MANUFACTURERS SERVICES LTD
Form DEF 14A
April 08, 2002

QuickLinks -- Click here to rapidly navigate through this document

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant ý
Filed by a Party other than the Registrant o

Check the appropriate box:
- o Preliminary Proxy Statement
- o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- ý Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to §240.14a-12

MANUFACTURER'S SERVICES LIMITED

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):
- ý No fee required
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11
  - (1) Title of each class of securities to which transaction applies:
  - (2) Aggregate number of securities to which transaction applies:
  - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  - (4) Proposed maximum aggregate value of transaction:
  - (5) Total fee paid:
- o Fee paid previously with preliminary materials.
- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
  - (1) Amount Previously Paid:
  - (2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

MANUFACTURERS' SERVICES LIMITED
300 BAKER AVENUE
CONCORD, MA 01742

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON WEDNESDAY, MAY 15, 2002

Stockholders of Manufacturers' Services Limited:

The Annual Meeting of Stockholders of Manufacturers' Services Limited (the "Company") will be held at 300 Baker Avenue, Concord, MA 01742 on Wednesday, May 15, 2002, beginning at 4:30 p.m. (local time), to consider and act upon the following matters:

1. To elect two Class II directors to serve on the Board of Directors until the 2005 Annual Meeting of Stockholders or until their successors are duly elected and qualified;

2. To approve an amendment to the 2000 Equity Incentive Plan, as amended, to increase the number of shares available for issuance under the plan;

3. To approve an amendment to the 2000 Non-Employee Director Stock Option Plan, as amended, to change the formula options grants specified by the plan and to increase the number of shares available for issuance under the plan;

4. To approve an amendment to the 2000 Employee Stock Purchase Plan, as amended, to increase the number of shares available for issuance under the plan;

5. To approve the right of affiliates of Credit Suisse First Boston to convert shares of 5.25% Series A Preferred Stock into Common Stock and to exercise warrants to purchase Common Stock;

6. To approve the issuance of shares of Common Stock under the terms of the Series A Convertible Preferred Stock to satisfy obligations to pay dividends, make payments due upon an optional or mandatory conversion of such preferred stock and to redeem such preferred stock;

7. To ratify the appointment of PricewaterhouseCoopers LLP as the independent auditors of the Company for the year ending December 31, 2002; and

8. To transact such other business as may properly come before the meeting or any adjournment thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice. Stockholders of record at the close of business on March 18, 2002, are entitled to notice of and to vote at the meeting and any adjournment thereof.

You are cordially invited to attend the meeting. Regardless of whether you plan to attend the meeting, you are urged to complete, date, sign and return the enclosed proxy in the accompanying envelope at your earliest convenience.

By order of the Board of Directors,
Alan R. Cormier
Secretary

Concord, Massachusetts
April 8, 2002

MANUFACTURERS' SERVICES LIMITED
300 BAKER AVENUE
CONCORD, MA 01742
(978) 287-5630

PROXY STATEMENT

FOR THE ANNUAL MEETING OF STOCKHOLDERS ON MAY 15, 2002

General Information

This Proxy Statement and the accompanying proxy card are being furnished in connection with the solicitation of proxies by the Board of Directors of Manufacturers' Services Limited ("Company") for use at the Annual Meeting of Stockholders of the Company to be held at 300 Baker Avenue, Concord, Massachusetts 01742 on Wednesday, May 15, 2002, beginning at 4:30 p.m. (local time), and any adjournment thereof ("Meeting") for the purposes set forth in this Proxy Statement and the accompanying Notice. The Company's Annual Report, this Proxy Statement, the Notice and the enclosed form of proxy were mailed to stockholders on or about April 8, 2002.

Proxies. Proxies in the enclosed form that are properly executed and received by the Company before or at the Meeting will be voted in accordance with the directions set forth therein. If no direction is made, a proxy that is properly signed and received by the Company and which is not revoked will be voted as recommended by the Board of Directors. Proxies may be revoked at any time before they are voted by delivering to the Secretary of the Company a signed notice of revocation, or a later dated, signed proxy, or by attending the Meeting and voting in person by ballot.

Solicitation of Proxies. The cost of soliciting proxies on behalf of the Board of Directors will be borne by the Company. Solicitations of proxies are being made by the Company through the mail and may also be made in person or by telephone. Directors and employees of the Company may be utilized in connection with such solicitations but will not receive additional compensation for such solicitation. The Company also will request brokers and nominees to forward soliciting materials to the beneficial owners of the Common Stock held of record by such persons and will reimburse them for their reasonable forwarding expenses. The Company has also retained Georgeson Shareholder Communications, Inc. ("Georgeson") to assist in the solicitation of proxies. Georgeson will receive a fee of $6,000 plus out-of-pocket expenses, which will be paid by the Company.

Quorum Requirement. Stockholders of record at the close of business on March 18, 2002 are entitled to notice of and to vote at the Meeting. As of March 18, 2002, there were 32,441,458 shares of Common Stock, $0.001 par value per share ("Common Stock"), and 830,000 shares of 5.25% Convertible Preferred Stock, $0.001 par value per share ("Preferred Stock"), issued and outstanding which are entitled to vote at the Meeting. Each share of Common Stock is entitled to one vote, and the 830,000 shares of Preferred Stock are entitled to a total of 6,449,106 votes in the aggregate (approximately 7.77 votes per share), on all matters that may properly come before the Meeting. A majority of the shares of Common Stock and Preferred Stock, on an as converted basis, issued and outstanding and entitled to vote at the Meeting will constitute a quorum at the Meeting. Shares of Common Stock and Preferred Stock represented in person or by proxy (including shares that abstain or otherwise do not vote with respect to one or more of the matters presented for stockholder approval) will be counted for purposes of determining whether a quorum is present at the Meeting.

Votes Required. The affirmative vote of the holders of shares of Common Stock and Preferred Stock, voting together as a single class, representing a plurality of the votes cast at the Meeting is required for the election of directors. The affirmative vote of the holders of shares of Common Stock and Preferred Stock, voting together as a single class, representing a majority of the votes cast at the

Meeting on the matter is required to approve the amendment to the 2000 Equity Incentive Plan, the amendment to the 2000 Non-Employee Director Stock Option Plan, the amendment to the 2000 Employee Stock Purchase Plan, the right of affiliates of Credit Suisse First Boston

("CSFB") to convert the Preferred Stock into Common Stock and exercise warrants held by them for Common Stock, the approval of the issuance of shares of Common Stock under the terms of the Preferred Stock to satisfy obligations to pay dividends, make payments due upon an optional or mandatory conversion of such Preferred Stock and to redeem such Preferred Stock, and the ratification of the appointment of the Company's independent auditors. The holders of the Preferred Stock, including CSFB, have agreed to abstain from voting the shares of Preferred Stock (and any shares of Common Stock issuable upon conversion of the Preferred Stock) on Proposal No. 5 in this Proxy Statement related to the approval of the right of affiliates of CSFB to convert the Preferred Stock into Common Stock and exercise warrants held by them for Common Stock, and Proposal No. 6 in this Proxy Statement related to the approval of the issuance of shares of Common Stock under the terms of the Preferred Stock to satisfy obligations to pay dividends, make payments due upon an optional or mandatory conversion of such Preferred Stock and to redeem such Preferred Stock; CSFB will vote its current 16,064,683 shares of Common Stock in favor of Proposal No. 5 and Proposal No. 6.

Shares which abstain from voting as to a particular matter will not be counted as votes cast on such matter. Shares held in street name by brokers and nominees who indicate on their proxy that they do not have discretionary authority to vote such shares as to a particular matter will not be counted as votes cast on such matter. Accordingly, abstentions and "broker non-votes" on a matter that requires the affirmative vote of the holders of shares representing a plurality or a certain percentage of votes cast on the matter, such as the matters presented at the Meeting, have no effect on the voting of such matter.

The Board of Directors is not aware of any matters that are expected to come before the Meeting other than those referred to in this Proxy Statement. If any other matter properly comes before the Meeting, the proxies will be voted in accordance with the discretion of the person or persons voting the proxies.

BENEFICIAL OWNERSHIP OF VOTING STOCK

The following table sets forth certain information with respect to the beneficial ownership, as defined in Rule 13d-3 under the Securities Exchange Act of 1934, of Common Stock as of February 28, 2002, by each person known to the Company to be the beneficial owner of more than 5% of the outstanding shares of Common Stock, each director and nominee for director of the Company, each executive officer of the Company named in the Summary Compensation Table below and all directors and executive officers of the Company as a group.

	Amount and Nature of Beneficial Ownership	
Name and Address of Beneficial Owner	**Number of Shares (1)**	**Percent of Outstanding Common Stock (2)**
5% Stockholders		
Credit Suisse First Boston (3)	16,231,729	50.06
Paradigm Capital Management, Inc. (4)	2,675,900	8.25
Directors		
Robert C. Bradshaw	0	*
George W. Chamillard (5)	23,900	*
Thompson Dean (6)	16,231,729	50.06
John F. Fort, III (8)	34,568	*
Kevin C. Melia (9)	1,029,824	3.18
Dermott O'Flanagan (10)	6,667	*
William J. Weyand (11)	28,068	*
Curtis S. Wozniak (12)	16,334	*
Karl R. Wyss	0	*
Other Named Executives		
Rodolfo Archbold (13)	56,805	*
Robert E. Donahue (7)	535,387	1.65
Richard J. Gaynor(14)	18,577	*
Albert A. Notini (15)	88,248	*
All directors and executive officers as a group 13 persons (16)	18,070,107	55.73

*

less than 1% of the issued and outstanding Common Stock.

(1)

Each person has sole investment and voting power with respect to the shares indicated as beneficially owned, except as otherwise noted. The inclusion herein of any shares as beneficially owned does not constitute an admission of beneficial ownership. The reported beneficial ownership of at least 5% of the outstanding Common Stock is based upon a Schedule 13 G filed with the Securities and Exchange Commission ("SEC") by such holder, or as otherwise specified by such holder. In accordance with SEC rules, each person listed is deemed to beneficially own any shares issuable upon the exercise of stock options or warrants held by him that are currently exercisable or exercisable within 60 days after February 28, 2002, and all references in the footnotes to options or warrants refer to only such options or warrants.

(2)

Number of shares deemed outstanding includes 32,421,986 shares outstanding as of February 28, 2002 plus any shares subject to outstanding stock options or warrants held by the person or entity in question.

(3)

The shares of Common Stock in the table represent 16,064,683 shares of Common Stock and warrants for 167,046 shares owned by Credit Suisse First Boston ("CSFB"), a Swiss bank, on behalf of itself and its subsidiaries, to the extent that they constitute part of the Credit Suisse First Boston business unit (the "CSFB business unit"). On March 14, 2002, the Company sold to CSFB and certain of its affiliates 300,000 shares of Preferred Stock, which are convertible into approximately 2,331,003 shares of Common Stock, and warrants to purchase 582,751 shares of Common Stock. CSFB owns directly a majority of the voting stock, of Credit Suisse First Boston, Inc. ("CSFBI"), a Delaware corporation. The ultimate parent company of CSFB and CSFBI, and the direct owner of the remainder of the voting stock of CSFBI, is Credit Suisse Group ("CSG"), a corporation formed under the laws of Switzerland. CSFBI owns all of the voting stock of Credit Suisse First Boston (USA), Inc.

("CSFB-USA"). The Common Stock and warrants in this table are held directly by direct and indirect subsidiaries of CSFB-USA in connection with merchant banking investments, as well as by merchant banking funds advised by subsidiaries of CSFB-USA. CSFB's mailing address is Uetlibergstrasse 231, P.O. Box 900, CH-8070 Zurich, Switzerland.

(4)

The shares of Common Stock in the table represent shares of Common Stock owned by Paradigm Capital Management, Inc. ("Paradigm"), a New York corporation. Paradigm has shared voting power in connection with the 2,675,900 shares owned by it. Paradigm's mailing address is Nine Elk Street, Albany, New York 12207.

(5)

The shares of Common Stock in the table include 13,900 shares that can be acquired upon the exercise of outstanding options.

(6)

This number includes 16,064,683 shares of Common Stock and warrants for 167,046 shares of Common Stock held by Credit Suisse First Boston, of which Mr. Dean is a managing director. On March 14, 2002, the Company sold to CSFB and certain of its affiliates 300,000 shares of Preferred Stock, which are convertible into approximately 2,331,003 shares of Common Stock, and warrants to purchase 582,751 shares of Common Stock. Mr. Dean disclaims beneficial ownership of such warrants and shares.

(7)

The shares of Common Stock included in the table include 505,955 shares that can be acquired upon the exercise of outstanding options and 24,468 shares of Common Stock owned by members of Mr. Donahue's immediate family.

(8)

The shares of Common Stock in the table include 30,568 shares that can be acquired upon the exercise of outstanding options.

(9) The shares of Common Stock in the table include 442,597 shares that can be acquired upon the exercise of outstanding options and 585,267 shares owned by or in trust for members of Mr. Melia's immediate family.

(10) The shares of Common Stock in the table consist of 6,667 shares that can be acquired upon the exercise of outstanding options.

(11) The shares of Common Stock in the table include 18,068 shares that can be acquired upon the exercise of outstanding options.

(12) The shares of Common Stock in the table include 13,334 shares that can be acquired upon the exercise of outstanding options.

(13) The shares of Common Stock in the table include 46,982 shares that can be acquired upon the exercise of outstanding options.

(14) The shares of Common Stock in the table include 13,926 shares that can be acquired upon the exercise of outstanding options.

(15) The shares of Common Stock in the table include 86,285 shares that can be acquired upon the exercise of outstanding stock options.

(16) The shares of Common Stock in the table include 1,178,282 shares that can be acquired upon the exercise of outstanding stock options by all directors and executive officers as a group.

PROPOSAL NO. 1
ELECTION OF DIRECTORS

The Board of Directors recommends a vote "For" the election of each of the nominees listed below.

The Company's Board of Directors is divided into three classes, with members of each class holding office for staggered three-year terms. There are currently three Class II Directors, whose terms expire at the 2002 Annual Meeting of Stockholders, three Class III Directors, whose terms expire at the 2003 Annual Meeting of Stockholders, and three Class I Directors, whose terms expire at the 2004 Annual Meeting of Stockholders (in all cases subject to the election and qualification of their successors or to their earlier death, resignation or removal).

Messrs. Wozniak, Chamillard and Fort are currently Class II Directors of the Company. The persons named in the enclosed proxy will vote to elect Messrs. Wozniak and Fort as Class II Directors, unless authority to vote for the election of any or all of the nominees is withheld by marking the proxy to that effect. Messrs. Wozniak and Fort are presently serving as directors, have consented to being named in the Proxy Statement as nominees and have indicated their willingness to serve, if elected. If for any reason any nominee should become unable or unwilling to stand for election, proxies may be voted for a substitute nominee designated by the Board of Directors. Mr. Chamillard has decided not to stand for re-election to the Board of Directors.

Biographical and certain other information concerning the directors of the Company, including those who are nominees for re-election, is set forth below:

Nominees for Class II Directors (for election for a three-year term expiring at the 2005 Annual Meeting)

John F. Fort, III. **Director since November 1998; age 60**

Mr. Fort retired from his position as the Chairman of the Board of Tyco International Ltd. in January 1993. He is currently a director of Tyco International Ltd., Insilco Corporation, Roper Industries and Thermadyne Holdings Corporation.

Curtis S. Wozniak. **Director since January 2001; age 46**

Mr. Wozniak has served as Chief Executive Officer of Electroglas, Inc., a supplier of process management tools to the semiconductor industry, since April 1996 and as Chairman of the Board and Chief Executive Officer since 1997. Mr. Wozniak currently serves as a director of Cascade Microtech, Inc.

Class III Directors (holding office for the term expiring at the 2003 Annual Meeting)

Robert C. Bradshaw. **Director since January 2002; age 45**

Mr. Bradshaw joined the Company as Chief Executive Officer and President on January 2, 2002, and was elected as a member of the Board of Directors on January 9, 2002. Prior to joining the Company, Mr. Bradshaw served as President of SCI Systems, Inc., an engineering and electronic manufacturing services provider, from November 2000 to December 2001, and from December 1999 through December 2001 he also served as Chief Operating Officer. From June 1998 through December 1999, he served as President Eastern Region and Corporate Vice President of Solectron Corporation, an electronics manufacturing services company. Prior to this, he served in numerous executive positions with IBM Corporation, an information technology company, from 1978 through 1998.

Thompson Dean. **Director since January 1995; age 44**

Mr. Dean has been a director since January 1995. Mr. Dean has been a Managing Director of Credit Suisse First Boston, a global investment banking firm, since January 2001 and was a Managing Director of DLJ Merchant Banking, Inc., a merchant banking firm, from 1991 to 2000. He currently serves as Chairman of the Board of Von Hoffmann Press, Inc., Arcade Holding Corp. and DeCrane Aircraft Holdings, Inc. and as a director of Formica Corp., Insilco Holding Co., Mueller Holdings, (N.A.), Inc., and Charles River Laboratories, Inc.

Kevin C. Melia. **Director since January 1994; age 54**

Mr. Melia, a founder of the Company, has been a director and Chairman since 1994. He was Chief Executive Officer of the Company from 1994 until January 2, 2002. From December 1994 to February 1999, he also served as President. Prior to this, he was acting President of Sun Microsystems, Inc., a computer and software company, from 1992 to 1994 and Chief Financial Officer from 1991 to 1994. Mr. Melia currently serves as a director of Iona Technologies Plc, and Horizon Technologies.

Class I Directors (holding office for the term expiring at the 2004 Annual Meeting)

Karl R. Wyss **Director since September 1997; age 61**

Mr. Wyss has been Chairman and CEO of Thermadyne Holdings Corporation, a manufacturer of industrial products, since January 1, 2001, and has been a consultant to Credit Suisse First Boston, a global investment banking firm, since January 1, 2001. From 1993 through December 31, 2000, he was a Managing Director and Operating Partner of Credit Suisse First Boston, or its predecessor, DLJ Merchant Banking, Inc., a merchant banking firm. Mr. Wyss is a director of Brand Scaffold Services, Inc., CommVault Systems, Inc., Localiza Rent a Car S.A., Mallory S.A. and Von Hommann Press, Inc.

William J. Weyand. **Director since April 2000; age 57**

Mr. Weyand retired as Chairman, President and Chief Executive Officer of Structural Dynamics Research Corporation, a web-based collaborative product development solutions company, when it was acquired by EDS in August 2001. From August through December 2001, he served as a consultant to EDS. Mr. Weyand served as President and Chief Executive Officer of Structural Dynamics Research Corporation since June 1997 and Chairman of the Board since February 1998. Prior to joining Structural Dynamics Research Corporation, Mr. Weyand served as Executive Vice President of Measurex Corporation, a measurement and industrial automation supplier, from January 1995 to April 1997. He currently also serves as a member of the boards of directors of TechSolve, the Arthritis Foundation, and as a member of the Greater Cincinnati Regional Technology Initiative Board. He is also past Chairman of the Paper Industry Management Association.

Dermott O'Flanagan. **Director since August 2001; age 50**

Mr. O'Flanagan has been a director since August 2001. Mr. O'Flanagan served as President of Dovatron International, an electronics manufacturing company, from January 1995 to April 2000 and retired as President when it was acquired by Flextronics in April 2000. He serves as a director of I.E.C.E.

Each director is elected and serves until his successor is duly elected and qualified or until the earlier of his death, resignation or removal. Messrs. Dean, Wyss and Fort were elected pursuant to a stockholders agreement that was originally entered into in connection with an investment in the Company by entities affiliated with Credit Suisse First Boston, formerly Donaldson, Lufkin &

Jenrette, Inc., in January 1995. See "Relationships and Transactions with Related Parties Stockholders Agreement." There are no family relationships between any of the directors or executive officers.

Board of Directors and Committees of the Board

The Board of Directors has standing Audit and Compensation Committees, each of which consists entirely of independent, non-employee directors.

Audit Committee. The members of the Audit Committee are Messrs. Fort (Chairman), Chamillard and Wozniak. As specified in its charter, the Audit Committee recommends to the Board of Directors the appointment of the Company's independent auditors. The Committee evaluates the performance of the independent auditors, approves the fees to be paid and, if so determined by the Committee, recommends that the Board of Directors replace the independent auditors. Other responsibilities include the review of the engagement of the independent auditors and the review, in consultation with the independent auditors, of the audit results and their proposed opinion letter or audit report and any related management letter. The Audit Committee reviews with management and the independent auditors each of the quarterly and year end financial statements and reviews internal accounting procedures and controls with the Company's financial and accounting staff. The Audit Committee held nine (9) meetings during 2001.

Compensation Committee. The members of the Compensation Committee are Messrs. Weyand (Chairman), Fort and, since September 5, 2001, Mr. Dermott O'Flanagan. The Compensation Committee establishes a philosophy governing all executive compensation plans, reviews proposals by management and makes recommendations to the Board concerning compensation, bonuses and benefit plans. The Compensation Committee also grants options under and administers the various option and employee stock purchase plans. The Compensation Committee held eleven (11) meetings during 2001.

The Board of Directors held seven meetings during 2001. In 2001, each current director attended at least 75% of the meetings of the Board and of the committee(s) of the Board on which he served during the period for which he served.

Director Compensation

Messrs. Chamillard, Fort, O'Flanagan, Weyand and Wozniak and from January 1, 2002, Mr. Wyss, are paid fees for serving on the Board. Directors are reimbursed for their out-of-pocket expenses incurred in connection with their attendance at the board meetings.
Messrs. Chamillard, Fort, Weyand, Wozniak and, pro-rated from August 29, 2001, Mr. O'Flanagan, each received for 2001 an annual retainer of $15,000. Each committee chairman received an additional annual retainer of $2,500. On September 5, 2001, the Compensation Committee, based upon industry compensation data and the recommendation of management, approved an increase in the annual retainer to $32,000 and an increase in the retainer for committee chairmen to $5,000. This fee structure became effective on January 1, 2002. In June 2000, the Board of Directors and the stockholders approved the 2000 Non-Employee Director Stock Option Plan (the "2000 Director Plan") which specifies that each director will be granted options to purchase 20,000 shares upon his or her initial election to the Board and an option for 5,000 shares at each subsequent annual stockholders' meeting. The following options have been granted under this Plan since January 1, 2001. In January 2001, Mr. Wozniak received options to purchase 20,000 shares at an exercise price of $7.38 per share. In May 2001, Messrs. Chamillard, Fort and Weyand received options for 5,000 shares at an exercise price of $7.43 per share. In August 2001, Mr. O'Flanagan received options to purchase 20,000 shares at an exercise price of $5.74 per share. On October 22, 2001, Messrs. Fort, Chamillard and Weyand received discretionary stock options for 9,200 shares at an exercise price of $4.34 per share. Each of these options vest as to $^1/_3$ of the shares on the grant date, and as to $^1/_3$ of the shares on each of the first and second anniversary of the grant date and become fully vested upon a change in control of the Company.

PROPOSAL NO. 2
PROPOSAL TO AMEND THE COMPANY'S 2000 EQUITY INCENTIVE PLAN, AS AMENDED

The Board of Directors recommends a vote "For" the proposal.

The 2000 Equity Incentive Plan, as amended (the "2000 Plan"), was adopted by the Board of Directors and stockholders of the Company in January 2000. The number of shares issuable under the 2000 Plan includes: (1) 5,668,750 shares of Common Stock, (2) any shares covered by options issued under the 2000 Plan or under the Second Amended and Restated Non-Qualified Stock Option Plan, as amended, which terminate unexercised, and (3) annual increases on the date of each annual meeting of stockholders, commencing with the May 22, 2001, meeting, equal to 1.0% of the outstanding shares of the Common Stock on that date or such lesser amount as may be determined by the Board of Directors. On February 26, 2002, the Board of Directors approved an amendment to the Plan, subject to stockholder approval, to increase the number of shares of Common Stock available under the 2000 Plan by 2,000,000 shares.

The purpose of the 2000 Plan is to enable the Company and its Affiliates (as defined in the 2000 Plan) to attract, retain and motivate employees and others who provide services to the Company by providing for or increasing the proprietary interests of such persons in the Company. In the judgement of the Board of Directors, a grant of an award under the 2000 Plan is a valuable incentive to the participants and serves to the ultimate benefit of stockholders by aligning more closely the interests of such individuals with those of stockholders.

As of February 28, 2002, there were 297,171 shares of Common Stock authorized and available for issuance under the 2000 Plan and not subject to outstanding awards. The Board of Directors believes that the number of shares available under the 2000 Plan (including those to be added automatically at each annual meeting of stockholders) is insufficient to meet the Company's needs for long term incentive compensation in the form of stock options. The Board of Directors has determined that it is desirable and in the best interests of the Company and its stockholders to increase the number of shares available for issuance under the 2000 Plan to maintain and improve the Company's ability to attract and retain key personnel and to serve as an incentive to such personnel to make extra efforts to contribute to the Company's success. The proceeds received by the Company from the exercise of stock options are used for general corporate purposes of the Company.

As of February 28, 2002 the Company had approximately 4,900 employees, all of whom were eligible to be granted options under the 2000 Plan. The number of individuals receiving options varies from year to year depending on various factors, such as the performance of employees and the Company's hiring needs during the year and thus the Company cannot now determine either future award recipients or the number of shares to be awarded. From the initial adoption of the 2000 Plan through February 28, 2002, options to purchase an aggregate of 400,000 shares had been granted to Kevin C. Melia, Chairman of the Board and until January 2, 2002, Chief Executive Officer of the Company; options to purchase 525,000 shares had been granted to Robert E. Donahue, until December 31, 2001, President, and until February 4, 2002, the Chief Operating Officer of the Company; options to purchase 632,000 shares had been granted to Albert A. Notini, Executive Vice President and Chief Financial Officer of the Company; options to purchase 78,750 shares had been granted to Rodolfo Archbold, the Executive Vice President and Chief Technology Officer of the Company; options to purchase 73,750 shares had been granted to James N. Poor, the Executive Vice President of Human Resources of the Company; options to purchase 77,500 shares had been granted to Richard J. Gaynor, Vice President and Corporate Controller of the Company; options to purchase 1,000,000 shares had been granted to Robert C. Bradshaw, from January 2, 2002, the Chief Executive Officer and President of the Company; options to purchase 450,000 shares had been granted to Santosh Rao, from February 11, 2002, Executive Vice President and Chief Operating Officer; options to purchase an aggregate of 3,237,000 shares had been granted to all current executive officers of the

Company; and options to purchase an aggregate of 3,046,700 shares had been granted to all employees of the Company who are not current executive officers, as a group. The options have an exercise price equal to the New York Stock Exchange closing price on the date before the grant date and generally vest as to 25% of the shares on the first anniversary of the grant date and as to $^{1}/_{36}$ of the remaining shares monthly thereafter.

On March 15, 2002 the last reported sale price of the Company's Common Stock on the New York Stock Exchange was $5.32 per share.

Summary of 2000 Equity Incentive Plan, As Amended

The 2000 Plan provides for the grant of incentive stock options to employees (including officers and employee directors) and for the grant of non-statutory stock options to employees, directors and others providing services to the Company. The Board of Directors has appointed the Compensation Committee to administer the 2000 Plan. The Compensation Committee has the power to determine the terms of each option granted, including the exercise price of the option, the times at which each option will vest, the number of shares subject to each option, and the form of consideration payable upon such exercise. In addition, the Board of Directors has the authority to amend, suspend or terminate the 2000

Plan, provided that no such action may affect any shares of Common Stock previously issued and sold or any option previously granted under the 2000 Plan. The maximum number of shares subject to options that can be awarded under the 2000 Plan to any person is one million per calendar year.

Options granted under the 2000 Plan are generally not transferable by the optionee, and each option is exercisable during the lifetime of the optionee only by the optionee. Options granted under the 2000 Plan must generally be exercised within 3 months after the end of an optionee's status as an employee, director or consultant, or within 12 months after that optionee's death or disability, but in no event later than the expiration of the option term. However, vested but unexercised options will terminate immediately if the optionee violates his or her non-competition agreement.

The exercise price of all incentive stock options granted under the 2000 Plan must be at least equal to the fair market value of the Common Stock on the date of grant. The exercise price of non-statutory stock options granted under the 2000 Plan is determined by the administrator, but with respect to non-statutory stock options intended to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Internal Revenue Code (the "Code"), the exercise price must be at least equal to the fair market value of the Common Stock on the date of grant. With respect to any participant who owns stock representing more than 10% of the total combined voting power of all classes of outstanding capital stock, the exercise price of any incentive stock option grant must be at least equal to 110% of the fair market value on the grant date, and the term of such incentive stock option must not exceed five years. The term of all other incentive stock options granted under the 2000 Plan may not exceed ten years.

The 2000 Plan provides that in the event the Company merges with or into another corporation or sells substantially all of its assets, or at least 40% of the Common Stock is acquired by an independent third party, each outstanding option shall become exercisable in full.

This summary of the 2000 Plan is qualified in all respects by reference to the full text of the 2000 Plan, copies of which are available upon request to the Secretary of the Company.

Federal Income Tax Consequences

The following is a summary of the United Stated federal income tax consequences that generally will arise with respect to options granted under the 2000 Plan. This summary is based on the tax in effect as of the date of this Proxy Statement. Changes to these laws could alter the tax consequences described below.

Incentive Stock Options. A grantee will not have income upon the grant of an incentive stock option. Also, except as described below, a grantee will not have income upon exercise of an incentive stock option if the grantee has been employed by the Company or its corporate parent or majority-owned corporate subsidiary at all times beginning with the option grant date and ending three months before the date the grantee exercises the option. If the grantee has not been so employed during that time, then the grantee will be taxed as described below under "Non-statutory Stock Options." The exercise of an incentive stock option may subject the grantee to the alternative minimum tax.

A grantee will have income upon the sale of the stock acquired under an incentive stock option at a profit (if sales proceeds exceed the exercise price). The type of income will depend on when the grantee sells the stock. If the grantee sells the stock more than two years after the option was granted and more than one year after the option was exercised then all of the profit will be long-term capital gain. If a grantee sells the stock prior to satisfying these waiting periods, then the grantee will have engaged in a disqualifying disposition and a portion of the profit will be ordinary income and a portion may be capital gain. This capital gain will be long-term if the grantee has held the stock for more than one year and otherwise will be short-term.

If a grantee sells the stock at a loss (sales proceeds are less than the exercise price), then the loss will be a capital loss. This capital loss will be long-term if the grantee held the stock for more than one year and otherwise will be short-term.

Non-statutory Stock Options. A grantee will not have income upon the grant of a Non-Statutory Stock Option. A grantee will have compensation income upon the exercise of a Non-Statutory Stock Option equal to the value of the stock on the day the grantee exercised the option less the exercise price. Upon sale of the stock, the grantee will have capital gain or loss equal to the difference between the sales proceeds and the value of the stock on the day the option was exercised. This capital gain or loss will be long-term if the grantee has held the stock for more than one year and otherwise will be short-term.

Tax Consequences to the Company. There will be no tax consequences to the Company except that it will be entitled to a deduction when a grantee has compensation income. Any such deduction will be subject to the limitations of Section 162(m) of the Code.

PROPOSAL NO. 3
PROPOSAL TO AMEND THE COMPANY'S 2000 NON-EMPLOYEE DIRECTOR STOCK OPTION PLAN, AS AMENDED

The Board of Directors recommends a vote "For" this proposal.

The 2000 Non-Employee Director Stock Option Plan (the "2000 NED Plan") which provides for the grant of non-statutory options for the purchase of Common Stock to non-employee directors, was approved by the Board of Directors and the stockholders in June 2000 and specifies that a total of 225,000 shares of Common Stock may be issued under the 2000 NED Plan. The purpose of the 2000 NED Plan is to encourage ownership of stock of the Company by the directors, whose continued services are essential to the Company's success. The Board of Directors believes that increasing the number of shares available under the 2000 NED Plan will enhance the ability of the Company to attract and retain qualified directors and will further align the interests of the directors with that of the stockholders. Accordingly, the Board of Directors believes that approval of this proposal is in the best interest of the Company and its Stockholders. Six of the Company's nine directors are eligible for option grants under the 2000 NED Plan.

The Board of Directors has appointed the Compensation Committee to administer the 2000 NED Plan. The 2000 NED Plan now specifies an automatic option grant of 20,000 shares upon election to the Board and a grant of 5,000 shares for each non-employee independent director annually thereafter on the date of the Annual Meeting of Stockholders.

On February 26, 2002, the Board of Directors approved, subject to stockholder approval, an increase in the number of shares available for option grants under the 2000 NED Plan by 400,000 shares and a change to the automatic grants specified in the 2000 NED Plan as follows. Under the proposal, each director would receive a grant of 40,000 shares upon his original election and re-election to the Board, and a grant of 10,000 shares for each of the other two years of his term on the date of the Annual Meeting of Stockholders.

Options granted under the 2000 NED Plan are generally not transferable by the optionee, and each option is exercisable during the lifetime of the optionee. Options granted under the 2000 NED Plan generally vest as to $^1/_3$ of the shares on the grant date, and as to $^1/_3$ of the shares on each of the first and second anniversary of the grant date, and become fully vested upon a change of control of the Company. Options granted under the 2000 NED Plan must generally be exercised within one year after the end of an optionee's status as director or within two years after the optionee's death or disability, but in no event later than the expiration of the option term.

The exercise price of all non-statutory stock options granted under the 2000 NED Plan must be equal to the fair market value of the Common Stock on the date of grant. The 2000 NED Plan provides that in the event the Company merges with or into another corporation or sells substantially all of its assets, or at least 40% of the Common Stock is acquired by an independent third party, each outstanding option shall become exercisable in full.

Grants under the 2000 NED Plan since January 2001 are described in Proposal 1 above.

This summary of the 2000 NED Plan is qualified in all respects by reference to the full text of the 2000 NED Plan, copies of which are available upon request to the Secretary of the Company.

Federal Income Tax Consequences

The following is a summary of the United States federal income tax consequences that generally will arise with respect to awards granted under the 2000 NED Plan. This summary is based on the tax laws in effect as of the date of this Proxy Statement. Changes to these laws could alter the tax consequences described below.

Non-statutory Stock Options. A non-employee director will not have income upon the grant of a non-statutory stock option. A non-employee director will have compensation income upon the exercise of a non-statutory stock option equal to the value of the stock on the day the non-employee director exercised the option less the exercise price. Upon sale of the stock, the non-employee director will have a capital gain or loss equal to the difference between the sales proceeds and the value of the stock on the day the option was exercised. This capital gain

or loss will be long-term if the non-employee director has held the stock for more than one year and otherwise will be short-term.

Tax Consequences to the Company. There will be no tax consequences to the Company except that it will be entitled to a deduction when a non-employee director has compensation income. Any such deduction will be subject to the limitations of Section 162(m) of the Code.

PROPOSAL NO. 4
PROPOSAL TO AMEND THE COMPANY'S 2000 EMPLOYEE STOCK PURCHSE PLAN, AS AMENDED

The Board of Directors recommends a vote "For" this proposal.

On February 26, 2002, the Board of Directors of the Company approved, subject to stockholder approval, an amendment to the 2000 Employee Stock Purchase Plan, as amended (the "Purchase Plan") to increase the number of shares available for issuance under the Purchase Plan by 500,000. There are approximately 115,000 shares remaining in the Purchase Plan. Approval of this amendment would enable the Company to continue to offer shares under the Purchase Plan thereby facilitating the ongoing purchase of Common Stock by employees. This is in the best interests of stockholders because it aligns more closely the interests of participating employees with those of stockholders.

Summary of the Purchase Plan, as amended

The Purchase Plan provides for the issuance of up to 750,000 shares to Common Stock. Pursuant to the terms of the Purchase Plan, shares will be offered in a series of six-month offerings ("Plan Periods"), commencing on February 1 and August 1 of each year. All employees of the Company, and of those subsidiaries of the Company designated from time to time by the Committee as participating subsidiaries, who are employed by the Company (or such a subsidiary) at least 30 days prior to commencement of a Plan Period are eligible to participate in that offering. As of February 28, 2002, approximately 4,900 employees are eligible to participate.

The price at which a participating employee may purchase shares of Common Stock in an offering is 85% of the fair market value of the Common Stock on the day a Plan Period commences or on the date that a Plan Period ends, whichever is lower. An employee may elect to have up to 10% of his or her "total compensation" withheld for the purpose of purchasing shares under the Purchase Plan. Unless the participant elects to withdraw during a Plan Period, each participant who continues to be employed by the Company on the date such offering ends is deemed to have exercised the option and purchased on such date such number of shares (subject to the maximum number covered by his option) as may be purchased with the amount of his or her payroll deductions at the offering price. If employees subscribe to purchase more than the number of shares of Common Stock available during any offering, the available shares are allocated on a pro rata basis to subscribing employees. The Board of Directors of the Company may at any time terminate or amend the Purchase Plan.

This summary of the Purchase Plan is qualified in all respects by reference to the full text of the Purchase Plan, copies of which are available upon request to the Secretary of the Company.

Federal Income Tax Consequences

The following is a summary the United States federal income tax consequences that will arise with respect to participation in the Purchase Plan and with respect to the sale of Common Stock acquired under the Purchase Plan. This summary is based on the tax laws in effect as of the date of this Proxy Statement. Changes to these laws could alter the tax consequences described below.

Tax Consequences to Participating Employees. A participating employee will not have income upon enrolling in the Purchase Plan or upon purchasing stock at the end of an offering.

A participating employee may have both compensation income and capital gain income if the participating employee sells stock that was acquired under the Purchase Plan at a profit (if sales proceeds exceed the purchase price). The amount of each type of income will depend on when the participating employee sells the stock. If the participating employee sells the stock more than two years after the commencement of the offering during which the stock was purchased and more than one year

after the date that the participating employee purchased the stock, then the participating employee will have compensation income equal to the lesser of:

15% of the value of the stock on the day the offering commenced; and

the participating employee's profit.

Any excess profit will be long-term capital gain.

If the participating employee sells the stock prior to satisfying these waiting periods, then he or she will have engaged in a disqualifying disposition. Upon a disqualifying disposition, the participating employee will have compensation income equal to the value of the stock on the day he or she purchased the stock less the purchase price. If the participating employee's profit exceeds the compensation income, then the excess profit will be capital gain. This capital gain will be long-term if the participating employee has held the stock for more than one year and otherwise will be short-term.

If the participating employee sells the stock at a loss (if sales proceeds are less than the purchase price), then the loss will be a long-term capital loss. This capital loss will be long-term if the participating employee has held the stock for more than one year and otherwise will be short-term.

Tax Consequences to the Company. There will be no tax consequences to the Company except that it will be entitled to a deduction when a participating employee has compensation income. Any such deduction will be subject to the limitations of Section 162(m) of the Code.

PROPOSAL NO. 5
APPROVAL OF THE RIGHT OF AFFILIATES OF CREDIT SUISSE FIRST BOSTON TO CONVERT SHARES OF 5.25% SERIES A PREFERRED STOCK INTO COMMON STOCK AND TO EXERCISE WARRANTS TO PURCHASE COMMON STOCK

The Board of Directors recommends a vote "For" this proposal.

On March 14, 2002, the Company sold 830,000 shares of 5.25% Series A Convertible Preferred Stock (the "Preferred Stock") and warrants to purchase 1,612,281 shares of Common Stock of the Company (the "Warrants") to selected investors that were "accredited investors" as defined in Regulation D promulgated under the Securities Act in a private placement exempt from the registration requirements of the Securities Act.

As part of the private placement, certain investors that are affiliates of Credit Suisse First Boston Corporation (the "CSFB Entities") purchased an aggregate of 300,000 shares of Series A Preferred Stock and Warrants to purchase 582,751 shares of Common Stock. The Preferred Stock has a stated value of $50.00 per share and may be converted, at the holder's option, prior to the scheduled redemption date of March 14, 2007, into shares of the Company's Common Stock at a conversion price of $6.44 per share. In general, the Company may convert some or all of the Preferred Stock prior to the scheduled redemption date if the closing price of the Common Stock exceeds 150% of the conversion price for at least 15 of 20 consecutive trading days. If the Company effects a conversion of the Preferred Stock prior to September 14, 2003, it will make a payment to the holders of Preferred Stock equal to six quarterly dividends on the Preferred Stock less any dividends previously paid. The Warrants are exercisable during the next five years at an initial exercise price of $7.02 per share. In general, the Company may force the exercise of the warrants if the closing price of the Common Stock exceeds 175% of the exercise price for at least 15 of 20 consecutive trading days.

The terms of the Preferred Stock and the Warrants are complex and only briefly summarized in this Proxy Statement. Stockholders wishing further information concerning the rights, preferences and terms of the Series A Preferred Shares are referred to the full description contained in the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 18, 2002, and the exhibits to such report.

Under Rule 312.03(b) of the New York Stock Exchange, the Company must obtain stockholder approval before issuing any securities that are convertible into the Company's Common Stock to a "substantial security holder" of the Company if the number of shares of Common Stock into which the securities may be convertible exceeds one percent of the number of shares of Common Stock outstanding prior to the issuance.

CSFB is a substantial security holder as defined in New York Stock Exchange Rule 312.03(b). The CSFB Entities have agreed that, prior to approval by the Company's stockholders, they will not convert the shares of Preferred Stock into Common Stock or exercise the Warrants. If Proposal No. 5 is approved, the Preferred Stock held by the CSFB Entities will be convertible into shares of Common Stock and the Warrants will be exercisable for shares of Common Stock that, in the aggregate, would represent approximately 8.2% of the number of shares of Common Stock that are currently outstanding.

On February 26, 2002, the Board of Directors of the Company approved the issuance of Preferred Stock and Warrants to the CSFB Entities and voted to recommend that the stockholders of the Company approve the proposal. The members of the Board who were nominated by CSFB recused themselves and did not vote on the proposal. The purchasers of the Preferred Stock, including the CSFB Entities, have agreed to abstain from voting their shares of Preferred Stock on Proposal No. 5; CSFB will vote its current 16,064,683 shares of Common Stock in favor of Proposal No. 5.

Accordingly, Proposal No. 5, seeks stockholder approval for:

The ability of the CSFB Entities to convert the Preferred Stock, in whole or in part at any time or from time to time, into Company Common Stock in accordance with the terms of the Preferred Stock; and

The ability of the CSFB Entities to exercise the Warrants purchased by them in the private placement in whole or in part at any time or from time to time.

PROPOSAL NO. 6
TO APPROVE THE ISSUANCE OF SHARES OF COMMON STOCK UNDER THE TERMS OF THE SERIES A CONVERTIBLE PREFERRED STOCK TO SATISFY OBLIGATIONS TO PAY DIVIDENDS, TO MAKE PAYMENTS DUE UPON AN OPTIONAL OR MANDATORY CONVERSION OF SUCH PREFERRED STOCK AND TO REDEEM SUCH PREFERRED STOCK.

The Board of Directors recommends a vote "For" the proposal.

On March 14, 2002, the Company issued 830,000 shares of 5.25% Series A Convertible Preferred Stock (the "Preferred Stock") and warrants to purchase 1,612,281 shares of Common Stock in a private placement to qualified accredited investors for a purchase price of $41.5 million. Under the terms of the Preferred Stock, the Company has the option to pay dividends, make payments due upon an optional or mandatory conversion of the shares under certain circumstances and redeem the shares at their scheduled redemption date on March 14, 2007, in either cash or Common Stock. If the Company elects to make such payments in Common Stock, the Common Stock will be valued at 95% of the average closing price of Company Common Stock for the ten consecutive days prior to two trading days before the payment date.

New York Stock Exchange Rule 312.03(c) generally requires stockholder approval for the issuance of securities representing 20% or more of an issuer's outstanding listed securities if they are issued at prices below the market value or book value of the Company's Common Stock. In accordance with New York Stock Exchange Rule 312.03(c) and under the terms of the agreement pursuant to which the Company sold the Preferred Stock, the Company must solicit stockholder approval of the issuance of shares of Common Stock in satisfaction of the payments described above, if the issuance thereof would have otherwise been limited by the rules of the New York Stock Exchange. Upon stockholder approval, there is no limit on the number of shares that could be issued in satisfaction of such payments, and such issuance of shares of Common Stock will no longer be subject to stockholder approval under New York Stock Exchange Rule 312.03(c). If the stockholders do not approve and, therefore, the Company is not able to issue shares representing 20% or more of the number of shares outstanding due to restrictions relating to New York Stock Exchange Rule 312.03, the Company would be required to make such payments in cash to the extent it exceeded such 20% limit.

To the extent some of these payment obligations are settled in shares of Common Stock rather than cash, a significant number of additional shares of Common Stock may be sold into the market, which could decrease the price of the shares of Common Stock. In that case, the Company could be required to issue an increasingly greater number of shares of Common Stock in satisfaction of future dividend and other obligations of the Preferred Stock that the Company desired to settle in shares of Common Stock, sales of which could further depress the price of Company Common Stock. If the sale of a large number of shares of Common Stock upon the payment of dividends and other obligations in lieu of cash on the Preferred Stock results in a decline in the price of the Common Stock, this event could encourage short sales by the holders or others. Short sales could place further downward pressure on the price of the Common Stock. In addition, the satisfaction of these payments in shares of

Common Stock in lieu of cash on the Preferred Stock may result in substantial dilution to the interest of other holders of the Common Stock.

The purchasers of the Preferred Stock, including the CSFB Entities, have agreed to abstain from voting their shares of Preferred Stock on Proposal No. 6; CSFB will vote its current 16,064,683 shares of Common Stock in favor of Proposal No. 6.

The terms of the Preferred Stock are complex and only briefly summarized in this Proxy Statement. Stockholders wishing further information concerning the rights, preferences and terms of the Preferred Stock are referred to the full description contained in the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 18, 2002, and the exhibits to such report.

PROPOSAL NO. 7
RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

The Board of Directors recommends a vote "For" the ratification of PricewaterhouseCoopers LLP as independent auditors.

The Board of Directors has appointed PricewaterhouseCoopers LLP as the independent auditors of the Company for the year ending December 31, 2002. PricewaterhouseCoopers LLP has served as independent auditors of the Company since 1994. The stockholders will be asked to ratify the appointment of PricewaterhouseCoopers LLP at the Meeting. Although stockholder approval of the Board of Directors' selection of PricewaterhouseCoopers LLP is not required by law, the Board of Directors believes that it is advisable to give stockholders an opportunity to ratify the selection. If the proposal is not approved by the stockholders at the Meeting, the Board of Directors may reconsider its selection. Representatives of PricewaterhouseCoopers LLP will be present at the Meeting, will have an opportunity to make a statement if they so desire, and will be available to respond to appropriate questions from stockholders.

Audit Fees. PricewaterhouseCoopers LLP billed the Company an aggregate of $625,000 in fees and expenses for professional services rendered in connection with the audit of the Company's financial statements for the fiscal year ended December 31, 2001 and the reviews of the financial statements included in each of the Company's Quarterly Reports on Form 10-Q during the fiscal year ended December 31, 2001 or the operation of the Company's information systems.

Financial Information Systems Design and Implementation Fees. PricewaterhouseCoopers LLP did not bill the Company for any professional services rendered to the Company and its affiliates for the fiscal year ended December 31, 2001.

All Other Fees. PricewaterhouseCoopers LLP billed the Company an aggregate of $1,240,000 in fees and expenses during the year ended December 31, 2001, primarily for the following professional services:

Audit related services $386,000(a)
Taxes $55,000
Other $798,000(b)

(a) Audit related services include due diligence investigations related to the Company's acquisitions, registration statements and related offerings, accounting advice and other audits, including benefit plans.

(b) Other fees comprise post-deal transition services related to the Company's acquisitions.

EXECUTIVE COMPENSATION AND OTHER MATTERS

SUMMARY COMPENSATION TABLE

The following table summarizes the compensation paid by the Company for each of the last three fiscal years to its Chief Executive Officer and the Company's four other most highly compensated executive officers during 2001 ("Named Executives").

SUMMARY COMPENSATION TABLE

		Annual Compensation(1)		Long term Compensation	
Name and Principal Position	**Fiscal Year**	**Salary**	**Bonus**	**Awards Securities Underlying Options**	**All Other Compensation (2)**
Kevin C. Melia (3)	2001	$ 344,615	$ 275,943	275,000	$ 10,957
Chairman and Chief Executive Officer	2000	$ 350,000	$ 4,025,124	125,000	$ 9,629
	1999	$ 350,000	$ 418,994	437,500	$ 9,076
Robert E. Donahue	2001	$ 320,000	$ 234,180	275,000	$ 11,883
President and Chief Operating Officer	2000	$ 294,230	$ 325,553	250,000	$ 11,883
	1999	$ 272,116	$ 244,904	112,500	$ 12,574
Albert A. Notini (4)	2001	$ 275,000	$ 169,682	125,000	$ 8,190
Executive Vice President and	2000	$ 168,269	$ 173,971	232,000	$ 392
Chief Financial Officer					
Rodolfo Archbold	2001	$ 187,077	$ 45,211	25,000	$ 4,527
Executive Vice President and	2000	$ 188,077	$ 112,273	53,750	$ 4,057
Chief Technology Officer	1999	$ 169,327	$ 84,664	31,250	$ 3,919
Richard J. Gaynor (5)	2001	$ 194,654	$ 104,541	77,500	$ 15,774
Vice President and Corporate Controller	2000				
	1999				

(1) Other compensation in the form of perquisites and other personal benefits has been omitted, in accordance with the rules of the SEC, as the aggregate amount of such perquisites and other personal benefits constituted less than the lesser of $50,000 or 10% of the total annual salary and bonus for each executive officer in each fiscal year covered.

(2) Represents insurance premiums that the Company paid for term life insurance and long-term disability policies on behalf of the named executive officer.

(3) 2000 bonus includes a special stock bonus of 200,000 shares of Common Stock issued in January 2000 at a value of $18.00 per share.

(4) 2000 bonus includes a signing bonus of $100,000 when Mr. Notini joined the Company in May 2000.

(5) Mr. Gaynor joined the Company in mid-January 2001. The column "all other compensation" includes $15,213 in relocation expenses.

OPTION GRANTS IN LAST FISCAL YEAR

The following table provides certain information concerning options to purchase Common Stock of the Company granted during the fiscal year ended December 31, 2001 to each of the Named Executives.

	Individual grants in fiscal 2001				**Potential realizable value at assumed annual rates of stock price appreciation for**

	Individual grants in fiscal 2001					Potential realizable value at assumed annual rates of stock price appreciation for option term (2)		
Name	Number of securities underlying options granted (1)	% of total options granted to employees in 2001	Exercise price per share	Fair Market Value per share on date of grant	Expiration date	0%	5%	10%
Kevin C. Melia	175,000	5.4%	$ 8.50	$ 8.50	1/19/11	$ 0	$ 934,500	$ 2,369,500
	100,000	3.0%	$ 7.43	$ 7.43	5/22/11	$ 0	$ 467,268	$ 1,184,150
Robert E. Donahue	125,000	3.8%	$ 8.50	$ 8.50	1/19/11	$ 0	$ 667,500	$ 1,692,500
	150,000	4.6%	$ 7.43	$ 7.43	5/22/11	$ 0	$ 700,500	$ 1,776,000
Albert A. Notini	125,000	3.8%	$ 7.43	$ 7.43	5/22/11	$ 0	$ 583,750	$ 1,480,000
Rodolfo Archbold	25,000	0.7%	$ 7.43	$ 7.43	5/22/11	$ 0	$ 116,750	$ 296,000
Richard J. Gaynor	50,000	1.5%	$ 6.625	$ 6.625	1/08/11	$ 0	$ 186,348	$ 487,750
	15,000	0.4%	$ 7.43	$ 7.43	5/22/11	$ 0	$ 70,050	$ 177,600
	12,500	0.3%	$ 3.90	$ 3.90	10/31/11	$ 0	$ 30,650	$ 77,750

(1) All options granted to the Named Executives were granted under the Company's 2000 Equity Incentive Plan, as amended. The options are generally not transferable by the optionee, are exercisable for a ten-year period from the date of the grant, must generally be exercised within 3 months after the end of the optionee's status as an employee or within twelve (12) months after the optionee's death or disability. Each option vests ratably as to 25% of the shares covered thereby on the first anniversary of the grant date and as to $^{1}/_{36}$ of the remaining option monthly thereafter from the 13th to the 48th month after the grant date. All options accelerate and become immediately vested upon a change in control of the Company.

(2) The amounts shown on this table represent hypothetical gains that could be achieved for the respective options if exercised at the end of the option term. These gains are based on assumed rates of stock appreciation of 0%, 5% and 10% compounded annually from the date the respective options were granted to their expiration date. The gains shown are net of the option exercise price, but do not include deductions for taxes or other expenses associated with the exercise. Actual gains, if any, on stock option exercises will depend on the future performance of the Company's Common Stock, the optionholder's continued employment through the option period and the date on which the options are exercised.

AGGREGATE OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION VALUES

The following table provides certain information concerning stock option exercises by the Named Executives during the fiscal year ended December 31, 2001 and options held by the Named Executives as of December 31, 2001.

			Number of securities underlying unexercised options at 12/31/01		Value of unexercised in-the-money options at 12/31/01(2)	
Name	Number of shares acquired on exercise	Value realized(1)	Exercisable	Unexercisable	Exercisable	Unexercisable
Kevin C. Melia	0	0	425,632	411,868	$ 117,187	$ 234,376
Robert E. Donahue	0	0	262,536	434,045	$ 288,068	$ 20,725
Albert A. Notini	0	0	66,202	290,798	0	0
Rodolfo Archbold	1,000	$ 2,400	40,941	74,109	$ 20,617	$ 15,558
Richard J. Gaynor	0	0	6,113	71,387	0	$ 29,375

(1)

Represents the difference between the option exercise price and the closing price of the Common Stock on the New York Stock Exchange on the date of exercise.

(2)

Represents the difference between the option exercise price and the closing price of the Common Stock on December 31, 2001 of $6.25 per share

EMPLOYMENT CONTRACTS AND CHANGE IN CONTROL ARRANGEMENTS

Employment Agreements

On January 2, 2002 the Company and Kevin C. Melia entered into an amended Employment Agreement having an initial term of one year. The agreement provides that Mr. Melia will serve as Chairman of the Board at an annual base salary of $350,000, plus a target incentive bonus of 50% of his base salary in accordance with the terms of the Company's Cash Incentive Compensation Plan. The agreement will automatically renew for one year terms unless either party provides the other with written notice not less than 90 days prior to the end of the current one year term that the agreement not be extended. It further specifies that if the Company terminates Mr. Melia's employment for cause, all unexercised stock options, both vested and unvested and any restricted stock held by Mr. Melia will be immediately forfeited. If the Company terminates Mr. Melia's employment without cause or if Mr. Melia terminates his employment for good reason (collectively "Without Cause Termination"), Mr. Melia will receive two times his base salary and two times his target incentive bonus payable in equal installments over the subsequent twelve month period in accordance with the Company's payroll practices. The Company will also reimburse Mr. Melia for costs associated with his health, dental and vision insurance for the twenty-four month period following a Without Cause Termination of employment. Finally, all unvested stock options held by Mr. Melia at the time of such Without Cause Termination, shall become immediately vested and exercisable for a period of twelve months thereafter.

The agreement also provides that during the twenty-four month period following a termination of his employment, Mr. Melia will not enter into competitive endeavors and will not undertake any commercial activity that is contrary to the Company's best interest or that of the Company's affiliates, including accepting employment or acquiring an interest in any entity (other than up to 5% of any publicly traded company) that competes directly or indirectly with the Company. In addition, the agreement requires Mr. Melia to refrain from soliciting or hiring any of the Company's employees for two years following the termination of his employment.

The Company has entered into a three-year employment agreement with Robert C. Bradshaw, effective on January 2, 2002, which specifies that he will hold the offices of President and Chief

Executivtext-indent:-1.00em; font-size:10pt; font-family:Times New Roman">**Independent Directors**

Steven Hochberg

$64,000 $64,000

David S. Wachter

$61,500 $61,500

Leonard A. Potter

$60,000 $60,000

(1) For a discussion of the independent directors compensation, see below.

(2) We do not maintain a stock or option plan, non-equity incentive plan or pension plan for our directors. However, our independent directors have the option to receive all or a portion of the directors fees to which they would otherwise be entitled in the form of shares of our common stock issued at a price per share equal to the greater of our then current net asset value per share or the market price at the time of payment. No shares were issued to any of our independent directors in lieu of cash during 2017.

Our independent directors annual fee is $50,000. The independent directors also receive $1,250 ($500 if participating telephonically) plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each board meeting and $500 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with each committee meeting attended. In addition, the Chairman of the Audit Committee receives an annual fee of $3,750, the Chairman of the Nominating and Corporate Governance Committee receives an annual fee of $1,250 and the Chairman of the Compensation Committee receives an annual fee of $1,250. Further, we purchase directors and officers liability insurance on behalf of our directors and officers. In addition, no compensation was paid to directors who are interested persons of the Company as defined in the 1940 Act.

Compensation of Executive Officers

None of our officers receives direct compensation from the Company. As a result, we do not engage any compensation consultants. Mr. Gross, our Chief Executive Officer and President, and Mr. Spohler, our Chief Operating Officer, through their ownership interest in Solar Capital Partners, our investment adviser, are entitled to a portion of any profits earned by Solar Capital Partners, which includes any fees payable by us to Solar Capital Partners under the terms of the Advisory Agreement, less expenses incurred by Solar Capital Partners in performing its services under the Advisory Agreement. Messrs. Gross and Spohler do not receive any additional compensation from Solar Capital Partners in connection with the management of our portfolio.

Mr. Peteka, our Chief Financial Officer, Treasurer and Secretary and, through Alaric Compliance Services, LLC, Guy Talarico, our Chief Compliance Officer, are paid by Solar Capital Management, our administrator, subject to reimbursement by us of an allocable portion of such compensation for services rendered by such persons to the Company. To the extent that Solar Capital Management outsources any of its functions, we will pay the fees associated with such functions on a direct basis without profit to Solar Capital Management.

Indemnification Agreements

We have entered into indemnification agreements with our directors. The indemnification agreements are intended to provide our directors the maximum indemnification permitted under Maryland law and the 1940 Act. Each indemnification agreement provides that Solar Senior Capital shall indemnify the director who is a party to the agreement (an Indemnitee), including the advancement of legal expenses, if, by reason of his or her corporate status, the Indemnitee is, or is threatened to be, made a party to or a witness in any threatened, pending, or completed proceeding, to the maximum extent permitted by Maryland law and the 1940 Act.

Certain Relationships and Transactions

We have entered into the Advisory Agreement with Solar Capital Partners. Mr. Gross, our Chairman, Chief Executive Officer and President, and Mr. Spohler, our Chief Operating Officer and board member, are managing members and senior investment professionals of, and have financial and controlling interests in, Solar Capital Partners. In addition, Mr. Peteka, our Chief Financial Officer, Treasurer and Secretary, serves as the Chief Financial Officer for Solar Capital Partners.

Solar Capital Partners and its affiliates may also manage other funds in the future that may have investment mandates that are similar, in whole and in part, with ours. For example, Solar Capital Partners presently serves as investment adviser to Solar Capital Ltd., a publicly traded BDC, which focuses on investing primarily in senior secured loans, mezzanine loans and equity securities. In addition, Michael S. Gross, our Chairman and Chief Executive Officer, Bruce Spohler, our Chief Operating Officer, and Richard L. Peteka, our Chief Financial Officer, serve in similar capacities for Solar Capital Ltd.

Solar Capital Partners and certain investment advisory affiliates may determine that an investment is appropriate for us and for one or more of those other funds. In such event, depending on the availability of such

investment and other appropriate factors, Solar Capital Partners or its affiliates may determine that we should invest side-by-side with one or more other funds. Any such investments will be made only to the extent permitted by applicable law and interpretive positions of the SEC and its staff, and consistent with Solar Capital Partners allocation procedures.

Related party transactions may occur among Solar Senior Capital Ltd. and Gemino Healthcare Finance, LLC, First Lien Loan Program LLC, NorthMill LLC and FLLP 2015-1, LLC. These transactions may occur in the normal course of business. No administrative fees are paid to Solar Capital Partners by Gemino Healthcare Finance, LLC, NorthMill LLC or First Lien Loan Program LLC.

In addition, we have adopted a formal code of ethics that governs the conduct of our officers and directors. Our officers and directors also remain subject to the duties imposed by both the 1940 Act and the Maryland General Corporation Law.

Regulatory restrictions limit our ability to invest in any portfolio company in which any affiliate currently has an investment. The Company obtained an exemptive order from the SEC on July 28, 2014 (the Exemptive Order). The Exemptive Order permitted us to participate in negotiated co-investment transactions with certain affiliates, each of whose investment adviser is Solar Capital Partners, in a manner consistent with our investment objective, positions, policies, strategies and restrictions as well as regulatory requirements and other pertinent factors, and pursuant to the conditions to the Exemptive Order. On June 13, 2017, the Company, Solar Capital Ltd., and Solar Capital Partners received an exemptive order that supersedes the Exemptive Order (the New Exemptive Order) and extends the relief granted in the Exemptive Order such that it no longer applies to certain affiliates only if their respective investment adviser is Solar Capital Partners, but also applies to certain affiliates whose investment adviser is an investment adviser that controls, is controlled by or is under common control with Solar Capital Partners and is registered as an investment adviser under the Investment Advisers Act of 1940, as amended. The terms and conditions of the New Exemptive Order are otherwise substantially similar to the Exemptive Order. We believe that it will be advantageous for us to co-invest with funds managed by Solar Capital Partners where such investment is consistent with the investment objectives, investment positions, investment policies, investment strategy, investment restrictions, regulatory requirements and other pertinent factors applicable to us.

We have entered into a license agreement with Solar Capital Partners, pursuant to which Solar Capital Partners has agreed to grant us a non-exclusive, royalty-free license to use the name Solar Senior Capital. In addition, pursuant to the terms of the Administration Agreement, Solar Capital Management provides us with the office facilities and administrative services necessary to conduct our day-to-day operations.

Board Consideration of the Investment Advisory and Management Agreement

Our board of directors determined at a meeting held on November 2, 2017, to re-approve the Advisory Agreement between the Company and Solar Capital Partners. In its consideration of the re-approval of the Advisory Agreement, the board of directors focused on information it had received relating to, among other things:

- The nature, extent and quality of advisory and other services provided by Solar Capital Partners, including information about the investment performance of the Company relative to its stated objectives and in comparison to the performance of the Company s peer group and relevant market indices, and concluded that such advisory and other services are satisfactory and the Company s investment performance is reasonable;

The experience and qualifications of the personnel providing such advisory and other services, including information about the backgrounds of the investment personnel, the allocation of responsibilities among such personnel and the process by which investment decisions are made, and concluded that the investment personnel of Solar Capital Partners have extensive experience and are well qualified to provide advisory and other services to the Company;

The current fee structure, the existence of any fee waivers, and the Company s anticipated expense ratios in relation to those of other investment companies having comparable investment policies and limitations, and concluded that the current fee structure is reasonable;

The advisory fees charged by Solar Capital Partners to the Company and to Solar Capital Ltd., and comparative data regarding the advisory fees charged by other investment advisers to business development companies with similar investment objectives, and concluded that the advisory fees charged by Solar Capital Partners to the Company are reasonable;

The direct and indirect costs, including for personnel and office facilities, that are incurred by Solar Capital Partners and its affiliates in performing services for the Company and the basis of determining and allocating these costs, and concluded that the direct and indirect costs, including the allocation of such costs, are reasonable;

Possible economies of scale arising from the Company s size and/or anticipated growth, and the extent to which such economies of scale are reflected in the advisory fees charged by Solar Capital Partners to the Company, and concluded that some economies of scale may be possible in the future;

Other possible benefits to Solar Capital Partners and its affiliates arising from their relationships with the Company, and concluded that all such other benefits were not material to Solar Capital Partners and its affiliates; and

Possible alternative fee structures or bases for determining fees, and concluded that the Company s current fee structure and bases for determining fees are satisfactory.

Based on the information reviewed and the discussions detailed above, the board of directors, including a majority of the directors who are not interested persons as defined in the 1940 Act, concluded that the fees payable to Solar Capital Partners pursuant to the Advisory Agreement were reasonable, and comparable to the fees paid by other management investment companies with similar investment objectives, in relation to the services to be provided. The board of directors did not assign relative weights to the above factors or the other factors considered by it. Individual members of the board of directors may have given different weights to different factors.

Section 16(a) Beneficial Ownership Reporting Compliance

Pursuant to Section 16(a) of the Exchange Act, the Company s directors and executive officers, and any persons holding more than 10% of its common stock, are required to report their beneficial ownership and any changes therein to the SEC and the Company. Specific due dates for those reports have been established, and the Company is required to report herein any failure to file such reports by those due dates. Based solely on a review of copies of such reports and written representations delivered to the Company by such persons, the Company believes that there were no violations of Section 16(a) by such persons during the fiscal year ended December 31, 2017.

Independent Registered Public Accounting Firm

The Audit Committee and the independent directors of the board of directors have selected KPMG LLP to serve as the independent registered public accounting firm for the Company for the fiscal year ending December 31, 2018.

KPMG LLP has advised us that neither the firm nor any present member or associate of it has any material financial interest, direct or indirect, in the Company or its affiliates. It is expected that a representative of KPMG LLP will be present at the Meeting and will have an opportunity to make a statement if he or she chooses and will be available to answer questions.

Table below in thousands

	Fiscal Year Ended December 31, 2017	Fiscal Year Ended December 31, 2016
Audit Fees	$ 290.0	$ 282.0
Audit-Related Fees	35.5	105.7
Tax Fees	35.8	34.1
All Other Fees		
Total Fees:	$ 361.3	$ 421.8

Audit Fees: Audit fees consist of fees billed for professional services rendered for the audit of our year-end financial statements and quarterly reviews and services that are normally provided by KPMG LLP in connection with statutory and regulatory filings.

Audit-Related Fees: Audit-related services consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under Audit Fees. These services include attest services that are not required by statute or regulation and consultations concerning financial accounting and reporting standards.

Tax Services Fees: Tax services fees consist of fees billed for professional tax services. These services also include assistance regarding federal, state, and local tax compliance.

All Other Fees: Other fees would include fees for products and services other than the services reported above.

Audit Committee Report

The Audit Committee of our board of directors operates under a written charter adopted by the board of directors. The Audit Committee is currently composed of Messrs. Hochberg, Wachter and Potter.

Management is responsible for the Company s internal controls and the financial reporting process. The Company s independent registered public accounting firm is responsible for performing an independent audit of the Company s financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) and expressing an opinion in conformity with U.S. generally accepted accounting principles. The Audit Committee s responsibility is to monitor and oversee these processes. The Audit Committee is also directly responsible for the appointment, compensation and oversight of the Company s independent registered public accounting firm.

Pre-Approval Policy

The Audit Committee has established a pre-approval policy that describes the permitted audit, audit-related, tax and other services to be provided by KPMG LLP, the Company s independent registered public accounting firm (KPMG). The policy requires that the Audit Committee pre-approve the audit and non-audit services performed by the independent auditor in order to assure that the provision of such service does not impair the auditor s independence.

Any requests for audit, audit-related, tax and other services that have not received general pre-approval must be submitted to the Audit Committee for specific pre-approval, irrespective of the amount, and cannot commence until

such approval has been granted. Normally, pre-approval is provided at regularly scheduled meetings of the Audit Committee. However, the Audit Committee may delegate pre-approval authority to one or more of its

members. The member or members to whom such authority is delegated shall report any pre-approval decisions to the Audit Committee at its next scheduled meeting. The Audit Committee does not delegate its responsibilities to pre-approve services performed by the independent registered public accounting firm to management. The Audit Committee pre-approved 100% of services described in this policy.

Review with Management

The Audit Committee has reviewed the audited financial statements and met and held discussions with management regarding the audited financial statements. Management has represented to the Audit Committee that the Company s financial statements were prepared in accordance with the standards of the Public Company Accounting Oversight Board (United States).

Review and Discussion with Independent Registered Public Accounting Firm

The Audit Committee has reviewed and discussed the Company s audited financial statements with management and KPMG, with and without management present. The Audit Committee included in its review results of KPMG s examinations, the Company s internal controls, and the quality of the Company s financial reporting. The Audit Committee also reviewed the Company s procedures and internal control processes designed to ensure full, fair and adequate financial reporting and disclosures, including procedures for certifications by the Company s Chief Executive Officer and Chief Financial Officer that are required in periodic reports filed by the Company with the SEC. The Audit Committee is satisfied that the Company s internal control system is adequate and that the Company employs appropriate accounting and auditing procedures.

The Audit Committee also has discussed with KPMG matters relating to KPMG s assessment about the quality, as well as the acceptability, of the Company s accounting principles as applied in its financial reporting as required by PCAOB Auditing Standard 16 (Communications with Audit Committees). In addition, the Audit Committee has discussed with KPMG their independence from management and the Company, as well as the matters in the written disclosures received from KPMG and required by Public Company Accounting Oversight Board Rule 3520 (Auditor Independence). The Audit Committee received a letter from KPMG confirming their independence and discussed it with them. The Audit Committee discussed and reviewed with KPMG the Company s critical accounting policies and practices, internal controls, other material written communications to management, and the scope of KPMG s audits and all fees paid to KPMG during the fiscal year. The Audit Committee has adopted guidelines requiring review and pre-approval by the Audit Committee of audit and non-audit services performed by KPMG for the Company. The Audit Committee has reviewed and considered the compatibility of KPMG s performance of non-audit services with the maintenance of KPMG s independence as the Company s independent registered public accounting firm.

Conclusion

Based on the Audit Committee s discussion with management and the independent registered public accounting firm, the Audit Committee s review of the audited financial statements, the representations of management and the report of the independent registered public accounting firm to the Audit Committee, the Audit Committee recommended that the board of directors include the audited financial statements in the Company s Annual Report on Form 10-K for the year ended December 31, 2017 for filing with the SEC. The Audit Committee also recommended the selection of KPMG to serve as the independent registered public accounting firm for the year ending December 31, 2018.

Respectfully Submitted,

The Audit Committee

Steven Hochberg

David S. Wachter

Leonard A. Potter

The material contained in the foregoing Audit Committee Report is not soliciting material, is not deemed filed with the SEC, and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

PROPOSAL II:

APPROVAL TO AUTHORIZE THE COMPANY TO SELL SHARES OF ITS COMMON STOCK AT A PRICE OR PRICES BELOW THE COMPANY S THEN CURRENT NET ASSET VALUE PER SHARE IN ONE OR MORE OFFERINGS, IN EACH CASE SUBJECT TO THE APPROVAL OF ITS BOARD OF DIRECTORS AND COMPLIANCE WITH THE CONDITIONS SET FORTH IN THE PROXY STATEMENT.

The Company is a closed-end investment company that has elected to be regulated as a BDC under the 1940 Act. The 1940 Act prohibits the Company from selling shares of its common stock at a price below the then current net asset value (NAV) per share of such stock, exclusive of sales compensation, unless its stockholders approve such a sale and the Company s board of directors make certain determinations. Shares of the Company s common stock have traded at a price both above and below their NAV since they have begun trading on the NASDAQ Global Select Market.

Pursuant to this provision, the Company is seeking the approval of its common stockholders so that it may, in one or more public or private offerings of its common stock, sell or otherwise issue shares of its common stock, not exceeding 25% of its then outstanding common stock immediately prior to each such offering, at a price below its then current NAV, subject to certain conditions discussed below. The Company s board of directors believes that having the flexibility for the Company to sell its common stock below NAV in certain instances is in the best interests of stockholders. If the Company were unable to access the capital markets as attractive investment opportunities arise, the Company s ability to grow over time and continue to pay distributions to stockholders could be adversely affected.

While the Company has no immediate plans to sell shares of its common stock below NAV, it is seeking stockholder approval now in order to maintain access to the markets if the Company determines it should sell shares of common stock below NAV. These sales typically must be undertaken quickly. The final terms of any such sale will be determined by the board of directors at the time of sale. Also, because the Company has no immediate plans to sell any shares of its common stock, it is impracticable to describe the transaction or transactions in which such shares of common stock would be sold. Instead, any transaction where the Company sells such shares of common stock, including the nature and amount of consideration that would be received by the Company at the time of sale and the use of any such consideration, will be reviewed and approved by the board of directors at the time of sale. There will be no limit on the percentage below NAV per share at which shares may be sold by the Company under this proposal. However, the Company does not presently intend to sell shares of its common stock at a price that is more than 20% lower than the Company s then current NAV, absent extenuating circumstances, including, but not limited to, circumstances that would require the Company to raise equity capital in order to avoid defaulting on its debt obligations. If this proposal is approved, no further authorization from the stockholders will be solicited prior to any such sale in accordance with the terms of this proposal. If approved, as required under the 1940 Act, the authorization would be effective for securities sold during a period beginning on the date of such stockholder approval and expiring on the earlier of the anniversary of the date of the Meeting or the date of the Company s 2019 Annual Meeting of Stockholders. Stockholders approved similar proposals at the 2012, 2013, 2014, 2015, 2016 and 2017 Annual Meetings of Stockholders. However, notwithstanding such stockholder approvals, since the Company s initial public offering on February 24, 2011, the Company has not sold any shares of its common stock in an offering that resulted in proceeds to the Company of less than the Company s then current NAV per share.

Generally, common stock offerings by BDCs are priced based on the market price of the currently outstanding shares of common stock, less a small discount of approximately 5% (which may be higher or lower depending on market conditions), which means that such offerings are generally priced below the then current market price of the BDC s common stock. Accordingly, even when shares of the Company s common stock trade at a market price below NAV, this proposal would permit the Company to offer and sell shares of its common stock in accordance with pricing standards that market conditions generally require, subject to the conditions described below in connection with any offering undertaken pursuant to this proposal. This Proxy

22

Statement is not an offer to sell securities. Securities may not be offered or sold in the United States absent registration with the SEC or an applicable exemption from SEC registration requirements.

1940 Act Conditions for Sales below NAV

The Company s ability to issue shares of its common stock at a price below NAV is governed by the 1940 Act. If stockholders approve this proposal, the Company will only sell shares of its common stock at a price below NAV per share if the following conditions are met:

- a majority of the Company s directors who are not interested persons of the Company as defined in the 1940 Act, and who have no financial interest in the sale, shall have approved the sale and determined that it is in the best interests of the Company and its stockholders; and

- a majority of such directors, who are not interested persons of the Company, in consultation with the underwriter or underwriters of the offering if it is to be underwritten, have determined in good faith, and as of a time immediately prior to the first solicitation by or on behalf of the Company of firm commitments to purchase such securities or immediately prior to the issuance of such securities, that the price at which such securities are to be sold is not less than a price which closely approximates the market value of those securities, less any underwriting commission or discount, which could be substantial.

Board Approval

On February 22, 2018, our board of directors, including a majority of the non-interested directors who have no financial interest in this proposal, approved this proposal as in the best interests of the Company and its stockholders and is recommending that the Company s stockholders vote in favor of this proposal to offer and sell shares of the Company s common stock at prices that may be less than NAV. In evaluating this proposal, our board of directors, including the non-interested directors, considered and evaluated factors including the following, as discussed more fully below:

- possible long-term benefits to the Company s stockholders; and

- possible dilution to the Company s NAV

Prior to approving this proposal, our board of directors met to consider and evaluate information that our management provided on the merits of our possibly raising additional capital and the merits of publicly offering shares of the Company s common stock at a price below NAV. Our board of directors considered the objectives of a possible offering, the mechanics of an offering, establishing size parameters for an offering, the possible effects of dilution, common stock trading volume, and other matters, including that the Company s common stock has frequently traded both above and below NAV in recent years. The board of directors evaluated a full range of offering sizes. However, the board of directors has not yet drawn any definite conclusions regarding the size of a contemplated capital raise at this time, to the extent the Company s common stock were to trade below NAV. In determining whether or not to offer and sell common stock, including below NAV, the board of directors has a duty to act in the Company s best interests and its stockholders and must comply with the other requirements of the 1940 Act.

Reasons to Offer Common Stock below NAV

The Company s board of directors believes that having the flexibility for the Company to sell its common stock below NAV in certain instances is in the Company s best interests and the best interests of its stockholders. If the Company were unable to access the capital markets when attractive investment opportunities arise, the Company s ability to grow over time and to continue to pay distributions to stockholders could be adversely

affected. In reaching that conclusion, the Company s board of directors considered the following possible benefits to its stockholders:

Current Market Conditions Have Attractive Opportunities

Current market opportunities have created, and we believe will continue to create for the foreseeable future, favorable opportunities to invest, including opportunities that, all else being equal, may increase the Company s NAV over the longer-term, even if financed with the issuance of common stock below NAV. Stockholder approval of this proposal, subject to the conditions detailed below, is expected to provide the Company with the flexibility to invest in such opportunities. We believe that current market conditions provide attractive opportunities to use capital.

Market conditions also have beneficial effects for capital providers, including reduced competition, more favorable pricing of credit risk, more conservative capital structures and more creditor-friendly contractual terms. Accordingly, we believe that the Company could benefit from access to capital in this constrained credit market and that the current environment should provide attractive investment opportunities. The Company s ability to take advantage of these opportunities will depend upon its access to capital.

Greater Investment Opportunities Due to Larger Capital Resources

The Company s board of directors believes that additional capital raised through an offering of shares of its common stock, even at a price below NAV, may help it generate additional deal flow. Based on discussions with management, the Company s board of directors believes that greater deal flow, which may be achieved with more capital, even if such capital is obtained through the issuance of common stock below NAV, would enable the Company to be a more significant participant in the private debt and equity markets and to compete more effectively for attractive investment opportunities. Management has represented to the Company s board of directors that such investment opportunities may be funded with proceeds of an offering of shares of the Company s common stock at a price below NAV. However, management has not identified specific companies in which to invest the proceeds of an offering given that specific investment opportunities will change depending on the timing of an offering, if any.

Higher Market Capitalization and Liquidity May Make the Company s Common Stock More Attractive to Investors

If the Company issues additional shares, its market capitalization and the amount of its publicly tradable common stock will increase, which may afford all holders of its common stock greater liquidity even if such additional liquidity is created through the issuance of shares below NAV. A larger market capitalization may make the Company s stock more attractive to a larger number of investors who have limitations on the size of companies in which they invest. Furthermore, a larger number of shares outstanding may increase the Company s trading volume, which could decrease the volatility in the secondary market price of its common stock.

Maintenance or Possible Increase of Distributions

A larger and more diversified portfolio could provide the Company with more consistent cash flow, which may support the maintenance and/or growth of its distributions. The Company generally makes distributions to its stockholders monthly and for the year ended December 31, 2017 the Company declared total distributions of $1.41 per share of its common stock. Although management will continue to seek to generate income sufficient to pay the Company s distributions in the future, the proceeds of future offerings, and the investments thereof, could enable the Company to maintain and/or possibly grow its distributions, which may include a return of capital.

Reduced Expenses Per Share

An offering that increases the Company s total assets may reduce its expenses per share due to the spreading of fixed expenses over a larger asset base. The Company must bear certain fixed expenses, such as certain administrative, governance and compliance costs that do not generally vary based on its size. On a per share basis, these fixed expenses will be reduced when supported by a larger asset base.

Status as a BDC and RIC and Maintaining a Favorable Debt-to-Equity Ratio

As a BDC and a regulated investment company (RIC) for tax purposes, the Company is dependent on its ability to raise capital through the sale of common stock. RICs generally must distribute substantially all of their earnings from dividends, interest and short-term gains to stockholders as distributions in order to achieve pass-through tax treatment, which prevents the Company from using those earnings to support new investments. Further, for the same reason BDCs, in order to borrow money or issue preferred stock, must maintain a debt to equity ratio of not more than 1:1, which requires the Company to finance its investments with at least as much common equity as debt and preferred stock in the aggregate. Therefore, to continue to build the Company s investment portfolio, and thereby support maintenance and growth of the Company s distributions, the Company endeavors to maintain consistent access to capital through the public and private equity markets enabling it to take advantage of investment opportunities as they arise.

Exceeding the required 1:1 debt-to-equity ratio would have severe negative consequences for a BDC, including an inability to pay distributions, possible breaches of debt covenants and failure to qualify for tax treatment as a RIC. Although the Company does not currently expect that it will exceed the required 1:1 debt-to-equity ratio, the markets the Company operates in and the general economy remain volatile and uncertain. Even though the underlying performance of a particular portfolio company may not indicate impairment or an inability to repay indebtedness in full, the volatility in the debt capital markets may continue to impact the valuations of debt investments negatively and result in further unrealized write-downs of debt investments. Any such asset write- downs, as well as unrealized write-downs based on the underlying performance of the Company s portfolio companies, if any, will negatively impact its stockholders equity and the resulting debt-to-equity ratio. Issuing new equity will improve the Company s debt-to-equity ratio. In addition to meeting legal requirements applicable to BDCs, having a more favorable debt-to-equity ratio will also generally strengthen the Company s balance sheet and give it more flexibility in its operations.

Trading History

Shares of BDCs may trade at a market price that is less than the value of the net assets attributable to those shares. The possibility that the Company s shares of common stock will trade at a discount from NAV, or at premiums that are unsustainable over the long term, are separate and distinct from the risk that the Company s NAV will decrease. Since the Company s initial public offering on February 24, 2011, its shares of common stock have traded at both a discount and a premium to the net assets attributable to those shares. As of March 27, 2018, the Company s shares of common stock traded at a [discount/premium] equal to approximately [ ]% of the net assets attributable to those shares based upon its NAV as of December 31, 2017. It is not possible to predict whether the shares that may be offered pursuant to this approval will trade at, above, or below NAV. The following table lists the high and low closing prices for our common stock for each fiscal quarter since the beginning of 2016, such sales prices as a percentage of NAV per share and monthly distributions per share.

		Price Range				
	NAV[1]	High	Low	Premium or (Discount) of High Closing Price to NAV[2]	Premium or (Discount) of Low Closing Price to NAV[2]	Declared Distributions Per Share[3]
Fiscal 2018						
First Quarter (through March 27, 2018)	*	$ [ ]	$ [ ]	*	*	$ 0.3525
Fiscal 2017						
Fourth Quarter	$ 16.84	$ 18.31	$ 17.35	8.7%	3.0%	$ 0.3525
Third Quarter	16.81	17.63	16.10	4.9	(4.2)	0.3525
Second Quarter	16.79	18.34	16.65	9.2	(0.8)	0.3525
First Quarter	16.81	18.06	16.70	7.4	(0.7)	0.3525
Fiscal 2016						
Fourth Quarter	$ 16.80	$ 16.75	$ 15.16	(0.3)%	(9.8)%	$ 0.3525
Third Quarter	16.78	16.99	15.99	1.3	(4.7)	0.3525
Second Quarter	16.76	16.28	14.31	(2.9)	(14.6)	0.3525
First Quarter	16.70	15.20	13.04	(9.0)	(21.9)	0.3525

(1) NAV per share is determined as of the last day in the relevant quarter and therefore may not reflect the NAV per share on the date of the high and low sales prices. The NAVs shown are based on outstanding shares at the end of each period.
(2) Calculated as of the respective high or low closing price divided by NAV and subtracting 1.
(3) Represents the cash distribution for the specified quarter.
* Not determinable at the time of filing.

Key Stockholder Considerations and Risk Factors

Dilutive Effect on Net Asset Value

Before voting on this proposal or giving proxies with regard to this matter, stockholders should consider the dilutive effect of the issuance of shares of the Company s common stock at a price that is less than the NAV per share and the expenses associated with such issuance on the NAV per outstanding share of the Company s common stock. Any sale

of common stock at a price below NAV would result in an immediate dilution to existing common stockholders. This dilution would include reduction in the NAV per share as a result of the issuance of shares at a price below the NAV per share and a disproportionately greater decrease in a current stockholder s interest in the earnings and assets of the Company and voting interest in the Company than the increase in the assets of the Company resulting from such issuance. It would also decrease the amount of net investment income per share available to stockholders through distributions. There will be no limit on the percentage below NAV per share at which shares may be sold by the Company under this proposal. However, the

Company does not presently intend to sell shares of its common stock at a price that is more than 20% lower than the Company s then current NAV, absent extenuating circumstances. The board of directors of the Company has considered the potential dilutive effect of the issuance of shares at a price below the NAV per share and will consider again such dilutive effect when considering whether to authorize any specific issuance of shares of common stock below NAV. The Company will not be required to obtain any additional authorization from stockholders for such offerings until the 2019 Annual Meeting of Stockholders even if the dilution from such offerings is substantial.

Dilutive Effect on Market Price and Ownership Percentage

In addition, stockholders should consider the risk that the approval of this proposal could cause the market price of the Company s common stock to decline in anticipation of sales of its common stock below NAV, thus causing the Company s shares to trade at a discount to NAV. The 1940 Act establishes a connection between common share sale price and NAV because, when stock is sold at a sale price below NAV per share, the resulting increase in the number of outstanding shares reduces NAV per share. Stockholders should also consider that they will have no subscription, preferential or preemptive rights to additional shares of the common stock proposed to be authorized for issuance, and thus any future issuance of common stock will dilute such stockholders holdings of common stock as a percentage of shares outstanding to the extent stockholders do not purchase sufficient shares in the offering or otherwise to maintain their percentage interest. Further, if current stockholders of the Company do not purchase any shares to maintain their percentage interest, regardless of whether such offering is above or below the then-current NAV, their voting power will be diluted.

Other Dilutive Considerations

The precise extent of any such dilution cannot be estimated before the terms of a common stock offering are set. As a general proposition, however, the amount of potential dilution will increase as the size of the offering increases. Another factor that will influence the amount of dilution in an offering is the amount of net proceeds that we receive from such offering. The board of directors would expect that the net proceeds to us, which is typically 95% of the market price, will be equal to the price that investors pay per share less the amount of any underwriting discounts and commissions.

As discussed above, it should be noted that the maximum number of shares issuable below NAV that could result in such dilution is limited to 25% of the Company s then outstanding common stock immediately prior to each such offering. As a result, the maximum amount of dilution to existing stockholders will be limited to no more than 20% of the Company s then current NAV on each offering, assuming the Company were to issue the maximum number of shares at no more than par value, or $0.01 per share. Subject to the aforementioned 25% limit that is determined prior to each offering, there is no theoretical limit on the number of times that the Company can offer its common stock below NAV during the year following the approval of this proposal.

Conflict of Interest

In reaching its recommendation to the stockholders of the Company to approve this proposal, the board of directors considered a possible source of conflict of interest due to the fact that the proceeds from the issuance of additional shares of the Company s common stock may increase the management fees that the Company pays to Solar Capital Partners as such fees are partially based on the amount of the Company s gross assets, as well as the effect of the following factors:

- the costs of and benefits of a common stock offering below NAV compared to other possible means for raising capital or concluding not to raise capital;

the size of a common stock offering in relation to the number of shares outstanding;

the general condition of the securities market; and

any impact on operating expenses associated with an increase in capital.

The board of directors, including a majority of the non-interested directors who have no financial interest in this proposal, concluded that the benefits to the stockholders from increasing the Company s capital base outweighed any possible detriment, including from any possible increase in management fees or dilution to existing stockholders.

Examples of Dilutive Effect of the Issuance of Shares Below NAV

The following table illustrates the level of NAV dilution that would be experienced by a nonparticipating stockholder in four different hypothetical offerings of different sizes and levels of discount from NAV per share, although it is not possible to predict the level of market price decline that may occur. Actual sales prices and discounts may differ from the presentation below.

The examples assume that Company XYZ has 1,000,000 common shares outstanding, $15,000,000 in total assets and $5,000,000 in total liabilities. The current NAV and NAV per share are thus $10,000,000 and $10.00, respectively. The table illustrates the dilutive effect on nonparticipating Stockholder A of (1) an offering of 50,000 shares (5% of the outstanding shares) at $9.50 per share after underwriting discounts and commissions (a 5% discount from NAV); (2) an offering of 100,000 shares (10% of the outstanding shares) at $9.00 per share after underwriting discounts and commissions (a 10% discount from NAV); (3) an offering of 200,000 shares (20% of the outstanding shares) at $8.00 per share after underwriting discounts and commissions (a 20% discount from NAV); and (4) an offering of 250,000 shares (25% of the outstanding shares) at $0.01 per share after underwriting discounts and commissions (a 100% discount from NAV).

	Prior to Sale Below NAV	Example 1 5% Offering at 5% Discount Following Sale	% Change	Example 2 10% Offering at 10% Discount Following Sale	% Change	Example 3 20% Offering at 20% Discount Following Sale	% Change	Example 4 25% Offering at 100% Discount Following Sale	% Change
fering Price									
ce per Share he Public		$ 10.00		$ 9.47		$ 8.42		$ 0.01	
t Proceeds per are to Issuer		$ 9.50		$ 9.00		$ 8.00		$ 0.01	
crease to NAV									
tal Shares tstanding	1,000,000	1,050,000	5.00%	1,100,000	10.00%	1,200,000	20.00%	1,250,000	25.00%
V per Share	$ 10.00	$ 9.98	(0.20)%	$ 9.91	(0.90)%	$ 9.67	(3.30)%	$ 8.00	(20.00)%
ution to ckholder									
ares Held by ckholder A	10,000	10,000		10,000		10,000		10,000	
rcentage Held Stockholder A	1.00%	0.95%	(4.76)%	0.91%	(9.09)%	0.83%	(16.67)%	0.80%	(20.00)%
tal Asset lues									
tal NAV Held Stockholder A	$ 100,000	$ 99,800	(0.20)%	$ 99,100	(0.90)%	$ 96,700	(3.30)%	$ 80,020	(19.98)%
tal Investment ckholder A[1]	$ 100,000	$ 100,000		$ 100,000		$ 100,000		$ 100,000	
tal Dilution to ckholder A[2]		$ (200)		$ (900)		$ (3,300)		$ (19,980)	
r Share nounts									
V per Share d by ckholder A		$ 9.98		$ 9.91		$ 9.67		$ 8.00	
estment per are held by ckholder A[3]	$ 10.00	$ 10.00		$ 10.00		$ 10.00		$ 10.00	
ution per are held by ckholder A[4]		$ (0.02)		$ (0.09)		$ (0.33)		$ (2.00)	
rcentage ution to ckholder A[5]			(0.20)%		(0.90)%		(3.30)%		(19.98)%

(1) Assumed to be $10.00 per Share.
(2) Represents total NAV less total investment.
(3) Assumed to be $10.00 per Share on Shares held prior to sale.
(4) Represents NAV per Share less Investment per Share.

(5) Represents Dilution per Share divided by Investment per Share.

Potential Investors

The Company has not yet solicited any potential buyers of the shares that it may elect to issue in any future offering in order to comply with the federal securities laws. No shares are earmarked for management or other affiliated persons of the Company. However, members of management and other affiliated persons may participate in a common stock offering, if any, on the same terms as others.

Required Vote

Approval of this proposal requires the affirmative vote of (1) a majority of the outstanding voting securities as of the Record Date; and (2) a majority of the outstanding voting securities as of the Record Date that are not held by affiliated persons of the Company, which includes directors, officers, employees, and 5% stockholders. For purposes of this proposal, the 1940 Act defines a majority of the outstanding voting securities as: (1) 67% or more of the voting securities present at the Meeting if the holders of more than 50% of the outstanding voting securities of the Company are present or represented by proxy; or (2) 50% of the outstanding voting securities of the Company, whichever is less. Abstentions and broker non-votes will have the effect of a vote against this proposal.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE PROPOSAL TO AUTHORIZE THE COMPANY TO SELL SHARES OF ITS COMMON STOCK AT A PRICE OR PRICES BELOW THE COMPANY S THEN CURRENT NET ASSET VALUE PER SHARE IN ONE OR MORE OFFERINGS, IN EACH CASE SUBJECT TO THE APPROVAL OF ITS BOARD OF DIRECTORS AND COMPLIANCE WITH THE CONDITIONS SET FORTH IN THE PROXY STATEMENT.

OTHER BUSINESS

The board of directors knows of no other business to be presented for action at the Meeting. If any matters do come before the Meeting on which action can properly be taken, it is intended that the proxies shall vote in accordance with the judgment of the person or persons exercising the authority conferred by the proxy at the Meeting. The submission of a proposal does not guarantee its inclusion in the Company s proxy statement or presentation at the Meeting unless certain securities law requirements are met.

AVAILABLE INFORMATION

We are required to file with or submit to the SEC annual, quarterly and current periodic reports, proxy statements and other information meeting the informational requirements of the Exchange Act. You may inspect and copy these reports, proxy statements and other information at the Public Reference Room of the SEC at 100 F Street, NE, Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements and other information filed electronically by us with the SEC, which are available on the SEC s website at *http://www.sec.gov*. Copies of these reports, proxy and information statements and other information may be obtained, after paying a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov, or by writing to the SEC s Public Reference Section, Washington, D.C. 20549. This information will also be available free of charge by contacting us at Solar Senior Capital Ltd., 500 Park Avenue, New York, NY 10022, by telephone at (212) 993-1670, or on our website at *http://www.solarseniorcap.com*.

DELIVERY OF PROXY MATERIALS

Please note that only one copy of the 2018 Proxy Statement, the 2017 Annual Report or Notice of Annual Meeting may be delivered to two or more stockholders of record of the Company who share an address unless we have received contrary instructions from one or more of such stockholders. We will deliver promptly, upon request, a separate copy of any of these documents to stockholders of record of the Company at a shared address to which a single copy of such documents was delivered. Stockholders who wish to receive a separate copy of any of these documents, or to receive a single copy of such documents if multiple copies were delivered, now or in the future, should submit their request by calling us at (212) 993-1670 or by writing to Richard L. Peteka, Corporate Secretary, Solar Senior Capital Ltd., 500 Park Avenue, New York, New York 10022.

SUBMISSION OF STOCKHOLDER PROPOSALS

The Company currently expects that the 2019 Meeting of Stockholders will be held in May 2019, but the exact date, time, and location of such meeting have yet to be determined. A stockholder who intends to present a proposal at that annual meeting pursuant to the SEC s Rule 14a-8 must submit the proposal in writing to the Company at its principal address of 500 Park Avenue, New York, New York 10022, and the Company must receive the proposal no later than [ ], 2018 in order for the proposal to be considered for inclusion in the Company s proxy statement for that meeting. The submission of a proposal does not guarantee its inclusion in the Company s proxy statement or presentation at the meeting.

Stockholder proposals or director nominations to be presented at the 2019 Annual Meeting of Stockholders, other than stockholder proposals submitted pursuant to the SEC s Rule 14a-8, must be delivered to, or mailed and received at, the principal executive offices of the Company not less than 120 days or more than 150 days in advance of the one year anniversary of the date of the Company s proxy statement for the 2018 Annual Meeting of Stockholders. For the 2019 Annual Meeting of Stockholders, the Company must receive such proposals and nominations between [ ], 2018 and [ ], 2018. If the date of the 2019 Annual Meeting of Stockholders is advanced or delayed by more than thirty (30) calendar days from the first anniversary of the date

31

of the 2018 Annual Meeting of Stockholders, stockholder proposals or director nominations to be timely, must be so received not less than 120 days or more than 150 days prior to the date of the 2019 Annual Meeting of Stockholders or not later than the tenth day following the day on which public announcement of the date of the 2019 Annual Meeting of Stockholders is first made. Proposals must also comply with the other requirements contained in the Company s Bylaws, including supporting documentation and other information. Proxies solicited by the Company will confer discretionary voting authority with respect to these proposals, subject to SEC rules governing the exercise of this authority.

Notices of intention to present proposals at the 2019 Annual Meeting of Stockholders should be addressed to Richard L. Peteka, Corporate Secretary, Solar Senior Capital Ltd., 500 Park Avenue, New York, New York 10022. The Company reserves the right to reject, rule out of order, or take other appropriate action with respect to any proposal that does not comply with these and other applicable requirements.

SUBMISSION OF COMPLAINTS

The Company s Audit Committee has established guidelines and procedures regarding the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters (collectively, Accounting Matters). Persons with complaints or concerns regarding Accounting Matters may submit their complaints to the Company s Chief Compliance Officer. Persons who are uncomfortable submitting complaints to the Chief Compliance Officer, including complaints involving the Chief Compliance Officer, may submit complaints directly to the Company s Audit Committee Chairman. Complaints may be submitted on an anonymous basis.

The Chief Compliance Officer may be contacted at:

Chief Compliance Officer

Solar Senior Capital Ltd.

500 Park Avenue

New York, New York 10022

The Audit Committee Chair may be contacted at:

Steven Hochberg

Audit Committee Chair

Solar Senior Capital Ltd.

500 Park Avenue

New York, New York 10022

You are cordially invited to attend the Meeting in person. Whether or not you plan to attend the Meeting, you are requested to complete, date, sign and promptly return the accompanying proxy card in the enclosed postage-paid, self-addressed envelope, or to vote by telephone or through the Internet.

By Order of the Board of Directors

Richard L. Peteka

Corporate Secretary

New York, New York

[ ], 2018

PRIVACY NOTICE

We are committed to maintaining the privacy of our stockholders and to safeguarding their non-public personal information. The following information is provided to help you understand what personal information we collect, how we protect that information and why, in certain cases, we may share information with select other parties.

Generally, we do not receive any non-public personal information relating to our stockholders, although certain non-public personal information of our stockholders may become available to us. We do not disclose any non-public personal information about our stockholders or former stockholders to anyone, except as permitted by law or as is necessary in order to service stockholder accounts (for example, to a transfer agent or third party administrator).

We restrict access to non-public personal information about our stockholders to employees of our investment adviser and its affiliates with a legitimate business need for the information. We will maintain physical, electronic and procedural safeguards designed to protect the non-public personal information of our stockholders.

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF

SOLAR SENIOR CAPITAL LTD.

FOR THE ANNUAL MEETING OF STOCKHOLDERS

May 22, 2018

The undersigned stockholder of Solar Senior Capital Ltd. (the Company) acknowledges receipt of the Notice of Annual Meeting of Stockholders of the Company and hereby appoints Michael S. Gross and Bruce Spohler, and each of them, and each with full power of substitution, to act as attorneys and proxies for the undersigned to vote all the shares of common stock of the Company which the undersigned is entitled to vote at the Annual Meeting of Stockholders of the Company to be held at the offices of Eversheds Sutherland (US) LLP located at 1114 Avenue of the Americas, 40th Floor, New York, New York 10036 on May 22, 2018, at 10:15 a.m., Eastern Time, and at all postponements or adjournments thereof, as indicated on this proxy.

THIS PROXY IS REVOCABLE AND WILL BE VOTED AS DIRECTED BY THE UNDERSIGNED BELOW; where no choice is specified, it will be voted FOR Proposals 1 and 2, and in the discretion of the proxies with respect any other matters that may properly come before the meeting.

Please vote, sign and date this proxy on the reverse side and return it promptly in the enclosed envelope.

(CONTINUED ON REVERSE SIDE)

ANNUAL MEETING OF STOCKHOLDERS

SOLAR SENIOR CAPITAL LTD.

MAY 22, 2018

VOTE BY INTERNET - www.proxyvote.com

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS

If you would like to reduce the costs incurred by Solar Senior Capital Ltd. in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access stockholder communications electronically in future years.

VOTE BY PHONE - 1-800-690-6903

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

PLEASE DATE, SIGN AND MAIL YOUR PROXY CARD

IN THE ENVELOPE PROVIDED AS SOON AS POSSIBLE

Please Detach and Mail in the Envelope Provided

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR PROPOSALS 1 and 2.

1. The election of the following person (except as marked to the contrary) as a director, who will serve as a director of Solar Senior Capital Ltd. until 2021, or until his successor is duly elected and qualified.	FOR	WITHHOLD AUTHORITY	NOMINEE David S. Wachter
2. To approve a proposal to authorize Solar Senior Capital Ltd. to sell shares of its common stock at a price or prices below Solar Senior Capital Ltd. s then current net asset value per share in one or more offerings, in each case subject to the approval of its board of directors and compliance with the conditions set forth in the proxy statement pertaining thereto (including, without limitation, that the number of shares issued does not exceed 25% of Solar Senior Capital Ltd. s then outstanding common stock immediately prior to each such offering).	FOR	AGAINST	ABSTAIN

3. To vote upon such other business as may properly come before the Meeting or any postponement or adjournment thereof.

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name by authorized officer.

SIGNATURE	**DATE**	**SIGNATURE**	**DATE**
		IF HELD JOINTLY	