of such taxes required to be withheld, which arrangements (in the discretion of the Committee) may include relinquishment of a portion of such benefit. If a Participant's benefit is to be received in the form of Common Shares, and such Participant fails to make arrangements for the payment of tax, then, unless otherwise determined by the Committee, the Company will withhold Common Shares having a value equal to the amount required to be withheld. Notwithstanding the foregoing, when a Participant is required to pay the Company an amount required to be withheld under applicable income and employment tax laws, the Participant may elect, unless otherwise determined by the Committee, to satisfy the obligation, in whole or in part, by having withheld, from the shares required to be delivered to the Participant, Common Shares having a value equal to the amount required to be withheld or by delivering to the Company other Common Shares held by such Participant. The shares used for tax withholding will be valued at an amount equal to the market value of such Common Shares on the date the benefit is to be included in Participant's income. In no event will the market value of the Common Shares to be withheld and delivered pursuant to this Section to satisfy applicable withholding taxes in connection with the benefit exceed the minimum amount of taxes required to be withheld. Participants will also make such arrangements as the Company may require for the payment of any withholding tax obligation that may arise in connection with the disposition of Common Shares acquired upon the exercise of Option Rights.

17. **Compliance with Section 409A of the Code.**

- (a) To the extent applicable, it is intended that this Plan and any grants made hereunder comply with the provisions of Section 409A of the Code, so that the income inclusion provisions of Section 409A(a)(1) of the Code do not apply to the Participants. This Plan and any grants made hereunder will be administered in a manner consistent with this intent. Any reference in this Plan to Section 409A of the Code will also include any regulations or any other formal guidance promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service.

- (b) Neither a Participant nor any of a Participant's creditors or beneficiaries will have the right to subject any deferred compensation (within the meaning of Section 409A of the Code) payable under this Plan and grants hereunder to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. Except as permitted under Section 409A of the Code, any deferred compensation (within the meaning of Section 409A of the Code) payable to a Participant or for a Participant's benefit under this Plan and grants hereunder may not be reduced by, or offset against, any amount owing by a Participant to the Company or any of its Subsidiaries.
- (c) If, at the time of a Participant's separation from service (within the meaning of Section 409A of the Code), (i) the Participant will be a specified employee (within the meaning of Section 409A of the Code and using the identification methodology selected by the Company from time to time) and (ii) the Company makes a good faith determination that an amount payable hereunder constitutes deferred compensation (within the meaning of Section 409A of the Code) the payment of which is required to be delayed pursuant to the six-month delay rule set forth in Section 409A of the Code in order to avoid taxes or penalties under Section 409A of the Code, then the Company will not pay such amount on the otherwise scheduled payment date but will instead pay it, without interest, on the fifth business day of the seventh month after such separation from service.
- (d) Notwithstanding any provision of this Plan and grants hereunder to the contrary, in light of the uncertainty with respect to the proper application of Section 409A of the Code, the Company reserves the right to make amendments to this Plan and grants hereunder as the Company deems necessary or desirable to avoid the imposition of taxes or penalties under Section 409A of the Code. In any case, a Participant will be solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on a Participant or for a Participant's account in connection with this Plan and grants hereunder (including any taxes and penalties under Section 409A of the Code), and neither the Company nor any of its affiliates will have any obligation to indemnify or otherwise hold a Participant harmless from any or all of such taxes or penalties.

18. **Amendments.**

- (a) The Board may at any time and from time to time amend this Plan in whole or in part; provided , however , that if an amendment to this Plan (i) would materially increase the benefits accruing to participants under this Plan, (ii) would materially increase the number of securities which may be issued under this Plan, (iii) would materially modify the requirements for participation in this Plan, or (iv) must otherwise be approved by the Stockholders in order to comply with applicable law or the rules of the NASDAQ Stock Market, LLC or, if the Common Shares are not traded on the NASDAQ Stock Market, LLC, the principal national securities exchange upon which the Common Shares are traded or quoted, then, such amendment will be subject to Stockholder approval and will not be effective unless and until such approval has been obtained.
- (b) Except in connection with a corporate transaction or event described in **Section 11** of this Plan, the terms of outstanding awards may not be amended to reduce the Option Price of outstanding Option Rights or the Base Price of outstanding Appreciation Rights, or cancel outstanding Option Rights or Appreciation Rights in exchange for cash, other awards or Option Rights or Appreciation Rights with an Option Price or Base Price, as applicable, that is less than the Option Price of the original Option Rights or Base Price of the original Appreciation Rights, as applicable, without Stockholder approval. This **Section 18(b)** is intended to prohibit the repricing of "underwater" Option Rights and Appreciation Rights and will not be construed to prohibit the adjustments provided for in **Section 11** of this Plan. Notwithstanding any provision of this Plan to the contrary, this **Section 18(b)** may not be amended without approval by the Stockholders.
- (c) If permitted by Section 409A of the Code and Section 162(m) of the Code, but subject to the paragraph that follows, including in the case of termination of employment by reason of death, disability or retirement, or in the case of unforeseeable emergency or other special circumstances or in the event of a Change in Control, to the extent a Participant holds an Option Right or Appreciation Right not immediately exercisable in full, or any Restricted Shares as to which the substantial risk of forfeiture or the prohibition or restriction on transfer

has not lapsed, or any Restricted Stock Units as to which the Restriction Period has not been completed, or any Cash Incentive Awards, Performance Shares or Performance Units which have not been fully earned, or any other awards made pursuant to **Section 9** subject to any vesting schedule or transfer restriction, or who holds Common Shares subject to any transfer restriction imposed pursuant to **Section 15(b)** of this Plan, the Committee may, in its sole discretion, accelerate the time at which such Option Right, Appreciation Right or other award may be exercised or the time at which such substantial risk of forfeiture or prohibition or restriction on transfer will lapse or the time when such Restriction Period will end or the time at which such Cash Incentive Awards, Performance Shares or Performance Units will be deemed to have been fully earned or the time when such transfer restriction will terminate or may waive any other limitation or requirement under any such award, except in the case of a Qualified Performance-Based Award where such action would result in the loss of the otherwise available exemption of the award under Section 162(m) of the Code.

- (d) Subject to **Section 18(b)** hereof, the Committee may amend the terms of any award theretofore granted under this Plan prospectively or retroactively, except in the case of a Qualified Performance-Based Award (other than in connection with the Participant's death or disability, or a Change in Control) where such action would result in the loss of the otherwise available exemption of the award under Section 162(m) of the Code. In such case, the Committee will not make any modification of the Management Objectives or the level or levels of achievement with respect to such Qualified Performance-Based Award. Subject to **Section 11** above, no such amendment will impair the rights of any Participant without his or her consent. The Board may, in its discretion, terminate this Plan at any time. Termination of this Plan will not affect the rights of Participants or their successors under any awards outstanding hereunder and not exercised in full on the date of termination.

19. **Governing Law.** This Plan and all grants and awards and actions taken hereunder will be governed by and construed in accordance with the internal substantive laws of the State of Delaware.
20. **Effective Date/Termination.** This Plan will be effective as of the Effective Date. No grant will be made under this Plan on or after the tenth anniversary of the Effective Date, but all grants made on or prior to such date will continue in effect thereafter subject to the terms thereof and of this Plan.
21. **Miscellaneous Provisions.**
- (a) The Company will not be required to issue any fractional Common Shares pursuant to this Plan. The Committee may provide for the elimination of fractions or for the settlement of fractions in cash.
- (b) This Plan will not confer upon any Participant any right with respect to continuance of employment or other service with the Company or any Subsidiary, nor will it interfere in any way with any right the Company or any Subsidiary would otherwise have to terminate such Participant's employment or other service at any time.
- (c) Except with respect to **Section 21(e)**, to the extent that any provision of this Plan would prevent any Option Right that was intended to qualify as an Incentive Stock Option from qualifying as such, that provision will be null and void with respect to such Option Right. Such provision, however, will remain in effect for other Option Rights and there will be no further effect on any provision of this Plan.
- (d) No award under this Plan may be exercised by the holder thereof if such exercise, and the receipt of cash or stock thereunder, would be, in the opinion of counsel selected by the Company, contrary to law or the regulations of any duly constituted authority having jurisdiction over this Plan.
- (e) Absence on leave approved by a duly constituted officer of the Company or any of its Subsidiaries will not be considered interruption or termination of service of any employee for any purposes of this Plan or awards granted hereunder.
- (f) No Participant will have any rights as a Stockholder with respect to any Common Shares subject to awards granted to him or her under this Plan prior to the date as of which he or she is actually recorded as the holder of such shares upon the stock records of the Company.

- (g) The Committee may condition the grant of any award or combination of awards authorized under this Plan on the surrender or deferral by the Participant of his or her right to receive a cash bonus or other compensation otherwise payable by the Company or a Subsidiary to the Participant.
- (h) Except with respect to Option Rights and Appreciation Rights, the Committee may permit Participants to elect to defer the issuance of Common Share under the Plan pursuant to such rules, procedures or programs as it may establish for purposes of this Plan and which are intended to comply with the requirements of Section 409A of the Code. The Committee also may provide that deferred issuances and settlements include the payment or crediting of dividend equivalents or interest on the deferral amounts.
- (i) If any provision of this Plan is or becomes invalid, illegal or unenforceable in any jurisdiction, or would disqualify this Plan or any award under any law deemed applicable by the Committee, such provision will be construed or deemed amended or limited in scope to conform to applicable laws or, in the discretion of the Committee, it will be stricken and the remainder of this Plan will remain in full force and effect.

22. **Stock-Based Awards in Substitution for Option Rights or Awards Granted by Other Company.** Notwithstanding anything in this Plan to the contrary:

- (a) Awards may be granted under this Plan in substitution for or in conversion of, or in connection with an assumption of, stock options, stock appreciation rights, restricted stock, restricted stock units or other stock or stock-based awards held by awardees of an entity engaging in a corporate acquisition or merger transaction with the Company or any Subsidiary. Any conversion, substitution or assumption will be effective as of the close of the merger or acquisition, and, to the extent applicable, will be conducted in a manner that complies with Section 409A of the Code. The awards so granted may reflect the original terms of the awards being assumed, substituted or converted and need not comply with other specific terms of this Plan, and may account for Common Shares substituted for the securities covered by the original awards and the number of shares subject to the original awards, as well as any exercise or purchase prices applicable to the original awards, adjusted to account for differences in stock prices in connection with the transaction.
- (b) In the event that a company acquired by the Company or any Subsidiary or with which the Company or any Subsidiary merges has shares available under a pre-existing plan previously approved by stockholders and not adopted in contemplation of such acquisition or merger, the shares available for grant pursuant to the terms of such plan (as adjusted, to the extent appropriate, to reflect such acquisition or merger) may be used for awards made after such acquisition or merger under the Plan; provided, however, that awards using such available shares may not be made after the date awards or grants could have been made under the terms of the pre-existing plan absent the acquisition or merger, and may only be made to individuals who were not employees or directors of the Company or any Subsidiary prior to such acquisition or merger.
- (c) Any Common Shares that are issued or transferred by, or that are subject to any awards that are granted by, or become obligations of, the Company under **Sections 22(a)** or **22(b)** above will not reduce the Common Shares available for issuance or transfer under the Plan or otherwise count against the limits contained in **Section 3** of the Plan. In addition, no Common Shares that are issued or transferred by, or that are subject to any awards that are granted by, or become obligations of, the Company under **Sections 22(a)** or **22(b)** above will be added to the aggregate plan limit contained in **Section 3** of the Plan.

23. **Capital Southwest Awards.**

- (a) The Company is authorized to issue Replacement Awards to Capital Southwest Participants in connection with the adjustment and replacement by Capital Southwest of certain stock options, restricted share awards and incentive awards previously granted by Capital Southwest under a Capital Southwest Plan. Notwithstanding any other provision of this Plan to the contrary, the number of Common Shares to be subject to a Replacement Award and the other terms and conditions of each Replacement Award, including option exercise price, as applicable, shall be determined by the Committee, all in accordance with the terms of the Employee Matters Agreement.

- (b) Any Common Shares that are issued by, or that are subject to any Replacement Awards that are granted by, the Company under **Section 23(a)** above will not reduce the Common Shares available for issuance or transfer under the Plan or otherwise count against the limits contained in **Section 3** of the Plan. In addition, no Common Shares that are issued by, or that are subject to any Replacement Awards that are granted by, the Company under **Section 23(a)** above will be added to the aggregate plan limit contained in **Section 3** of the Plan.

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## **J. Kent Sweezy named to CSW Industrials Board of Directors**

DALLAS, December 12, 2016 (GLOBE NEWSWIRE) — CSW Industrials, Inc. (the “Company”) (NASDAQ:CSWI), a diversified industrial growth company with well-established, scalable platforms and domain expertise across three segments: Industrial Products; Coatings, Sealants & Adhesives; and Specialty Chemicals, today announced that its Board of Directors has elected J. Kent Sweezy as a member of the Board. With the addition of Mr. Sweezy, the Company’s Board increases to six members, five of whom are independent. He will initially serve on the Board’s Audit, Compensation and Talent Development, and Nominating and Corporate Governance committees.

Mr. Sweezy, 64, is a founding partner of Turnbridge Capital, LLC, an energy services, equipment and infrastructure-focused private equity firm, which was founded in 2008. He currently serves as a member of the boards of directors of Impact Selector, Inc. and DeBusk Services Group. Prior to co-founding Turnbridge Capital, Mr. Sweezy served as the Managing Partner of Centre Southwest Partners, LLC, a middle-market private equity firm focused primarily on energy services and equipment-related investments. Prior to his time with Centre Southwest Partners, Mr. Sweezy was with Donaldson, Lufkin & Jenrette (DLJ) and its successor firm, Credit Suisse First Boston, from 1984 to 2002, serving most recently as a managing director, where he focused on transactions for companies in the energy sector, as well as companies in the consumer products, building products, and manufacturing sectors. Mr. Sweezy was also involved in DLJ’s early principal investing activities through its investments in Seven-Up Company, Dr. Pepper/Seven-Up Companies, and Dr. Pepper Bottling Company of Texas, where he served on the board of directors from 1989 to 1999.

Robert M. Swartz, lead independent director of the Company’s Board of Directors and Chairman of its Nominating and Corporate Governance Committee, commented, “Earlier this year, we announced our intention to expand our board of directors with the addition of directors who possess the requisite skills and experience to assist in executing our strategic growth and capital allocation plans. Kent’s appointment is our first step in this process, bringing to the Company’s Board significant strategic acquisition and financial expertise, in addition to executive leadership and board of directors experience.”

Joseph B. Armes, the Company’s Chairman and CEO, commented, “Kent’s background and expertise aligns well with the Company’s vision and makes him an ideal fit to support the further development and execution of our growth strategy to drive long term stockholder value. Consistent with our previously-announced plans, the Board continues its search process to identify a seventh well-qualified director, which we expect to announce in the first quarter of calendar 2017.”

Mr. Sweezy received a Bachelor of Arts degree from Duke University, a Juris Doctorate degree from Southern Methodist University and a Master’s of Business Administration degree from the Darden School at the University of Virginia.

### **About CSW Industrials**

CSWI is a diversified industrial growth company with well-established, scalable platforms and domain expertise across three segments: Industrial Products; Coatings, Sealants & Adhesives;





and Specialty Chemicals. CSWI's broad portfolio of leading products provides performance optimizing solutions to its customers. CSWI's products include mechanical products for heating, ventilation and air conditioning ("HVAC") and refrigeration applications, coatings and sealants and high performance specialty lubricants. Markets that CSWI serves include HVAC, general industrial markets, rail car and locomotive, plumbing, commercial construction, oil and gas, mining, electrical, steel and transportation.

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## CSW Industrials Announces Plans to Enhance Governance Structure

DALLAS, December 12, 2016 (GLOBE NEWSWIRE) — CSW Industrials, Inc. (the “Company”) (NASDAQ:CSWI), a diversified industrial growth company with well-established, scalable platforms and domain expertise across three segments: Industrial Products; Coatings, Sealants & Adhesives; and Specialty Chemicals, today announced plans to enhance its governance structure.

The Company’s Board of Directors will submit two governance enhancements for approval at the next annual stockholders meeting: a proposal to remove its currently classified board structure and transition to annual director elections, and a proposal to implement majority voting in uncontested director elections. Both governance enhancements require amendments to the Company’s charter, which stockholders must approve.

Both governance enhancements are stockholder-friendly when compared to similar companies’ governance practices. Among other companies in the Russell 2000 index, a majority maintain classified board structures, and less than one third have a majority voting standard in uncontested director elections, according to available industry data. Unclassified board structures and majority voting standards are more common among larger, more established companies.

Robert M. Swartz, lead independent director of the Company’s Board of Directors and Chairman of its Nominating and Corporate Governance Committee, commented, “The Board recognizes that corporate governance is a matter of great interest to our stockholders, and we are responding to stockholder feedback with investor-favorable governance practices that are exceptional for companies in our circumstances. Our decision to submit these two governance enhancements to our stockholders at our next annual meeting demonstrates the Board’s ongoing commitment to both stockholder engagement and to thoughtfully and appropriately enhancing corporate governance as the Company matures.”

Since its spinoff from Capital Southwest Corporation in October 2015, the Company has had a classified board structure, with the board members divided into three classes that each serve for three-year terms. At the Company’s next annual meeting, the Board will submit to stockholders a proposed amendment to the Company’s charter that would remove the classified board structure and transition to annual elections over a three-year period. The proposed amendment would provide that previously elected directors continue to serve their existing terms and transition to annual terms as existing terms expire.

The Company also currently has a plurality voting standard for director elections. At the next annual meeting, the Board will submit to stockholders a proposed amendment to the Company’s charter that would require directors be elected by a majority of votes cast in an uncontested election. The implementation of a majority voting standard would include a resignation policy that would require a director not receiving a majority stockholder vote to tender his or her resignation to the Board for further consideration.



## About CSW Industrials

CSWI is a diversified industrial growth company with well-established, scalable platforms and domain expertise across three segments: Industrial Products; Coatings, Sealants & Adhesives; and Specialty Chemicals. CSWI's broad portfolio of leading products provides performance optimizing solutions to its customers. CSWI's products include mechanical products for heating, ventilation and air conditioning ("HVAC") and refrigeration applications, coatings and sealants and high performance specialty lubricants. Markets that CSWI serves include HVAC, general industrial markets, rail car and locomotive, plumbing, commercial construction, oil and gas, mining, electrical, steel and transportation.

## Safe Harbor Statement

This press release includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, as amended. Words or phrases such as "may," "will," "should," "expects," "could," "intends," "plans," "anticipates," "estimates," "believes," "forecasts," "predicts" or other similar expressions are intended to identify forward-looking statements, which include, without limitation, earnings forecasts, statements relating to our business strategy and statements of expectations, beliefs, future plans and strategies and anticipated developments concerning our industry, business, operations and financial performance and condition.

The forward-looking statements included in this press release are based on our current expectations, projections, estimates and assumptions. These statements are only predictions, not guarantees. Such forward-looking statements are subject to numerous risks and uncertainties that are difficult to predict. These risks and uncertainties may cause actual results to differ materially from what is forecast in such forward-looking statements, and include, without limitation, the factors described from time to time in our filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K.

All forward-looking statements included in this press release are based on information currently available to us, and we assume no obligation to update any forward-looking statement except as may be required by law.

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