

VERSAR INC  
Form DEF 14A  
October 01, 2014

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934  
(Amendment No. \_\_\_\_)**

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

Check the appropriate box:

Preliminary Proxy Statement  
 **Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**  
 Definitive Proxy Statement  
 Definitive Additional Materials  
 Soliciting Materials Pursuant to §240.14a-12

**Versar, Inc.**

**(Name of Registrant as Specified by its Charter)**

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

Payment of Filing Fee (Check the appropriate box):

No Fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) 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 fees paid:

Fee paid previously with preliminary materials.

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 number, or the Form or Schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, Schedule or Registration No.:

(3) Filing Party:

(4) Date filed:

October 1, 2014

On behalf of the Board of Directors and management team, I cordially invite you to attend Versar, Inc.'s 2014 Annual Meeting of Stockholders to be held at the Springfield Golf and Country Club, 8301 Old Keene Mill Road, Springfield, Virginia 22152, on Thursday, November 13, 2014, at 10:00 a.m. local time.

The matters scheduled for consideration at the meeting are the election of directors and other matters which are described in the enclosed Proxy Statement. We will also report to you on Versar's condition and performance for fiscal year 2014 and you will have the opportunity to question management on matters that affect the interests of all stockholders.

You can reach the Springfield Golf and Country Club from either I-95 or I-495. From I-95: exit Old Keene Mill Road West, entrance about two miles on the left to Springfield Golf and Country Club. Stay right to the Club House. From I-495: exit I-95 South to Old Keene Mill Road West, entrance about two miles on the left to Springfield Golf and Country Club. Stay right to the Club House.

We are providing our stockholders access to our proxy materials and our 2014 annual report through the Internet. This allows us to provide you with the Annual Meeting information you need in an efficient manner, while reducing the environmental impact of our Annual Meeting. On or about October 1, 2014 we will mail to stockholders a Notice of Internet Availability of Proxy Materials containing instructions on how to access our proxy materials and the 2014 Annual Report online and how to vote online. If you receive a Notice by mail, you will not receive a printed copy of the materials unless you specifically request one. The Notice includes instructions on how to request to receive printed copies of these materials and a proxy card by mail.

We encourage stockholders' interest in the affairs of Versar and it is important that your shares of stock be represented at the Meeting. We hope you will be able to join us. **Whether you plan to attend or not, we encourage you to vote as promptly as possible via the Internet or by telephone. If you request a printed copy of the proxy materials, please complete, sign, date, and return the proxy card you will receive in response to your request as soon as possible or you can vote via the Internet or by telephone.** Returning your signed proxy will not limit your right to vote in person or to attend the Meeting, but it will assure your representation if you cannot attend. Your vote is important.

We look forward to seeing you at the Annual Meeting.

Sincerely yours,

Paul J. Hoyer  
Chairman of the Board

## NOTICE OF 2014 ANNUAL MEETING

The 2014 Annual Meeting of Stockholders of Versar, Inc. (the “Company”) will be held at the Springfield Golf and Country Club, 8301 Old Keene Mill Road, Springfield, Virginia 22152, on Thursday, November 13, 2014, at 10:00 a.m. local time for the following purposes:

1. Election of Eight Directors to serve until the 2015 Annual Meeting of Stockholders;
2. Advisory Vote on Executive Compensation;
3. Approval of the Amendment and Restatement of the 2005 Employee Stock Purchase Plan;
4. Ratification of the Appointment of Grant Thornton LLP as Independent Registered Public Accounting Firm for Fiscal Year 2015; and
5. Transaction of such other business as may properly come before the meeting or any adjournment or postponement thereof.

Only stockholders of record at the close of business on September 15, 2014 will be entitled to notice of and to vote at the Meeting and any adjournments or postponements thereof. Your attention is directed to the Proxy Statement accompanying this Notice for a more complete statement regarding the matters to be acted upon at the Meeting.

**Whether you plan to attend the 2014 Annual Meeting or not, we encourage you to vote as promptly as possible via the Internet or by telephone. If you request a printed copy of the proxy materials, please complete, sign, date, and return the proxy card you will receive in response to your request as soon as possible or you can vote via the Internet or by telephone.** Returning your signed proxy will not limit your right to vote in person or to attend the meeting, but it will assure your representation if you cannot attend. Your vote is important.

By Order of the Board of Directors,

James D. Villa  
Secretary

October 1, 2014

**IMPORTANT**

**Important Notice Regarding the Availability of Proxy Materials for the Stockholders Meeting to be held on November 13, 2014. This Proxy Statement and the Versar Annual Report to Stockholders for fiscal year 2014 are available at [www.envisionreports.com/VSR](http://www.envisionreports.com/VSR).**

Notice of 2014 Annual Meeting of Stockholders

**TABLE OF CONTENTS**

<u>SUMMARY INFORMATION</u>	1
<u>GENERAL INFORMATION</u>	3
<u>Purpose of Annual Meeting</u>	3
<u>Record Date and Voting Rights</u>	3
<u>Voting Procedures</u>	3
<u>Revocation of Proxies</u>	4
<u>Method and Cost of Soliciting Votes</u>	4
<u>PROPOSAL NO. 1 ELECTION OF DIRECTORS</u>	5
<u>Nominees for Election</u>	5
<u>Director Qualifications and Experience</u>	5
<u>CORPORATE GOVERNANCE</u>	8
<u>Board's Leadership Structure</u>	8
<u>Risk Oversight</u>	8
<u>Committees of the Board of Directors</u>	8
<u>Board and Committee Meetings: Annual Meeting Attendance</u>	9
<u>Compensation Committee Interlocks and Insider Participation</u>	9
<u>Director Compensation Fiscal Year 2014</u>	10
<u>Corporate Governance</u>	11
<u>Communications with the Board</u>	12
<u>Related Persons Transactions</u>	12
<u>Code of Business Ethics and Conduct</u>	12
<u>STOCK OWNERSHIP INFORMATION</u>	13
<u>Stock Ownership of Certain Beneficial Owners</u>	13
<u>Stock Ownership of Directors and Officers</u>	14
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	15
<u>COMPENSATION DISCUSSION AND ANALYSIS</u>	16
<u>Overview</u>	16
<u>Executive Compensation Philosophies and Policies</u>	16
<u>Incentive Compensation Philosophy and Policies</u>	17
<u>Compensation Process</u>	19
<u>Compensation Decisions</u>	20
<u>COMPENSATION COMMITTEE REPORT</u>	23
<u>COMPENSATION TABLES</u>	24
<u>Summary Compensation Table</u>	24
<u>Grant of Plan Based Awards</u>	25
<u>Outstanding Equity Awards at Fiscal Year End</u>	26
<u>Stock Vested</u>	27

<u>CHANGE IN CONTROL AGREEMENTS</u>	28
<u>RISK CONSIDERATIONS</u>	30

Versar, Inc. 2014 Proxy Statement

**TABLE OF CONTENTS**

<u>AUDIT COMMITTEE REPORT AND AUDITOR FEES</u>	31
<u>Approval of Independent Auditor Fees and Services Policy</u>	32
<u>Audit Fees</u>	32
<u>Audit Related Fees</u>	32
<u>Tax Fees</u>	32
<u>All Other Fees</u>	32
<u>PROPOSAL NO. 2 ADVISORY VOTE ON EXECUTIVE COMPENSATION</u>	33
<u>PROPOSAL NO. 3 AMENDMENT AND RESTATEMENT OF THE 2005 EMPLOYEE STOCK PURCHASE PLAN</u>	34
<u>PROPOSAL NO. 4 RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS</u>	38
<u>2015 ANNUAL MEETING OF THE STOCKHOLDERS</u>	39
<u>OTHER MATTERS</u>	40
<u>APPENDIX A</u>	

Versar, Inc. 2014 Proxy Statement

**SUMMARY INFORMATION**

*This summary highlights information contained elsewhere in this Proxy Statement and Versar, Inc.'s Annual Report on Form 10-K for fiscal year 2014. For more complete information about these topics, please review the entire Proxy Statement and Annual Report.*

**ANNUAL MEETING**

Date: November 13, 2014  
 Time: 10:00 a.m. EST  
 Location: Springfield Golf and Country Club, 8301 Old Keene Mill Road Springfield, Virginia 22152  
 Record Date: September 15, 2014  
 Voting: Each share of stock is entitled to one vote on each matter to be voted upon at the Annual Meeting

**FINANCIAL PERFORMANCE\***

<b>Gross Revenue</b>	<b>Net Income</b>	<b>Earnings Per Share</b>
Gross revenue for fiscal year 2014 was \$110.3 million, an increase of 7% compared to \$102.6 million during the 2013 fiscal year.	Net (loss) for fiscal year 2014 was \$.52 million, a decrease of 112% compared to net income of \$4.1 million during the 2013 fiscal year.	Net (loss) per share for fiscal year 2014 was \$0.05, a decrease of 112% compared to net income per share of \$0.43 during the 2013 fiscal year.

\*All financial results set forth above are from continuing operations.

**SHAREHOLDER VOTING MATTER**

<b>Voting Matter</b>	<b>Board Vote Recommendation</b>	<b>See Page Number</b>
Proposal No. 1 Election of Directors	FOR each nominee	5
Proposal No. 2 Advisory Vote on Executive Compensation	FOR	33
Proposal No. 3 Approval of the Amendment and Restatement of the 2005 Employee Stock Purchase Plan	FOR	34
Proposal No. 4 Ratification of Accountants	FOR	38

**DIRECTOR NOMINEES**

Nominee	Director		Principal Occupation	Committee Membership
	Age	Since		
Robert L. Durfee	78	1969	Business Consultant	Audit, Compensation, Executive
James L. Gallagher	77	2000	President, Gallagher Consulting Group	Audit (Chair), Nominating & Governance
Amoretta M. Hoerber	72	2000	President, AMH Consulting	Nominating & Governance (Chair), Compensation, Executive
Paul J. Hoeper (Chairman)	68	2001	Business Consultant	Audit, Nominating & Governance, Executive
Amir M. Metry	72	2001	Business Consultant	Compensation (Chair), Nominating & Governance
Anthony L. Otten	58	2008	Chief Executive Officer, Versar, Inc.	Executive (Chair)
Frederick M. Strader	61	-	Business Consultant	-
Jeffrey A. Wagonhurst	66	2011	President & Chief Operating Officer, Versar, Inc.	Executive

## SUMMARY INFORMATION

### HOW TO VOTE

#### **Stockholders of Record**

If you hold your shares in your own name through Versar's transfer agent, Registrar and Transfer Company, you can most conveniently vote by Internet, telephone or mail.

By Internet – stockholders may vote on the Internet by going to [www.envisionreports.com/VSR](http://www.envisionreports.com/VSR) and following the instructions given.

By Telephone – stockholders may vote by calling 1-800-652-8683 (toll-free) with a touch tone telephone and following the recorded instructions.

By Mail – stockholders must request a paper copy of the proxy materials to receive a proxy card and follow the instructions given for mailing. A paper copy of the proxy materials may be obtained by going to [www.envisionreports.com/VSR](http://www.envisionreports.com/VSR) and following the instructions.

If you vote by telephone or via the Internet, you do not need to return your Proxy Card. Telephone and Internet voting are available 24 hours a day and will close at 11:59 p.m. EDT on Wednesday, November 12, 2014.

#### **Street Name Stockholders**

If you own your shares through a bank or other holder of record, you can most conveniently vote by Internet, telephone or mail. Please review the voting instructions on your voting instruction form.

You can vote in person at the Annual Meeting only if you obtain a proxy, executed in your favor, from the bank, broker or other holder of record through which you hold your shares. The Board recommends that you vote using one of the other voting methods, since it is not practical for most stockholders to attend the Annual Meeting.

#### **Employee Plan Participants**

If you own your shares through participation in an employee stock or retirement benefit plan, you can most conveniently vote by Internet, telephone or mail.

By Internet – plan participants may vote on the internet by going to [www.envisionreports.com/VSR](http://www.envisionreports.com/VSR) and following the instructions given.

By Telephone – plan participants may vote by calling 1-800-652-8683 (toll-free) with a touch tone telephone and following the recorded instructions.

By Mail – plan participants must request a paper copy of the proxy materials to receive a vote authorization form and follow the instructions given for mailing. A paper copy of the proxy materials may be obtained by going to [www.envisionreports.com/VSR](http://www.envisionreports.com/VSR) and following the instructions.

Telephone and Internet voting are available 24 hours a day and will close at 11:59 p.m. EDT on Monday, November 10, 2014, or other cut-off date as determined by the plan trustee.

You can vote in person at the Annual Meeting by completing, signing, dating and returning your proxy card in person at the Annual Meeting. The Board recommends that you vote using one of the other voting methods, since it may not be practical for most stockholders to attend the Annual Meeting.

You can vote in person at the Annual Meeting only if you obtain a proxy, executed in your favor, from the trustee of the plan through which you hold your shares. The Board recommends that you vote using one of the other voting methods, since it may not be practical for most stockholders to attend the Annual Meeting.

## **GENERAL INFORMATION**

**Versar, Inc.**

**6850 Versar Center**

**Springfield, VA 22151**

**(703) 750-3000**

## **2014 PROXY STATEMENT**

The Board of Directors of the Company (the “Board”) is providing you with these proxy materials in connection with the solicitation of proxies for use at Versar, Inc.’s 2014 Annual Meeting of Stockholders (the “Annual Meeting”) and any adjournment(s) or postponement(s) thereof. In this Proxy Statement, Versar may also be referred to as “we”, “our”, “the Company” or “the Corporation”.

This year, we are pleased to be distributing our proxy materials to our Stockholders under the Securities and Exchange Commission’s Notice and Access rules. On or about October 1, 2014, Stockholders will receive a Notice of Internet Availability of Proxy Materials instead of a paper copy of this Proxy Statement and the 2014 Annual Report. The Notice contains instructions on how to access those documents and vote over the Internet and how Stockholders can receive a paper copy of our proxy materials, including this Proxy Statement, the 2014 Annual Report and a Proxy Card or voting instruction card. We believe that this process will conserve resources and reduce the costs of printing and distributing our proxy materials.

### **The Purpose of the Annual Meeting**

At the Annual Meeting, stockholders will act upon the matters set forth in the Notice of Meeting, including the election of directors, an advisory vote on executive compensation, an amendment and restatement of our Employee Stock Purchase Plan and ratification of the selection of the Company’s independent registered public accounting firm.

The Company's senior management will also present information about the Company's performance during fiscal year 2014 and will answer questions from Stockholders.

#### Record Date and Voting Rights

Stockholders owning Versar's Common Stock at the close of business on September 15, 2014 (the "Record Date") or their legal proxy holders are entitled to notice of and to vote at the Annual Meeting and any adjournment(s) or postponement(s) thereof. There were 9,724,053 shares of Common Stock outstanding and entitled to vote as of the Record Date. Each share of Common Stock entitles the holder to one vote on all matters of business at the Meeting.

#### Voting Procedures

The By-laws of the Company require that the holders of a majority of the outstanding shares of the Company's Common Stock who are entitled to vote at the Annual Meeting be present in person or represented by proxy in order for a quorum to exist for the transaction of business at that meeting. Abstentions and "broker non-votes" (which occur if a broker or other nominee does not have discretionary voting authority and has not received voting instructions from the beneficial owner with respect to the particular item) are counted for purposes of determining the presence or absence of a quorum for the transaction of business.

## **GENERAL INFORMATION**

Assuming that a quorum is present for the Annual Meeting, then those eight (8) nominees for director pursuant to Proposal No. 1 who receive the highest number of votes cast will be elected. Abstentions and broker non-votes will have no effect on the outcome of the election of directors. For Proposals Nos. 2, 3 and 4, the affirmative vote of a majority of the shares of Common Stock present in person or by proxy at the Annual Meeting and entitled to vote thereon will be considered approval of the advisory vote on executive compensation, approval of the amendment and restatement of the 2005 Employee Stock Purchase Plan and the ratification of the Company's accountants, respectively. In each case, abstentions are counted for purposes of calculating shares of Common Stock present and entitled to vote, but are not counted as shares voting and therefore have the effect of a vote against such Proposal Nos. 2, 3 and 4. Broker non-votes are not counted as shares of Common Stock present and entitled to vote and therefore have no effect with respect to Proposals Nos. 2, 3 and 4. Any proxy that is returned by a Stockholder properly completed and which is not revoked will be voted at the Annual Meeting in the manner specified therein. Unless contrary instructions are given, the persons designated as proxy holders in the Proxy Card (or their substitutes) will vote FOR Proposal No. 1, the election of the Board nominees, FOR Proposal No. 2, the advisory vote on executive compensation, FOR Proposal No.3, the amendment and restatement of the 2005 Employee Stock Purchase Plan, FOR Proposal No. 4, ratification of the Company's registered independent public accounting firm and in the proxy holders' discretion with regard to all other matters. Any unmarked proxies, including those submitted by brokers (other than broker non-votes) or custodians, nominees or fiduciaries, will be voted in favor of the nominees for the Board of Directors and for the other proposals, as indicated above and as indicated in the Proxy Card.

### **Revocation of Proxies**

Any person giving a proxy pursuant to this Proxy Statement may revoke it at any time before it is exercised at the meeting by filing with the Secretary of the Company an instrument revoking it or by delivering to the Company a duly executed proxy bearing a later date. In addition, if the person executing the proxy is present at the Annual Meeting, he or she may revoke such proxy by voting his or her shares in person.

### **Method and Cost of Soliciting Votes**

The cost of preparing, assembling, posting and mailing all proxy materials will be borne by the Company. In addition to solicitation by mail, solicitations may be made by email, personal interview and telephone by officers and regular employees of the Company or its subsidiaries, acting without additional compensation. The Company anticipates that banks, brokerage houses, and other custodians, nominees, and fiduciaries will forward this material to beneficial owners of shares of Common Stock entitled to vote at the Annual Meeting, and such persons will be reimbursed by the Company for the out-of-pocket expenses incurred by them.



## PROPOSAL NO.1 – ELECTION OF DIRECTORS

### Nominees for Election

The Board recommends the election of the eight (8) persons named below who have been nominated by the Board to serve as directors of Versar until the 2015 Annual Meeting of Stockholders or until their successors have been duly elected and qualified or their earlier resignation or removal. The persons named in the accompanying proxy will vote for the election of the nominees named below unless authority is withheld. Other than Frederick M. Strader, each nominee is presently a Director of the Company and has served as such for the time indicated opposite his or her name. Mr. Strader was identified by the Nominating and Governance Committee for consideration as a director nominee through a search conducted on behalf of the Company without the assistance of a third party search firm. If for any reason any of the persons named below should become unavailable to serve, an event that management does not anticipate, proxies will be voted for the remaining nominees and such other person or persons as may be designated by the Board.

### Director Qualifications and Experience

NAME	SERVED AS DIRECTOR
------	--------------------

**Robert L. Durfee, Ph.D 1969 to the present**

Business consultant; Co-founder of the Company; Executive Vice President of the Company from 1986 to June 2004; President of GEOMET Technologies, LLC, a subsidiary of the Company, from 1991 to June 2004. Age 78.

Dr. Durfee is a highly experienced executive. His prior roles at Versar, including as one of the Company's founders and as President of a subsidiary GEOMET Technologies, LLC, give him unique insight into the Company's businesses, particularly those aspects of environmental compliance, munitions disposal and control of hazardous or toxic materials.

**James L. Gallagher 2000 to the present**

President, Gallagher Consulting Group since September 1999; President of Westinghouse Government and Environmental Services from 1996 to 1999; Executive Vice President of Westinghouse Government and Environmental Services from 1994 to 1996; Vice President and General Manager of Westinghouse Government, Operations Business Unit from 1992 to 1994. Age 77.

Mr. Gallagher served as a highly experienced executive of a leading environmental and energy unit of a Fortune 500

company. With his significant financial, business, operations and contracting background, Mr. Gallagher provides expert leadership to the Board's Audit Committee. His experience in construction management and outsourcing of large government facilities is important to two of the Company's core businesses. As a former consultant to the U.S. Department of Energy, Mr. Gallagher is able to provide knowledge of markets and client needs in the energy sector.

**PROPOSAL NO.1 – ELECTION OF DIRECTORS**

**NAME      SERVED AS DIRECTOR**

**Amoretta  
M. Hoerber**      **2000 to the present**

President, AMH Consulting since 1992; Director, Strategic Planning of TRW Federal Systems Group and TRW Environmental Safety Systems, Inc. from 1986 to 1992; Deputy Under Secretary, U.S. Army from 1984 to 1986; Principal Deputy Assistant Secretary, U.S. Army from 1981 to 1984. Age 72.

Ms. Hoerber's experience in government contracting, strategic planning and business development brings a unique perspective to the core Versar businesses as well as an understanding of the strategic planning process to advise Versar as it develops its key business competencies. Her extensive network and membership in several key U.S. government advisory boards also give her insight into the needs and priorities of Versar's biggest client group, the U.S. government, specifically the U.S. Department of Defense.

**Paul J.  
Hoerber**      **2001 to the present**

Business consultant since February 2001; Assistant Secretary of the Army for Acquisition, Logistics and Technology, from May 1998 to January 2001; Deputy Under Secretary of Defense, International and Commercial Programs, from March 1996 to May 1998; President of Fortune Financial from 1994 to January 1996. Age 68.

Mr. Hoerber's experience as a merchant banker and senior Department of Defense official, plus his past service as a director of several public companies, provide organizational, financial and business experience to the Board. Since leaving the government, Mr. Hoerber has been an active participant and presenter at conferences focusing on general corporate governance and the specific governance needs of companies, like Versar, that focus on government contracts. Mr. Hoerber's participation in various government advisory groups and institutions enhances his leadership of the Board and enables him to contribute in a meaningful way to the strategic and risk management tasks of the Board.

**Amir A.  
Metry,  
Ph.D**      **2002 to the present**

Business consultant since 1995; part-time Versar employee from 1995 to April 2002; Founding Principal of ERM Program Management Corp. from 1989 to 1995; Vice President of Roy F. Weston from 1981 to 1989. Age 72.

Dr. Metry's prior business experience in the United States, overseas and ongoing charitable work in Egypt and the Sudan provides Versar with international business experience in an area that has become its largest business segment. Dr. Metry's experience includes launching new business and operations in the Middle East, Europe and the Pacific Rim. Also, Dr. Metry's many years of experience and present business relationships in engineering and environmental businesses enhances his leadership on organizational and

compensation issues faced by Versar.

Page | 6 Versar, Inc. 2014 Proxy Statement

**PROPOSAL NO.1 – ELECTION OF DIRECTORS**

**NAME                      SERVED AS DIRECTOR**

**Anthony L. Otten                      2008 to the present**

Chief Executive Officer of Versar since February 2010; Managing Member of Stillwater, LLC from July 2009 to February 2010; Director of New Stream Capital, LLC and Operating Partner of New Stream Asset Funding, LLC from 2007 to June 2009; Managing Member of Stillwater, LLC from 2004 to 2007; Principal of Grisanti, Galef and Goldress, Inc. from 2001 to 2004. Age 58.

Mr. Otten, as Chief Executive Officer, brings the perspective and input of the senior management team to the Board discussions. As former CEO of a number of companies, senior financial manager and entrepreneur, he brings a strategic vision with practical operating and financial implications to the Board's discussions.

**Frederick M. Strader                      New Nominee**

Business consultant. President and Chief Executive Officer of Textron Systems, Inc. from January 2010 to December 2012; Executive Vice President and Chief Operating Officer of Textron Systems, Inc. from January 2008 to December 2009; President and Chief Executive Officer of United Industrial Corporation from August 2003 to December 2007; Chief Operating Officer and Executive Vice President of United Industrial Corporation from 2001 to 2003. Prior to 2001, he spent 21 years at United Defense, L.P. and its former parent, FMC Corporation, in a variety of finance, strategy, operations and general management positions. Retired U.S. Army Reserve officer and member of the Army Acquisition Corps. Age 61.

Mr. Strader's experience in government contracting, leadership and management of public companies, and service as a board member provides him with unique insight and experience for the Board. Mr. Strader is a highly experienced executive who has led several companies serving the Department of Defense and other government agencies. He also has significant experience in finance and the government acquisition process which will enable him to provide valuable input for Versar's strategic direction.

**Jeffrey A. Wagonhurst                      2011 to the present**

President and Chief Operating Officer of Versar since February 2010; Executive Vice President, Program Management Group of Versar from May 2009 to February 2010; Senior Vice President of Versar from September 2006 to May 2009; joined Versar as Army Program Manager in February 1999; retired from government service in May 1997 as a Colonel after a 30 year career with the U.S. Army. Age 66.

Mr. Wagonhurst is an experienced business executive and leader who brings the perspective and input

of Versar's operational management to the Board's discussions. As a long time Versar executive and senior military officer, he provides a perspective and insight from Versar's largest client, the U.S. Department of Defense.

Our Corporate Governance Guidelines provide that each director nominee must be under the age of 72 at the time of their election to the Board and should not have served as a director for more fifteen (15) years. However these requirements do not apply to any director who was serving at the time of adoption of the guidelines in July 1, 2008.

## **CORPORATE GOVERNANCE**

### **Board's Leadership Structure**

The Board has determined that the positions of Chairman of the Board (“Chairman”) and Chief Executive Officer (“CEO”) should be held by different persons. In addition, the Board has determined that the Chairman should not be an employee of the Company. Since July 1, 2000, the Board has been led by an independent non-executive Chairman. Under the Company’s Corporate Governance Guidelines, the Chairman of the Board is responsible for coordinating the Board’s activities, including the scheduling of meetings of the full Board, scheduling of executive sessions of the non-employee directors, and setting relevant items on the Board’s agenda in consultation with the CEO as necessary. The Board believes that this leadership structure has enhanced the Board’s oversight of, and independence from, Company management and strengthens the ability of the Board to carry out its roles and responsibilities on behalf of the Stockholders, and the overall corporate governance of the Company. Further, the Board believes that this structure is a more effective method of monitoring and evaluating the CEO’s performance, thereby making the CEO more accountable.

### **Risk Oversight**

Management of risk is the direct responsibility of the Company’s CEO and the senior management team. The Board has oversight responsibility focusing on key risk management issues and evaluating the risk mitigation processes.

Versar faces a variety of enterprise risks, including legislative and regulatory risk, liquidity risk, compliance risk and operational risk. The Board believes an effective risk management system will (1) identify in a timely fashion the material risks facing the Company, (2) communicate appropriate information regarding senior executive management strategies and their associated risks to the Board or relevant Board Committee, (3) implement appropriate and responsive risk management strategies consistent with the Company’s risk profile, and (4) integrate risk management into the Company’s decision-making.

In addition to the formal compliance program, the Board encourages senior management to promote a corporate culture that incorporates risk management into the Company’s corporate strategy and day-to-day operations. The Board also continually works, with the input of the Company’s senior management, to assess and analyze the most likely areas of future risk for the Company. We believe that the Board’s leadership structure, including strong Board Committee Chairs and open communication between senior management and Directors, promotes effective oversight of Versar’s risk management program.

Committees of the Board of Directors

The Board of Directors of Versar has standing Executive, Audit, Compensation and Nominating & Governance Committees.

***Executive Committee.*** During fiscal year 2014, the members of the Executive Committee were Mr. Otten (Chair), Dr. Durfee, Ms. Hoeber, Mr. Hoepfer and Mr. Wagonhurst. The primary duty of the Executive Committee is to act in the Board's stead when the Board is not in session, during which time the Committee possesses all the powers of the Board in the management of the business and affairs of the Company, except to undertake any action that pursuant to applicable law, regulation or listing standard, must be performed by the full Board or by another committee of the Board or which cannot be delegated to a committee of the Board.

## CORPORATE GOVERNANCE

***Audit Committee.*** The Audit Committee, which the Board has determined is composed exclusively of non-employee directors who are independent, as defined by the NYSE MKT LLC (“NYSE MKT”) listing standards and the rules and regulations of the SEC, consisted of Mr. Gallagher (Chair), Ms. Ruth Dreessen (who is not standing for reelection at the Annual Meeting), Dr. Durfee and Mr. Hoepfer during fiscal year 2014. The Committee’s primary responsibilities, pursuant to a written charter, which is posted on the Company’s website at [www.versar.com](http://www.versar.com) under Corporate Governance (located under the “Investors” tab), are to provide oversight of the Company’s accounting and financial controls, review the scope of and procedures to be used in the annual audit, review the financial statements and results of the annual audit, and retain, and evaluate the performance of, the independent accountants and the Company’s financial and accounting personnel. The Board of Directors has determined that Mr. Hoepfer qualifies as an Audit Committee Financial Expert as such term is defined under Item 407(d)(5) of Regulation S-K and is independent as noted above.

***Compensation Committee.*** The Compensation Committee, which the Board has determined is composed exclusively of non-employee directors who are independent, as defined by the NYSE MKT listing standards and the rules and regulations of the SEC, consisted of Dr. Metry (Chair), Ms. Dreessen, Dr. Durfee and Ms. Hoerber during fiscal year 2014. The Committee, pursuant to a written charter, which is posted on the Company’s website at [www.versar.com](http://www.versar.com) under Corporate Governance (located under the “Investors” tab), among other things, approves goals and objectives related to executive compensation, reviews and adjusts compensation paid to the CEO and all executive officers, and administers the Company’s incentive compensation plans, including cash bonus and non-equity incentive plan compensation, restricted stock and restricted stock units granted under those plans. The Committee also reviews and recommends to the Board an appropriate compensation program for the Board. The role of executive officers of the Company in determining or recommending the amount or form of executive compensation is discussed under the caption “Compensation Discussion and Analysis” beginning on page 16. The Committee has also delegated limited authority to the CEO to determine the compensation arrangements for some of our non-executive officers.

***Nominating & Governance Committee.*** The Nominating & Governance Committee, which the Board has determined is composed exclusively of non-employee directors who are independent in accordance with NYSE MKT listing standards, consisted of Ms. Hoerber (Chair), Mr. Gallagher, Mr. Hoepfer and Dr. Metry during fiscal year 2014. The Committee, pursuant to a written charter, which is posted on the Company’s website at [www.versar.com](http://www.versar.com) under Corporate Governance (located under the “Investors” tab), among other things, reviews and approves Board committee charters, conducts assessments of Board performance, develops criteria for Board membership and proposes Board members who meet such criteria for annual election. The Committee also identifies potential Board members to fill vacancies that may occur between annual stockholder meetings. Stockholders may submit nominees for the Board in writing to the Chair of the Nominating & Governance Committee at the Company’s Springfield office, care of the Company’s Secretary. The Committee also develops and implements corporate governance principles and policies.

Board and Committee Meetings; Annual Meeting Attendance

During fiscal year 2014, the Board met five (5) times. The Executive Committee did not meet. The Audit Committee met five (5) times. The Compensation Committee met five (5) times. The Nominating & Governance Committee met two (2) times. All Directors of the Company attended at least 75% of all meetings of the Board and committees on which they served. The Company does not have a policy requiring Board Members to attend the annual meeting of Stockholders. All Board members attended the 2013 Annual Meeting of the Stockholders.

**Compensation Committee Interlocks and Insider Participation**

During fiscal year 2014, Dr. Metry, Ms. Dreessen, Dr. Durfee and Ms. Hoerber served as members of the Compensation Committee. No reportable relationships or transactions occurred for such committee members during fiscal year 2014.

**CORPORATE GOVERNANCE**

## Director Compensation Fiscal Year 2014

During fiscal year 2014, each of the Company's non-employee Directors received an annual fee consisting of \$8,000 in cash, plus the grant of 7,500 shares of restricted stock, all of which vest over a one year period. Each non-employee Director was paid an attendance fee of \$1,400 in cash for each meeting of the Board or of its committees for which the Director was physically present and \$700 in cash for each meeting attended telephonically. In addition, the Chairs of the Audit, Compensation and Nominating & Governance Committees were paid an additional \$6,000 a year in cash as compensation for increased responsibility and work required in connection with those positions. The non-employee Chairman of the Board was paid an additional \$15,000 in cash and was granted an additional 5,000 shares of restricted stock for additional responsibilities and efforts on behalf of the Company.

Name (1)	Fees Earned or Paid in Cash (\$) (2)	Stock Awards (\$ (3)	Total (\$)
Paul J. Hoeper	38,400	64,250	102,650
Ruth I. Dreessen	25,500	38,550	64,050
Robert L. Durfee	26,200	38,550	64,750
James L. Gallagher	29,400	38,550	67,950
Amoretta M. Hoerber	29,400	38,550	67,950
Amir A. Metry	29,400	38,550	67,950

Anthony L. Otten and Jeffrey A. Wagonhurst are not included in this table because as employees of Versar, they (1) receive no extra compensation for their service as Directors. Their compensation for fiscal year 2014 is shown on the Summary Compensation Table included herein on page 24.